The Heritage Foundation Backgrounder

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# SAVING $111 BILLION: HOW TO DO IT

## PART 3, HUMAN SERVICES PROGRAMS

INTRODUCTION

Ronald Reagan is accused of hurting the needy by dismantling the massive spending programs of "The Great Society." No doubt the chorus of these indictments will rise if the President's 1984 budget cuts domestic spending without improving services. Yet it is possible to upgrade service to the needy while reducing the cost to the taxpayer. To achieve this, The Heritage Foundation suggests a fundamental restructuring of the method by which the federal government provides its needy with income security and human services. The net result of such changes would save nearly $44 billion--with generally improved services. How to achieve this is detailed below, in Part Three of this analysis of the 1984 federal budget. Part One proposed changes in defense and natural resources programs that would slash the deficit by $15 billion. Part Two's proposals for transportation, regional development and debt servicing would cut the deficit an additional $52 billion. In all, recommendations by Heritage economists would shrink the deficit by $111 billion.

Charges that the President is dismantling health and human services programs are unfounded. Non-defense expenditures increased more than 9 percent in 1982, including 11 percent increases in Health and Human Services and a 12 percent increase in Social Security, both more than doubling the 5 percent climb in consumer prices. Even food stamps, a primary target for conservatives, has increased 10 percent over the Carter years.

The President is correct in his underlying assumption that the growth in entitlements and human service programs is responsible for the bloated federal budget. While John Kennedy's 1962 budget allocated 5 percent of the national GNP to the federal provision of health and human services, now 12 percent of GNP is devoted to such programs. Not only is Washington spending 240

*Note: Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.*

percent more on human services, but in some programs appears to have done more harm than good by crowding out locally sensitive and efficient organizations.

The choice is not between low federal budget or high services. There are other options. Local governments can use the private and non-profit sectors to deliver more services at less cost. Rather than have the federal government minister to the needy through government sponsored and administered entities, states could target needy individuals and provide them with vouchers, or similar purchasing mechanisms. These would be redeemable for the services now received from the government. In the short run, existing public organizations no doubt would be the recipients of these consumer vouchers. But private organizations would soon grasp the opportunity to provide services; such competition would ensure that the services would improve and the costs drop. In addition, opening up the welfare industry to private alternatives would make services more sensitive to the needs of people.

Some current social services aid those hardly in need of help from the taxpayers. The Guaranteed Student Loan program, for instance, provides billions of dollars in low interest subsidized loans to middle and higher income families and in the process indirectly finances home mortgages and fancy autos. By restructuring the interest rates and payment schedules of the loans, the federal government can eliminate the incentive of these students to obtain "cheap money" and still satisfy those who need the loans to finance their education.

In the following analysis, the programs are listed by subfunction number, the form in which the President and the Congressional Budget Committees submit their proposals to Congress. Under each program are three figures--estimated outlays for 1983, 1984 and the economists' recommendation for 1984. The first two figures are based, whereever possible, on the Congressional Budget Office's (CBO) July 1982 baseline outlays, so they represent the authorized expenditures if there were no policy changes. The difference between 1984 CBO baseline and our recommendation is shown as the possible saving.

At the conclusion of each paper, the programs are also grouped by appropriation committee, to permit cross-reference.

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(500) EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

(501) STATE EDUCATION BLOCK GRANTS
(Outlays in millions of dollars)

| 1983 | 1984 | Heritage Foundation |
|---|---|---|
| 483 | 548 | 0 |

Possible Savings: $548 million.

This block grant combines more than forty authorized categorical programs. Much of the present funding is being used to purchase computers and for other discretionary local projects. Funding local educational projects is not a federal responsibility. The grants should be discontinued.

(501) INDIAN EDUCATION
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 314 | 291 | 200 |

Possible Savings: $91 million.

Program Description: The Bureau of Indian Affairs provides support for the education of Indian children by directly operating 200 elementary and secondary schools, supporting tribally operated schools and providing financial assistance to public schools serving Indian children. BIA also assists adult Indians by giving direct financial support to tribally operated post-secondary institutions. These programs arise from numerous laws and treaties passed since 1819.

Program Change: The states with Indian populations do not need federal support to supply a quality education. Example: The nation's richest state, Alaska, is a primary benefactor of the program. Federal funding should be phased out over three years and responsibility assumed by the states.

(501) SCHOOL ASSISTANCE IN AFFECTED AREAS (IMPACT AID)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 558 | 499 | 277 |

Possible Savings: $222 million.

Program Description: Under the provisions of the Impact Aid program, the federal government compensates school districts for property tax revenues lost because students live on, or their parents work on, federal property. The Administration maintains that these provisions are too loose and tend to overcompensate school districts. The program was founded during World War II to relieve sudden fiscal pressure on schools where enrollment was sharply increased by the influx of children of thousands of relocated military personnel. Some school districts that benefit the most are among the wealthiest, such as Fairfax County, Virginia, and Montgomery County, Maryland.

Program Change. The Administration has proposed that compensatory funds be provided only if a student lives on and his parents work on federal property. This proposal is a good example of a prudent economy and should be adopted.

(501) EDUCATION FOR THE DISADVANTAGED
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 2,965 | 3,140 | 1,900 |

Possible Savings: $1,240 million.

Program Description: The largest share of funds for elementary and secondary education is distributed to states and localities for supplementary education services--such as remedial classes in reading and mathematics--for poor achievers from lower income families. The program now serves 4.3 million students in 13,800 school districts, or more than 15 percent of the elementary school population. Funds are distributed to school districts with high proportions of low income students, but schools have considerable discretion in how they spend the money. As a consequence, the program is very poorly targeted. Only 40 percent of those who currently receive program aid are from AFDC families.[1]

Program Change: Since less than 9 percent of the total student population is both low achievers and from an AFDC family, the federal government could reduce funding 40 percent if it were to limit funding to reflect only low achieving poor students, as the original legislation intended. Therefore, the block grant should be cut 40 percent; states should be allowed to focus on low income, low achievers. States should explore ways of encouraging the private sector to provide the special education. Perhaps states could give poor students vouchers to be used at public or private schools or for the tutor of their choice. Several studies indicate that the same level of special services could be maintained at two-thirds the cost of the present publicly provided system. These measures allow for more low-income students to receive better services than they do currently.

