97th Congress
2d Session

COMMITTEE PRINT

CONGRESSIONAL ACTION ON THE FISCAL YEAR 1983 BUDGET: WHAT IT MEANS FOR OLDER AMERICANS

AN INFORMATION PAPER

PREPARED BY THE STAFF OF THE

SPECIAL COMMITTEE ON AGING UNITED STATES SENATE

NOVEMBER 1982

This document has been printed for information purposes. It does not offer findings or recommendations by this committee

U.S. GOVERNMENT PRINTING OFFICE

99-876 O WASHINGTON : 1982

SPECIAL COMMITTEE ON AGING

JOHN HEINZ, Pennsylvania, *Chairman*

PETE V. DOMENICI, New Mexico
CHARLES H. PERCY, Illinois
NANCY LANDON KASSEBAUM, Kansas
WILLIAM S. COHEN, Maine
LARRY PRESSLER, South Dakota
CHARLES E. GRASSLEY, Iowa
DAVID DURENBERGER, Minnesota
LAWTON CHILES, Florida
JOHN GLENN, Ohio
JOHN MELCHER, Montana
DAVID PRYOR, Arkansas
BILL BRADLEY, New Jersey
QUENTIN N. BURDICK, North Dakota
CHRISTOPHER J. DODD, Connecticut

JOHN C. ROTHER, *Staff Director and Chief Counsel*
E. BENTLEY LIPSCOMB, *Minority Staff Director*
ROBIN L. KROPF, *Chief Clerk*

CONTENTS

CONGRESSIONAL ACTION ON THE FISCAL YEAR 1983 BUDGET: WHAT IT MEANS FOR OLDER AMERICANS

INTRODUCTION

President Reagan submitted his fiscal year 1983 budget recommendations to the Congress on February 8, 1982. Following this submission, the staff of the Senate Special Committee on Aging prepared an information paper discussing those elements of the budget that would most directly affect older Americans.[1] Over the past 9 months Congress has considered these and other budget and legislative proposals. This informative paper provides an update on congressional action, including provisions of the first concurrent resolution on the budget, appropriations bills, the Omnibus Budget Reconciliation Act of 1982, and the Tax Equity and Fiscal Responsibility Act of 1982.

To the maximum extent possible, the staff has used the most recent estimates available from the Congressional Budget Office on savings achievable through adoption of various proposals and the cost of Federal programs in fiscal year 1983 if continued at their fiscal year 1982 level of activity (baseline).

INCOME MAINTENANCE

SOCIAL SECURITY

Under current law, the old-age and survivors insurance (OASI) program is expected to pay out $149 billion in benefits to 32 million retired workers, their dependents, and survivors in fiscal year 1983. The disability insurance (DI) program is expected to pay out $19 billion in benefits to 4.3 million disabled workers and their dependents. Total spending under current law for OASDI in fiscal year 1983, including administrative costs, is estimated to be $171.8 billion, an increase of 24 percent from actual fiscal year 1981 outlays of $138 billion. Increases in OASDI are attributable to an expanding population of beneficiaries, rising benefit amounts resulting from higher average earnings of retiring workers, and automatic cost-of-living adjustments (COLA's).

Social security (OASDI) is financed entirely by the payroll tax on employers, employees, and the self-employed. Under current law, revenues are projected to increase from $135 billion in fiscal year 1981 to $164 billion in fiscal year 1983, primarily as a result of the increase in the tax rate in 1982, and automatic increases in the amount of income subject to taxation. The maximum taxable wage base is expected to increase from $32,400 in 1982 to $35,100 in 1983.

[1] "The Proposed Fiscal Year 1983 Budget: What It Means for Older Americans," prepared by the staff of the Special Committee on Aging, U.S. Senate, March 1982.

Since 1975, OASI expenditures have exceeded receipts and the resulting deficits have reduced OASI trust fund reserves. Legislation enacted in 1981 included changes in the social security system to reduce outlays, increase revenues, and authorize borrowing among the three, separate social security trust funds. Interfund borrowing is limited to the amount necessary to enable OASI to pay benefits through June 1983. Thereafter, without further legislative changes, it is anticipated that OASI will be unable to pay benefits on time.

The administration's fiscal year 1983 budget did not include proposals to correct social security financing problems. Last December, when the President announced the appointment of a bipartisan National Commission on Social Security Reform, it was generally understood that there would be no action taken in the Congress to improve social security financing until the National Commission made its recommendations to the President at the end of 1982.

The administration budget did include a proposal to restructure the railroad retirement program which would have had an effect on social security outlays. Under the proposal, administration of the tier I social security related benefits would have been transferred from the Railroad Retirement Board to the Social Security Administration (SSA) on September 30, 1982. This transfer would have increased social security outlays by approximately $2 billion in fiscal year 1982 and by $1.3 billion in fiscal year 1983. Revenues to social security would have also increased, beginning in fiscal year 1983. In addition, the administration proposed four administrative changes in the DI program which would have saved about $60 million in fiscal year 1983. The administration has not yet sent legislation to the Congress for these proposals.

The first concurrent resolution on the budget did not assume enactment of any of the administration's proposals affecting the social security program. Subsequent congressional actions were consistent with budget resolution assumptions.

SOCIAL SECURITY

[Outlays in billions]

	Fiscal year—			
	1982	1983	1984	1985
Baseline [1]	$156.7	$171.8	$185.9	$198.7
Administration budget [2]	158.9	173.1	187.3	200.1
First budget resolution	156.7	171.8	185.9	198.7

[1] All estimates are based on CBO July 1982 economic assumptions.
[2] Outlay estimate assumes enactment of the administration's railroad retirement proposal.

Supplemental Security Income

Financed by Federal general revenues, supplemental security income (SSI) provides cash assistance to needy aged, blind, or disabled persons. The maximum Federal monthly payment since July 1982 is $284.30 for an eligible individual and $426.40 for an eligible couple. These amounts are automatically adjusted in July of each year to reflect increases in the cost of living. In addition, more than half of the States supplement the Federal payment with a payment that varies from State to State.

Currently, about 3.6 million persons receive Federal SSI payments. Another 472,000 have incomes too high to be eligible for Federal payments but receive federally administered State supplements. Of those receiving Federal payments, about 1.4 million recipients qualify by reason of age; and 2.2 million by reason of disability or blindness. Twenty percent of disabled recipients and 34 percent of blind recipients are over the age of 65, however, and are not classified as "aged recipients" because they initially qualified under the program by reason of disability or blindness.

Under fiscal year 1982 program policies, spending for SSI benefits would increase from $7.7 billion in fiscal year 1982 to $8.7 billion in fiscal year 1983. The Reagan fiscal year 1983 budget would have reduced SSI expenditures by $201 million as a result of eight separate legislative proposals.[2]

Of the administration's eight SSI budget proposals of primary concern to the elderly was the proposal to end the $20 unearned income disregard. Under current law, $20 per month of an individual's income from social security, pensions, or other unearned income is disregarded in determining SSI eligibility and payment amounts. This change would have affected roughly 135,000 aged recipients in fiscal year 1983, according to an administration estimate.

Currently, 39 percent of SSI disability recipients are age 50 to 64. The President's budget proposed two changes in the disability program which could also have had an impact on older persons. First, the administration proposed a 24-month rather than a 12-month prognosis of disability. Second, it was proposed that greater weight be given to medical factors in determining disability to insure that the determination is based on a preponderance of medical factors.

None of these three administration proposals were approved by the Congress.

The first concurrent resolution on the budget assumed reduced expenditures for the aid to families with dependent children (AFDC), child support enforcement, and supplemental security income (SSI) programs. For these three programs, combined savings of $593 million were assumed for fiscal year 1983, $705 million for fiscal year 1984, and $928 million for fiscal year 1985. The legislative changes necessary to the SSI program to achieve these savings were included in the 1982 tax bill. Four of the administration's eight proposed changes were adopted as follows: (1) Prorating the first month's SSI benefits from the date of application or the date of eligibility, whichever is later, in the month of application; (2) rounding SSI monthly benefits to the lowest dollar, except that the administration proposal was modified so that cost-of-living adjustments in subsequent years will be based on the unrounded benefit amounts, so that the provision will not have a cumulative effect from year to year; (3) coordinating SSI and social security cost-of-living adjustments to correct a technical flaw in the 1981 Omnibus Budget Reconciliation Act; and (4) phasing out the "hold harmless"

[2] CBO estimates. The administration budget projected SSI spending to rise from $7.9 billion in fiscal year 1982 to $9.2 billion in fiscal year 1983, with proposed savings of $286 million.

provisions for Hawaii and Wisconsin. In addition, the new legislation allows for the exclusion from the limit on resources of up to $1,500 in burial plots and contracts, for an increase in Federal spending of $5 million per year. The bill also made two other technical changes that will have no cost impact or adverse effects on SSI beneficiaries.

SUPPLEMENTAL SECURITY INCOME

[Outlays in billions]

	Fiscal year—			
	1982	1983 [2]	1984 [2]	1985
Baseline [1]	$7.7	$7.9	$9.0	$8.1
Administration budget		7.7	8.6	7.5
1982 tax bill		7.8	8.9	8.0

[1] Prior to enactment of 1982 tax bill.
[2] Since the first day of the first month of fiscal year 1984 falls on a weekend, the first benefit check for 1984 is paid on the last weekday of 1983, thus making 1983 a year of 13 monthly benefit payments and 1984 a year of 11 monthly benefit payments.

Budget impact of individual SSI provisions in the 1982 tax bill:

[In millions]

	Fiscal year—		
	1983	1984	1985
Prorate SSI benefits	−$26	−$28	−$32
Round SSI benefits	−20	−25	−30
SSI accounting period	−45	−41	−43
Phase out hold harmless	−30	−37	−45
Exclude burial plots and contracts	+5	+5	+5
Mandatory passthrough under SSI	0	0	0
Unnegotiated SSI checks	0	0	−1
Total	116	126	144

Civil Service and Military Retirement

The civil service retirement system (CSRS) covers over 2½ million Federal workers. It is expected to pay out over $21.2 billion in benefits to 1.9 million Federal retired, disabled, or survivor annuitants in fiscal year 1983. The military retirement system is expected to pay out over $16.5 billion in benefits to 1.4 million retirees and survivors in fiscal year 1983. Before changes were made in the law this year, it was estimated that the costs of these two programs would rise more than 20 percent between fiscal years 1981 and 1983, primarily as a result of full automatic, annual cost-of-living adjustments (COLA's) to benefits. Federal civilian and military annuitants received an 8.7 percent COLA in March 1982 based on the December 1980 to December 1981 increase in the Consumer Price Index (CPI). This COLA increased average annuities of civil service retirees by about $85 a month to an average of $1,046 a month, and increased CSRS outlays for fiscal year 1982 by over $760 million. The Congressional Budget Office (CBO) estimates that the Decem-

ERRATA SHEET

The first table on page 4 is incorrect. It should read as follows:

SUPPLEMENTAL SECURITY INCOME

(Outlays in billions)

	Fiscal year--			
	1982	1983[2]	1984[2]	1985
Baseline[1]	$7.7	$8.7	$7.6	$8.4
Administration budget	----	8.5	7.2	7.9
1982 tax bill	----	8.6	7.5	8.3

[1] Prior to enactment of 1982 tax bill.

[2] Since the first day of the first month of fiscal year 1984 falls on a weekend, the first benefit check for 1984 is paid on the last weekday of 1983, thus making 1983 a year of 13 monthly benefit payments and 1984 a year of 11 monthly benefit payments.

ber to December CPI increase will be 5.1 percent in 1983, 4.3 percent in 1984, and 5.7 percent in 1985.

The administration's fiscal year 1983 budget proposed legislative changes in the Federal civilian and military retirement programs which were estimated to save $334 million in CSRS expenditures and $89 million in military retirement expenditures in fiscal year 1983. Combined savings in fiscal years 1983 to 1985 would have been nearly $3 billion. The administration's major proposal was to change the way the COLA is determined. There were two parts to this COLA proposal. First, the full COLA would have been based, beginning in March 1983, on the lesser of the increase in the CPI, or the increase in pay for Federal civilian or military employees. Under Reagan budget economic assumptions, the full COLA for civil service annuitants would have been equal to the Federal pay raise for civil service employees, since this pay raise was projected to be lower than the CPI. Second, the administration proposed paying the full COLA only to a portion of civil service and military annuitants. Retirees whose annuities exceeded the annuities paid to those currently retiring in the same pay grade would have received either 75 percent of the COLA or no COLA. These retirees would have continued to receive partial COLA's until their annuities matched those of comparable currently retiring employees. The Reagan COLA proposal would have had quite different effects on civil service and military retirees. Based on Reagan budget assumptions, half of all civilian annuitants would have received no COLA at all in March 1983, the other half would have received a COLA of 3.8 percent. Most military annuitants, on the other hand, would have received a full COLA of 6.6 percent. The rest (40 percent) would have received a partial COLA of 5 percent.

In addition to the COLA proposals, the Reagan budget included proposals to eliminate student benefits to survivors of deceased Federal civilian workers; limit civil service retirement service credit in cases of leave without pay; require that deposits or redeposits of civil service employee contributions be made with reasonable interest before service is credited in determining retirement benefits; round military benefits amounts to the next lower dollar; and eliminate the "lookback" provision in calculating initial military benefits.

