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THE PROPOSED 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

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CONTENTS

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INTRODUCTION

On February 8, 1982, President Reagan submitted his fiscal year 1983 budget request to the Congress.

The staff of the Special Committee on Aging has prepared the following information paper discussing those elements of the budget that most directly affect this special group of Americans. The major proposed reductions in programs that entirely or partially serve the elderly are summarized below:

Fiscal year 1983 Reagan budget reductions in programs serving older Americans

	In millions
Non-means-tested programs:	
Social security disability	$59.0
Civil service retirement	489.0
Military retirement	56.0
Veterans disability compensation	146.0
Railroad retirement	80.0
Transportation	467.4
Medicare	2,498.0
Older Americans Act	77.5
USDA commodities	9.2
Subtotal	3,882.1
Low-income assistance programs:	
Supplemental security income	286.0
Veterans pensions	62.0
Food stamps	2,300.0
Low-income energy assistance	575.0
Medicaid	2,911.0
Senior community services employment	277.1
Social services block grant	426.0
Community services block grant	248.0
Legal services	241.0
Housing	428.0
Weatherization	144.0
Subtotal	7,898.1
Total	11,780.2

The various official fiscal year 1983 budget documents often contained different figures for the same programs. In developing the committee print, the staff has consulted with the administration and has selected the most current or comparable data. This paper, therefore, reflects the best information available as of March 1, 1982.

ECONOMIC PERFORMANCE AND THE FEDERAL BUDGET

The health of the economy is of vital importance to older Americans. Over the past few years, unusually high rates of inflation have reduced the standard of living of many older citizens. High rates of unemployment have made it more difficult for many older workers to retain their jobs, and for many others to find work. Finally, the rate of growth of the economy has a large and direct influence on the overall level of Federal revenues available to finance programs that serve the needs of the elderly.

During 1981, one favorable development for all Americans—and especially for those on fixed incomes—was a moderation in the rate of inflation. The Consumer Price Index for all urban consumers rose 10.4 percent according to preliminary estimates, compared to a much sharper 13.5 percent rise in 1980. In fact, all of the major components of the Consumer Price Index increased at a far lower rate in 1981 compared to 1980. The elderly have been particularly affected by the rise in the costs of energy and health care. In 1981, the energy price index rose by 13.5 percent, compared to 30.9 percent in 1980. The medical care component increased at a rate of 10.8 percent, down modestly from the 10.9 percent increase in 1980.

President Reagan's fiscal year 1983 budget submission of February 8 incorporates many policy changes designed to control inflation, reduce the rate of growth of Federal expenditures, and increase economic growth. In fact, the budget assumptions, as shown in the following table, show steady progress in reducing the rate of inflation, substantial and sustained increases in real GNP, and a declining rate of unemployment. On the other hand, critics of the budget argue that these changes may not, in fact, be compatible with one another, that such dramatic growth in real GNP is inconsistent with the Federal Reserve Board's tight monetary policies, and that such large increases in GNP raise questions as to whether the inflation rate will indeed decline during periods of robust growth. Others argue that the assumed growth rates in GNP are probably too high by historical standards.

ECONOMIC ASSUMPTIONS UNDERLYING THE FEDERAL BUDGET

	1981 actual	1982	1983	1984	1985	1986	1987
Inflation (CPI-U), percent change, calendar year to year	[1] 10.4	7.3	6.0	4.6	4.8	4.6	4.5
Real GNP, percent change, calendar year to year	[1] 2.0	.2	5.2	5.0	4.7	4.4	4.3
Unemployment, percentage, yearly rate	[1] 7.6	8.9	7.9	7.1	6.4	5.8	5.3

[1] Preliminary data.

The following table shows what the administration projects budget receipts and outlays to be through 1985, along with the budget deficits that would result if the administration's proposed budget proposals were adopted. However, budget estimates can change significantly if economic conditions change. For example, the Congressional Budget Office (CBO) estimates that under less optimistic economic assumptions, the size of the Federal deficit under the President's budget would be $121 billion rather than $91.5 billion.

THE BUDGET TOTALS

[In billions]

	1981 actual	1982 estimate	1983 estimate	1984 estimate	1985 estimate
Budget receipts	$599.3	$626.8	$666.1	$723.0	$796.6
Budget outlays	657.2	725.3	757.6	805.9	868.5
Surplus or deficit (−)	−57.9	−98.6	−91.5	−82.9	−71.9
Budget authority	718.4	765.5	801.9	858.0	943.5

OLDER AMERICANS AND THE FEDERAL BUDGET

The size of Federal program expenditures for the elderly and their rank within the Federal budget is a measure of the priority placed upon the welfare of older Americans by the Congress. According to current estimates made by the Office of Management and Budget, between 25 and 30 percent of the total Federal budget is now spent on programs directly helping the elderly.

Estimates about the share of the budget devoted to the elderly vary because of the methodological problems of measuring how much a given program directly affects elderly persons. For example, there are four major programs that specifically benefit older Americans: Social security old-age and survivors insurance, medicare, supplemental security income, and the programs administered by the Administration on Aging. Numerous other Federal programs benefit elderly persons in a substantial way, e.g., medicaid, disability insurance, veterans benefits, civil service and military retirement, food stamps, and low-income energy assistance. There are varying ways to measure the degree to which the elderly participate in such programs—depending, for example, on whether the elderly are defined as those age 55, 60, or 65 and older, whether benefits to dependents and young survivors of elderly are included, and whether the cash equivalent value of services or in-kind benefits like medical care are included, based upon a particular economic model. Clearly, the conclusions drawn by any such analysis simply reflect the methodology employed.

The following table, prepared by the Office of Management and Budget, lists the programs and program expenditures which can be identified as benefiting persons age 65 and older.

Aside from the methodological problems associated with measuring aggregate Federal expenditures for the elderly, there are related problems of interpretation. While the Federal Government is spending far more for these programs than it spent 10, 20, or 30 years ago, the graphic presentation of such historical numbers, which usually depicts a sharply rising curve, can be misleading. It is often used to convey the idea that Federal spending for the elderly is out of control and the elderly consume a far larger portion of the budget than their numbers warrant.

A more sophisticated analysis of the expenditure data supports a different conclusion. By far the largest single Federal program is social security, accounting for nearly 60 percent of Federal outlays for the elderly. The social security system, however, is essentially self-financed out of payroll taxes paid by workers and employers. As a self-contained income transfer system, it is not subject to the same budget decisions as can be made with respect to the descretionary

OFFICE OF MANAGEMENT AND BUDGET ESTIMATE: MAJOR FEDERAL OUTLAYS BENEFITING THE ELDERLY

[In billions] [1]

	Fiscal year—		
	1981	1982	1983
Social security	$97.1	$109.7	$121.2
Railroad employees	4.1	4.0	(2)
Federal civilian employees	[3] 11.6	12.8	13.9
Military retirement	2.0	2.2	2.4
Coal miners	1.2	1.3	1.2
Supplemental security income	2.6	2.7	3.1
Veterans compensation and pensions	3.7	4.0	4.3
Medicare	35.8	41.8	46.9
Medicaid	6.0	6.4	6.4
Food stamps	.9	.9	.7
Subsidized public housing	2.3	3.3	3.5
Other [4]	6.0	6.0	6.0
Total dedicated elderly resources	173.3	195.1	209.6
Percent total Federal outlays	26.4	26.9	27.7

[1] Fiscal years 1981–83 reflect outlays, including effects of proposed legislation, for recipients aged 65 and over in most cases. These are estimates based on Federal agency information—which may be administrative counts, samples, or less accurate estimates from Federal, State, and program staff. Other Federal programs that assist the elderly (e.g., consumer activities, USDA Extension service, National Park Service) have been excluded due to data limitations.

[2] Social security benefits for rail workers, funded by SSA but paid from the railroad retirement account, would be funded and paid directly by SSA in 1983 and outyears. Rail industry pension benefits would be administered by a private rail pension plan.

[3] Reflects revised estimating technique adopted by agency.

[4] Other category includes AoA, NIA, ACTION, White House Conference on Aging, other Federal health programs, other retired, disabled and survivors benefits, FmHA and elderly housing loans programs, social services, energy assistance, unemployment, and other miscellaneous discretionary program outlays.

Source: OMB, Feb. 16, 1982.

funding of other programs. If social security were excluded from the unified budget, as it was before fiscal year 1969, on-budget expenditures for the elderly would be less than half of what they now appear to be.

Although there were reasons for including social security within the unified Federal budget, its inclusion raises serious analytical problems when it is compared on the same terms to the rest of the budget. For example, the horizon of the budget process is only 1 year—with 5-year forecasts at most. The horizon of social security is a working career and retirement, and its trustees project estimates of income and outgo over a 75-year period.