(501) VOCATIONAL AND ADULT EDUCATION
(Outlays in million of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 799 | 842 | 375 |

Possible Savings: $467 million.

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1 "Study of the Sustaining Effects of Compensatory Education or Basic Skills," prepared for the Office of Planning, Budget, and Evaluation of the Department of Education by Secima Research, January 1978.

Program Description: Vocational training grants assist in funding a variety of vocational educational activities in high schools and technical schools. The funds go to school districts according to a population-based formula. Adult education provides continuing education opportunities to those without a high school degree. More than 90 percent of current funds are directed towards vocational education. Federal funding accounts for about 10 percent of national vocational education funding.

Program Change: Vocational and adult education are traditionally the province of the state, local and private sectors. Federal funding is often misdirected. Much of the money at the high school level is spent on courses that develop students' hobbies rather than job skills. At higher levels, government programs may create more skilled labor, but often the new skills and job opportunities are mismatched. Private organizations and corporations are better suited to developing vocational programs to serve the needs of all concerned. A good example of creative public/ private cooperation is in Denver, Colorado. A community college, private corporations and the state of Colorado government have combined their funding and talents to train severely handicapped people to take jobs as electrical assemblers. These handicapped individuals will be paid $8.50 an hour in jobs provided by the corporations. The alternative was a state and federally sponsored program that would pay the handicapped 10¢ an hour for "make work" and require the state to support them at a cost of $25,000 a year. Innovative state programs can be tailored far more accurately to local needs than can federal approaches.

Secondary school vocational funds should be phased out over three years. Adult education funds should be trimmed 10 percent to reflect overall budget austerity. Other vocational funds should be cut significantly and redirected as seed money to innovative private organizations developing programs targeting disadvantaged and handicapped workers.

(501) BILINGUAL EDUCATION
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 140 | 140 | 0 |

Possible Savings: $140 million.

Program Description: This program is intended to assist students limited in English to acquire such proficiency in order to function in a regular classroom. The federal government gives grants to project directors, largely in the Hispanic Southwest, who manage these programs. In fact, however, the education of many children is being delayed as they are instructed solely in their native language. Many ethnic leaders fear that this will inhibit their integration into mainstream society and impair future job opportunities. There also have been allegations of kickbacks, abuse, and waste by former program administrators.

Program Change: According to Department of Education studies,[2] the program actually retards the education of more children than it helps, while great sums are lost to overhead and abuse. The program should be terminated.

(501) EDUCATION FOR THE HANDICAPPED
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 1,125 | 1,143 | 810 |

Possible Savings: $333 million.

Program Description: Federal financing is distributed through states to educate the handicapped children in the "least restrictive" method. The money is given to school districts based on the number of handicapped students in the state. Though the number of students served has increased only 15 percent since 1977, total federal funding has increased 375 percent.

Many state and local educators feel the stipulations and demands of the program are too restrictive and encourage excessive spending. For instance, the law insists that states provide appropriate public education to all handicapped children, at no cost to parents, in the most normal and least restrictive environment that meets the child's needs. To identify these needs, a multi-disciplinary team must evaluate the child. The child's parents are involved in developing the program and they can challenge any decision.

Program Change: There is no contesting the worthy ends of the program, and it is essential that parents have control over their children's education. However, the present structure is overly expensive because there is little incentive to find the most efficient method of meeting the objective. The Comptroller of New York City, for instance, found that the cost per pupil of educating severely handicapped students in public schools was $6,196, compared to only $4,370 in private schools. This study implies that, in New York City at least, the handicapped program could provide the same services in the private sector at 60 percent of the cost.

Savings of at least 10 percent could be effected without changing service levels merely by allowing the states more discretion in choosing the most efficient providers and by reducing the regulation that inhibits creative local services. But major savings and, more importantly, real benefits could be reaped by

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2 Keith Baker and Adriana Dekanter, "Effectiveness of Bilingual Education; A Review of the Literature" (Washington, D.C.: Office of Technical and Analytic Systems, U.S. Department of Education, September 24, 1981).

providing parents with vouchers equivalent to the typical private cost of their child's education. Parents would be encouraged to place their children in private facilities where, for a lower public cost, their child can receive significantly better care.

Federal grants should be reduced to reflect these savings. By reducing the program 40 percent over two years, the federal government will pressure states to adopt those budget saving measures.

(502) HOWARD UNIVERSITY
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 145 | 145 | 100 |

Possible Savings: $45 million.

Program Description: Howard University is a private minority school in Washington, D.C., with an enrollment of 12,000 students. The present subsidy covers about 33 percent of the school's expenses and represents a subsidy of more than $12,000 per student.

Program Change: Howard should not be singled out for federal funds. Funding should be phased out over three years.

(502) HIGHER AND CONTINUING EDUCATION
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 404 | 420 | 270 |

Possible Savings: $150 million

Program Description: The program provides funds for special programs for the disadvantaged, program development for cooperative work-study education and foreign language studies, graduate support, special endowments, and law related education.

Program Change: The special program for the disadvantaged is loosely defined and redundant, given the existence of similiar federal programs. The federal government should not be funding a student's work experience unless the purpose of the work is to contribute to the cost of the education. Neither should the federal government be funding specialized study in academic disciplines such as foreign languages and law. The Administration has already proposed reasonable cuts in these programs, and these should be enacted.

(502) STUDENT FINANCIAL ASSISTANCE
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 3,600 | 3,834 | 400 |

Possible Savings: $3,434 million.

Program Description: This group of programs provides grants and loans for low income students,[3] and for the College Work Study program which allows students to work at low paying, on-campus jobs, or for nonprofit organizations to pay for their education. Because many of these jobs would only be available at below the minimum wage, the federal government provides the difference in the form of a subsidy.

There are many problems with student aid as currently designed. More than 50 percent of the postsecondary students are subsidized by the federal government; it is not uncommon to find students receiving funds from several different sources that bring their total grants above the level originally intended by Congress. Demographic patterns also suggest that cuts could be made because there will be fewer college students in the 1980s. Furthermore, according to a 1981 GAO study, some colleges are inflating tuition costs merely to obtain federal funds and retaining failing students on their records to continue receiving government subsidies.[4] Finally, nearly 1,000 proprietary schools, for such trades as hairdressing, disc jockey, beauty and bartenders, qualify for federal government funds. While vocational training is to be applauded, it is by no means clear that many of these schools provide any valuable educational benefits to students and are merely a hidden subsidy to industries that should be providing the training.