The Congress never formally considered the administration's COLA proposal. However, the first concurrent resolution on the budget includes 3-year spending levels which assume that COLA's for civil service and military retirees will be limited to 4 percent in fiscal years 1983 to 1985. The budget resolution also assumed that the Congress would adopt changes to the civil service retirement system similar to those proposed by the administration. In total, the resolution assumed over $850 million in savings in civil service and military retirement benefits in fiscal year 1983. Over the 3-year period, the resolution assumed savings of nearly $6.5 billion.

The Omnibus Budget Reconciliation Act of 1982 contains a smaller COLA reduction than that proposed by the administration or assumed in the first budget resolution. Savings from the act are estimated to total $659 million in fiscal year 1983 and over $4 billion for fiscal years 1983, 1984, and 1985.

99-876 O - 82 - 2

CIVIL SERVICE AND MILITARY RETIREMENT

[Outlays in millions]

	Fiscal year—			
	1982	1983	1984	1985
Civil service retirement:				
Baseline	$19,660	$21,719	$23,586	$25,617
Savings:				
Administration budget		−334	−789	−1,219
First budget resolution		−647	−1,339	−2,345
Reconciliation bill		−453	−736	−1,230
Military retirement:				
Baseline	14,986	16,194	17,237	18,418
Savings:				
Administration budget [1]		−89	−190	−257
First budget resolution [2]		−212	−691	−1,228
Reconciliation bill		−206	−504	−901

[1] Estimates based on administration budget assumptions, February 1982.
[2] Estimates based on CBO February 1982 economic assumptions.

The COLA provisions enacted by the Congress distinguish between Federal retirees who are younger than 62 years of age and those who are 62 and older. Federal civilian and military retirees 62 years of age and older, and Federal survivor and disability annuitants will receive a full COLA based on the increase in the CPI in all 3 years. Federal civilian and military retirees who are under 62 years of age will receive partial COLA's in each year. The partial COLA will in no case be lower than half of the inflation rate written into the law (6.6 percent in 1983, 7.2 percent in 1984, and 6.6 percent in 1985). If the actual inflation rate exceeds the legislated rate, the COLA will be increased to reflect 100 percent of the difference. The table below provides an example of the COLA's that could be made to the benefits of retirees under 62 in 1983.

Examples of 1983 COLA's for Federal retirees under age 62—In percent

CPI increase:	*COLA*
3	3.3
4	3.3
5	3.3
6	3.3
7	3.7
8	4.7
9	5.7

The full COLA will be paid to 90 percent of the civil service annuitants, and over 60 percent of the military annuitants. Approximately 195,000 civil service retirees and 860,000 military retirees will receive partial COLA's.

In addition to the partial COLA reduction, payment of all COLA's will be delayed by 1 month in each of the next 3 fiscal years. The last COLA for Federal annuitants was made in March 1982. As a result of this change in the law, the next three COLA's will be made in April 1983, May 1984, and June 1985. Together the COLA reduction and delay are expected to save $1.1 billion in civil service retirement and $2.2 billion in military retirement expenditures over the next 3 fiscal years. Military retirees who are employed in the Federal civil service will also have their civilian pay reduced by the amount of any COLA increase they receive. Approximately 150,000 civilian employees are currently drawing military pensions.

The Omnibus Budget Reconciliation Act of 1982 also includes a package of minor changes in the civil service retirement system, seven of which affect the retirement benefits of civil service employees and retirees:

(1) *Rounding of benefits.*—Effective October 1982, whenever initial annuities and COLA's are calculated, the benefit amount will be rounded down to the next lowest dollar, instead of rounded to the nearest dollar as in the past.

(2) *Commencement of annuities.*—Effective October 1982, annuities of employees who voluntarily retire will begin on the first day of the month following separation. Previously, annuities commenced on the day following separation.

(3) *Cap on annuities eligible for COLA's.*—Under the new law, COLA's may no longer be applied to a civil service annuity if the COLA will raise the annuity above the salary rate for a GS 15 (currently $57,500 a year), or above the current salary of the annuitant's former position, whichever is greater. This freeze in COLA's is intended to affect primarily former Members of Congress, and relatively few former high-salaried Federal employees.

(4) *Disability retirement.*—This provision tightens the earned income test used in determining whether a disabled annuitant has recovered.

(5) *Recomputation of credit for military service at age 62.*—The term "catch-62" applies to a situation where a civil service annuity is recomputed at age 62 (when social security eligibility begins) to eliminate credits for post-1956 military service—often resulting in an annuity which is lowered by more than the amount of the social security benefit. This situation is corrected by providing current retirees with credit for military service, offset by the value of social security benefits attributable to military service. Current employees not yet retired will be permitted to purchase military service credit, those who chose not to will be subject to the "catch-62" recomputation. New employees will receive no military service credit if they do not submit the required contributions.

(6) *Early retirement.*—Under the new law, voluntary early retirements (before age 55) may be authorized only when the agency is subject to a major reorganization, or reduction in force or pay. No employee who has declined a reasonable offer of another position may take early retirement.

(7) *Interest on deposits and redeposits.*—This provision becomes effective with periods of service or refunds occurring after October 1, 1982. Deposits or redeposits of employee contributions to CSRS must bear a reasonable rate of interest, instead of the current rate of 3 percent per annum.

This package of additional changes in the CSRS plus the offset in civilian pay for military pension COLA's, is estimated to achieve savings of approximately $750 million over the next 3 fiscal years.

RAILROAD RETIREMENT

The Railroad Retirement Board, a Federal agency, administers $5.3 billion in pension benefits to 1.1 million retired and disabled railroad employees, their dependents, and survivors. In addition, roughly 400,000 individuals in this group receive dual or so-called "windfall" benefits for employees who were vested for social security and railroad retirement benefits on or before January 1, 1975.

Major changes were made in the railroad retirement system in 1981. Because payments have exceeded revenues over the past several years, the Omnibus Reconciliation Act of 1981 and the Economic Recovery Tax Act of 1981 contained major benefit and financing changes agreed to by rail labor and management. Dual or so-called "windfall" benefits were moved to a separate account outside of the railroad retirement trust fund, and benefits paid out of the dual benefit account were strictly limited to the actual congressional appropriation for the year. In addition, changes were made reducing some future benefits while adding benefits for divorced spouses, remarried widows, and surviving divorced mothers. The legislation further provided for an increase in payroll taxes and limited authority for the railroad retirement system to borrow from the General Treasury against the annual financial interchange owed to the railroad retirement system by the social security system. Consistent with 1981 congressional action, benefits paid from the dual benefits account were reduced by 15 percent through July.

The President's fiscal year 1983 budget recommended funding for the dual benefits account at $350 million. The Railroad Retirement Board estimates that $430 million would be required for funding at the full level of benefits. Therefore, the administration's proposals would result in a 20-percent reduction in the "windfall" portion of the benefits in fiscal year 1983.

The administration also proposed elimination of the Federal Railroad Retirement Board in fiscal year 1983 and reorganization of the railroad retirement system. The current system has two basic components: A tier I benefit which is equivalent, but not identical, to social security benefits and eligibility; and a tier II benefit, which is a railroad staff pension. The administration proposed to have the social security system absorb benefit payments for the social security equivalent (as well as the payroll taxes paid for tier I benefits by roughly 500,000 active railroad workers and employers). The railroad staff pension would then be given to a private corporation which would administer the benefits and receive the payroll tax moneys paid into the Treasury for staff (tier II) pensions. The defederalized railroad retirement system would start with a $2.2 billion transfer from social security in fiscal year 1982, which would raise the balance in the railroad trust fund to $3.6 billion. The Office of Management and Budget estimated that the fiscal year 1983 effect of this reorganization would reduce the Federal deficit by $248 million. Although all of the details of the reorganization are not yet available from the administration, the proposal would exempt all present benefit liabilities assumed by the industry pension corporation from funding standards of the Employee Retirement Income Security Act of 1974 (ERISA).

The first concurrent resolution on the budget did not assume enactment of the administration's legislative proposals. It assumed full funding of the dual or "windfall" benefits in fiscal years 1983, 1984, and 1985. Further, it assumed that the central and field offices of the Railroad Retirement Board will be staffed at current levels. Railroad retirement trust fund outlays are estimated to be $5.7 billion in fiscal year 1983, $6.1 billion in fiscal year 1984, and $6.5 billion in fiscal year 1985.

The supplemental appropriations bill of 1982 (H.R. 6863) provided $11 million for dual or "windfall" benefits, in addition to the $379.2 million provided by the fiscal year 1982 continuing resolution. The supplemental appropriation restored full payments to eligible beneficiaries for the remaining 2 months of fiscal year 1982 (August and September). In addition, the bill contained language specifying that the full-time equivalent staffing level at the Railroad Retirement Board should not be less than the currently authorized level of 1,578.

The fiscal year 1983 continuing resolution provides funding for the railroad retirement system at current operating levels through December 17, 1982. Thus, it is assumed that full payment of dual "windfall" benefits will be continued and that current staffing levels will be maintained.

RAILROAD RETIREMENT DUAL BENEFITS

[Outlays in millions]

	Fiscal year—			
	1982	1983	1984	1985
Baseline	$440	$430	$420	$405
Administration budget	350	350	350	350
Fiscal year 1982 continuing resolution plus supplemental appropriation	390.2			
First budget resolution		430	420	405

VETERANS DISABILITY COMPENSATION AND PENSIONS

Veterans compensation is payable to living veterans whose earning power is impaired due to a service-connected disability; and to survivors of veterans whose death occurs while on active duty or results from a service-connected disability. In the case of veterans, benefits are based on the extent of impairment, ranging from zero to 100 percent disability. Benefits paid on that basis range from $54 to $1,016 a month.

For 1983, it is estimated that there will be 2.6 million veterans and survivors receiving compensation benefits. About 30 percent of these recipients (800,000) will be 65 years of age or older. The veterans compensation program is relatively stable, with participation increasing by less than 1 percent between fiscal year 1981 and fiscal year 1983. Increases in program expenditures primarily have been due to annual legislated cost-of-living adjustments. Compensation rates were increased by an average of 11.2 percent in 1981. The Veterans Compensation, Education and Employment Amendments of 1982 authorized a 7.4-percent increase in the rates of compensation, with the rates rounded down to the next lower dollar, effective October 1, 1982. The rate adjustment will increase fiscal year 1983 outlays by $655 million. Under prior law, with assumed cost-of-living increases outlays were projected to increase from $9.4 billion in fiscal year 1982 to $9.5 billion in fiscal year 1983.

Veterans pensions are paid to needy wartime veterans who are age 65 or older, or who have a permanent and total disability not connected to their service. Survivors of wartime veterans may also qualify for pension benefits on the basis of need. The benefit amount is related to the pensioner's income. Pension benefits are automatically indexed to the cost of living, receiving the same increase as social security benefits in July of each year. Beneficiaries were provided a 7.4-percent cost-of-living adjustment (COLA) in July 1982.

Under prior law, spending for veterans pensions were projected to decline from $3.9 billion in fiscal year 1982 to $3.8 billion in fiscal year 1983, despite the July 1982 COLA. This decline stemmed from an expected decline in the number of pension recipients from 1.9 million in 1981, to 1.8 million in 1983, resulting from a tightening of eligibility rules in 1978.

The President's fiscal year 1983 budget assumed full cost-of-living increases for compensation and pension beneficiaries. It also assumed enactment of four veterans compensation proposals that would have reduced Federal expenditures by $146 million in fiscal year 1983 and a total of $926 million between fiscal years 1983 and 1985. The most significant was the proposed elimination of the dependent's allowance for veterans who are rated less than 50 percent disabled. Under current law, veterans with a disability rated 30 percent or higher are entitled to additional compensation for their dependents. (Dependents' benefits for veterans with disability rating of 30 to 50 percent were added in 1978.) The administration proposed eliminating these benefits for the 320,000 dependents in this group. The average monthly benefit loss would have been $35. Savings from this change were estimated to be $135 million for fiscal year 1983.

A second proposal was to delay compensation payments until the first full month in which the veteran was entitled. Under 1982 law, payments began on the date of application. Enactment of the recommended change, with a proposed effective date of July 1982, would have reduced annual benefits by an average $158 for an estimated 51,000 veterans and 6,000 survivors in fiscal year 1983. The change was estimated to save $1 million in fiscal year 1982 and $9 million in fiscal year 1983.

A third proposal was to make compensation disability rating changes effective in the month in which the determination of a change in the veterans status occurs. Under current law, the change in compensation becomes effective at the end of the year following the determination. This change was estimated to affect 7,100 veterans and 100 survivors, for a savings in fiscal year 1983 of $1.4 million.

Finally, the administration proposed eliminating the special "unemployability" benefit for veterans who are also collecting social security disability, supplemental security income, or Federal retirement benefits. Under current law, veterans with a 60- to 90-percent disability rating may be declared "unemployable" and become eligible for 100 percent compensation. This compensation can range from $6,000 to $13,000 a year. Currently 106,600 veterans draw "unemployability" benefits. The proposed change would have eliminated "unemployability" benefits for about 54,000 disabled veterans, leaving them with only their base compensation benefit, an average reduction in annual benefits of $5,212. This reduction was proposed without regard to the amount of the benefits received from other sources. Total savings in fiscal year 1984 from this proposal was estimated to be $282 million.