Social security is a long-term commitment. When the benefit provisions were enacted and the financing schedules set by law, it was clearly understood that the benefits from these programs would rise with the growing numbers of retired persons, rise with the standard of living, and rise to keep pace with inflation. Thus, what appears from aggregate budget numbers to be a striking growth in expenditures for the elderly is actually the normal maturation of previously legislated retirement income commitments. Further, although the Federal Government is primarily funded through general tax revenues paid during the tax years, social security and other retirement benefits represent an outlay to beneficiaries in the current budget years in exchange for cumulative payment by individuals over prior years. The retirement programs thus reflect a sense of investment over time, even though they are operated on a pay-as-you-go basis.

Social security is the largest self-funded program but by no means the only one. If expenditures for all partially self-funded programs are excluded from 1982 Federal spending estimates, about 4 percent of the Federal budget would be devoted to programs assisting the Nation's elderly.

It can also be misleading to compare current Federal budget expenditures for the elderly with dollars spent in prior years if no adjustment is made for the changing value of the dollar. For example, per capita spending for the elderly, according to one estimate, rose from $2,100 in 1971 to $7,400 in 1982, implying a 350-percent increase over 11 years. If those sums are adjusted for inflation, the cumulative increase in per capita benefits is less than 47 percent, or an annual average increase of 3.5 percent in real terms.

Further, this 3.5 percent real increase is largely due to the compound effects of the one-time, 20-percent increase in social security benefits enacted in 1972. That increase was voted by the Congress in response to 1970 census data, indicating that 24.5 percent of the Nation's elderly were living on incomes below the poverty level. Today, elderly poverty is at 15.7 percent. In short, the historical expansion of Federal expenditures looks especially sharp in part because Federal income maintenance support was inadequate for many older persons in previous decades.

Finally, any analysis of expenditures must also take account of related income. With regard to the programs that are financed from general revenues, it is worth noting that older Americans, who constitute 11 percent of our population, pay an estimated 11 percent of Federal income tax revenues.

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 $18.2 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 $171.7 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). The President's budget assumes COLA's of 8.1 percent in July 1982, and 6.5 percent in July 1983.

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 $122 billion in fiscal year 1981 to $138 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 administration has assumed that this automatic taxable wage base will increase from $32,400 in 1982 to $35,100 in 1983.

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 separate 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.

No major legislation addressing social security financing problems is proposed in the administration's budget, since the President is awaiting recommendations of the newly formed National Commission on Social Security Reform which are due by December 31, 1982. However, other proposals in the budget would affect the social security system. For example, the President recommends defederalizing the railroad retirement system. Under the proposal, administration of the tier I social security related benefits would be transferred from the Railroad Retirement Board to the Social Security Administration on September 30, 1982. Tier II benefits would be administered by a private corporation. A more detailed explanation of this proposal is included in the railroad retirement section of this paper.

In addition, the fiscal year 1983 budget proposes legislation to make four administrative changes in the DI program. The major change would be a repeal of the provision in the 1980 social security amendments requiring that persons denied disability benefits be sent personal denial notices. This proposal is expected to save $31 million in fiscal year 1983 and in subsequent years, more than half of the annual projected savings from the four proposals. Other proposals would repeal the provision of law authorizing the Secretary of Health and Human Services to pay physicians and other parties for furnishing medical evidence on a disability claimant's condition (savings of $11.4 million in fiscal year 1983); alter provisions of law which require the Social Security Administration to set attorney's fees for representing DI claimants in appeals processes (fiscal year 1983 savings of $7 million); and repeal the provision of law requiring that Federal examiners review 65 percent of State agency disability allowances and continuances, enabling the administration to limit review to only 35 percent of the cases (fiscal year 1983 savings of $9.5 million). None of these proposals would directly affect disability benefits. Only the elimination of personalized denial notices would directly affect beneficiaries.

SOCIAL SECURITY (OASDI)

[In billions]

	Fiscal year—					
	1982	1983	1984	1985	1986	1987
Income:						
Present law [1]	$152.1	$163.5	$176.4	$199.2	$221.2	$240.6
Proposed budget [2]	152.1	167.5	177.5	200.4	222.5	241.9
Net change		+4.0	+1.1	+1.2	+1.3	+1.3
Outlays:						
Present law [1]	156.6	171.7	186.2	200.2	214.5	230.1
Proposed budget [2]	158.8	173.1	187.6	201.6	216.1	231.8
Net change	+2.2	+1.4	+1.4	+1.4	+1.6	+1.7

[1] "Present law" reflects economic assumptions from the fiscal year 1983 budget but does not include the direct impact of social security legislation. An interfund transfer from DI to OASI of $6,400,000,000 (as authorized under Public Law 97-123) is assumed to be made in fiscal year 1983.

[2] "Proposed budget" includes the effect of reorganization of the railroad retirement system and proposals for administrative changes in DI only. An additional interfund transfer of $2,800,000,000 from HI to OASI (as authorized under Public Law 97-123) is assumed to be made in fiscal year 1983.

Source: Social Security Administration.

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 1981 is $264.70 for an eligible individual and $397 for an eligible couple. These amounts are automatically adjusted in July of each year for 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 current law, spending for SSI benefits would increase from $8 billion in fiscal year 1982 to $9.2 billion in fiscal year 1983. The Reagan fiscal year 1983 budget proposal would reduce SSI expenditures by $286 million as a result of eight separate legislative proposals, lowering budget authority to $8.9 billion. The following table lists each of these proposals and the amount of savings the administration projects would result.

IMPACT OF PROPOSED SSI BUDGET CHANGES

[Administration estimates][1]

Proposal	Effective date	Fiscal year 1982 savings (millions)	Fiscal year 1983 savings (millions)	Beneficiaries affected
Rounding payment to lowest dollar.	July 1, 1982	$3	$20	All but 200,000 in medicaid institutions by an average 50 cents a month; 35 percent are aged recipients.
Prorate 1st month's benefit	do	10	40	All new beneficiaries (135,000 in fiscal year 1982; 550,000 in fiscal year 1983); 35 percent are aged recipients.
24-mo disability prognosis	do	5	45	New beneficiaries (5,000 in 1982; 35,000 in 1983).
Emphasize medical factors in disability determination.	do	10	75	New beneficiaries (15,000 in 1982; 80,000 in 1983).
End $20 unearned income disregard.	Jan. 1, 1983	(2)	15	New beneficiaries (300,000 in 1983) by $240 a year; 45 percent are aged.
Recover SSI overpayments from social security benefits.	Oct. 1, 1982	(2)	16	All overpaid recipients.
Phasing out hold harmless payments.	Fiscal year 1983	(2)	30	States of Wisconsin and Hawaii (will probably absorb the change).
Coordinating SSI/social security COLA adjustments.	July 1, 1982	50	45	All on the rolls in July (45 percent of Federal caseload in any year); 55 percent are aged recipients
Total		78	286	

[1] The administration is currently reestimating the number of recipients affected and the aggregate savings, to reflect the interactive effects within SSI of these proposals. Preliminary indications are that their reestimates will show lower aggregate savings as a result. CBO's baseline projection of the number of new beneficia·ies is lower than the administration's, and, therefore, CBO's estimate of the aggregate savings that would result from the administration's proposals would also tend to be lower than the estimates shown here.

[2] Not applicable.

The average number of aged recipients of Federal SSI payments is projected to decline by 60,000 to 1,388,000 in 1983, while the number of blind and disabled Federal SSI recipients is projected to rise modestly by 36,000 to 2,242,000 in 1983. (These projections assume enactment of the administration's proposals.)

The average Federal monthly payment to aged recipients is projected to rise from $113.55 in 1981 to $119.33 in 1982 and $133.48 in 1983. During the same years, the average Federal monthly payment to blind and disabled recipients is projected to rise from $178.29 in 1981 to $193.10 in 1982 and $226.51 in 1983.

The President's budget assumes the July 1982 SSI cost-of-living increase will be 8.1 percent and 6.5 percent in July 1983. These would raise the maximum Federal payments to individuals and couples, as shown in the following table:

	July 1981	July 1982	July 1983
Individual	$264.70	$286.20	$304.80
Couple	397.00	429.20	457.10

Of the eight SSI budget proposals, of primary concern to the elderly is 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 affect roughly 135,000 aged recipients in fiscal year 1983, according to an administration estimate. The proposal would apply only to new beneficiaries and its impact would be to reduce benefits by $240 a year for people whose incomes are generally below the poverty line. Such a reduction would be 15 percent of the average SSI benefit for an aged recipient in 1983.

Currently, 39 percent of SSI disability recipients are age 50 to 64. The budget proposes two changes in disability proposals which could also have an impact on older persons, depending on how they are drafted. First, the administration would require a 24-month rather than a 12-month prognosis of disability. Second, greater weight would be given to medical factors in the determination of disability to insure that the determination is based on a preponderance of medical factors.