Program Change: All these programs, except for college work study, should be terminated and the Guaranteed Student Loan (GSL) program should be restructured to allow more and better access by low-income students, on the grounds that any student receiving a college degree should be able to pay back a loan. Only the College Work Study program should be retained at its current level, since it is a program that requires the student to make a tangible contribution towards his education.

(502) GUARANTEED STUDENT LOAN INSURANCE (GSL)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 3,903 | 4,345 | 345 |

Possible Savings: $1,000 million.

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3 Under present guidelines, students can qualify for Pell Grants and Direct Loans if their family's income is below $25,000.

4 General Accounting Office, "Students Receiving Federal Aid are Not Making Satisfactory Progress; Proper Standards are Needed," HRO 82-15, December 3, 1981.

Program Description: GSL is probably the most controversial of the student aid programs because, until recently, it provided loans of up to $2,500 per year ($5,000 for graduate students) to any student, at interest rates of less than half the market level. GSL rates have since been increased while market rates have dropped and some income restraints have also been instituted. Nevertheless, the burden of the GSL is still growing and a default rate of more than 17 percent has led to bad debts of more than $800 million. The program operates as follows: Students can now obtain loans through their financial institution at 9 percent simple interest. Since payments do not begin until six months after graduation, the federal government pays the financial institution a guaranteed rate of the Treasury (T) bill rate plus three and one-half points while the student is in school. This subsidy costs about $1 billion per year. Since GSL rates are usually lower than the federal payment to institutions, a subsidy of approximately $1.5 billion per year is provided even for students paying back their loans.

Program Change: GSL could be amended to increase the number and amounts of loans to low-income students while reducing the total amount of loans and funds provided each year. This could be achieved by:

1. Eliminating overcompensation of the banks. Since their loans are guaranteed, they are virtually the same as T-bills. Therefore, the rates paid to banks could be reduced from T-bill plus three and one-half points to T-bill plus two and one-half points.

2. Increasing the rate paid by students from nine points to T-bill plus two and one-half points. This would balance the government's cost of borrowing with receipts from loan repayments. More importantly, it reduces the federal subsidy and discourages students from obtaining unnecessary loans.

3. Requiring middle and high income students to begin paying interest on their loans as soon as they draw them. This would also reduce the cost of the loan to the government and would force the student to recognize that the funds are a loan and not a grant. This step would reduce the in-school subsidy.

4. Requiring students to maintain a C average grade to continue receiving funds. According to a GAO study, 20 percent of aid recipients are academically deficient. This resulted in overpayments of $1.28 million.[5]

5. Encouraging low-income students to seek loans.

   a) Students with family incomes below $10,000 should be able to defer interest payments until six months after they complete school, as they may do currently.

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[5] Ibid.

b) The maximum loan to students with family incomes below $20,000 should be increased to $5,000 per year and all other student grant and loan programs (i.e., Pell Grants, NDSL, State Supplements and State Incentives) should be terminated. This would encourage banks to loan funds to low income students. (Since it costs the same to process a $5,000 loan as a $25,000 loan, bank profits would be greater on these "low income" loans.) Higher maximum loans would allow students to finance their education completely with loans.

(502) STUDENT LOAN DEBTS

Bad Debts - $2,000 million
Collection Revenue $1,000 million

Possible Savings: $1,000 million.

Program Description: Nearly $2 billion in various student loans are outstanding. Many of these loans are collectable--a surprisingly high proportion of the debts belong to Ivy League graduates and professionals including highly-paid doctors and federal government employees.

Program Change: The government should get out of the loan collection business by selling off the debts to private companies which are better suited to the task. If private companies can expect to collect on 75 percent of the loans (typically, the collection rate for consumer loans is 90 percent), the value of the GSL bad debt account on the open market should approach $1.5 billion. The federal government should begin the contracting-out process immediately.

(503) NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 366 | 301 | 244 |

Possible Savings: $57 million.

Program Description: The National Endowments provide public funding for an array of private cultural activities enjoyed mainly by middle and higher income households.

Program Change: Spending public funds for programs benefiting upper income households is very questionable. The arts is an area in which private funding is deeply entrenched and most likely to compensate for cuts. Therefore, in 1984, the program should be cut 33 percent below 1983 levels and phased out over the next two years.

(503) CORPORATION FOR PUBLIC BROADCASTING (CPB)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 137 | 106 | 58 |

Possible Savings: $48 million.

Program Description: CPB disperses federal aid to more than 200 public radio stations and 150 public television stations for program production or acquisition.

Program Change: The average-income taxpayer should not be required to support public radio and television entertainment for an audience which,-surveys show, is wealthier and better educated than the general population. Donations from private subscribers, corporations and private foundations increased significantly. Stations should run advertisements or announcements to cover the cost of programming. Recent experience has also shown that public broadcasting stations can establish lucrative, for-profit spinoffs to enhance their revenues--such as making commercial programs for other stations. Funding should be phased out over two years.

(503) NATIONAL TELECOMMUNICATIONS AND INFORMATION ADMINISTRATION --PUBLIC TELECOMMUNICATIONS FACILITIES, PLANNING AND CONSTRUCTION
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 25 | 17 | 0 |

Possible Savings: $17 million.

Program Description: The public telecommunications facilities program provides grants for the planning and the construction of noncommercial telecommunications facilities to help in starting up new facilities and extending the delivery of public telecommunications services. The program provides "seed money" to applicants demonstrating sufficient local interest and emphasizes user support for long-range operation and upgrading of these facilities.

Program Change: As with other programs of this nature, those who benefit from services should pay for them. This program should be abolished.

(503) WOMEN'S EDUCATIONAL EQUITY PROGRAM
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 4 | 4 | 0 |

Possible Savings: $4 million.

Program Description: This program provides for projects and research to promote equity in women's education.

Program Change: It should be terminated. There exist many private sector programs to accomplish the program's stated purpose.

(504) WORK INCENTIVES (WIN)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 262 | 284 | 0 |

Possible Savings: $284 million.