The administration also proposed four changes to the veterans pension program which would have saved $62 million in fiscal year 1983. Three of these proposals would have introduced program changes resembling those enacted for social security in 1981. The major proposal, saving about half of the total fiscal year 1983 savings, was to immediately eliminate benefit payments for dependent students over 18 and in postsecondary school, or over 19 and in secondary school. This change would have eliminated an average $290 a year in benefits for about 105,000 students, reducing fiscal year 1983 expenditures by $30.3 million.

The administration also proposed delaying the payment of pension benefits until the first full month of entitlement, affecting 70,000 newly entitled veterans and 45,000 survivors; and rounding all benefit check amounts down to the nearest dollar. Savings were estimated to be $29.8 million in fiscal year 1983. A fourth proposal would have discontinued dependent benefits at the end of the month in which dependency ceased, as opposed to the end of the calendar year. This change was estimated to affect 4,400 veterans for a savings of $1.5 million in fiscal year 1983.

The first concurrent resolution on the budget assumed a full cost-of-living increase for compensation pension beneficiaries and the enactment of legislation reducing fiscal year 1983 spending by $77 million. Consistent with these assumptions, Congress legislated three changes in the compensation and pension programs which were similar to the President's budget proposals for savings of $77.9 million in fiscal year 1983 and a total of $258.6 million in fiscal years 1983 to 1985 as follows:

(1) *Delay in commencement of benefits.*—Beginning October 1, 1982, new or increased compensation and pension payments commence the first full month after the award is effective. Previously, payments were made for the month in which the award was granted. The delay will not apply to increases resulting from legislated changes, such as cost-of-living adjustments. An estimated 629,000 pension beneficiaries and 354,000 compensation beneficiaries will receive one benefit payment in 1983 which is lower than otherwise by an amount equal, on the average, to 2 weeks of benefits. Savings from this change are expected to be $53.5 million in fiscal year 1983.

(2) *Advance effective date of reduction.*—Beginning October 1, 1982, reductions in compensation or pension benefits due to a change in the number of the recipient's dependents are effective the day of the month in which they occur, rather than the last day of the year. An estimated 4,400 pension beneficiaries and 7,200 compensation beneficiaries will receive, on the average, 6 months of lower benefits. Savings from this change are expected to be $2.9 million in fiscal year 1983.

(3) *Rounding down of benefits.*—Effective with the next cost-of-living adjustment, all monthly benefit amounts will be rounded down to the nearest lower dollar. Currently, benefit amounts are rounded either up or down to the nearest dollar. In the case of veterans pensions, benefit amounts will be rounded down when the 1983 COLA is added in June 1983. In the case of compensation, the rounding down of benefits was included as part of an "adjusted" 7.4 percent benefit increase, effective October 1982, enacted as part of the Veterans Compensation, Education and Employment Amendments of 1982. All benefits will be subject to the new rounding provision, with the average monthly benefit being 50 cents lower in the first year than otherwise. Rounding down will reduce expenditures by $21.5 million in fiscal year 1983.

VETERANS DISABILITY COMPENSATION AND VETERANS PENSIONS

[Outlays in millions]

	Fiscal year—			
	1982	1983	1984	1985
Compensation:				
Baseline [1]	$9,411	$9,544	$9,577	$9,589
Administration budget: [2]				
COLA increase		+621	+1,203	+1,957
Legislative savings		−146	−44	−45
Budget reconciliation bill:				
COLA increase [3]		+655	+1,220	+1,726
Legislative savings		+42	−44	−46
Pensions:				
Baseline [1]	3,877	3,815	3,805	3,830
Administration budget [2]		−62	−60	−58
Budget reconciliation bill		−36	−45	−47

[1] Baseline estimates for compensation include the October 1981 but not subsequent COLA's, since these must be authorized annually. Baseline estimates for pensions include annual COLA's in all years, since statute provides for automatic annual increases in this program.
[2] Estimates based on administration budget assumptions, midsession review reestimates, July 1982.
[3] Assumes legislated cost-of-living increases are made in each year.

Food Stamps

The food stamp program assists Americans in purchasing food to maintain a nutritionally adequate diet. While food stamp benefits are financed entirely by the Federal Government, the States and Federal Government share the costs of program administration. Food stamp program eligibility and benefit amounts are federally established. Each participating elderly household's monthly food stamp allotment (benefit amount) is determined by reducing the maximum monthly allotment to which it would be entitled if it had no countable income by 30 percent of any countable income. This "benefit reduction rate" assumes that participating households will use 30 percent of their disposable income for food. Maximum monthly allotments are calculated based upon the U.S. Department of Agriculture's (USDA's) "thrifty food plan" estimates of the cost of a nutritionally adequate diet. These estimates are adjusted to household size and periodically adjusted for food price changes.

Several legislative changes have been made to the food stamp program over the last few years. The major change affecting the elderly has been the elimination of the purchase requirement

(EPR) in the Food Stamp Act of 1977. Prior to implementation of this act, most households were required to pay cash for their stamps. The value of the stamps they received was greater than the purchase price and the benefit of the program was derived from that difference. Many eligible older persons were unable to take advantage of the program because they had difficulty acquiring and accumulating the cash required to obtain stamps. Federal studies conducted in 1977 indicated that only about 40 percent of all eligible older persons participated in the program. Since elimination of the purchase requirement, program participation among the aged has steadily grown. The participation rate among eligible older citizens is now estimated to be in excess of 50 percent, or over 2 million people (this figure represents approximately 10 percent of the estimated 20.3 million Americans who receive food stamp benefits). Legislative provisions to encourage program participation among eligible households were coupled in 1977 with changes restricting eligibility requirements. Despite these restrictions, and similar restrictive amendments in 1980 and 1981, food stamp program spending has increased. Most of the increases can be attributed to economic conditions and the 1977 elimination of the purchase requirement.

The 1981 legislative changes to the food stamp program excluded the elderly from tightened eligibility limits. However, other program changes did reduce the purchasing power of older recipients in 1982 and future years. Under 1981 law, benefit levels, formerly adjusted annually each January to reflect food price inflation, were delayed until October 1982, with future adjustments to be made in October of each year thereafter. Adjusting benefit levels in October 1982 was expected to have an impact on elderly households who also receive social security and supplemental security income benefits. In July 1982, these households were to receive their social security and/or SSI cost-of-living adjustment. That increase was to then be counted against their food stamp benefits resulting in a reduction of their benefits equal to 30 to 45 percent of the increase they had just received. When the food stamp cost-of-living adjustment was then made 3 months later, these benefits were to be partially or totally restored. Synchronization of these benefit increases, by not allowing social security and SSI cost-of-living increases to be counted against food stamp benefits until October 1, 1982, were estimated to require an additional $25 million in fiscal year 1982 expenditures. In addition, the 1981 legislation froze the $85 per month "standard deduction" through June 1983. After this time, inflation adjustments were to be made in July 1983, October 1984, and in October of each year thereafter.

President Reagan's budget requested $9.5 billion for the food stamp program in fiscal year 1983. The request assumed that $2.3 billion in savings would result from enactment of several proposed program changes. An estimated $273 million was assumed to be saved in fiscal year 1982 from early enactment of these proposals. A fiscal year 1982 supplemental appropriation of $1 billion was requested. No legislation was proposed to synchronize 1982 social security and SSI benefit increases with those of the food stamp program.

99-876 O - 82 - 3

Of those legislative proposals included in the administration's budget, four would have had a direct effect on elderly households now eligible to receive food stamp benefits. They were as follows:

(1) *Raising the "benefit reduction rate" from 30 to 35 percent.*—This proposal would require households to spend 35 percent (rather than 30 percent) of their disposable incomes on food. Most elderly would have their food stamps cut by an amount equal to approximately 5 percent of their disposable incomes. Approximately $1 billion of the administration's total estimated fiscal year savings of $2.3 billion was assumed to result from enactment of this benefit cut affecting almost all food stamp program participants.

(2) *Eliminating the $10 minimum benefit for one- and two-person households.*—Currently one- and two-person households with low enough income and assets to meet the food stamp eligibility test receive at least a $10 minimum monthly benefit. The Congressional Budget Office estimated that approximately 850,000 households would either be terminated or have their benefits reduced below $10. Under this proposal three-fourths of those affected would be elderly or disabled households and one-half would have gross incomes below the poverty line. Total savings from all households affected by this provision were estimated to be $32 million in fiscal year 1983.

(3) *Counting low-income energy assistance payments as income in determining household eligibility and benefit levels.*—Under this proposal all older Americans receiving energy assistance payments would lose food stamp benefits. The number of older Americans participating in both the energy assistance program and the food stamp program is unknown. However, it is believed by the administration that 40 percent of those receiving energy assistance are elderly persons and that a significant number of aged persons also receive food stamps and would probably be affected. For each $10 received in energy assistance, households could lose up to $5.25. Some older persons could be made ineligible for food stamp benefits in winter months, as energy payments provided to either themselves or fuel suppliers lift them over food stamp income eligibility limits. The proposal was assumed to reduce food stamp expenditures by $231 million in fiscal year 1983.

(4) *Rounding benefit amounts so that amounts in excess of whole dollars would be dropped from benefit calculations and payments.*—Existing rounding rules are based on the standard rules used by the Internal Revenue Service. It is estimated that most elderly food stamp households would experience what would amount to an across-the-board benefit reduction of $1 to $2 a month.

In addition to the above recommended changes, President Reagan proposed combining the existing Federal reimbursement for State administrative food stamp costs with those of other welfare programs into a single block grant. Funding for the block grant would be limited, for fiscal year 1983 and succeeding years, to 95 percent of the projected fiscal year 1982 Federal share of State administrative costs in these programs. The administration assumed $43.3 million in fiscal year 1983 savings from enactment of this proposal. The President also recommended that the States be held to a firm target for reducing erroneous eligibility and benefit determinations so that by 1986 there would be no Federal participation in erroneous payments. Over $600 million in fiscal year 1983 savings were estimated to result from implementation of this action. Under the administration's New Federalism plan, financing and administration of the food stamp program would become a State responsibility in 1987.

The Department of Agriculture analyzed the cumulative impact of the administration's proposals on the elderly. According to their analysis, 87 percent of current food stamp households with elderly members would be affected. Of this percentage, 23 percent of current food stamp households with elderly members would be excluded from the program. These households would lose an average $14 per month. An additional 5 percent would continue to be eligible for a small amount of benefits but probably would not participate. Benefits for 59 percent of current food stamp households with elderly members would be reduced by an average amount of $16 per month.

The first concurrent resolution on the budget assumed food stamp program savings of $779 million in fiscal year 1983, $1.1 billion in fiscal year 1984, and $1.4 billion in fiscal year 1985. The Omnibus Budget Reconciliation Act included amendments to the food stamp statute that are estimated to achieve savings of $548 million in fiscal year 1983, $635 million in fiscal year 1984, and $756 million in fiscal year 1985. Although these savings amounts are lower than those assumed in the budget resolution, the House and Senate Agriculture Committees legislated reductions in other program areas within their jurisdiction to meet their savings targets. The provisions in the Reconciliation Act that most affect the elderly include:

(1) *Revisions of the measurement periods for each October's adjustment of the cost of the thrifty food plan.*—Under this provision, the October 1, 1982, adjustment of the cost of the thrifty food plan was calculated by (i) adjusting the plan to reflect changes in the cost of food covered by the plan during the 21-month period ending June 30, 1982, (ii) reducing the cost of the plan by 1 percent, and (iii) rounding the resulting figure. The cost adjustment to the thrifty food plan scheduled for October 1, 1983, and October 1, 1984, will be calculated by (i) adjusting the plan to reflect changes in the cost of food covered by the plan during the 12-month period ending the preceding June 30, (ii) reducing the cost of the plan by 1 percent, and (iii) rounding the resulting figure. The cost adjustment scheduled for October 1, 1985, and each October 1 thereafter will be calculated by (i) adjusting the plan to reflect changes in the cost of food covered by the plan during the 12-month period ending the preceding June 30, and (ii) rounding the resulting figure. Savings are estimated to be $180 million in fiscal year 1983.

(2) *Delay in the adjustment of the standard deduction until October 1, 1983.*—Under previous law, a cost-of-living adjustment was scheduled for July 1, 1983. Fiscal year 1983 savings are estimated to be $42 million.

(3) *Rounding of benefit amounts so that amounts in excess of whole dollars are dropped from benefit calculations and payments.*—Similar to the administration's proposal, this provision is estimated to save $70 million in fiscal year 1983.

(4) *Coordination of cost-of-living adjustments.*—This section of the Reconciliation Act corrects the previously discussed problem with the synchronization of food stamp benefits with other Federal income security programs such as social security, SSI, and railroad retirement. Enactment of this provision is estimated to cost $25 million in fiscal year 1983.