The remaining legislative proposals make other changes in procedures. A proposal to coordinate the SSI/social security cost-of-living adjustments would correct a flaw in the statute enacted in 1981 as part of the Omnibus Reconciliation Act. That statutory change was designed to save money and improve administrative procedures by using retrospective (prior month) accounting. But the 1981 statute, as technically drafted, actually costs the SSI program money—a deficiency which this 1982 legislative change is intended to correct.

Two management initiatives contained in the budget would also affect SSI beneficiaries. The first would increase continuing disability investigations of SSI recipients (as required by the 1980 disability legislation). The administration intends to review 370,000 SSI disability cases in fiscal year 1983, up from roughly 80,000 such investigations in fiscal year 1982, resulting in estimated savings of $30 million. The second management initiative would intensify efforts to collect overpayments, which the administration estimates would recoup $140 million in overpaid SSI benefits.

CIVIL SERVICE RETIREMENT

Under existing law, the civil service retirement system (CSRS) is expected to pay out over $21.2 billion in benefit payments to 1.9 million Federal retired, disabled, or survivor annuitants in fiscal year 1983. Total program outlays for fiscal year 1983 under existing law are expected to be over $21.5 billion. This represents an increase of nearly 22 percent over actual fiscal year 1981 outlays of $17.7 billion.

[In billions]

	Outlays					
	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
Current services	$19.436	$21.543	$23.516	$25.386	$27.277	$29.249
Reagan budget	19.412	21.054	22.417	23.928	25.567	27.339
Proposed savings	.024	.489	1.099	1.458	1.710	1.910

In March 1982, civil service annuitants are scheduled to receive an 8.7 percent cost-of-living adjustment (COLA) reflecting the increase in the Consumer Price Index (CPI) over the previous year. Under current law, CSRS annuities would again be adjusted in March 1983 for the full CPI, projected under Reagan budget assumptions to be 6.6 percent.

REAGAN FISCAL YEAR 1983 BUDGET ASSUMPTIONS

[In percent]

	Annual increase					
	1982	1983	1984	1985	1986	1987
CPI	8.7	6.6	4.9	4.5	4.5	4.5
Federal civilian pay	5.0	5.0	5.0	5.0	5.0	5.0

The Reagan budget assumes enactment of a number of legislative changes in CSRS that would reduce outlays in fiscal year 1983 by an estimated $489 million. The major changes would affect the way the COLA is determined for CSRS annuitants. First, the full COLA would be based, beginning in March 1983, on the lesser of the increase in the CPI or the increase in pay for Federal employees. Under Reagan budget assumptions, Federal civilian pay increases would be 5 percent in 1983, compared to a CPI of 6.6 percent. Therefore, the adjustment in retirement benefits for March 1983 would be 5 percent. Second, annuities of current retirees and past retirees would be made more equivalent by recovering retroactively some of the COLA's granted to earlier retirees. This would be accomplished by providing less than full COLA's to retirees whose annuities exceed the annuities paid to currently retiring employees in the same grade and step (comparable current awards (CCA's)). Those with an annuity of 100 to 120 percent of CCA's would receive 75 percent of the COLA. Those with an annuity of 120 percent or more of CCA's would receive no COLA at all. It is currently estimated that anyone who retired from Federal service between 1965 and 1975 will have annuities of 120 percent or more of the CCA. About half (48 percent) of the 1.4 million retired and disabled annuitants are in this category and would receive no COLA in 1983. Half (52 percent) of the annuitants would receive a COLA of 3.8 percent. The budget assumes that no annuitants would receive full COLA's.

Partial or no COLA's would continue in future years until all annuities matched CCA's. After the March 1982 COLA, it is estimated that the average CSRS annuitant will receive $1,036 a month. Enactment of the administration's proposals would reduce the average monthly benefit paid during calendar year 1983 by about $36.

Four other administration proposals revising the CSRS are assumed to result in savings of $62 million in fiscal year 1983. The bulk of these savings would come from the elimination of survivor annuity payments to adult students. Under current law, children of deceased Federal employees or retirees are eligible to continue receiving annuities between 18 and 22 years of age if enrolled full time in postsecondary school. The budget proposals would eliminate average annuities of $200 a month for about 19,000 current student beneficiaries for a savings of $14 million in fiscal year 1982, and $53 million in fiscal year 1983. Total savings between fiscal year 1983 and fiscal year 1987 would be $337 million. The other proposed changes would expand enforcement authority to reduce waste, fraud, and abuse in Federal disability benefits; limit retirement service credit for leave without pay; and require that deposits or redeposits of employee contributions be made with reasonable interest before service is credited in determining retirement benefits. These proposals combined would reduce outlays by $9 million in fiscal year 1983. Total savings between fiscal year 1983 and fiscal year 1987 for all four proposals would be $500 million.

Military Retirement

Under current law, $16.5 billion in military retirement benefits is expected to be paid out to 1.4 million retirees and survivors in fiscal year 1983. This estimate amounts to an increase of 20 percent over actual fiscal year 1981 outlays of $13.7 billion. A large portion of this increase is the result of annual, automatic, cost-of-living adjustments (COLA's) made in March of each year. In March 1982, military annuities are scheduled to increase by 8.7 percent for the previous December to December increase in the Consumer Price Index (CPI). The administration assumes a March 1983 COLA of 6.6 percent.

The administration will propose legislation to make four changes in the military retirement program, three of which would achieve savings of $56 million in fiscal year 1983, increasing annually to $239 million by fiscal year 1987. Through this legislation the method for calculating annual COLA's would be revised in a manner similar to that advanced in the budget for revision of civil service retirement COLA's. First, the full COLA calculated in each year would be equivalent to the lesser of the increase in the CPI or military basic pay. Unlike the proposal for the civil service retirement system, this change is not expected to achieve any budget savings because the budget assumes that military pay increases will exceed the annual increase in the CPI in every year from 1983 through 1987, hence military retirees would receive a COLA based on full CPI increases.

REAGAN FISCAL YEAR 1983 BUDGET ASSUMPTIONS

[In percent]

	Annual increase					
	1982	1983	1984	1985	1986	1987
CPI	8.7	6.6	4.9	4.5	4.5	4.5
Military pay	8.0	7.6	6.4	5.8	5.6	5.5

Second, military retirees and survivors receiving annuities of 100 to 120 percent of the annuity for a current retiree in the same rank, grade, and length of service, would receive only 75 percent of the COLA for that year. Retirees with annuities in excess of 120 percent of comparable current awards (CCA's) would receive no COLA for the year. The effects of this proposal on military retirees would also be different from the effect on civil service retirees. Military pay raises in recent years have been substantially higher than Federal civilian pay raises. The average military pay raise was 11.7 percent in 1980 and 14.3 percent in 1981, compared to Federal civilian pay raises of 9.1 percent and 4.8 percent. As a result, there is not a great discrepancy between the annuities of past and current military retirees. It is estimated that there would be no military retirees or survivors with annuities of 120 percent or more of CCA's in March 1983. In addition, only 578,000 of the 1.4 million military annuitants would have annuities of 100 to 120 percent of CCA's. The rest of the annuitants would receive a COLA equivalent to the full increase in the CPI. The average annuitant receiving a COLA less than the full CPI would receive a benefit of $8 a month less in fiscal year 1983 under the Reagan proposal than under current law. In future years, the difference for affected annuitants between benefits under the proposed change and benefits under current law would be greater.

The third proposed change which would achieve budget savings is a proposal to round monthly benefit amounts to the next lower dollar. This proposal would go into effect in the middle of fiscal year 1983 for a savings of $5 million in that year and a savings of $9 million a year thereafter. This change would affect nearly all military annuitants to some extent, reducing the average benefit by 50 cents a month in the first year.

The fourth proposal would eliminate the "look-back" provision which provides for alternative calculations of initial benefits for retirees. This change would implement a change in military retirement which went into effect in the civil service retirement system in fiscal year 1981. No savings are estimated to result from implementation of this proposal.

[In billions]

	Outlays					
	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
Current services	$15.000	$16.560	$17.880	$19.068	$20.226	$21.407
Reagan budget	15.000	16.504	17.751	18.889	20.010	21.168
Proposed savings		.056	.129	.179	.216	.239

Note.—The above estimates have been revised since the release of the original budget documents, to reflect changes in assumptions about the March 1982 COLA, about the details of the proposed legislation, and changes in the estimation methodology.

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. As a result of these legislative changes, the railroad retirement system was projected to be adequately financed until the end of the 1980's under moderate economic assumptions. Consistent with 1981 congressional action, benefits paid from the dual benefits account were reduced by 15 percent through March 1982, with the final appropriation for fiscal year 1982 still to be established.

The President's fiscal year 1983 budget recommends funding for the dual benefits account at $350 million. The Railroad Retirement Board estimates that $430 million would be required for full funding. Therefore, the administration's proposals would result in a 20-percent reduction in the windfall portion of the benefits in fiscal year 1983. The impact on beneficiaries is shown in the following table.