Program Description: Under WIN, AFDC mothers with children at least three years old register with state agencies which provide job training and placement assistance. According to a recent GAO study, the apparent success of the program is in fact due to the practice among many state agencies of concentrating their resources on the more educated and skilled clients. The study notes that 70 percent of those WIN participants who entered unsubsidized employment in 1980 reportedly found their own jobs.[6] The program thus is redundant and its goals are achieved by a host of other government services, including the recently enacted job training program.

Program Change: The program should be terminated.

(505) EMPLOYMENT STANDARDS ADMINISTRATION (ESA)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 158 | 162 | 0 |

Possible Savings: $162 million

Program Description: ESA enforces the minimum wage and other related laws, such as Davis-Bacon.

Program Change. Much of the legislation administered by the ESA creates unemployment by increasing the paperwork and labor costs of business. The government should not, in any case, limit the economic freedom of individuals by regulating wages. The ESA should be eliminated. Breaches of the law should be handled by the courts.

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6 General Accounting Office, "An Overview of the WIN Program, Its Objectives, Accomplishments, and Problems," HRD-82-55, June 21, 1982, p. 35.

(505) FEDERAL MEDIATION AND CONCILIATION SERVICE
NATIONAL LABOR RELATIONS BOARD
NATIONAL MEDIATION BOARD
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 156 | 156 | 0 |

Possible Savings: $156 million.

Program Description: FMCS assists parties involved in collective bargaining to settle disputes through conciliation and mediation. NLRB seeks to ensure that parties bargain in good faith. NMB mediates disputes over wages, hours, and working conditions for some 650 rail and air carriers, and approximately 800,000 employees in the industries.

Program Change: All three agencies tie the federal government to the collective bargaining process. Employers and unions should be free to bargain without interference from the government and to use private mediation or arbitration services. If either violates the law in a labor dispute, they should be liable to the normal judicial process. All three agencies should be eliminated.

(506) HUMAN DEVELOPMENT SERVICES (HDS)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 2,828 | 2,889 | 2,600 |

Possible Savings: $289 million.

Program Description: HDS funds dozens of social services, including Headstart, child abuse programs, meals for the elderly and assistance for runaways. Most of these programs are more appropriately the province of voluntary organizations or state and local governments. Federal funding tends to inflate the program cost, crowd out voluntary alternatives and restrict innovation because of excessive red tape. The Administration estimates that some HDS programs can be cut by 10 percent without losing any effectiveness, especially if local governments are given more discretion in their use of funds.

Program Change: The Administration requested only a 6 percent cut in 1983 and no cut at all for the Headstart program. Given that many of these programs already rely heavily on non-federal support (runaway programs, for instance, receive only 20 percent of their funding from the federal government), these small cuts should not have significant adverse effects on the recipients. Increasingly, there are examples of private organizations developing to accomplish the same ends as HDS.[7] The program should be cut by 10 percent and states given more flexibility to accomplish their goals.

(506) COMMUNITY SERVICES BLOCK GRANTS (CSBG)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 300 | 361 | 0 |

Possible Savings: $361 million.

Program Description: The CSBG combines a dozen of Lyndon Johnson's "War on Poverty" programs. With the catch-all purpose of "alleviating the causes of poverty," it is no wonder that these state administered programs have no clear bounds or consistency and have been made largely redundant by other programs, such as the Social Services Grant. Among the many activities financed in part by the CSBG are job training, waste-water treatment, emergency foodstuffs and day care.

Program Change: Many of these services are provided by the private sector. Typical are the massive food giveaways in Pontiac, Michigan, and Los Angeles in December 1982, and the number of small private day-care centers that thrive despite government regulations that inflate their costs and restrict their numbers. Since the grant is largely redundant, it can be cut substantially without adverse effects. In fact, with the existence of so many other programs which accomplish the same objectives, Congress should terminate the CSBG, and press states to simplify occupational licensing that inhibits voluntary associations meeting service needs.

(550) TAXING A PORTION OF MEDICAL BENEFITS
(Tax expenditures* in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 16,380 | 17,895 | 13,095 |

Possible Savings: $4,800 million.

Program Description: Employers are now permitted to deduct contributions to employee health insurance plans without limits, while employees pay no tax on any group insurance premiums paid for them by their employers. This exclusion has led to overinsur-

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7 See Jack A. Meyer, ed., Meeting Human Needs: Toward a New Public Philisophy (Washington, D.C.: American Enterprise Institute, 1982).

* Tax expenditures represent the amount of income foregone by the Treasury on a particular tax exemption. For instance, the Treasury lost $17,895 million in 1984 due to this exemption. Under the Heritage Foundation plan the Treasury would only lost $13,095 million in 1984.

ance and has encouraged expensive first-dollar coverage. This effectively eliminates price as a variable in the use of health care services and is an important factor to the rapidly rising health care prices.

Program Change: The tax exempt limit for group medical insurance premiums provided by an employer should be set at $1,800. This would encourage employers to offer less comprehensive plans, thereby encouraging greater cost-sharing, leading to a reduction in health care expenditures. It would not entail a reduction in coverage for those with contributions below the ceiling--indeed, the moderating effect on medical costs achieved by the reform would ease the burden on lower-income families.

(551) MEDICARE
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 50,950 | 56,284 | 54,584 |

Possible Savings: $1700 million.

Program Description: Medicare was established in 1965 under Title XVIII of the Social Security Act. It helps pay the medical care costs of the elderly (65 and over) and disabled, as well as persons with end-stage renal diseases. The program has two parts. The first is hospital insurance, which is financed from payroll taxes and covers inpatient hospital services, skilled nursing facility services and home health services. The second part is Supplementary Medical Insurance, which is financed from general revenues and the premium payments by beneficiaries. This part includes outpatient hospital services, physician's services, diagnostic tests, home health services and certain other health services.

One of the principal causes of escalating health care costs has been the increasing tendency for third parties, such as federal or private group insurance plans, to pay all or nearly all of a patient's medical expenses. About 90 percent of hospital bills, and 60 percent of medical expenses in general, are paid by someone other than the patient. Third-party payments inflate the demand for health care because covered patients perceive such services as being free. This not only drives up the price of medical care, but also results in vast inefficiencies by encouraging people to use health care services beyond a level commensurate with costs. Moreover, providers of health care have every incentive to prescribe unnecessary care, because they know that it often is costless to the consumer and physicians will be rewarded with greater revenues. As a result, excessive costs are imposed upon taxpayers and private purchasers of insurance.