The President's requested $1 billion supplemental appropriation for the food stamp program in fiscal year 1982 was provided by the Congress. For fiscal year 1983, the continuing resolution for the period October 1, 1982 to December 17, 1982, assures the funding of full program benefits for all eligible food stamp beneficiaries.

Low-Income Energy Assistance

The low-income energy assistance program (LIEAP) was reauthorized by the Omnibus Budget Reconciliation Act of 1981. Under the provisions of this legislation, the Secretary of Health and Human Services provides grants to States for the purpose of making financial assistance available to low-income households with home energy costs that are excessive in relation to household income.

Program benefits are limited to households where one or more individuals qualify for aid to families with dependent children (AFDC), supplemental security income (SSI), food stamps, or income-related veterans programs. Households with incomes below 150 percent of poverty, or 60 percent of a State's median income also qualify for assistance. The law specifically requires that priority be given to households with a member who is aged or handicapped.

LIEAP is currently authorized for each of fiscal years 1982, 1983, and 1984, at a funding level of $1.875 billion. In fiscal year 1981, $1.752 billion was appropriated for fiscal year 1982. In February, in response to the severe strain put on the program by the harsh winter, Congress passed an urgent supplemental appropriation of $123 million, bringing the total funding for the program up to the full level of authorization.

In the fiscal year 1983 budget, the Reagan administration proposed to consolidate into one program the existing low-income energy assistance program and the emergency assistance grant program under title IV of the Social Security Act. For fiscal year 1983, and each year thereafter, $1.3 billion was requested for the consolidated program.

The first concurrent resolution on the budget for fiscal year 1983 assumed funding for LIEAP at the fiscal year 1982 level. The 1983 continuing resolution provides funding for this program through December 17, 1982, at current operating levels.

TAXES

Withholding on Interest and Dividends

Federal taxes are automatically withheld from wages paid to U.S. citizens. There currently is no requirement for the withholding of taxes on interest and dividend income. Prior to 1982, individuals were required to file declarations of estimated taxes and make quarterly payments if the tax liability on interest and dividends for that year was $100 or more. As a result of legislation enacted last year, this tax threshold increased to $200 in 1982 and will increase up to $500 by 1985.

Using estimates that between 9 and 16 percent of taxable interest and dividends are not reported annually, the administration's fiscal year 1983 budget proposed a withholding tax of 5 percent. Revenues were projected to increase by $2 billion in fiscal year 1983 through enactment of this proposal. To avoid placing an excessive burden on older people, an exemption was recommended for taxpayers who are 65 or older who have a tax liability of $500 ($1,000 on a joint return) or less.

The 1982 tax bill includes a modified version of the administration's proposal. The bill requires withholding on payments of all interest, dividends, and patronage dividends at a rate of 10 percent. Under this provision, any individual who paid less than $600 ($1,000 on a joint return) on the previous year's income tax will be exempt from the withholding requirement. In addition, elderly individuals who paid income tax of $1,500 ($2,500 on a joint return) or less during the previous year will be exempt. However, any low-income and elderly individual who qualifies for the exemption will need to file an exemption certificate with banks, corporations, or other payors of interest and dividends. (Otherwise, 10 percent of their interest and dividends will be automatically withheld.) All exempt and nonexempt individuals still will need to calculate whether or not they must declare and pay a quarterly, estimated income tax. Those who are required and fail to pay a quarterly estimated tax above the amount already being withheld from interest and dividends may still be subject to a penalty.

Of the 26.3 million elderly citizens in the United States, approximately 3.5 million will be subject to the new withholding tax, less than 15 percent of the over-65 population. These 3.5 million elderly individuals annually report about $50 billion in interest and dividends. This provision of the 1982 tax bill will become effective on July 1, 1983, to give taxpayers enough time to financially plan for this new requirement. The law applies to all interest and dividends paid or credited after December 31, 1982. The Congress also directed the Internal Revenue Service to provide special assistance to eligible individuals in the filling out and filing of withholding certificates.

INTEREST AND DIVIDEND WITHHOLDING REVENUES

[In billions]

	Fiscal year—		
	1983	1984	1985
Administration budget	$2.0	$1.3	$1.4
1982 tax bill	1.3	5.2	4.0

Deductions for Medical Expenses

Under current law, individuals who itemize their income tax deductions may deduct two categories of medical expenses:

(1) Up to $150 for one-half of their health insurance premiums.

(2) All other unreimbursed medical expenditures, including health insurance premiums not allowed in the first category, which exceed 3 percent of adjusted gross income. Drug expenditures which exceed 1 percent of adjusted gross income may be included.

The 1982 tax bill modifies the medical expense deduction by eliminating the $150 deductible or one-half of health insurance premiums and raising the floor of deductible medical expenses from 3 to 5 percent effective for taxable years beginning after December 31, 1982. The 1-percent floor under drug expenditures is eliminated effective for taxable years beginning after December 31, 1983. The only drug expenditures which will be deductible will be for those which legally require a prescription or for insulin. The estimated revenue increase from these provisions is $272 million in fiscal year 1983.

These modifications will affect persons over 65 who file tax returns and itemize deductions. About 20 percent of the tax returns of persons over 65 include medical expense deductions. In 1979, dollars deducted for medical expenses by taxpayers over 65 accounted for 25 percent of all medical expense deductions.

Withholding on Pension Income

Monthly payments and lump sum distributions from employment pensions, annuities, and deferred compensation arrangements are taxable as income to the individual. In most cases, pension benefits are only taxable for the amount in excess of the value of previously taxed contributions. Some pension and annuity payments are, however, fully taxed. Under 1982 law, individuals with a tax obligation of $100 or more on an amount in excess of $500, from a source which was not subject to withholding, were required to make quarterly estimated tax payments during the year in which they received the income. However, recipients could elect instead to have tax withheld from pension or annuity payments.

The Joint Committee on Taxation has estimated that 19 percent of the tax that is owed on pension income each year is not reported. In response to this problem, the 1982 tax bill included a provision to make withholding from pension income automatic, unless the recipient explicitly elects to be exempt. As a result of this change, effective January 1, 1983, periodic pension or annuity payments, amounting to more than $5,400 a year will be subject to withholding. The exclusion of payments amounting to less than $5,400 a year from withholding results from automatic treatment of each recipient as a married individual with three withholding exemptions. Recipients receiving more than $5,400 a year, who can claim additional exemptions, will be provided an opportunity to file a withholding certificate with the payor of their pension benefits.

A relatively small percentage of the elderly are expected to have taxes withheld from their pension or annuity income. Currently only about one-third of the elderly receive any income from an employee pension, and fewer than one-third of these have pension or annuity income in excess of $5,400 a year. Additional revenues from tax compliance on pensions is estimated by the Joint Committee on Taxation to total $4.2 billion in fiscal years 1983 through 1985.

PENSION WITHHOLDING REVENUES

[In millions]

	Fiscal year—		
	1983	1984	1985
Revenues	$1,017	$1,482	$1,703

HEALTH

MEDICARE

Medicare is a two-part, federally administered, nationwide health insurance program for the aged and disabled. The payroll tax-financed hospital insurance (HI) program, or part A, provides protection against the cost of inpatient hospital services, home health services, and posthospital skilled nursing facility services, with specified deductibles and coinsurance amounts. The supplementary medical insurance (SMI) program, or part B, is a voluntary program that provides protection against the cost of physician and certain other medical services. The SMI program is financed by premiums (about one-quarter) and an appropriation from general revenues (about three-quarters). It is estimated for fiscal year 1983 that 26 million aged and 3 million disabled Americans will participate in the medicare program.

Medicare outlays increased from $7.1 billion in 1970 to $42.5 billion in fiscal year 1981, an average annual rate of increase of 17.6 percent. In fiscal year 1981, total medicare benefit expenditures increased 21.6 percent over the fiscal year 1980 benefit expenditure level. The fiscal year 1983 administration budget projected that, if 1982 program policies were to remain the same, Federal medicare outlays would increase to $57.9 billion.

In 1981, Congress enacted several provisions relating to the medicare program in an attempt to reduce Federal spending. The two provisions affecting medicare beneficiaries most directly were the increase in the part A deductible from $204 to $260, and the increase in the part B deductible from $60 to $75. The increase in the part A deductible amounted to over 27 percent in 1 year; historically, more than twice the annual increase. The increase in the part B deductible was the first increase for this annual deductible in 9 years. The savings from these changes and additional changes in reimbursement methods and practices are estimated to reduce fiscal year 1982 medicare outlays by $1.4 billion.

The administration's fiscal year 1983 budget request proposed to reduce estimated medicare outlays by an additional $2.4 billion in fiscal year 1983, from an estimated $58.2 to $55.8 billion, through other legislative and regulatory changes to the medicare law.

The provisions of the 1982 tax bill will result in an estimated $2.7 billion in fiscal year 1983 savings to the medicare program. Although this is $313 million more in savings than the administration proposed, savings achieved through beneficiary cost-sharing are less. The majority of savings will be achieved through changes in hospital and physician reimbursement. In addition, the 1982 tax bill includes two cost-effective medicare benefit provisions which expand medicare benefits by allowing medicare reimbursement for hospice care and prospective medicare reimbursement for health maintenance organizations and other prepaid group plans.

The following changes in medicare law, as proposed by the administration and/or enacted in the 1982 tax bill, can be categorized into three areas: (1) Beneficiary coverage; (2) provider reimbursement; and (3) program management.

1. BENEFICIARY COVERAGE

(a) Enrollment Changes

Bring Federal employees under medicare part A

Currently, Federal workers do not pay social security tax and are not enrolled in the medicare program by virtue of Federal employment. (Fifty percent of current Federal employees and retirees over age 65 are eligible for medicare part A benefits because they have legitimately paid their required quarterly contributions through other employment.)

The administration budget proposed to have all of the estimated 2.6 million Federal employees pay the health insurance portion of the payroll tax for the first time, beginning in fiscal year 1983.

Congress adopted the administration's proposal with minor revisions. Federal employees will become subject to the hospital insurance portion of the social security tax, effective January 1, 1983. The estimated fiscal year 1983 revenue increase to the hospital insurance trust fund is $617 million. (Since this item is a revenue increase, it is not listed as the line item in the table on medicare reductions.)

Modify medicare coverage of the working aged

Eligibility for medicare is currently based solely on age or disability status and HI contributions. Income and employment status are not relevant enrollment concerns. Medicare, therefore, pays benefits regardless of a working beneficiary's eligibility for employment-based health benefits. Employers often provide a health benefits package that supplements medicare coverage for their medicare employees.

The administration proposed to change this arrangement by requiring employers to offer elderly employees (age 65 to 69) the same health benefit package offered to younger workers, making medicare the secondary payor to these plans. The older worker would have the option of choosing either the employer benefit plan or medicare. The administration proposed to make this provision effective July 1, 1982, and assumed savings of $51 million in fiscal year 1982, and $303 million in fiscal year 1983. They estimated that this proposal would affect 450,000 elderly workers and their dependents.

Congress adopted the administration's proposal with minor revisions and added a provision to exempt employers with less than 20 employees from this requirement. The provision will become effective January 1, 1983, and will affect 370,000 older workers and their dependents according to CBO estimates. Estimated savings are $350 million in fiscal year 1983. The cost of this provision to employers will vary, depending on the number of elderly persons they employ and the structure of the benefit packages offered to employees.

Administration proposals not adopted by Congress

An additional administration enrollment change proposal would have deferred eligibility for medicare to the first day of the month following the month of the 65th birthday. Under current law, eligibility for medicare begins on the first day in the month in which an individual's 65th birthday occurs. The administration estimated savings of $29 million in fiscal year 1983. Congress did not adopt this proposal, which would have resulted in increased costs to employers, individuals not covered by employer-based health plans, and the medicaid program.

(b) Beneficiary Cost-Sharing

Part B premium as a constant percentage of costs

Congress enacted one increase in beneficiary cost-sharing which was not part of the administration's proposals. This provision will hold the part B premium as a constant percentage of costs, 25 percent, beginning in July 1983, for an estimated savings of $45 million in fiscal year 1983. Currently, annual increases in the premium are limited to the lower of the percentage by which cash social security benefits most recently increased, or the increase in the costs of the program as is required by present law. The present law method of calculating premiums will resume on July 1, 1985.

This provision will result in a projected monthly premium of $13.70 beginning July 1, 1983 (rather than the $13.10 projected under prior law), and a monthly premium of $15.30 beginning in July 1, 1984 (rather than the $14 projected under prior law).

Administration proposals not adopted by Congress

The administration's budget proposed to require a 5-percent copayment on all home health visits, effective January 1, 1983, for a fiscal year 1983 savings of $35 million. Under current law, copayments for home health visits are not required. Congress did not adopt this proposal, which would have resulted in an additional cost of approximately $1.70 per visit for the 900,000 beneficiaries who use medicare's home health program.

The administration also proposed to index the part B deductible to the Consumer Price Index (CPI) beginning January 1, 1983, for an estimated fiscal year savings of $65 million. At present, the amount of the part B deductible can only be changed by an act of Congress. Congress did not adopt this proposal, which would have resulted in increased beneficiary out-of-pocket or supplemental insurance costs.