RAILROAD RETIREMENT ANNUITIES—ESTIMATED NUMBER AND AVERAGE MONTHLY AMOUNT OF ANNUITIES PAID FOR MARCH 1982, TO BENEFICIARIES WHOSE ANNUITY INCLUDES A WINDFALL BENEFIT, ASSUMING A 20-PERCENT REDUCTION

	Total monthly annuity, including supplemental annuity				Average monthly windfall			
Type of benefit	Number receiving windfall benefits	If full windfall paid	After 20 percent windfall cutback	If no windfall paid	Before cutback	20 percent cutback amount	After cutback	Number receiving windfall benefit only
Employee	179,000	$467.50	$445.16	$355.70	$111.70	$22.34	$89.36	4,200
Spouse	144,000	226.20	207.68	134.46	92.40	18.48	73.92	9,100
Survivor	57,800	199.55	190.04	152.05	47.46	9.51	38.05	(1)
All	380,800	335.58	316.63	241.13	94.67	18.93	75.73	13,300

1 Number of survivor windfall beneficiaries estimated to be less than 100.

Source: Railroad Retirement Board, Bureau of Research, February 1982.

The administration also proposes to abolish the Federal Railroad Retirement Board in fiscal year 1983 and reorganize 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 proposes 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 estimates 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).

Veterans Disability Compensation

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.

In 1983, it is estimated that there will be 2.6 million veterans and survivors receiving compensation benefits. About 30 percent of these (800,000) will be 65 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. The major source of expansion in program outlays comes from annual legislative increases in benefits for the cost of living. Compensation rates were increased by an average of 11.2 percent in 1981. The Reagan budget includes the assumption that an average 8.1 percent cost-of-living increase will be enacted in 1982, increasing fiscal year 1983 outlays by $771 million. Under current law, with assumed cost-of-living increases, outlays are projected to increase from $8.4 billion in fiscal year 1981 to an estimated $10.3 billion in fiscal year 1983.

The President's fiscal year 1983 budget assumes enactment of four veterans compensation proposals that would reduce outlays by $146 million in fiscal year 1983 and $432 million in fiscal year 1984.

[In billions]

	Outlays					
	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
Current services	$9.488	$10.316	$11.039	$11.627	$12.222	$12.774
Reagan budget	9.487	10.170	10.607	11.179	11.749	12.272
Proposed savings	.001	.146	.432	.448	.473	.502

Three of the proposals would produce savings in fiscal year 1983. Of these, the most significant is 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 ratings of 30 to 50 percent were added in 1978. The administration is proposing elimination of these benefits for the 320,000 dependents in this group. The average monthly benefit loss would be $35. Savings from this change are estimated to be $135 million in fiscal year 1983.

A second proposal would delay compensation payments until the first full month in which the veteran was entitled. Currently, payments begin on the date of application. The proposed change, which would become effective in July 1982, would reduce annual benefits by an average $158 for an estimated 51,000 veterans and 6,000 survivors in fiscal year 1983. The change would save $1 million in fiscal year 1982 and $9 million in fiscal year 1983.

A third proposal would 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 would effect 7,100 veterans and 100 survivors, for a savings in fiscal year 1983 of $1.4 million.

Finally, the administration is proposing a change in the compensation program which would not become effective until October 1983. 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. There are currently 106,600 veterans drawing "unemployability" benefits. The administration proposes elimination of the special "unemployability" benefit for veterans who are also collecting social security disability, supplemental security income, or Federal retirement benefits. Instead, these veterans would receive their base compensation benefit. The proposed change would reduce annual compensation for 54,000 disabled veterans currently receiving these benefits by an average $5,212. This reduction would occur without regard to the amount of the benefits received from other sources. Total savings in fiscal year 1984 from this proposal would be $238 million.

Veterans Pensions

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 in July of each year. The Reagan budget assumes that an 8.1 percent cost-of-living adjustment (COLA) will be provided in July 1982.

Under current law, outlays for veterans pensions are projected to increase from an actual $3.8 billion in fiscal year 1981 to an estimated $4.1 billion in fiscal year 1983. This increase is entirely due to automatic COLA's. At the same time, the number of pension recipients is expected to decline from 2 million in 1981, to 1.8 million in 1983, due to a tightening of eligibility rules in 1978.

[In billions]

	Outlays					
	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987
Current services	$3.940	$4.077	$4.166	$4.271	$4.404	$4.554
Reagan budget	3.940	4.015	4.106	4.213	4.347	4.497
Proposed savings	0	.062	.060	.058	.057	.057

The administration is proposing four changes to the veterans pension program which would save $62 million in fiscal year 1983. Three of these proposals would introduce program changes resembling those enacted for the social security system in 1981. The major one of these, which saves about half of the total savings in fiscal year 1983, would immediately eliminate benefit payments for dependent students who are over 18 and in postsecondary school, or over 19 and in secondary school. This change would eliminate an average $290 a year in benefits for about 105,000 students. Elimination of the student benefit would reduce fiscal year 1983 expenditures by $30.3 million.

The administration also proposes delaying the payment of pension benefits until the first full month of entitlement. This would affect 70,000 newly entitled veterans and 45,000 survivors, reducing fiscal year 1983 spending by $19.8 million. In addition, benefit checks would be rounded down to the nearest dollar. All beneficiaries would be affected for a savings of $10.8 million in fiscal year 1983. A fourth proposal would discontinue dependent benefits at the end of the month in which dependency ceases, as opposed to the end of the calendar year. This change would affect 4,400 veterans for a savings of $1.8 million in fiscal year 1983.

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 equally the costs of program administration. Food stamp program eligibility and benefit amounts are federally established. Income standards vary according to the type of household income (earned versus unearned) and whether a household has special expenses for shelter, dependent care, and/or medical care. Each participating 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 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 (EPR), program participation among the aged has steadily grown. At the close of 1981, the participation rate among eligible older citizens was believed to be in excess of 50 percent, or 2.3 million people. This figure represents approximately 10 percent of the estimated 22.5 million Americans who received food stamp benefits during that year. 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 will reduce the purchasing power of older recipients in 1982 and future years. Under the new law, benefit levels, formerly adjusted annually each January to reflect food price inflation, will be delayed until October 1982, with future adjustments made in October of each year thereafter. Adjusting benefit levels in October 1982 will have an impact on elderly households who also receive social security and supplemental security income benefits. In July 1982, these households will receive their social security and/or SSI cost-of-living adjustment. That increase will 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 have just received. When the food stamp cost-of-living adjustment is made 3 months later, these benefits will 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, would 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 will be made in July 1983, October 1984, and in October of each year thereafter.

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

Of those legislative proposals included in the President's budget, four would have an immediate and significant effect on elderly households now eligible to receive food stamp benefits. They are as follows:

(1) *Raising the "benefit reduction rate" from 30 to 35 percent.* This proposal assumes that households would 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. For example, an elderly low-income couple, whose sole income is $5,100 a year in social security payments, would have their food stamp benefits lowered from $312 a year to $108 a year. Approximately $1 billion of the administration's total estimated fiscal year savings of $2.3 billion would result from enactment of this benefit cut affecting almost all food stamp program participants. Fiscal year 1982 savings would amount to $22 million.

(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. Preliminary Congressional Budget Office estimates indicate that 850,000 households would either be terminated or have their benefits reduced below $10. 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 are 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 is 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 amounts to an across-the-board benefit reduction of $1 to $2 a month.

In addition to the above recommended changes, President Reagan proposes 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 assumes $43.3 million in fiscal year 1983 savings from enactment of this proposal. The President also recommends that the States be held to firm targets for reducing erroneous eligibility and benefit determinations so that by 1986 there will be no Federal participation in erroneous payments. Over $600 million in fiscal year 1983 savings are 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. No legislative details regarding the plan are yet available.

The Department of Agriculture has analyzed the cumulative impact that these new proposals would have 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.

Low-Income Energy Assistance

The current energy assistance program for low-income and elderly households is authorized by the Omnibus 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.

Eligibility for program benefits is 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.

The program is currently authorized for each of fiscal years 1982, 1983, and 1984 at a funding level of $1.875 billion. In 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 total funding for the program up to the full level of authorization.

In the fiscal year 1983 budget, the Reagan administration proposes 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 is requested for this purpose. The request represents more than a 30-percent reduction in total funding for these two programs. Like the food stamp program, the low-income energy assistance program is included in the President's new federalism plan and would eventually become a State responsibility.