Program Change: Cost-sharing should be increased under Medicare for a saving of $1.4 billion. Part A of Medicare covers all inpatient hospital services for the first 60 days of hospitalization after an annual deductible ($260 in 1982). It neither requires cost-sharing by the beneficiary nor does it limit the total costs that can be incurred. Co-insurance is only made with the 61st day.

Cost-sharing would also provide some incentive to minimize routine hospitalization. Co-payments should be imposed immediately after paying a small deductible. They could be set at 10 percent of the average daily cost, resulting in a $26 co-payment in 1982, for days 2 through 31.

A prospective-payment system should be established for Medicare to save another $300 million. This would give hospitals a fixed payment for each type of disease treated, as it would replace the current fee-for-service schedules which reimburse doctors for all "reasonable, customary and prevailing" charges. The present system rewards doctors and hospitals providing the greatest number of services to keep the patient in the hospital the longest, without necessarily doing so by increasing the quality of care. It also rewards inefficiency and penalizes economy. HHS is currently considering prospective reimbursement for hospitals, but this should be expanded to doctor's offices as well.

(552) NATIONAL INSTITUTES OF HEALTH (NIH)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 4,000 | 4,400 | 4,000 |

Possible Savings: $400 million.

Program Description: This program consists of sixteen appropriations to support biomedical research grants to schools and institutions. The government currently finances 60 to 70 percent of all research in such areas as cancer, heart disease and aging.

Program Change: Several cost-saving measures were recommended by the Administration in 1982 and not adopted. These included a cap of 5,000 on the total number of grants awarded, a 10 percent across-the-board cut in the allocations to overhead payments to schools, and a reduction in the number of clinical trials. There is clearly room for cost reductions. With increases in government funding, indirect overhead in these research projects has risen from 15 to 30 percent of total costs in the last eighteen years. It is therefore reasonable to expect grantees to be more economical. Cutting indirect costs would cut only 3 percent of the total funds given to grantees, yet save $110 million without sacrificing effectiveness. The program should continue to be funded at 1983 levels.

(552) ALCOHOL, DRUG ABUSE, AND MENTAL HEALTH
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 768 | 768 | 720 |

Possible Savings: $48 million.

Program Description: This program supports a variety of research and educational activities on the subject of alcohol and drug abuse, in addition to studies and clinical trials. It funds halfway houses and neighborhood centers for mental health patients and runaways, provides social support education such as teaching patients how to use money and gain work habits, and supports training programs-for nurses and therapists.

Program Change: For the 1983 budget, the Administration proposed $30 million in cuts similar to those requested for NIH. Savings of $22 million could be achieved by requiring that grantees cut indirect costs by just 10 percent through improved efficiency and another $8 million by cutting back service demonstrations. Another $18 million can be saved by restricting subsidies to professionals and institutions in clinical training. There should be further emphasis on private sector rehabilitative foundations such as the Cenikor Foundation, which serves more than 300 people with alcohol, drug or legal problems in Denver, Houston and Fort Worth. Their three-year program is demonstrably successful in returning residents to a normal life and employment, and is funded totally by private donations.

(554) CONSUMER PRODUCT SAFETY COMMISSION (CPSC)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 34 | 35 | 0 |

Possible Savings: $35 million.

Program Description: The Consumer Product Safety Commission's mandate is "to protect the public from unreasonable risks of injury associated with the use of consumer products." This presents the Commission with an impossible task. Over 10,000 products and 1.2 million manufacturing, retailing, and importing firms fall under its purview. No single group of people, regardless of how well-meaning or how extensive their resources, can possibly be expected to do an adequate job of monitoring such a wide range of products and firms.

The CPSC has tried, however. In an attempt to identify those products representing an unreasonable risk, the Commission established the National Electronic Injury Surveillance System. NEISS collects data on accidental injury from 73 statistically selected hospital emergency rooms. Through this system, this year's top ten most dangerous product groups were identified. Among them were stairs, bicycles, baseballs, footballs, nails, screws, thumbtacks, chairs, sofas, skates, tables, glass doors, windows, and panels. Whether or not stairs, thumbtacks or skates can be made safer is not addressed and the cause of the injury is not always determined, i.e., whether harm was due to a product defect or a careless consumer.

Program Change: Given the great difficulty of its task and the questionable nature of it primary data source, it is not surprising that the CPSC has been somewhat less than successful. Its history provides one horror story after another--from matchbook regulations to bicycle standards to lawn mower and step ladder rulings. After consuming millions of taxpayer dollars and threatening targetted industries with substantially increased costs, many proposed regulations have proven so onerous that they have been overruled by the courts or Congress.

The basic weakness of an agency like the CPSC is that increased safety usually comes only with an increased price. That leads consumers to seek substitutes cheaper than the "safer" product. As a result, some consumers will do without, some will substitute another good, and some will continue to use older models of the improved product. Any of these actions can lead to different, possibly more serious, hazards.

The surest way to safer products is an informed public coupled with product liability laws. The U.S. has strict product liability laws. If there is a role for the federal government it is in the provision of information. The CPSC in its present form adds nothing but increased prices and reduced choices for consumers. As such it should be abolished.

(600) INCOME SECURITY

(601) TAXING PART OF SOCIAL SECURITY
(Tax Expenditures* millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 31,405 | 13,905 | 4,805 |

Possible Savings: $9,100 million.

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* Tax expenditures represent the amount of income "foregone" by the Treasury due to tax exemption. The Treasury claims that it lost $13,905 million in 1984 because Social Security payments were exempt from taxation. Under The Heritage Foundation plan, the Treasury would lose only $4,805 million in 1984.

Program Description: Contributors to Social Security pay income taxes on the part of their earnings subject to the Social Security payroll tax. The employer's contributions are considered business expenses and escape taxation.