(c) Benefit Changes

Medicare payments to health maintenance organizations

This provision modifies current law requirements for contracting with health maintenance organizations and other competitive medical plans to allow medicare to reimburse these health plans on a prepaid basis under risk-sharing contracts. The prospective reimbursement rate will be equal to 95 percent of the adjusted average per capita costs, which is the fee-for-service cost of providing medicare services in an eligible competitive medical plan's service area to a similar medicare population. Eligible plans must meet specified requirements and provide medicare services. Any plan savings must be used for the provision of additional benefits or services or reductions in beneficiary premiums, deductibles, or copayments.

Prepaid health plans have only nominal, defined cost-sharing for consumers and often offer a wider range of benefits. This provision will allow medicare beneficiaries to take advantage of prepaid plan options for the first time. The effective date is the latter of 13 months after enactment or the first month after the Secretary has developed a methodology to assure the formula on which the prepayment is determined is actuarily sound.

Hospice care

This provision authorizes coverage under medicare part A for terminally ill beneficiaries with a life expectancy of 6 months or less if the beneficiary chooses hospice care in lieu of the other medicare benefits, except those of the attending physician. Benefits covered include nursing care, therapies, medical social services, homemaker-home health aide services, short-term inpatient care, outpatient drugs for pain relief, and respite care. Copayments of 5 percent will be imposed on respite care, and copayments of the lesser of 5 percent or $5 per prescription will be required for covered outpatient drugs. The provision will be effective for hospice care provided on or after November 1, 1983, for an estimated increase in medicare outlays of $1 million in fiscal year 1983, $1 million in fiscal year 1984, and a savings of $16 million in fiscal year 1985.

Coverage of extended care services without regard to 3-day prior hospitalization requirement

Current law requires a 3-day prior hospital stay before a beneficiary can become eligible for medicare reimbursement for skilled nursing facility care. This provision eliminates this requirement at such time that the Secretary determines that this measure will not lead to increased costs. The provision allows limitations to be placed on eligibility and the scope of services for persons covered without a prior hospital stay.

Prohibition of payment for ineffective drugs

This provision prohibits medicare and medicaid from paying for certain less-than-effective drugs. The drugs involved are among those licensed for public use before 1962, when Congress made efficacy as well as safety a requirement for sale of prescription drugs. Most of these drugs have been found effective or found ineffective and removed from the market. However, there are still some drugs that the Food and Drug Administration has initially found to lack evidence of effectiveness, but about which has yet to make a final market decision. The provision does not remove these drugs from the market, but prohibits Federal reimbursement under medicare and medicaid once the Government makes an initial finding that evidence of effectiveness is lacking.

Legislation prohibiting Federal payment for less-than-effective drugs was originally enacted in the Omnibus Budget Reconciliation Act of 1981, but subsequent legislation has led to delays in the implementation. This provision implementing the previous legislation became effective October 1, 1982. No costs or savings to the Federal Government will result from enactment of this provision.

2. PROVIDER REIMBURSEMENT

(a) Hospital Reimbursement

The majority of medicare savings in the 1982 tax bill are in savings assumed through changes in provider reimbursement, particularly hospital reimbursement. These changes were adopted by Congress to curb hospital cost increases and will result in an estimated medicare savings of $480 million in fiscal year 1983. They are as follows:

Expansion of section 223 limits to include ancillary costs

Under prior law, medicare reimbursement for a hospital's inpatient routine operating costs (i.e., bed, board, and routine nursing) could not exceed a limit based on similar costs incurred by comparable hospitals. Under this limitation, a hospital could not be paid more than 108 percent of the average routine cost per day incurred by other hospitals of the same type unless it qualify for an exception or exemption.

This provision extended the section 223 limitation to include ancillary, as well as routine, service operating costs, effective with hospital cost reporting periods beginning on or after October 1, 1982. The new limitation is to be applied on an average cost-per-case basis and adjusted for case-mix. In the first reporting period it becomes effective, the new limitation is set at 120 percent of the mean for hospitals of the same type. For the second year, the limitation will be 115 percent of the mean. For the third year and subsequent years, the limitation will be 110 percent of the mean. Certain exceptions and exemptions are provided, including a requirement for appropriate adjustments for the special needs of hospitals serving a significantly disproportionate number of low-income or medicare patients. In addition, rural hospitals with less than 50 beds are excluded.

Three-year hospital rate of increase

Under this provision, a target rate reimbursement system will be established to encourage hospitals to keep their costs below certain limits. Hospitals with operating costs below the target rate will be paid their costs plus a percentage of their savings as a bonus.

Provider payments under this system cannot exceed the amount payable under the new section 223 limitations. The provision requires the Secretary to provide for exemptions, exceptions, and adjustments in cases where events beyond the hospital's control distort the hospital's increase in costs.

Additional changes

In other hospital reimbursement changes, Congress included a provision requiring the Secretary of Health and Human Services to develop a medicare prospective reimbursement system for hospitals, skilled nursing facilities, and if feasible, other providers. Congress also enacted a provision to modify the existing periodic interim payment (PIP) procedure for hospitals by providing a 3-week delay in the flow of PIP payments during September 1983, for a fiscal year 1983 savings of $750 million. A similar deferral is authorized during September 1984. In addition, Congress adopted an administration proposal to eliminate medicare's subsidy for private hospital rooms for a savings of $54 million. Eliminating this subsidy does not alter medicare's policy of covering private rooms when medically necessary.

Administration proposals not adopted by Congress

Congress did not adopt the administration's proposal to disallow 2 percent of all medicare hospital costs for an estimated fiscal year 1983 savings of $653 million. Two major issues were raised by this proposal. First, the 2-percent disallowance could fall most heavily on the most efficiently run hospitals; and second, the 2-percent loss could potentially be shifted to private payors, the medicaid program, or to the medicare program itself through changes in the way costs are allocated.

(b) Physician Reimbursement

Hospital-based physicians

Congress adopted two administration proposals changing reimbursement for hospital-based physicians. First, Congress eliminated the 100-percent reimbursement rate applicable to services provided to hospital inpatients by radiologists and pathologists who accept assignment. Hospital-based radiologists and pathologists will be reimbursed at the same level as for other physicians (80 percent of reasonable charges), for a savings of $160 million in fiscal year 1983. Second, Congress directed the Secretary to issue regulations to eliminate duplicate payment of overhead expenses for physicians who deliver services in hospital outpatient departments for a savings of $160 million in fiscal year 1983. Currently, overhead charges are paid both to the physician and the hospital.

Congress also enacted an additional provision, not proposed by the administration, which directs the Secretary to issue regulations to distinguish between services provided by provider-based physicians which are personally rendered to an individual patient, and those which are of benefit to all patients in general. The former will be reimbursed only on a charge basis under part B. The latter will be reimbursed only on a reasonable cost basis under part A. This provision became effective on October 1, 1982, for an estimated savings of $63 million in fiscal year 1983.

The impact of these proposals on beneficiary cost-sharing is unknown, although lowering hospital-based radiologist and pathologist reimbursement may result in costs being shifted to beneficiaries.

Administration proposals not adopted by Congress

Congress did not adopt two administration proposals which would have delayed the annual reasonable charge amount update from July 1 to September 30, and limited the economic index used to calculate increases on physician charges to 5 percent, rather than the anticipated July 1982 increase of 8.9 percent. These physician reimbursement changes would have increased the difference between what medicare covers and the actual physician charge, and could have increased beneficiary out-of-pocket costs for physician services. Total fiscal year 1983 savings from these proposals were estimated to be $245 million.

(c) Other Provider Reimbursement Changes

Congress eliminated the routine nursing salary cost differential paid to hospitals and skilled nursing facilities, effective October 1, 1982, for a savings of $95 million in fiscal year 1983. Congress also adopted an administration proposal to set a single medicare reimbursement limit for hospital-based and freestanding skilled nursing facilities and home health programs, to encourage more efficient service delivery on the part of more expensive hospital-based facilities. Effective October 1, 1982, the provision is estimated to save $18 million in fiscal year 1983. In addition, Congress enacted a provision to prohibit medicare reimbursement for costs incurred by providers for activities related to influencing employees with respect to unionization. The provision became effective on the date of enactment and overturns a recent HHS decision to allow reimbursement for these costs. No costs or savings are assumed to result from implementation of this proposal.

3. PROGRAM MANAGEMENT

The 1982 tax bill requires that medicare contractor budgets for fiscal years 1983, 1984, and 1985 be supplemented by $45 million in each year for provider cost audits and medical review activities. The administration had proposed to continue contractor funding at fiscal year 1982 levels, which would represent a reduction in funding due to inflation. Estimated fiscal year 1983 net savings from improved contractor services are $130 million. In addition, the bill requires the Secretary to undertake medicare initiatives to improve medical review by intermediaries and carriers, and to encourage similar review and utilization control activities by private insurers, for an estimated fiscal year 1983 savings of $330 million.

MEDICARE EXPENDITURES

[Outlays in billions]

	Fiscal year— 1983	1984	1985
Baseline [1]	$58.178	$67.611	$77.747
Administration proposed savings	−2.372	−5.006	−7.649
1982 tax bill (estimated savings) [2]	−2.713	−4.022	−5.334
Revised total outlays [2]	55.465	63.589	72.416

[1] Prior to enactment of 1982 tax bill.
[2] Total does not include the change in SMI premiums which changes who pays for benefits, not the amount of benefits.

Budget impact of individual provisions in the 1982 tax bill:

[In millions]

	Fiscal year— 1983	1984	1985
Modify coverage of working aged	−$350	−$530	−$600
Medicare payment to HMO's	0	0	0
Hospice care	+1	+1	−16
Coverage of extended care services without regard to 3-day prior hospitalization requirement	0	0	0
Prohibition of payments for ineffective drugs	0	0	0
Limit reimbursement to hospitals (medicaid savings of $280 million)	−480	−1,770	−3,770
Temporarily delay PIP	−750	−100	+870
Eliminate private room subsidy	−54	−75	−80
Reduce reimbursement for radiology and pathology services (medicaid cost of $50 million)	−160	−210	−250
Eliminate duplicative payments of outpatient services	−160	−225	−270
Impose salary equivalency test for hospital based physicians	−63	−73	−84
Repeal the routine nursing salary differential	−95	−110	−125
Single reimbursement limit for skilled nursing facilities and home health agencies	−18	−46	−46
Prohibit payment for antiunionization activities	0	0	0
Modify reimbursement for assistants at surgery	−55	−130	−150
Increase funds for cost report audits	−130	−300	−300
Utilization review initiative	−330	−385	−440
Prohibit reimbursement where costs are based on percentage arrangements	−15	−17	−20
Prohibit reimbursement for Hill-Burton required free care	−15	−17	−20
Require interest on overpayments to providers	−25	−25	−20
PSRO	−15	−15	−20
Impose HI tax on Federal employees	+1	+5	+10
Total	−2.713	−4.022	−5.331

MEDICAID

The medicaid program provides matching funds to States to finance medical care for low-income persons who are in families with dependent children, or who are aged, blind, or disabled. Federal financial participation in the medicaid program is based on a matching rate according to a State's per capita income. Although the program is governed by a mixture of Federal and State eligibility requirements, the States are responsible for the administration of their respective medicaid programs. It is estimated that 3.6 of the 22.1 million medicaid recipients are elderly.

According to CBO, Federal outlays for medicaid benefits increased approximately sevenfold between 1970 and 1982, for a 9.1-percent real growth rate. Federal outlays are estimated to be $17.4

billon in fiscal year 1982 and grow to $20.1 billion in fiscal year 1983 under 1982 program policies. Although there has been an increase in the number of eligible individuals and per capita expenditures in the medicaid program, the largest area of growth has been in spending for nursing home care. CBO estimates that, if nursing home expenditures are disregarded, medicaid expenditures per recipient have risen less rapidly than national per capita health care expenditures—at an annual rate of 11 percent between 1973 and 1978, as compared to the national health care expenditure rate of 13 percent.

Program expenditures are heavily weighted toward institutional services, especially long-term care. Federal and State spending for nursing home care, totaling $23.3 billion in 1980, constituted 42 percent of total program costs, while inpatient hospital care represented 28 percent. The remaining 30 percent was accounted for by physician care, outpatient hospital services, and drugs.

During the past few years, both Federal and State actions have been taken to limit rapidly growing medicaid costs. The 1981 Omnibus Budget Reconciliation Act provided program spending reductions estimated to save $1 billion. Federal matching payments to all States were reduced by 3 percent in fiscal year 1982, reductions of 4 percent are scheduled for fiscal year 1983, and 4.5 percent in fiscal year 1984. The act also increased State flexibility to encourage cost-effective arrangements with service providers and expand home and community-based long-term care services, if not more costly than institutional care.

The administration's fiscal year 1983 budget proposed a reduction in Federal outlays of $2 billion in medicaid, primarily through cost shifting to States and increased cost-sharing by program beneficiaries. Additional savings were proposed from an estimated reduction in the medicaid population due to more restrictive eligibility requirements for supplemental security income (SSI), and aid to families with dependent children (AFDC) programs, since medicaid eligibility is based on eligibility for these programs.