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, posthospital 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 21.5 percent over the fiscal year 1980 benefit expenditure level. The fiscal year 1983 administration budget projects that, if current service levels remain the same, medicare's Federal outlays will increase to $57.9 billion. While the structure of medicare benefits has not changed significantly since its enactment, real per capita medicare expenditures have increased from $415.70 in 1967 to $878.15 in 1980 (unpublished Health Care Financing Administration data, 1982). This increase is substantially above that which can be explained by the increase in medical prices alone. According to the Congressional Budget Office, the difference is explained by the increasing rates in the use of medical services. Rates of hospitalization have increased, and more and more services are delivered during a hospital stay. While this phenomenon reflects trends affecting the entire medical care system as well as medicare, medicare's extensive coverage of hospital care and policy of reimbursement on the basis of cost have contributed to these trends. Growth in the population age 65 and over has also been a contributing factor.

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 amounts to over a 27-percent increase 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 administration estimated that the savings from these changes and additional changes in reimbursement methods and practices would reduce fiscal year 1982 medicare outlays by $1.1 billion.

The administration's fiscal year 1983 budget request proposes to reduce estimated medicare outlays by an additional $2.5 billion in fiscal year 1983, from an estimated $57.9 to $55.4 billion, through further legislative and regulatory changes to the medicare law. These changes essentially can be categorized into three areas: (1) Beneficiary enrollment and cost sharing, (2) provider reimbursement, and (3) program management.

1. BENEFICIARY COVERAGE

(a) *Enrollment Changes*

Bring Federal employees under medicare part A

Federal workers do not pay social security tax and are not enrolled in the medicare program by virtue of Federal employment. (50 percent of current Federal employees and retirees over age 65 are eligible for medicare part A benefits because they have legitimately paid their required quarters contribution through other employment.) The Reagan budget proposes 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. This proposal is expected to generate an additional $1.24 billion in receipts for the HI trust fund. Since the Federal Government, as the employer, will pay the 50 percent employer contribution for this benefit, the net effect on the Federal budget would be an increase of revenues of $619 million in 1983. (Since this item is a revenue increase and not a program savings, it is not listed as a line item in the table on proposed savings.)

Modify medicare coverage of the working aged

Eligibility for medicare is 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, for their medicare eligible employees, a health benefits package that supplements medicare coverage. The Reagan budget proposes to change this arrangement by requiring employers to offer elderly employees (age 65 to 69) the same health benefit package offered to younger workers and make medicare the secondary payor to these plans. If employers do not offer aged employees the same benefits as younger employees, the Reagan proposal would not permit them to claim the full cost of health plan benefits as a tax deduction. The proposal would be effective July 1, 1982. This reversal of current practice is assumed to save $51 million in fiscal year 1982 and $303 million in fiscal year 1983. It would affect 450,000 elderly workers and their spouses. The cost of this provision to employers would vary, depending on the number of elderly persons they employ and the structure of the benefit packages offered to employees.

Begin medicare coverage on the first day of the month following the month in which age 65 is achieved

Under current law, eligibility for medicare begins on the first day in the month in which an individual's 65th birthday occurs. The Reagan budget proposes to defer eligibility to the first day of the month following the month of the 65th birthday. The proposal assumes that this change should not result in a gap of insurance coverage for most individuals since employer-based group health plans extend until the beginning of medicare coverage. This would result in an increased cost to employers and individuals not covered by employer-based health plans. The proposal would be effective July 1, 1982. The administration estimates that this proposal would reduce outlays for fiscal year 1982 by $29 million and by $145 million in fiscal year 1983. It is assumed by the administration that a portion of these savings, $14 million in fiscal year 1983, would be shifted as increased costs to the medicaid program.

(b) *Beneficiary Cost-Sharing*

Require minimal coinsurance on home health services

Under current law, copayments for home health benefits are not required. The Reagan budget proposes legislation to require a 5-percent copayment for all home health visits. The proposal would be effective on January 1, 1983. It is assumed that this would result in a Federal savings of $35 million in fiscal year 1983. The administration assumes that this proposal would cost those persons using the medicare home health program approximately $1.70 per visit based on an estimated average cost of $33 per home health visit. Approximately 900,000 beneficiaries who use medicare's home health program would be affected by this provision. The administration based their savings estimate on the 1981 average of 25 visits per participant in medicare's home health program. It did not include additional billing costs included in providers' operating costs or any estimates of the amount of copayments which would not be paid and would be allowed as provider operating costs (as bad debts) reimbursable by medicare.

Index the part B deductible to the Consumer Price Index

Currently the amount of the part B deductible can only be changed by an act of Congress. The administration proposes to change this and index the part B deductible to the CPI beginning January 1, 1983. Fiscal year 1983 savings from this action are assumed to be $65 million. However, the Reagan budget assumes that $8 million of this savings would represent additional costs to the medicaid program. The costs would be assumed by medicare beneficiaries either in the form of direct out-of-pocket costs and/or increased supplemental insurance premiums.

2. PROVIDER REIMBURSEMENT

(a) *Hospital Reimbursement*

The largest expenditure savings in the medicare portion of the President's fiscal year 1983 budget is the savings assumed by disallowing 2 percent of all medicare hospital costs. The proposal would be effective July 1, 1982. It is estimated by the administration that this proposal would reduce outlays in fiscal year 1982 by $50 million and $653 million in fiscal year 1983. This measure is an attempt to restrict the growth rate of medicare hospital expenditures, estimated at 19 percent in 1981. The administration describes this legislative initiative as an interim measure to control spiraling hospital costs until the administration's proposed legislation to increase market-based incentives to enhance competition in the health care system can be implemented. There are two major issues raised by this proposal. First, the 2-percent disallowance could fall most heavily on the most efficiently run hospitals. Second, there is potential for shifting this 2-percent loss to private payors, the medicaid program, or to the medicare program itself through changes in the way costs are allocated by the hospitals. The proposal does state that there will be assurances that these costs cannot be transferred to medicare beneficiaries. Since several States use medicare reimbursement rates for their medicaid programs, the administration assumes an additional $35 million in savings from the Federal share of medicaid.

Additional savings proposals in hospital reimbursement include eliminating the medicare subsidy for private hospital rooms for a savings of $54 million and eliminating the waiver of provider liability for an assumed fiscal year 1983 savings of $10 million.

(b) *Physician Reimbursement*

Hospital-based physicians

The administration is proposing changes in the level of reimbursement for two groups of hospital physicians. The budget proposes to change the reimbursement level for hospital-based pathologists and radiologists from the previous level of 100 percent to the same level for other physicians, 80 percent of reasonable charges, effective July 1, 1982, for a savings of $30 million in fiscal year 1982 and $160 million in fiscal year 1983. The Reagan budget also proposes to pay physicians who deliver services in hospital outpatient departments at 60 percent of reasonable charges, rather than the current 80 percent. The budget assumes a savings of $35 million in fiscal year 1982 and $160 million in fiscal year 1983 from this regulatory change which would eliminate the duplicative overhead charges currently paid both to the hospital and the outpatient physicians.

Reasonable charge methodology changes

The reasonable charge amount allowed for physician reimbursement is updated annually to reflect price inflation and the increasing costs of medical technology. These updates become effective each July 1 based on the previous calendar year's charges. The fiscal year 1983 budget proposes legislation to extend the effective date to September 30, making this fee screen increase update consistent with the Federal fiscal year. Total savings assumed from this legislative initiative equal $45 million in fiscal year 1982 and $210 million in fiscal year 1983.

The administration also proposes to limit the economic index used to calculate increases in physician charges to 5 percent. Representing wages and physician practice costs, the economic index has been, on the average, 8 percent since its enactment in 1972. This legislative proposal assumes savings of $10 million in fiscal year 1982 and $35 million in fiscal year 1983. Like the 2-percent disallowance in hospital costs, the administration considers this an interim cost-control measure until their forthcoming proposals to increase competition in the health care marketplace are introduced and become effective.

The above physician reimbursement changes may affect older persons covered by medicare in that at least a percentage of these proposed savings may be borne by the beneficiary in paying the difference between what medicare covers and the actual physician charge.

(c) *Other Provider Reimbursement Changes*

Under current law, medicare maintains separate payment limits for health care services provided by skilled nursing facilities and home health agencies depending on whether they are delivered in a freestanding or hospital-based facility. The Reagan fiscal year 1983 budget proposes to set a single medicare reimbursement limit for hospital-based and freestanding facilities to encourage more efficient service delivery on the part of more expensive hospital-based facilities for an assumed savings of $18 million.

3. PROGRAM MANAGEMENT

The Reagan budget also includes several proposals to reduce health care regulations and cut Federal costs of administering the medicare and medicaid programs. These proposals include the continuation of funding for medicare and medicaid contractors at fiscal year 1982 levels, which does represent a reduction in funding due to inflation. In addition, the budget request proposes a reduction of 683 Health Care Financing Administration employees. This accompanies the administration's resubmitted request to eliminate the requirement for professional standards review organization (PSRO) review of medicare services.