Program Change: Responsible reform of the Social Security system requires an understanding that the system is part insurance and part welfare. Very basic short-term changes are needed to restore the integrity of the system in a way which is fair to both beneficiaries and taxpayers. Benefit cuts and payroll tax increases will not solve the system's real problems. A rational approach to rebuilding Social Security will require cooperation between the government and the private sector, with the government maintaining its responsibility for the welfare aspects of the program (albeit in a more efficient manner) and increased private sector participation in fulfilling the program's insurance function.[8]

If Congress chooses to delay true reform and adopts a band-aid approach to the problem, it can reduce benefits, raise taxes, change entitlement criteria or any combination of these. Most of these violate basic standards of fairness or efficiency, but if Congress wishes to enact a budget-reducing measure affecting Social Security, the least offensive short-term change would be to to tax all retirement benefits under Social Security in excess of employee contributions. This would put Social Security on the same footing as other retirement programs, both private pension plans and civil service retirment. The measure would have little, if any, impact on low income retirees since the tax code already has several provisions that take into account an individual's ability to pay, e.g., progressive tax rates, a zero-bracket amount, and a personal exemption that is doubled for those over 65.

(601) ELIMINATE WINDFALL SOCIAL SECURITY BENEFITS FOR NON-COVERED EMPLOYMENT

Possible Savings: $1,000 million.

Program Description: The current Social Security benefit formula allows workers who have spent many years in non-covered employment, such as retired federal workers, to receive disproportionately high Social Security benefits.

Program Change: Revise the benefit formula by taking into account other pension resources from non-covered employment.

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8 For The Heritage Foundation's proposals on Social Security reform, see Peter Ferrara, Social Security Reform: The Family Plan (Washington, D.C.: The Heritage Foundation, 1982), and Peter Germanis and John Palffy (eds.) Rebuilding Social Security (Washington, D.C.: The Heritage Foundation, 1982).

(602) FEDERAL EMPLOYEE RETIREMENT
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 21,941 | 23,330 | 18,730 |

Possible Savings: $4,600 million.

Program Description: Federal Employee Retirement systems have been unique among pension plans in the generosity of their adjustments so that annuities reflect cost of living increases. Civil service annuities are required by law to be adjusted by the full amount of any increase in the consumer price index. This is a benefit that only 3 percent of private plans offer. Further, with a retirement age of 55, the system encourages employees to retire at the peak of their careers. This not only results in lost output, but also bloats the future liabilities of the system.

Program Change: Several actions should be taken to bring the federal retirement system more in line with private sector systems.

1) Cost of living adjustments should be frozen for ten years.

2) Employee contributions should be raised from 7 to 12 percent to reflect payments made to Social Security.

3) The "high 3" should be raised to the "high 5." This principle means that annuities now paid are based on the average pay of the employee's three highest yearly earnings. This should be change so that his five highest paid years are averaged, as is the general policy in private plans.

4) The federal retirement ages should be raised from 55 to 62.

(604) HOUSING ASSISTANCE-SUBSIDIZED HOUSING PROGRAMS
(Authority level in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 18,450 | 19,400 | 14,400 |

Possible Savings: $5,000 million.

Program Description: The federal government subsidizes housing for low-income households through several programs. The government has entered into long-term commitments with landlords and local housing authorities to subsidize the rents for these low-income families. These commitments result in uncontrollable outlay increases in the long run. Additionally, the tenants' contributions are capped at 30 percent of household income, meaning that rentals due to the programs themselves fall solely on the federal government.

Many of the subsidies are tied to specific rental units, such as the Section 8 program, which restricts tenant choice in finding housing.

Program Change: The Administration proposed major changes for subsidized housing in 1982 that were designed to restructure the housing assistance programs. The principal changes were an elimination of Section 8 new construction and the phase-in of a housing voucher program. Under this program, the ceiling placed on rent charged by landlords would be lifted, and a fixed subsidy would go directly to the tenant. This would allow the tenant to shop around for the best available housing. The tenant would be allowed to retain all the savings in connection with finding housing that is rented below the established payment standard which is reflective of area rental costs.

Such a voucher system has many inherent benefits over the Section 8 Existing Housing Program. The Administration has estimated that under the existing program, rents for subsidized units exceeded the rental costs for private market rental units by 26 percent. Landlords have the incentive to raise rents to the maximum allowed by law, and the tenant has no incentive to bargain on his rents. Giving a fixed subsidy directly to the tenant would bring about a properly functioning rental market, while ensuring adequate housing for low-income people.

(605) FOOD AND NUTRITIONAL ASSISTANCE--SPECIAL MILK PROGRAM
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 31 | 32 | 0 |

Possible Savings: $32 million.

Program Description: The Special Milk program finances milk subsidies for students in schools that do not participate in other federally subsidized meal programs. Of the 1.6 million students who receive a subsidy of 9 cents per half pint of milk, nearly 90 percent come from non-needy families with incomes over $16,000 a year.

Program Change: The program's original goal, to promote fluid milk consumption in the schools, has been superseded by the large subsidies ($700 million in 1982) for milk consumption in other federal meal programs. Since the program subsidizes non-needy families able to afford the 9¢ more per half pint of milk, the subsidy could be terminated without affecting necessary milk consumption by students.

(605) FOOD AND NUTRITIONAL ASSISTANCE--FEEDING FOR WOMEN, INFANTS AND CHILDREN (WIC)
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 1,025 | 1,072 | 0* |

Possible Savings: $247 million.

Program Description: WIC is a state-administered grant to provide nutrition to pregnant and new mothers and to children under five years old who are certified "nutrition risks." Beneficiaries receive a form of food stamp restricted to certain "high nutrition" products. According to Department studies, the program has proven cost-effective in saving lives and reducing health care costs for mothers and children under two. But this has not been the case for two to five year olds.

Program Change: This program serves the same target population as the maternal and child health care grant. The Administration has proposed folding WIC into the block grant to reduce overlap and increase efficiency without harming the program beneficiaries. This should be adopted for FY 1984, realizing a savings of $250 million in the block grant for FY 1984.

(605) FOOD AND NUTRITIONAL ASSISTANCE--FOOD STAMP PROGRAM
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 11,045 | 12,261 | 9,196 |

Possible Savings: $3,065 million.

Program Description. The Food Stamp Program is the federal government's primary nutritional assistance program for low income households. As a means of alleviating hunger and malnutrition, the program has been a success. Unfortunately, it also epitomizes the problems of the present American welfare system. Congress has allowed the program to get out of control. Between 1970 and 1981, total outlays increased more than 19-fold, from $576 million to $11.2 billion. Since the number of recipients increased only five-fold, the average outlay per recipient increased from $133 to $508. One out of every ten Americans receives food stamps and two million households receive food stamps in addition to federally subsidized meals. Forty percent of all households receiving food stamps have incomes above the federal poverty level.