The 1982 tax bill, recently signed into law, provides for a reduction in Federal medicaid outlays of $256 million in fiscal year 1983. Congress did not adopt administration proposals which would have shifted medicaid costs to States, nor did they adopt most of the administration proposals to further restrict eligibility requirements for SSI and AFDC programs.

The majority of the proposed medicaid savings in the 1982 tax bill comes from two provisions affecting beneficiaries, copayments and long-term care cost recovery. An additional provision, unrelated to savings, imposes a 6-month moratorium on nursing home regulation changes proposed by the administration.

MEDICAID PROVISIONS IN THE 1982 TAX BILL

(a) Recipient Copayments

Under previous law, States were not permitted to impose cost-sharing charges on mandatory services provided to the categorically needy (i.e., individuals receiving cash assistance under the AFDC or SSI programs). They were permitted, but not required, to impose such charges on all services for the medically needy (i.e., individuals with incomes above the cash assistance standards) and on optional services for the categorically needy. All cost-sharing charges had to be nominal in amounts.

Congress adopted an administration proposal to allow States to impose nominal copayments on all beneficiaries for all services, but added provisions to prohibit States from imposing copayments on nursing home patients, children under 18, and categorically needy persons enrolled in health maintenance organizations as well as on services related to pregnancy, emergency services, and family planning services. All copayments must be nominal except in certain cases of nonemergency services in emergency rooms. Congress also specified that no individual may be denied services because of his or her inability to pay cost-sharing charges. These provisions became effective on enactment. Fiscal year 1983 savings are estimated to be $45 million.

(b) Modifications in Lien and Asset Provisions

Under prior law, States were prohibited from imposing liens on a medicaid recipient's property before his or her death.

Congress adopted an administration proposal to permit States to attach the real property of medicaid recipients who are permanently institutionalized in nursing homes or other long-term care medical institutions. States can recover the cost of medical assistance provided to the recipient only when the property is no longer needed by the recipient, spouse, sibling, or disabled or dependent children. States cannot foreclose on the lien until the home is sold, or the recipient dies, or while certain nondependent children remain in the home.

The 1982 tax bill also included a provision which allows States to deny medicaid eligibility temporarily to patients in medical institutions who dispose of a home for less than fair market value, even though such disposal would not make them ineligible for SSI benefits. The period of ineligibility is 24 months except that States: (a) Are allowed to deny eligibility for a longer period if the uncompensated value of the home is greater than 24 months of benefits; and (b) are required to set a shorter time period if the uncompensated value is less than 24 months of benefits. The period of eligibility delay must be related to the uncompensated value of the home and cost of benefits. The provision will not apply in the case of individuals who reasonably expect to be discharged from a medical institution and return home; individuals who demonstrate that they intended to obtain fair market value for their homes; or individuals who transferred title of their homes to a spouse, a minor, or handicapped child.

These provisions became effective on enactment of the 1982 tax bill. The transfer of assets provision only applies to transfers occurring after the date of enactment. Estimated fiscal year 1983 savings are $165 million.

(c) Six-Month Moratorium on Nursing Home Regulations

On May 27, 1982, the Department of Health and Human Services published proposed regulations pertaining to nursing home surveys and certification. Patient advocates, State licensing and certification agencies, aging and consumer groups, and many Members of Congress, including the Senate and House Aging Committees, have charged that implementation of these proposed regulations would weaken the safeguards that protect nursing home patients.

This provision bars these proposed regulations from being implemented for 6 months following enactment to provide opportunity for further review, revision, or withdrawal. The Department is instructed to consult with Congress, the General Accounting Office, groups representing nursing home residents, State survey and certification agencies, and nursing home operators, prior to resubmitting the regulations.

(d) Additional Changes

The 1982 tax bill included a provision requiring States to reduce their error rates for medicaid eligibility determinations to 3 percent by March 31, 1983, or be subject to a penalty, for a fiscal year 1983 savings of $30 million. Provisions were also included which allow optional medicaid coverage of home care services for certain medicaid-eligible disabled children, and extend Federal funding for medicaid services in American Samoa.

(e) Administration Proposals Not Adopted by Congress

Congress did not adopt the administration's State cost-sharing proposals, which would have eliminated the Federal matching rate for the medicare part B "buy-in," for a fiscal year 1983 savings of $45 million, and reduced the Federal medicaid matching rate by 3 percent for optional services for the categorically eligible and all services for the medically needy for a fiscal year 1983 savings of $600 million. While these optional services include clinics, drugs, and dental services, among others, the major impact of this proposal for the elderly would have fallen most heavily on the potential reduction in support for nursing home care and the 550,000 elderly nursing home residents who are medicaid recipients.

Congress did not assume implementation of proposed administration regulations allowing States to require adult children of institutionalized medicaid recipients to contribute to the cost of their elderly relative's care. Because this is a regulatory, rather than a legislative proposal, the Department of Health and Human Services could still move forward with its implementation. The administration has estimated that $29 million could be saved in fiscal year 1983 from this proposal.

MEDICAID EXPENDITURES

[Outlays in billions]

	Fiscal year— 1983	1984	1985
Baseline [1]	$20.117	$21.943	$25.154
Administration proposed savings [2]	−2.025	−2.012	−3.334
1982 tax bill (estimated savings)	−.256	−.330	−.444
Revised total outlays	19.861	21.613	24.710

[1] Prior to enactment of 1982 tax bill.
[2] Assumed medicaid savings through proposed transfer of administrative costs to the Social Security Administration budget are not included.

Budget impact of individual provisions in the 1982 tax bill:

[In millions]

	Fiscal year—		
	1983	1984	1985
Copayments by medicaid recipients	−$45	−$50	−$56
Modification in lien provisions	−165	−180	−200
Error rate sanctions	−30	−65	−72
Coverage of disabled children at home	(1)	(1)	(1)
Nursing home moratorium	0	0	0
Medicaid impact of AFDC proposals	−16	−20	−25
Medicaid impact of limiting reimbursement to hospitals in HI	−20	−80	−180
Impact of proposed medicaid legislation on current law penalties		+30	+30
American Samoa	+1	+1	+1
Impact on medicaid of medicare provisions	+19	+34	+58
Total	−256	−330	−444

Discretionary Health Programs

The term discretionary health programs covers a wide array of health programs including health research, manpower training, planning, disease control, and service delivery. Most of these programs are administered by the Public Health Service. In fiscal year 1982, the total budget for discretionary health programs was reduced from the fiscal year 1981 level of $8 to $7.4 billion, principally through reductions in health service, health planning, and manpower training programs. The administration's fiscal year 1983 budget requested $7 billion for discretionary health programs, a decrease of $0.4 billion. The first concurrent resolution on the budget assumed continued funding of these programs in fiscal year 1983 at 1982 levels, with small increases primarily for salaries. An amount of $8 billion, $0.6 billion above the fiscal year 1982 level, would be required to maintain these programs at their current level of activity. The fiscal year 1983 continuing resolution provides funding of all of these programs at current operating levels through December 17, 1982.

(A) Health Research

Eighty to ninety percent of the Nation's basic research is financed by the Federal Government. Most of this research is carried out by the National Institutes of Health. Expanding Federal involvement in biomedical research has resulted in a 12.5-percent annual increase in expenditures between 1970 and 1981, or 4.3 percent after adjusting for inflation. There was no increase in Federal expenditures for health research in fiscal year 1982, with programs continuing at fiscal year 1981 levels of $3.8 billion. The administration's fiscal year 1983 budget requested $4 billion. The first concurrent resolution on the budget assumed $3.9 billion, a $50-million increase over fiscal year 1982.

The National Institute on Aging plays the lead role in the development of knowledge about the aging process and the health of the elderly. Since 1977, Federal funding for the Institute's research programs on aging has doubled. From 1981 to 1982, the Institute's budget was increased slightly above the level required to maintain 1981 programs. The administration requested $84.56 million for fiscal year 1983, an increase of $2.65 million over fiscal year 1982, $3.16 million below the amount required to maintain programs at their current levels. The first concurrent resolution on the budget assumed $82.54 million.

National Institute on Aging

	Millions
Fiscal year 1982	$81.9
Fiscal year 1983 baseline	87.7
Administration budget (fiscal year 1983)	84.6
First budget resolution (fiscal year 1983)	82.5

(B) BLOCK GRANTS

The 1981 Budget Reconciliation Act consolidated 21 categorical health programs into four block grants, to give States more flexibility and administrative control over these programs. The three health block grants related to the elderly include: (1) The health prevention and services block grant; (2) the alcohol, drug abuse, and mental health block grant; and (3) the primary care block grant.

Federal funding for these programs was reduced by 25 percent from fiscal year 1981 to fiscal year 1982. According to the Congressional Budget Office, this represented a 33-percent cut from current policy levels. The deepest cuts were experienced by programs incorporated into the alcohol, drug abuse, and mental health block grant.

The administration's fiscal year 1983 request called for essentially level funding of these block grants from a total of $926.6 million in fiscal year 1982 to $933 million in fiscal year 1983. The first concurrent resolution on the budget assumed $930 million for fiscal year 1983. Although this does not represent a reduction in funds for these programs, it is $66 million less than the level that would be required to maintain current activity levels.

BLOCK GRANTS

[In millions]

	Fiscal year 1982	Fiscal year 1983 baseline	Fiscal year 1983 administration request	Fiscal year 1983 first budget resolution
Health prevention and services	$81.6	$87	$83	$83
Alcohol, drug abuse, and mental health	432.0	464	433	433
Primary care	413.0	445	417	414

(C) HEALTH PROFESSIONS EDUCATION AND TRAINING

In fiscal year 1982, the spending for research trainees and clinical training of health care professionals totaled $460 million, $261 million for research trainee support and $199 million for clinical training. The administration's fiscal year 1983 budget requested $337 million, $212 million for research trainee support and $125 million for clinical training. The first concurrent resolution on the budget assumed that fiscal year 1983 funding for these programs will be frozen at fiscal year 1982 levels for a total of $426 million for research trainees and $163 million for clinical training. Although this level funding does not represent a dollar reduction in spending for these programs, it is $28 million less than the $454 million estimated to be necessary to maintain the programs at current levels of activity. Level funding for fiscal year 1983 and previous reductions for fiscal year 1982 are likely to limit the continuation and expansion of geriatric medicine programs for physicians, nurses, and other health professionals.

VETERANS HEALTH

The Veterans Administration (VA) delivers inpatient and ambulatory care to veterans through a nationwide health care system comprised of hospitals, nursing homes, outpatient clinics, and domiciliary care facilities. Expenditures for veterans medical care increased by 13.1 percent annually between 1970 and 1981, from $1.8 billion in fiscal year 1970 to $7 billion in fiscal year 1981. This increase is attributed primarily to an increase of 155 percent in the number of patients treated and to increases in the cost of providing medical care. Costs in the VA system were somewhat restrained during this period by a 63-percent decrease in the median length of hospital stay. Spending for veterans medical care is expected to continue to grow rapidly because of demographic trends, as well as increasing health care costs. The number of veterans over age 65 will more than double in the 1980's.

The administration's budget request included no significant policy changes and requested a funding level of $7.5 billion for fiscal year 1983. The first concurrent resolution on the budget also assumed no major policy changes and a funding level of $7.5 billion which was subsequently provided by the 1983 Housing and Urban Development—Independent Agencies appropriations bill. Included in this amount was a fiscal year 1983 increase of $12.5 million for nursing staff and an additional $4.3 million for nursing home care.

ADMINISTRATION ON AGING

Under the Older Americans Act, the Federal Government finances the delivery of services through 57 State and territorial units on aging and approximately 670 area agencies on aging. In December 1981, the comprehensive amendments to the Older Americans Act were signed into law (Public Law 97-115). These amendments provided for a 3-year reauthorization of the act through fiscal year 1984.

The Administration on Aging (AoA) implements most of the programs authorized under the act with the exception of title V, the senior community services employment program. This program is administererd by the Department of Labor. (Specfic action of title V is covered under the Employment section of this print.)

Federal funds for AoA programs are distributed to State agencies on a formula grant basis. Area agencies have the responsibility of developing and implementing a comprehensive and coordinated system of services to older individuals who reside in their planning and service areas. The vast majority of funds under the act are made available through title III. These funds, administered by the State and area agencies on aging, support the operation of a number of social and community services, including, but not limited to, information and referral, outreach, transportation, legal services, counseling, senior centers, nutrition, and a variety of inhome services. In addition, the Older Americans Act authorizes funding for training, research, and discretionary projects, which are designed to improve both the knowledge base and skills of personnel working in the field of aging, and demonstrate systems to improve the quality of services to the elderly. Finally, the act authorizes AoA to make direct grants to certain qualified Indian tribal organizations for the provision of services to older Indians. It also provides funding to support the Federal Council on Aging. Prior to the 1981 amendments to the act, funding was available to support a National Information and Resource Clearinghouse on Aging.

During fiscal year 1982, the Older Americans Act programs were funded under the authority of a continuing resolution. The amount provided by the resolution represents an approximate 4-percent decrease from the fiscal year 1981 funding level of $760.4 million.