Medicare outlays

	In billions
Fiscal year 1982 estimate	$49.892
Fiscal year 1983 current services	57.854
Fiscal year 1983 proposed savings	2.498
Fiscal year 1983 proposed budget	55.352

Proposed savings

	In millions
Legislative initiatives:	
Eliminate utilization review	$83
Modify coverage for the working aged	303
Delay eligibility following 65th birthday	145
Require copayments for home health	35
Index part B deductible to CPI	65
Disallow 2 percent of hospital costs	653
Eliminate waiver of provider liability	10
Reimburse inpatient radiologist and pathologist services at 80 percent of reasonable charges	160
Delay physician reasonable charge update	210
Limit physician economic index	35
Other	44
Regulatory initiatives:	
Eliminate subsidy for private hospital rooms	54
Hospital-based physicians reimbursement	63
Eliminate duplicative payments for services in hospital outpatient departments	160
Single home health and nursing home limit	18
Incentive ESRD reimbursement	130
Waste reduction initiative	330
Total savings	2,498

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 the Congressional Budget Office (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 reach $18.1 billion in fiscal year 1982 (including a $553 million supplemental request) and grow to $19.9 billion in fiscal year 1983 under the current program. 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 Federal 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 are proposed of 4 percent in 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.

In recent years, many States have not been able to keep pace with the rising costs of health care in funding their medicaid programs. As a result, several State governments have restricted benefits and eligibility within the bounds permitted by Federal law, marginally slowing the growth in expenditures. The administration's fiscal year 1983 budget proposes a reduction in Federal outlays of $2.1 billion in medicaid, primarily through cost shifting to States and increased cost-sharing by program beneficiaries. Additional savings are proposed from an estimated reduction in the medicaid population due to more restrictive eligibility requirements for supplemental security income and aid to families with dependent children programs, since medicaid eligibility is based on eligibility for these programs.

As part of the administration's new federalism plan, States would gradually turn over all responsibility for the medicaid program to the Federal Government. No details of this plan have yet been made available.

1. BENEFICIARY COST-SHARING

(a) *Long-Term Care Costs Recovery*

The administration's fiscal year 1983 budget request includes two legislative proposals to increase State flexibility in the recovery of long-term care costs.

The first proposal would allow States to require adult children of institutionalized medicaid recipients to contribute to the cost of their elderly relative's care. The Reagan budget assumes a net fiscal year 1983 savings of $29 million, based on recovery of $104 million minus $75 million in administrative expenses, including expenses for social workers and legal fees. Since specific legislative language is not yet available, the proposal leaves many unanswered questions as to operational definitions, such as: Family income requirements, the extent a State's jurisdiction would extend beyond its own boundaries to out-of-State relatives, what degree of kinship constitutes "family," and whether "family income" would be determined on the basis of total available family or only one particular family member.

A second cost recovery proposal would allow States the ability to attach a lien on the real property of an institutionalized medicaid recipient to recover medicaid costs before the individual's death. States could only take action to recover costs where the property is no longer needed by the recipient, spouse, or minor children. Under current law, States cannot impose any lien against any medicaid recipient's property prior to his death, and recoveries of medicaid costs from his estate can only be made: (1) After the death of his surviving spouse; and (2) where there are no surviving children who are under 21 or blind or disabled. Without specific legislative language, it is unclear whether this lien would allow the State to recover medicaid costs in the event that the spouse, minor children, or the medicaid recipient (in the instance of his recovery and return to the community) decides to sell the property. The Reagan budget assumes $183 million savings from this proposal in fiscal year 1983.

(b) *Recipient Copayments*

Under current law, States may only require copayment for medicaid services for optional services for the categorically eligible (i.e., individuals receiving cash assistance under AFDC and SSI) and on all services for the medically needy (i.e., individuals with incomes above the cash assistance standards). No cost-sharing requirements may be imposed on mandatory services for the categorically eligible. The fiscal year 1983 budget request proposes legislation requiring copayments according to the following table:

	Physician, clinic, hospital outpatient visits	Inpatient hospital days
Categorically eligible	$1.00	$1.00
Medically needy	1.50	2.00

A savings of $329 million is assumed by this proposal for fiscal year 1983. These savings represent direct cost-shifting from the program to the beneficiary.

2. INCREASED STATE COST-SHARING

The Reagan budget proposes three major legislative initiatives which could have a significant effect on medicaid costs to the States.

(a) *Reduction of the Federal Medicaid Matching Rate by 3 Percent for Optional Services for the Categorically Eligible and All Services for the Medically Needy*

Although services delivered under the medicaid program must be provided to SSI and AFDC recipients (the categorically eligible) and a mandatory package of services is federally required, States may elect to cover additional populations (the medically needy) and/or provide a wide variety of optional services. The Federal Government currently matches State expenditures for all medicaid services at the same rate. The Reagan budget proposes to reduce the Federal matching rate for all optional services and all services provided to nonfederally mandated medicaid populations by 3 percent, effective July 1, 1982. The budget assumes a $134 million savings in fiscal year 1982 and a $600 million savings in fiscal year 1983 from this legislative initiative.

In 1978, 40 percent of medicaid expenditures were for optional services. While optional services include clinics, drugs, and dental services among others, the major impact of this proposal for the elderly falls most heavily on the potential reduction in support for nursing home care. Intermediate nursing care facilities (ICF's) account for 17 percent of medicaid expenditures for optional services for the categorically eligible. Skilled nursing facilities (SNF's) and ICF's combined account for between 40 to 50 percent of medicaid expenditures for the medically needy. Additional reductions in Federal medicaid support, along with the past year's reductions, could place a strain on the supply and availability of nursing homes. These reductions may cause States to take additional actions to reduce medicaid reimbursement rates for nursing homes, affecting the approximately 550,000 elderly nursing home residents who are medicaid recipients.

(b) *Elimination of the Federal Matching Rate for the Medicare Part B "Buy-In"*

Currently, States may pay the medicare part B premium for individuals eligible for both medicare and medicaid, which includes an estimated 3.5 million persons over the age of 65. The Federal Government matches this expenditure at a rate equal to the matching rate for medical services under medicaid. Currently, all but four States and two jurisdictions use medicaid funds to pay the mandated beneficiary cost-sharing requirements of the medicare program. By eliminating the Federal match for the part B "buy-in," effective July 1, 1982, the Reagan budget assumes a $45 million savings in fiscal year 1982 and a $203 million savings in fiscal year 1983.

3. COMBINED WELFARE ADMINISTRATION BLOCK GRANT

Administrative costs are federally matched on an open-ended basis for not only the medicaid program, but also the State-administered AFDC and food stamp programs. Assuming a savings of $218 million to medicaid alone, the fiscal year 1983 budget request proposes legislation to transform Federal funding for the administrative costs of these programs into one administrative block grant. The new block grant program would be capped at $2.2 billion, which the administration estimates is approximately 95 percent of the fiscal year 1982 Federal share of administrative expenses. The Reagan budget assumes that increased State efficiencies will offset the reduction in State administrative funding.

Additional program management proposals which may result in increased State medicaid costs include eliminating Federal funding to States for utilization review of the medicaid program and requiring States to achieve a zero percent error rate in program performance by 1986. The zero rate requirement would apply to private provider recordkeeping as well as the categories of "error" within the control of the State medicaid agency. The latter legislative proposal would make any State exceeding this zero error rate subject to a prospective disallowance based on certain data. Since the possibility of achieving a zero error rate is unlikely, all States would be subject to this disallowance.

Medicaid outlays (Federal share)

	In billions
Fiscal year 1982 estimate	[1] $18.1
Fiscal year 1983 current services	[2] 19.9
Proposed savings	[3] 2.9
Fiscal year 1983 proposed budget	17.006
Proposed legislation:	*In millions*
Administration block grant	−$1,028
Direct savings	(−218)
Transfer to the Social Security Administration	(−810)
Require copayments	−329
Reduce match for optional services and medically needy	−600
Reduce match for family planning, State certification, and part B buy-in	−267
Phase in zero percent error rate	−59
Reduce 4-month extension of eligibility to 30 days	−75
Allow States to impose liens	−183
Eliminate utilization review	−16
Impact of SSI proposals	−176
Impact of AFDC proposals	−153
Impact of medicare proposals	−25
Total savings	−2,911

[1] Includes $553 million fiscal year 1982 supplemental request.
[2] Includes $29 million in savings from a proposed regulatory change to allowing States to recover nursing home costs from families.
[3] Includes $810 million in medicaid savings from the proposed administration block grant which will actually be transferred as additional costs to the Social Security Administration.

Public Health Service

The Public Health Service of the Department of Health and Human Services administers a wide array of health programs in the areas of health research, manpower, planning, disease control, and service delivery. The total Public Health Service budget was reduced from fiscal year 1981 to fiscal year 1982 from $8 to $7.4 billion, principally through reductions in health services, health planning, and training programs. The administration's fiscal year 1983 budget requests $7 billion for Public Health Service programs, an increase of $0.4 billion.