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* $775 million should be transferred to the maternal and child health care grant.

Program Change: The Food Stamp program has been amended many times in attempts to rid it of inconsistencies and loopholes. Waste and abuse have run rampant in this program. In 1982, the Administration requested that the states be held completely liable for errors by 1986, but Congress balked at this. More than $1 billion was wasted in 1981 due to excessive errors; clearly this cannot continue if the integrity of the program is to be maintained. States should be held accountable for all errors as soon as possible. Additionally, in-kind benefits such as housing subidies, energy assistance payments and Medicaid should be counted as income when determining eligibility and benefit levels to ensure that the total household resources are considered when distributing the stamps. Mandatory workfare and job search requirements should be strictly enforced and violators should be permanently barred from the program. The benefit reduction rate should be raised from the present 30 percent for each additional dollar of income to 33 percent, which studies show better reflects the amount of money spent on food. Monthly benefits of less than $10 per household should be eliminated, since it costs the federal government approximately $14 to process a monthly check regardless of its amount.

These suggested changes are but a first step in restructuring the food stamp program. A more comprehensive reform would be to allow the states to set up and administer their own nutritional assistance programs, or to give cash instead of stamps. The cash experiment was tried in Puerto Rico, where officials expected to save 25 percent through reduced fraud and overhead, but Congress terminated the experiment on the argument that there was no guarantee that the case would be used for food. However, these decisions are better left to individuals than to the federal government and if the cash is used for other purposes, it may suggest benefits are too high. Moreover, the fraud-wracked food stamp program certainly has not proven that the stamps are used only for nutritional purposes.

(605) FOOD AND NUTRITIONAL ASSISTANCE--CHILD NUTRITION
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 3,523 | 3,597 | 2,697 |

Possible Savings: $900 million.

Program Description: The Child Nutrition program is a composite of nine major programs, including the School Lunch program, School Breakfasts, Summer Meals, child care meals, and nutrition education. In addition to the federal role in child nutrition, the states and localities provide major services. Congress recently cut federal programs, but there is still a significant amount of waste due to duplication, fragmentation and administrative problems. Furthermore, many of the program benefits are not restricted merely to the poor; middle and upper income families are receiving subsidized meals.

Program Change: Last year, the CBO recommended establishing a block grant for these programs and reducing the funding level to 75 percent of the estimated outlays. This proposal should be adopted. Additionally, some of the nutrition programs should be dropped or altered by the states. For example, the GAO has reported that the summer meal program, which is not income tested, is riddled with abuse. Nutrition education is also a program which is better left in state and local hands. Consolidation of these programs into a block grant would reduce substantially duplication and administrative costs, while giving the states and localities more flexibility to design programs efficiently. Eliminating the subsidies to middle and upper income families and consolidation of the programs could reduce costs significantly without adversely affecting poor children.

- (609) LOW INCOME HOME ENERGY ASSISTANCE
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 1,875 | 1,875 | 1,300 |

Possible Savings: $575 million.

Program Description: This block grant provides funds to states according to predescribed formulas for the purpose of subsidizing the costs of fuel or energy weatherization for low income persons. The block contains several structural problems that contribute to its bloated budget. Because the funds are often processed through welfare agencies, some people receive funds where this inappropriate. For instance, a person receiving Medicare and living in an institution, or otherwise not paying utility bills, may receive funds. There is also some overlap with the AFDC utility grant. Finally, because cold weather regions receive more funds than warm weather regions, the program is a cross-regional welfare program.

Proposed Change: The federal government should cut back on regional subsidies by requiring states to assume more of these "welfare" costs. The cuts should be enacted.

(609) ESTABLISH MANDATORY COMMUNITY WORK EXPERIENCE PROGRAMS FOR AFDC
(Outlays in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 5,454 | 5,541 | 5,511 |

Possible Savings: $30 million.

Program Description: States currently have the option of establishing Community Work Experience Programs (CWEP), more commonly known as workfare programs,[9] to require employable individuals to work in return for their welfare benefits. Exceptions are made for the very old, the young, the disabled and mothers with very young children. They would be required to perform some public service for their community in exchange for their AFDC benefit. Only about half the states have taken advantage of this option.

Program Change: CWEP should be made mandatory in all states. This would defer some potential beneficiaries from enrolling and thus save $30 million.

(999) EXTRA PERSONAL EXEMPTION FOR THE ELDERLY
(Tax expenditures* in millions of dollars)

| 1983 | 1984 | HF |
|---|---|---|
| 2,370 | 2,375 | 0 |

Possible Savings: $2,375 million

The current federal tax system entitles persons 65 or older to an additional $1,000 personal exemption.

The provision was adopted in 1948 to help offset the presumed reduction in income usually experienced by the elderly. In fact, the exemption now serves little purpose, given the growth of Social Security. The exemption actually provides benefits inversely related to need. The lower a recipient's income the less valuable is the exemption. Consequently, 17 percent of the tax relief from this exemption goes to less than 8 percent of the elderly, with incomes over $50,000. Social Security provides sufficient assistance. The exemption should be terminated.

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9 See Peter Germanis, "Workfare: Breaking the Poverty Cycle," Heritage Foundation Backgrounder No. 195, July 9, 1982.

* Tax expenditures represent the amount of income "foregone" by the Treasury on a particular tax exemption. The Treasury claims that it lost $2,375 million in 1984 due to this exemption.

## SUMMARY

In this final installment of the analysis of the 1984 budget, $44 billion in possible savings have been identified in human service programs. This is not intended to be a complete account of possible cuts--additional savings can be accomplished. The savings proposed in this analysis will require decisive action by the Congress--but action which will be necessary if deficits are to be contained and the economy restored to soundness.

Part I of the analysis proposed savings of $15 billion from defense, international aid, energy, natural resources and agricultural supports. Part II targeted $52 billion in savings from transportation, economic development, and interests on the national debt.