The Reagan fiscal year 1983 budget request included a total of $652.2 million for programs operated by the Administration on Aging. This represented a reduction of $77.5 million from the fiscal year 1982 funding level. The largest decreases in program support were for title III programs. Title III-B, supportive services and senior centers, were reduced by $24.7 million—a net reduction of about 10 percent. Title III-C, congregate nutrition services, were lowered by $28.6 million which represents an approximate loss of 10 percent. Home-delivered nutrition services were reduced by $9.2 million or approximately 16 percent. Reductions were also proposed for State agency administration ($1.7 million) and training, research, and discretionary projects ($1.9 million).

The Older Americans Act also authorizes a food commodities program administered by the Department of Agriculture. This program supplements the nutrition programs authorized under title III. The U.S. Department of Agriculture (USDA) program provides reimbursement to States based on the number of meals served. States have the option of accepting the reimbursement in cash, commodity foods, or a combination of both. The fiscal year 1982 estimated level of support for this program was $93.2 million. The Reagan budget proposed to reduce this support by $9.2 million or approximately 10 percent in fiscal year 1983. Further, the budget request included a proposal to transfer the USDA program to AoA and "cash out" the commodities program. This request proposed discontinuing the separate USDA funding, and included a comparable amount in the AoA budget. Funds would be distributed to

States based on the amounts they received in 1982 rather than the current per meal entitlement formula.

For fiscal year 1983, the first concurrent resolution on the budget assumed a freeze in spending for nondefense discretionary programs at the fiscal year 1982 level. (Nondefense discretionary programs are those programs over which Congress exercises control through the annual appropriations process.) Programs funded under the Older Americans Act fit into this category. Under the fiscal year 1983 continuing resolution, programs funded under the Older Americans Act are to be funded at current operating levels through December 17, 1982.

OLDER AMERICANS ACT PROGRAMS

[Budget authority, in millions]

	Fiscal year 1981 appropriation	Fiscal year 1982 continuing resolution	Fiscal year 1983 Reagan budget	Fiscal year 1983 first budget resolution[1]
Title II:				
National Clearinghouse	$1.8	$1.7		
Federal Council on Aging	.5	.2	$0.2	$0.2
Title III:				
State administration	22.7	21.7	19.9	21.7
Social services	251.5	240.9	216.2	240.9
Congregate meals	295.0	286.7	258.1	286.7
Home-delivered meals	55.0	57.4	48.1	57.4
Title IV: Training, research, and discretionary projects	40.5	22.2	20.3	22.2
Title V: Senior community service employment program	277.1	[2] 277.1		277.1
Title VI: Grants to Indian tribes	6.0	5.7	5.3	5.7
USDA commodities program	84.7	93.2	84.0	93.2

[1] The first concurrent resolution on the budget for fiscal year 1983 assumes funding for OAA programs at the fiscal year 1982 level.
[2] Represents the annual appropriation for the title V program including $66,500,000 under the 1982 continuing resolution, and $210,600,000 in supplemental appropriations.

OLDER AMERICANS VOLUNTEER PROGRAMS

Older Americans volunteer programs (OAVP), administered by the ACTION agency, are authorized under title II of the Domestic Volunteer Service Act of 1973. The programs consist of the senior companion program (SCP), the retired senior volunteer program (RSVP), and the foster grandparent program (FGP). All of these programs provide an opportunity for persons 60 years of age and over to volunteer their services to the community by working with the emotionally disturbed, the mentally retarded, the physically handicapped, the infirmed, and the isolated elderly.

Older Americans volunteer programs are currently authorized by the Omnibus Budget Reconciliation Act of 1981. The President's fiscal year 1983 budget requested $87.9 million for these programs. For fiscal year 1982, these programs operated under the authority of a continuing resolution at a level of $84.6 million. For fiscal year 1983, the first concurrent resolution on the budget assumed funding of these programs at the fiscal year 1982 level. The 1983 continuing resolution provides funding for these programs through December 17, 1982, at current operating levels.

OLDER AMERICANS VOLUNTEER PROGRAMS

[In millions]

	Fiscal year 1981 appropriation	Fiscal year 1982 baseline	Fiscal year 1983 Reagan budget	Fiscal year 1983 first budget resolution
RSVP	$27.7	$26.39	$27.4	$26.39
FGP	48.4	46.08	48.4	46.08
SCP	12.8	12.17	12.0	12.17
Total	88.9	88.64	[1] 87.9	88.64

[1] May not add due to rounding.

SOCIAL AND COMMUNITY SERVICES

Social Services Block Grant

Prior to 1982, title XX of the Social Security Act authorized payments to States for a wide range of community social services for individuals and families. The title XX program was designed to prevent or reduce dependency, prevent neglect and abuse, and prevent or reduce inappropriate institutionalization. Types of services under the program included: Homemaker services, family planning, preparation and delivery of meals, transportation, counseling, day care, and supportive health services.

The Omnibus Budget Reconciliation Act of 1981 amended the existing title XX program to establish a social services block grant to States. Under the new block grant, States receive allotments based on population, and are free to design their own social services programs, subject to certain general prohibitions against using funds for things such as capital improvements, most medical care, and educational services. Income eligibility and targeting provisions for serving certain population groups previously required under title XX were repealed under the block grant legislation. The bill authorized funding for the new programs at the level of $2.4 billion in fiscal year 1982, $2.45 billion in fiscal year 1983, $2.5 billion in fiscal year 1984, $2.6 billion in fiscal year 1985, and $2.7 billion in fiscal year 1986 and thereafter. The 1982 continuing resolution funded the program at the authorized level of $2.4 billion.

The first concurrent resolution on the budget assumed fiscal year 1983 funding for the social services block grant program at the authorized amount. Under the fiscal year 1983 continuing resolution for 1983, programs funded under the social services block grant will be continued through December 17, 1982, at current operating levels.

SOCIAL SERVICES BLOCK GRANT

[Outlays in billions]

	Fiscal year—			
	1982	1983	1984	1985
Baseline	[1] $2.91	$2.45	$2.5	$2.6
Administration budget	2.91	1.97	1.97	1.97
First budget resolution	2.40	2.45	2.50	2.60

[1] Includes outlays to States from prior year obligations.

COMMUNITY SERVICES BLOCK GRANT

Prior to 1982, a variety of antipoverty programs were carried out by a national network of over 850 community action agencies which were federally administered by the Community Services Administration (CSA).

The Omnibus Budget Reconciliation Act of 1981 abolished CSA, and replaced its activities and funding with a community services block grant, to be administered by the Department of Health and Human Services (DHHS). The act authorized annual funding of $389.4 million, with States receiving allotments based on the amounts they received from CSA in fiscal year 1981. States are required to pass on most of their allotments to local governments and private nonprofit agencies to conduct antipoverty activities.

The administration's fiscal year 1983 budget included $100 million for the community services block grant, which was $248 million less than the amount provided by Congress under the 1982 continuing resolution.

For fiscal year 1983, the first concurrent resolution on the budget assumed funding for the block grant at the fiscal year 1982 level. The fiscal year 1983 continuing resolution provides funding for this program, through December 17, 1982, at the fiscal year 1982 level.

Community services block grant (budget authority)

	Millions
Fiscal year 1981 appropriations	[1] $526.4
Fiscal year 1982 appropriations	348.0
Fiscal year 1983 Reagan budget	100.0
First budget resolution (fiscal year 1983)	348.0

[1] Appropriated funding for programs administered by CSA prior to the establishment of the community services block grant.

LEGAL SERVICES

The Legal Services Corporation (LSC) was established to fund State and local agencies that provide civil legal assistance to the poor. Formed in 1974, it is a private, nonprofit corporation, whose community offices are the major source of legal assistance to the low-income elderly.

For fiscal year 1983, the Reagan administration proposed that the Corporation not be reauthorized, and that no further separate Federal funding be provided for fiscal year 1983. The LSC is currently operating under the authority of a continuing resolution at a level of $241 million for fiscal year 1982. The administration has proposed that the funding made available to the States under the social and community services block grants, be used for legal service activities.

The first concurrent resolution on the budget assumed funding for the Legal Services Corporation for fiscal year 1983. The fiscal year 1983 continuing resolution, which expires on December 17, 1982, provides for funding of the Legal Services Corporation at an annual rate of $241 million.

Legal Services Corporation

	Millions
Fiscal year 1981 appropriations	$321.3
Fiscal year 1982 continuing resolution	241.0
Fiscal year 1983 Reagan budget	....
First budget resolution (fiscal year 1983)	[1]
Fiscal year 1983 continuing resolution	[2] 241.0

[1] The first concurrent resolution on the budget for fiscal year 1983 assumes funding for the Legal Services Corporation, with levels to be specified by the appropriation committees.
[2] Represents an annualized figure; expires on December 17, 1982.

HOUSING

Assisted Housing

The Department of Housing and Urban Development (HUD) administers three major programs to improve rental housing conditions for low-income individuals and families. First, the section 8 program provides assistance in the form of rental payments, to encourage the construction of new units, the substantial rehabilitation of existing units, and the use of standard existing units. Second, the section 202 program provides direct Federal long-term loans for the construction of rental housing for low-income persons who are elderly or handicapped. Section 8 housing assistance payments are used in conjunction with the section 202 program. Third, the public housing program is a locally operated program in which public housing agencies engage and assist in the development of public housing projects which may be newly constructed, rehabilitated, existing, or leased. Over 42 percent of all assisted housing units under these programs are occupied by older Americans.

Prior to 1982, all tenants in assisted housing units were required to pay up to 25 percent of their incomes for rent. Recently enacted legislation increased this percentage to 30 percent. The legislation also reduced the income eligibility limit to 50 percent of the median income in the tenant's local area from the current limit of 80 percent. For fiscal year 1982, Congress appropriated funds for 142,231 assisted housing units. Of this number, 26,735 were section 8 newly constructed or substantially rehabilitated units; 17,200 were section 202 units; 74,296 were section 8 existing units; and 24,000 were public housing units.

The administration's proposed fiscal year 1983 budget housing contained several major elements. For fiscal year 1982, the President recommended rescinding $9.4 billion, or 33 percent, of the amount of budget authority calculated to be available for funding assisted housing units. For both fiscal years 1982 and 1983, the President recommended shifting Federal housing efforts almost exclusively into rental assistance for tenants in existing housing. However, funding for the new construction of 10,000 section 202 units for the elderly and handicapped was requested.

Currently, HUD pays the difference between 30 percent of an assisted housing tenant's income, and the contract rent agreed upon by HUD (or its local agent, the public housing authority), and the unit owner. This contract rent must be equal to or lower than a fair market rent computed for the unit type in that market area by

HUD economists. Under the modified section 8 existing housing certificate proposed in the fiscal year 1983 budget, HUD's contribution would be based on the difference between an established rent payment standard for each market and 30 percent of a new tenant's rent. The rent standard would be set at the 40th percentile of the distribution of all rents for all rented units of standard quality, excluding new units. As with current law, tenant eligibility would be based on an income standard of 50 percent of area median income.

The administration's new program would allow tenants to pay more or less than 30 percent of their income for rent. However, HUD's contribution would still be based on a 30-percent-of-income calculation. Thus, if a tenant could find a unit which is cheaper than HUD's rent standard, that tenant would be able to keep some of the subsidy for other uses. Conversely, if a tenant rented a unit which is more costly than the rent standard HUD uses, that tenant would have to contribute more than 30 percent of income to make up the rent payment. HUD proposed using the modified certificates in the following ways in fiscal year 1983:

—30,000 certificates in conjunction with a rental rehabilitation initiative proposed by HUD for fiscal year 1983 (see community development).

—60,615 certificates to convert current section 8 existing housing commitments to new modified certificates.

—10,000 certificates for use in conjunction with the sale of HUD-owned properties.

—5,000 certificates to tenants of existing public housing units which are demolished, abandoned, or sold by public housing agencies with HUD's permission.

—1,000 certificates for tenants in properties with section 8 new construction or substantial rehabilitation commitments from prior years, where the owners opt not to renew their 5-year section 8 contracts.

The fiscal year 1983 budget requested no additional funds for public housing development. Local housing authorities would be offered the option of converting existing commitments for new construction to use in modernization of public housing projects. The administration estimated that $1.3 billion would be recaptured through this option, and another $500 million in budget authority would be recaptured through other means, to yield a total of $1.8 billion in authority for modernization efforts. Using HUD's fiscal year 1981 cost estimates, this could mean a loss of almost 21,000 units of newly constructed public housing approved in previous years.

In fiscal year 1982, Congress appropriated $1.2 billion for public housing operating subsidies for such items as management, maintenance, and utilities. The President's fiscal year 1983 budget request included $1.1 billion for operating subsidies. Long-term budget projections by the administration assumed a steady decline in operating subsidies through fiscal year 1987.

In an additional initiative to reduce Federal spending for assisted housing programs, the administration proposed increasing tenants' rent contributions for fiscal year 1983, for a savings of $428 million, by requiring that in calculating rent contributions, the cash value of food stamps be counted as cash income. The elderly and female-headed households with children would be the two groups primarily affected by this proposal. A 1981 study by the Department of Agriculture found that these two groups comprise over 85 percent of all households who participate in both food stamp and housing programs, and who would have their rents increased. Most of the elderly households would be elderly women living alone. The administration further proposed requiring that minimum rents be set to cover at least the cost of utilities, ending the practice of making payments to tenants whose share of unit rent is less than the utility allowance for the unit. HUD estimated that under these initiatives certain tenants would experience rent increases in excess of the currently restricted annual rate of 10 percent. Therefore, the proposal limited the increases to 20 percent.