1. HEALTH RESEARCH

Eighty to ninety percent of fundamental or basic research is financed by the Federal Government. Most of this research is carried out by the National Institutes of Health. Increased Federal involvement in biomedical research caused outlays to rise 12.5 percent annually between 1970 and 1981, or 4.3 percent after adjusting for inflation. There is 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 requests a slight increase in support for these programs, or a total of $4 billion.

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, reflecting the Nation's rapidly growing awareness of the critical need for research in aging and health. From 1981 to 1982, the Institute's budget was increased only slightly above the level required to maintain 1981 programs. While the fiscal year 1983 budget proposes an actual increase of $2.65 million for the Institute in 1983, this is $3.16 million below the amount required to maintain programs at their current levels. Support for extramural research, the Institute's major research program, has absorbed most of the funding reductions. Extramural programs were reduced 4 percent in fiscal year 1982, resulting in the delay of several new Institute initiatives such as teaching nursing homes and increased research support for Alzheimer's disease. The administration's proposed fiscal year 1983 budget would allow an increase of $70,000 for extramural research, $4.8 million less than required to maintain the fiscal year 1983 current service level.

National Institute on Aging

	In thousands
Fiscal year 1982	$81,903
Fiscal year 1983 proposed	84,556
Fiscal year 1983 current services	87,718
Plus or minus change, actual	+2,653
Equal or minus change, current services	−3,162

2. BLOCK GRANTS

The 1981 Budget Reconciliation Act consolidated 21 categorical health programs into four block grants, giving States more flexibility and administrative control over these programs. The three health block grants specifically 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 budget request essentially calls for level funding for the prevention, primary care and alcohol, drug abuse, and mental health block grants—from a total of $926.6 million in fiscal year 1982 to $932 million in fiscal year 1983. While funding for these programs was not reduced, it is $52 million less than the level that would be required to maintain current services based on OMB's estimates which assume an inflation rate of 6.3 percent.

[In millions]

	Fiscal year—				
	1982	1983	1983, current services	+/− 1983, actual change	1983, current services, change
Primary care	$413.0	$417	$439	+$4.0	−$22
Health prevention and services	432.0	433	459	+1.0	−26
Alcohol, drug abuse, and mental health	81.6	83	87	+1.4	−4

3. HEALTH PROFESSIONS EDUCATION AND TRAINING

For fiscal year 1983, the administration is requesting $212 million in budget authority for the support of approximately 10,000 research trainees. Because the administration believes that the supply of most health care professionals is now adequate, and Federal support for clinical training is therefore no longer essential, budget authority requested for clinical training of health care professionals decreased from $245 million in 1982 to $125 million in fiscal year 1983.

The recommended reductions in clinical training in fiscal year 1983 and previous reductions in fiscal year 1982 would limit the continuation and expansion of geriatric medicine programs for physicians, nurses, and other health professionals. Clinical training funds for mental health professionals were severely reduced, particularly for the National Institute of Mental Health's Center for Studies of the Mental Health of the Aging. The center's clinical training budget was reduced from $2.7 million in fiscal year 1982 to $0.1 million in fiscal year 1983. This follows fiscal year 1981 reductions which only allowed for the continuation of current projects in fiscal year 1982.

4. HEALTH PLANNING

Consistent with the administration's plans to develop a strategy based on allowing market forces to work to control health care spending by increasing competition in health care, support for regulatory approaches to controlling spending is being decreased. The health planning program, following fiscal year 1982 reductions, is being phased out in fiscal year 1983. The Reagan budget requests that the health planning budget be reduced from $61.9 million in fiscal year 1982 to $2.08 million in fiscal year 1983. The $2.08 million would be earmarked for program support to phase out health planning activities.

Veterans Health

The Veterans Administration delivers inpatient and ambulatory care to veterans in a nationwide health care system comprised of hospitals, nursing homes, outpatient clinics, and domiciliary care facilities. Outlays 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.

Veterans medical care outlays are expected to continue to grow rapidly, however, because of demographic trends. The number of veterans over age 65 will more than double in the decade of the 1980's. In fiscal year 1982, estimated outlays for medical care for veterans will total $7.5 billion. No significant policy changes are proposed in the fiscal year 1983 budget request, with projected outlays expected to reach $7.8 billion.

ADMINISTRATION ON AGING

The 1981 comprehensive amendments to the Older Americans Act (Public Law 97-115) provide for a 3-year reauthorization of the act through fiscal year 1984. The Administration on Aging (AoA) has responsibility for all programs authorized under the act with the exception of title V, the senior community services employment program. This program is administered by the Department of Labor.

Under the act, the Federal Government finances the delivery of services through 57 State and territorial units on aging and 670 area agencies on aging. Funds 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 in-home 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, and prior to the 1981 amendments to the act, funding was available to support a National Information and Resource Clearinghouse on Aging.

For fiscal year 1982, Older Americans Act programs are currently being funded under the continuing resolution. The amount, provided by the resolution, represents an approximate 4.3 percent decrease from the fiscal year 1981 funding level.

The Reagan budget request includes a total of $652.2 million for fiscal year 1983 for programs operated by the Administration on Aging. This represents a reduction of $77.5 million from the fiscal year 1982 funding level. The largest decreases in program support fall under the title III category. Title III–B, supportive services and senior centers, would be reduced by $24.7 million—a net reduction of about 10 percent. Title III–C, congregate nutrition services, would be lowered by $28.6 million which represents an approximate loss of 10 percent, and home-delivered nutrition services would be reduced by $9.2 million or approximately 16 percent. Reductions are also proposed in 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 is $93.2 million. The Reagan budget proposes to reduce this support by $9.2 million or approximately 10 percent in fiscal year 1983. Further, the budget request includes a proposal which would transfer the USDA program to AoA and "cash out" the commodities program. This request proposes discontinuing the separate USDA funding, and includes a comparable amount in the AoA budget.

Funds would be distributed to States based on the amount they received in 1982 rather than the current per meal entitlement formula.

The funding levels proposed for fiscal year 1983 are expected to significantly reduce service levels under the Older Americans Act. The Administration on Aging has indicated that during fiscal year 1982 the budget will support 1,738,000 person units of transportation service; 3,919,000 units of information and referral services; 1,340,000 units of outreach to older persons; 555,000 units of in-home services; and 292,000 units of legal services. AoA has estimated that under the fiscal year 1983 budget, transportation services would be reduced to 1,546,000 person units; information and referral would be lowered to 3,482,000 units of service; outreach would be dropped to 1,192,000 units; in-home services would be decreased to 493,000 units and legal services would be reduced to 260,000 units. In addition, AoA has indicated a reduction in nutrition service levels. The fiscal year 1982 budget is expected to support the provision of 677,163 meals per day: 548,114 congregate meals and 129,049 home-delivered meals. The fiscal year 1983 budget would reduce this support to 607,845 meals per day: 497,-387 congregate meals and 110,450 home-delivered meals. This would translate to a net reduction of about 69,318 meals per day or over 18 million meals for the year.

Finally, the fiscal year 1983 budget indicates that there will be an increase in non-Federal support for nutrition services from fiscal year 1981 to fiscal year 1983 from $156.8 million to $179.4 million (approximately 13 percent). The budget, however, does not specify whether this support would come from local funds, participant contributions, or some other source. AoA has indicated that program income from participant contributions totaled an amount equal to 13.3 percent of Federal funds allotted to the States for supportive and nutritional services, or $79 million in fiscal year 1981. AoA expects to increase this percentage to 20.5 percent in fiscal year 1983 or $120 million. The administration proposes a reduction in total Federal funding, which would result in a decrease in the number of meals and supportive services, and in all probability, in the number of participants. These decreases, therefore, might have the effect of limiting the level of program income from participant contributions.

OLDER AMERICANS ACT PROGRAMS

[In millions]

	Fiscal year 1981 appropriation	Fiscal year 1982 continuing resolution level	Fiscal year 1983 budget request
Title II:			
National Clearinghouse	$1.8	$1.7	
Federal Council on Aging	.481	.191	$0.175
Title III:			
State administration	22.7	21.673	19.928
Social services	251.5	240.869	216.199
Congregate meals	295.00	286.749	258.153
Home-delivered meals	55.0	57.350	48.142
Title IV: Training, research, and discretionary projects	40.5	22.175	20.307
Title V: Community services employment	277.1	[1] 277.1	
Title VI:			
Grants to Indian tribes	6.0	5.735	5.252
USDA commodities program	84.7	93.2	84.0

[1] Represents estimated annual expenditures by title V program for fiscal year 1982. The actual amount in the continuing resolution is $66,500,000; title V received funds under the fiscal year 1981 appropriations through June 30, 1982. The $66,-500,000 available under the continuing resolution will fund the project from July 1 through Sept. 30, 1982.