John Palffy
Policy Analyst
With the assistance of
The Heritage Foundation's
Domestic Studies Staff

# SUMMARY OF PROGRAM CHANGES

| | Outlay Reductions ($ millions) | Revenue Increases ($ millions) |
|---|---|---|
| **FOREIGN OPERATIONS** | | |
| United Nations (151) | 507 | |
| Agency for International Development (151) | 60 | |
| Export-Import Bank (155) | 3,950 | |
| | 4,517 | |
| **DEPARTMENT OF AGRICULTURE** | | |
| P.L. 480 (151) | 835 | |
| Commodity Credit Corporation: Wool and Mohair Subsidy (351) | 48 | |
| Special Milk Program (605) | 32 | |
| Nutrition Assistance to Women, Children, and Infants | 297 | |
| Food Stamps (605) | 3,065 | |
| Child Nutrition (605) | 900 | |
| | 5,177 | |
| **DEPARTMENT OF THE TREASURY** | | |
| Federal Election Commission (806) | 10 | |
| Federal Retirement System (602) | 4,600 | |
| | 4,610 | |
| **DEPARTMENTS OF LABOR, HEALTH AND HUMAN SERVICES, AND EDUCATION** | | |
| NLRB (505) | 156 | |
| State Education Block Grants (501) | 548 | |
| Impact Aid (501) | 222 | |
| Compensatory Education for the Disadvantaged (501) | 1,240 | |
| Adult and Vocational Education (501) | 467 | |
| Bilingual Education (501) | 140 | |
| Education for the Handicapped (501) | 333 | |
| Howard University (501) | 45 | |
| Higher and Continuing Education (502) | 150 | |
| Student Financial Assistance (502) | 3,434 | |
| Guaranteed Student Loans (502) | 1,000 | |
| Student Loan Debts (502) | | 1,000 |
| Women's Education Equity Program (502) | 48 | |
| Corporation for Public Broadcasting (503) | | |
| Work Incentives (504) | 289 | |
| Employment Services Administration (505) | 162 | |
| Human Development Services (506) | 289 | |
| Community Service Block Grants (506) | 361 | |
| Tax Medical Insurance (550) | | 4,800 |
| Medicare (551) | 1,700 | |
| National Institutes of Health (552) | 400 | |
| Alcohol, Drug Abuse, and Mental Health (552) | 48 | |

| | Outlay Reductions ($ millions) | Revenue Increases ($ millions) |
|---|---|---|
| Social Security (601) | 1,000 | 9,100 |
| Low Income Energy Assistance (609) | 575 | |
| AFDC (609) | 30 | |
| | 12,641 | 14,900 |
| **DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT** | | |
| Urban Development Action Grants (451) | 537 | |
| Housing Assistance - Section 8 (604) | 5,000 | |
| Consumer Product Safety Commission (554) | 35 | |
| EPA: Salaries and Expenses (304) | 108 | |
| EPA: Research and Development (304) | 61 | |
| EPA: Abatement and Compliance (304) | 155 | |
| EPA: Construction Grants (304) | 560 | |
| General Revenue Sharing (801) | 4,894 | |
| Appalachian Regional Development (452) | 233 | |
| | 11,583 | |
| **DEPARTMENT OF DEFENSE** | | |
| Military Retirement (051) | 163 | |
| Military Procurement (051) | 3,250 | |
| Military Operation and Maintenance (051) | 10 | |
| Military Personnel (051) | 1,033 | |
| | 4,456 | |
| **DEPARTMENT OF ENERGY** | | |
| Gas Centrifuge Enrichment Plant (GCEP) (271) | 613 | |
| Clinch River Breeder Reactor (271) | 370 | |
| Fossil Energy Research and Development (271) | 428 | |
| Synfuel (271) | 38 | |
| Solar Energy Conservation (272) | 38 | |
| Energy Conservation (272) | 500 | |
| Energy Information Assistance (276) | 63 | |
| Economic Regulatory Administration (276) | 55 | |
| Energy Department Administration (276) | 60 | |
| Bureau of Reclamation Construction (302) | 99 | |
| Civil Corps of Engineers (301) | | 1,300 |
| | 2,264 | 1,300 |
| **DEPARTMENT OF THE INTERIOR** | | |
| Soil Conservation Service: Watershed and Flood Prevention (301) | 27 | |
| National Forest Service: Timber Sales (302) | 205 | |
| Abandoned Mine Reclamation (302) | 77 | |

| | Outlay Reductions ($ millions) | Revenue Increase ($ millions) |
|---|---|---|
| Urban Parks Recovery Program (303) | 31 | |
| Indian Education (501) | 91 | |
| Indian Affairs (452) | 70 | |
| National Foundation on the Arts and Humanities (503) | 57 | |
| Strategic Petroleum Reserve (274) | 365 | |
| | 923 | |
| **DEPARTMENT OF TRANSPORTATION** | | |
| Federal Aid to Highways (401) | 6,400 | |
| Interstate Transfer Grants (401) | 261 | |
| Urban Mass Transit (401) | 2,390 | |
| Interstate Commerce Commission (401) | 12 | |
| Washington Metro (401) | 295 | |
| AMTRAK (401) | 808 | |
| Aid to Alaska Railroad (401) | 11 | |
| Federal Highway Administration (401) | | 2,000 |
| Federal Railroad Administration (401) | 445 | |
| Civil Aeronautics Board (402) | 27 | |
| Federal Aviation Administration (402) | 275 | |
| Air Traffic Control (402) | 2,200 | |
| Coast Guard (403) | | 1,500 |
| | 13,124 | 3,500 |
| **DEPARTMENTS OF JUSTICE, COMMERCE, AND STATE** | | |
| Minority Business Development Administration (376) | 65 | |
| U.S. Travel Service Administration (376) | 7 | |
| Small Business Administration (376) | 225 | |
| Federal Communications Commission (376) | 8 | |
| Federal Trade Commission (376) | 13 | |
| Federal Maritime Commission (403) | 12 | |
| Ocean Subsidies (403) | 431 | |
| Economic Development Administration (452) | 268 | |
| Legal Services Corporation (752) | 269 | |
| Criminal Justice Assistance (754) | 74 | |
| National Telecommunications Information Administration (503) | 17 | |
| National Oceanic and Atmospheric Administration (306) | 20 | 200 |
| | 1,409 | 200 |
| **INTEREST** | | |
| Interest on the National Debt (901) | 24,000 | |
| Interest Savings from Reduced Deficit (901) | 1,650 | |
| Repeal of Davis-Bacon (999) | 2,800 | |
| Elderly Exemption (999) | | 2,375 |
| | 28,450 | 2,375 |