An urgent supplemental, passed by the Congress in the spring, decreased the amount of funding available for the section 8 new construction/substantial rehabilitation, and public housing construction programs. Amounts available for section 8 existing housing were increased. An increase of $198 million was provided for public housing operating subsidies.

The first concurrent resolution on the budget assumed the enactment of legislation revising the structure of assisted housing programs at a level of $10.4 billion for fiscal year 1983. Both the Senate and the House considered, but did not pass, comprehensive housing program revisions.

In the absence of authorizing legislation, the Congress has not appropriated funds for section 8 or public housing programs. Over $1.3 billion in public housing operating subsidies was provided by the fiscal year 1983 HUD and Independent Agencies appropriations bill. Further, a $453 million loan limitation, sufficient to assure direct loans for 10,000 units, was included in the bill for the section 202 program. (No new section 8 authority was provided to accompany the 10,000 units.)

ASSISTED HOUSING

	Fiscal year 1982 appropriation [1]	Fiscal year 1982 urgent supplemental [2]	Fiscal year 1983 Reagan budget	Fiscal year 1983 appropriation
Section 8:				
New construction/substantial rehabilitation (unit)	26,735	24,913	[3] 10,000	
Existing housing (units)	74,296	116,387	[4] 5,000	
Modified certificates (units)			[5] 106,615	
Public housing (units)	24,000	9,453		
Public housing operating subsidies (in millions of dollars)	$1,152	$1,350	$1,075	$1,350
Section 202 (units)	[6] 17,200	[6] 16,933	[6] 10,000	[7] 10,000

[1] Assumptions used by Congress during appropriations process.
[2] Numbers are total program figures reflecting the impact of urgent supplemental appropriations action and changes in economic assumptions.
[3] Proposed exclusively for use with section 202 projects.
[4] For use in converting preexisting section 23 commitments.
[5] Includes 30,000 certificates for use with rental rehabilitation initiative.
[6] All section 202 units are also counted in the total for "Section 8: New Construction."
[7] No new section 8 authority was provided by Congress to accompany the $453 million loan limitation.

Congregate Housing Services

The Congregate Housing Services Act, passed in 1978, authorized HUD to award grants to public housing authorities and section 202 housing sponsors, to provide nutritional meals and supportive services to partially impaired elderly and handicapped persons, allowing them to remain in their own dwellings, and out of expensive institutions. These 3- to 5-year grants require supplemental funding from other community sources to support the delivery of services. The law prohibits the duplication of existing services and sets up a procedure for coordinating them with congregate housing services through the local area offices on aging. Specifically, congregate housing services projects are required by law to provide at least two meals per day, 7 days a week, at central dining facilities. Homemaker, housekeeping, personal assistance, counseling, transportation, and other necessary supportive services may be offered as needed. Program participants are required to pay a fee for the services they receive based on their ability to pay.

In enacting the congregate housing services legislation, Congress was responding to two pressing problems—the growing number of frail Americans and the skyrocketing cost of health care. At that time, evidence was presented to the authorizing committee, demonstrating that the provision of relatively low-cost meals and other support services in a residential setting could prevent premature, expensive institutionalization in nursing homes, as well as unnecessarily long hospital stays.

As of May 1981, a total of 55 grant awards had been made, committing $16 million of the $20 million previously appropriated by Congress, for fiscal years 1979 and 1980. By the end of 1981, most selected projects were operational and serving over 2,200 older Americans. The Department will complete its review of grant applications in 1982 so that the remaining amount of unobligated funds can be committed. The administration's fiscal year 1983 budget made no request for additional funding of the congregate housing services program.

The fiscal year 1983 HUD and Independent Agencies appropriations bill provided $3.5 million for the continued funding of 28 existing congregate housing services projects for 1½ to 2 years. An additional $500,000 was appropriated for new projects in rural areas.

Community Development

The community development block grant (CDBG) program provides entitlement grants to all large cities and urban counties, and discretionary grants to selected smaller communities. The discretionary grants are made either by the Department of Housing and Urban Development or by States, if they have elected to administer the program. Funds may be used for a wide variety of community and economic development activities, largely at the discretion of recipient communities. These activities include housing rehabilitation, infrastructure improvement, public facilities, and public services, all to benefit principally low- and moderate-income people.

In fiscal year 1981, about $2.659 billion went to 669 large cities and urban counties, and about $934 million was used in 1,830 smaller communities. For fiscal year 1983, the administration proposed a funding level of $3.456 billion for the CDBG program, the same as the 1982 level.

Included in the fiscal year 1983 budget was a recommendation for $150 million in funding for a new rental rehabilitation grants program. This program was intended to provide assistance to local and State governments for rehabilitation of small rental properties in certain market areas where there is a lack of available standard existing housing. The new program would be targeted to neighborhoods with low vacancy rates and dilapidated housing which is available for rehabilitation, and would be available for both single and multifamily properties. Also, special allocations of modified section 8 certificates would be made available in conjunction with this program. Rental rehabilitation grant funds would not finance more than 50 percent of the cost of individual projects. Local governments would have to match these funds from either private or public sources. With the $150 million match from local governments, the program is designed to support the rehabilitation of an estimated 30,000 rental units, at an average Federal cost of $5,000 per unit. The program would replace the section 312 rehabilitation loan program and the section 8 moderate rehabilitation program.

No action has been taken by the Congress on the administration's proposed rental rehabilitation grants program. The first concurrent resolution on the budget assumed funding for the community development block grant program at the fiscal year 1982 appropriated level. Consistent with this assumption, the fiscal year 1983 HUD and Independent Agencies appropriation bill provided $3.456 billion for the program.

WEATHERIZATION

The Department of Energy is responsible for administering the weatherization assistance program. The primary goal of the program is to make the Nation's existing housing stock more energy efficient. In fiscal year 1982, the program provided $144 million to States with approved plans for weatherizing the homes of households with incomes at or below 125 percent of the poverty level. This amount represented roughly a 20-percent cut from the fiscal year 1981 funding level of $182 million. Department of Energy reports show that program funds weatherized approximately 249,000 units during calendar year 1981. It is estimated that over 165,000 older persons have been served by the program.

No funds for weatherization were requested by the administration in its fiscal year 1983 budget. The administration proposed to eliminate categorical funding of the Federal weatherization program along with the dismantlement of the Department of Energy.

The first concurrent resolution on the budget for fiscal year 1983 assumed funding for this program at the fiscal year 1982 level of $144 million. The fiscal year 1983 continuing resolution provides for funding at the fiscal year 1982 level through December 17, 1982, for the weatherization program.

EDUCATION

Under title I-B of the Higher Education Act of 1966, an educational outreach program was established to increase educational opportunities for those adults who had been unable to fully benefit from existing programs. These outreach programs were aimed at addressing the needs of underserved adults, including the elderly, whose previous educational experiences had acted as a barrier to lifelong learning.

Consistent with past levels of activity, this adult education program was funded at $15 million for fiscal year 1981. During fiscal year 1981, the Reagan administration requested a rescission of $12.8 million for the program. Congress agreed to this request, and the program subsequently retained $2.2 million of the $15 million for the maintenance of educational outreach offices at the State level.

The Omnibus Budget Reconciliation Act of 1981 placed a ceiling of $8 million on the level of funding for adult education for fiscal years 1982, 1983, and 1984. Both the continuing resolution for fiscal year 1982, and the Reagan budget for fiscal year 1983, provided no funding for this program. Although an authorization remains in place for educational outreach activities under the Omnibus Budget Reconciliation Act of 1981, the program was essentially phased out by the end of the 1982 fiscal year.

EMPLOYMENT

The senior community services employment program (SCSEP) is authorized under title V of the Older Americans Act, and administered by the Department of Labor. The program provides part-time work opportunities in community services activities for low-income persons aged 55 and over. Participants may work up to 1,300 hours per year, or an average of 20 to 25 hours per week. Participants work in a wide variety of community service activities. During the 1980–81 program year, 51 percent of the job placements were in services to the general community, while 49 percent were in services to the elderly. The program provides substantial support to nutrition services, recreation and senior centers, and outreach and referral services for older persons.

The program is operated by eight national contractors and 57 State units on aging throughout the country. In fiscal year 1982, Federal funding was provided to support 54,200 job slots, although it is estimated that approximately 84,000 persons will participate in the program during this time.

In December 1981, the Comprehensive Amendments to the Older Americans Act were signed into law (Public Law 97–115). The act authorized the following amounts for title V: Fiscal year 1982, $277.1 million; fiscal year 1983, $296.5 million, fiscal year 1984, $317.3 million.

Consistent with provisions of the Older Americans Act, the title V program is "forward funded." Thus, appropriations for this program are used during the annual period which begins July 1 of the calendar year immediately following the beginning of the Federal fiscal year, and ending on June 30 of the following calendar year. For example, appropriations made available for the program for fiscal year 1981, funded the program from July 1, 1981 through June 30, 1982.

During deliberations on the 1982 appropriations bills, a decision was made to remove the forward funding provision of the title V program and place it on a Federal fiscal year funding basis. The fiscal year 1982 continuing resolution provided $66.5 million for the program—an amount needed to fund title V activities through the last quarter of fiscal year 1982. The subsequent reauthorization of the Older Americans Act restored forward funding provisions to the program. Several supplemental appropriations bills during fiscal year 1982 provided additional funding for title V. In August 1982, the Congress overrode a Presidential veto of H.R. 6863, a supplemental appropriations bill, which contained $210.6 million for the senior community services employment program. This then brought the total amounts appropriated for fiscal year 1982 to $277.1 million, thereby assuring funding through June 1983.

For fiscal year 1983, the Reagan administration's budget contained a proposal to eliminate the title V program, and replace it with a new special targeted program, to train various disadvantaged groups, including older workers. Congress is considering alternative jobs training legislation. However, by overriding the veto, it has essentially rejected the administration's proposal to eliminate the title V program.

The first concurrent resolution on the budget assumed funding for this program at the fiscal year 1982 appropriated level. The fiscal year 1983 continuing resolution provides funding for this program through December 17, 1982, at current operating levels.

Programs authorized under the Comprehensive Employment and Training Act (CETA) have served older workers only to a limited extent. Two provisions of the act have been specifically directed toward assisting older workers. Title II, part B of the act, provided assistance to eligible participants in overcoming particular barriers to employment. Section 308 of title III authorized funding for research and demonstration projects directed toward assisting middle-aged and older workers.

The legislative authorization for the CETA program expired at the end of September 1982. The administration's fiscal year 1983 budget proposed to substantially reduce funding for employment and training programs, and replace the current system with a combination of block grants to the States which, along with the special targeted program to train various disadvantaged groups (mentioned earlier), would eliminate the specific provisions for older workers in titles II and III. The administration's budget proposed $900 million for grants to States and $180 million for the special targeted program.

Congress is currently considering legislation that would authorize a new jobs training program for fiscal year 1983 that would include some of the President's proposals. This legislation would also include provisions for training older workers. The first concurrent resolution on the budget assumes funding for such a program at an amount not exceeding $3.7 billion.

TRANSPORTATION

A number of provisions in the Urban Mass Transportation Act (UMTA) benefit older persons. Section 16(b) of the act, as amended, allows 2 percent of urban discretionary grant funding to be set aside for capital assistance grants to States, local agencies, and private nonprofit groups for transit services to the elderly and handicapped. Since the program is designed to provide private nonprofit agencies with capital assistance for vehicles, it has played an important role as capital "seed" money for transportation for the elderly. The Reagan budget requested $31.2 million for section 16(b) in fiscal year 1983, a reduction of $2.4 million from the fiscal year 1982 level, and a $10.2 million reduction from the fiscal year 1981 level.

Section 18 of UMTA, as amended, provides formula transit grants, both capital and operating, for nonurbanized areas with populations of 50,000 or less. This grant program was designed to expand access transportation to rural areas, many of which have a high proportion of elderly residents. The Reagan budget did not request funds for this purpose for fiscal year 1983. A total of $69 million in fiscal year 1982, and $73 million in fiscal year 1981, was provided for the program.

Section 5 of UMTA provides money to all urbanized areas in the country on a formula basis and permits the money to be used for capital operating purchases at the discretion of the locality. Section 5 also contains the requirement that localities provide reduced fares in nonpeak hours to elderly and handicapped individuals. The administration's budget requested $1 billion for fiscal year 1983, compared with the $1.3 billion in fiscal year 1982, and $1.4 billion in fiscal year 1981 appropriated for this program.

For fiscal year 1983, the first concurrent resolution on the budget assumed funding for these three transportation programs at fiscal year 1982 levels. The 1983 continuing resolution provides that the rate of operation for transportation programs will be the lower of the House-passed or Senate-reported bill (H.R. 7019—Transportation Appropriations Bill, 1983). Under this provision, therefore, the following annualized amounts are made available through December 17, 1982. For section 16(b), $32.4 million; for section 18, $32 million; and for section 5, $1.2 billion.

O