OLDER AMERICANS VOLUNTEER PROGRAMS

The older Americans volunteer programs (OAVP), administered by ACTION, are authorized under title II of the Domestic Volunteer Service Act of 1973. Provisions in the Omnibus Budget Reconciliation Act of 1981 reauthorized these programs through September 30, 1983. Specifically, the programs consist of the senior companion program (SCP), the retired senior volunteer program (RSVP), and the foster grandparent program (FGP). All of the programs provide opportunities for persons aged 60 and over to volunteer their services to the community.

For fiscal year 1982, volunteer programs are authorized at $100.7 million. In the fiscal year 1983 budget proposal, the Reagan administration requests $87.9 million for these programs. For fiscal year 1982, these programs are operating under the authority of a continuing resolution at a level of $87.8 million.

The President's fiscal year 1983 request for continuing grants under RSVP is $85,000 above the fiscal year 1982 level. ACTION plans to maintain funding support of 727 existing projects with an estimated 345,200 volunteers. For FGP, the fiscal year 1983 request is the same as the fiscal year 1982 level, and would maintain 233 existing projects and 18,100 volunteers. The SCP program will be maintained at the fiscal year 1982 level and would support 4,200 volunteers serving in 77 continuing projects.

OLDER AMERICANS VOLUNTEER PROGRAMS

[In millions]

	Fiscal year 1981 appropriation	Fiscal year 1982 estimate	Fiscal year 1983 Reagan budget
RSVP	$27.7	$27.4	$27.4
FGP	48.4	48.4	48.4
SCP	12.8	12.0	12.0
Total	[1] 88.9	[1] 87.8	[1] 87.9

[1] May not add due to rounding.

SOCIAL AND COMMUNITY SERVICES

SOCIAL SERVICES BLOCK GRANT

Prior to 1981, title XX of the Social Security Act authorized payments to States for a wide range of community social services. The program was designed to prevent or reduce dependency, prevent neglect or abuse of children and adults, prevent or reduce inappropriate institutionalization, and provide a limited range of services to individuals in institutions. Services under this program included: Counseling, specialized transportation, protective services, day care, information and referral, meal services, and supportive health services.

Under the Omnibus Budget Reconciliation Act of 1981, funding for these services was placed in a social services block grant. Major changes to the previous program included the elimination of the State match requirement for Federal financial participation, a relaxation of Federal requirements regarding client eligibility, and a reduction of 20 percent in the funding from the fiscal year 1981 level. The Reagan administration has proposed the continuation of this program for a fiscal year 1983 total of $1.974 billion, a reduction of $426 million.

The social services block grant provides States with a major source of funding to operate their community social service programs. Because programs funded under this block grant are not age-specific, it has been difficult to identify the number of elderly served, as well as the types of services they have received. The Office of Management and Budget has estimated that in fiscal year 1982 approximately $394 million in social services block grant funds will directly benefit the elderly. This represents about 16 percent of the total program dollars. Applying this percentage to the $1.974 billion proposed by the administration, funding for the elderly would be approximately $316 million for fiscal year 1983 under this program.

Social services block grant

	In billions
Fiscal year 1981 level	$3.0
Fiscal year 1982 estimate	2.4
Fiscal year 1983 budget proposal	2.0

Community Services Block Grant

Community action against poverty has been carried out by a nationwide network of over 850 community action agencies federally administered by the Community Services Administration (CSA). In 1981, over 2 million persons 50 years of age and older were beneficiaries of the programs and projects administered by these agencies.

Legislation enacted in 1981 replaced the community action agency grant program with a community services block grant and during that same year the Community Services Administration was dismantled. The administration fiscal year 1983 budget includes $100 million for the new block grant program, $248 million less than the amount provided by Congress for fiscal year 1982. This request represents a 79-percent cut in community services funding since fiscal year 1981.

Legal Services

The Legal Services Corporation (LSC) was established in 1974 as a private, nonprofit corporation that funds State and local agencies that provide civil legal assistance to the poor. Community operated legal services offices are the major source of legal assistance to low-income elderly.

For fiscal year 1983, the Reagan administration proposes 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 through March 31, 1982, at a level of $120.5 million. This figure represents one-half of the fiscal year 1981 funding level. The administration proposes that any extension of the 1982 continuing resolution beyond March 31 not include additional funds for the LSC.

The administration has proposed that the $2.1 billion made available under the social and community services block grants include funding for legal services activities through the States. As discussed earlier, the funding request for fiscal year 1983 for the social services block grant represents a decrease of $426 million, and for the community service block grant a decrease of approximately $248 million from the fiscal year 1982 level.

Legal Services Corporation

	In millions
Fiscal year 1981 appropriation	$241.0
Fiscal year 1982 estimate	120.5
Fiscal year 1983 budget proposal	--

HOUSING

Assisted Housing

The Department of Housing and Urban Development (HUD) presently 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 living 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 for housing contains several major elements. For fiscal year 1982 the President recommends rescinding $9.4 billion, or 33 percent, of the amount of budget authority now calculated to be available for funding assisted housing units. For both fiscal years 1982 and 1983, the President recommends 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 is 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

FEDERALLY ASSISTED HOUSING LEVELS

	Fiscal year 1982 appropriation [1]	Proposed fiscal year 1982	Proposed fiscal year 1983
Section 8:			
New construction/substantial rehabilitation (units)	26,735	22,502	[2] 10,000
Existing housing (units)	74,296	[3] 186,385	[4] 5,000
Modified certificates (units)			[5] 106,615
Public housing (units)	24,000	310	
Public housing operating subsidies (in millions of dollars)	$1,152	$1,152	$1,075
Section 202 [6] (units)	17,200	16,933	10,000

[1] Assumptions used by Congress during appropriations process.
[2] Proposed exclusively for use with section 202 projects.
[3] Only 3,385 of these commitments are proposed for additional subsidy units not already covered by some other subsidy The remainder are proposed for use in conversions from other programs, such as section 236, rent supplement, and the like.
[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."

Source: Fiscal Year 1983 Budget Summary, HUD, February 1982. Senate Appropriations Subcommittee for HUD-Independent Agencies Staff.

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 contribution. 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 rents 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 would use 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 requests 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 budget estimates 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 fiscal year 1983 budget request includes $1.1 billion for operating subsidies. Long-term budget projections by the administration assume a steady decline in operating subsidies through fiscal year 1987.

As an additional initiative to reduce Federal spending for assisted housing programs, the administration will propose legislation to increase tenants' rent contributions for fiscal year 1983, for a savings of $428 million. First, the legislation will require that in calculating the 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 who would be affected are elderly women living alone. The departmental study further reported that over 80 percent have incomes below $5,000 a year and about half have incomes below $3,000 a year. Second, the legislation will require 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 estimates that under these proposals, certain tenants would experience rent increases in excess of the currently restricted annual rate of 10 percent. Therefore, the legislation will contain provisions to increase the limit to 20 percent.

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 early 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.

Farmers Home Administration

The Farmers Home Administration (FmHA) provides direct loans, similar to the section 202 program, for the construction of rental housing. Section 8 low-income housing assistance payments can be used in conjunction with this program. It has been estimated that approximately one-third of the 191,578 units constructed to date have been specifically designated for the elderly.

FmHA rural housing programs would be decreased by two-thirds from fiscal year 1982 to fiscal year 1983 under the administration's budget. On a dollar basis, the rural housing loan programs would be cut from $3.7 billion to $1.1 billion for a reduction in units from 104,690 to 32,830.

The section 515 rural rental housing program would be cut from $940 million and 29,400 units in fiscal year 1982 to $200 million and 5,740 units in fiscal year 1983. The section 502 home loan program would drop from $2.7 billion (67,500 units) to $900 million (20,100 units). All of the section 502 loans in fiscal year 1983 would be interest credit loans to low-income borrowers. The fiscal year 1982 program includes $429 million for 11,700 unsubsidized loans to moderate-income borrowers.

The President is requesting $185 million for the rural rental assistance program, to aid tenants in FmHA rental housing and farm labor housing projects who are paying more than 25 percent of their income for rent. The funds would be used to provide 5-year assistance agreements for 17,560 units.

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 is proposing a funding level of $3.456 billion for the CDBG program, the same as the 1982 level.

Included in the fiscal year 1983 budget is a recommendation for $150 million in funding for a new rental rehabilitation grants program. This program is designed 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.

Weatherization

Under current law, the weatherization assistance program is administered by the Department of Energy (DOE). The primary goal of the program is to make the Nation's existing housing stock more energy efficient. In fiscal year 1982, the program will provide $144 million to States with approved plans for weatherizing the homes of households with incomes at or below 125 percent of the poverty line. This amount represents roughly a 20-percent cut from the fiscal year 1981 funding level of $182 million. For calendar year 1981, preliminary DOE reports show that program funds have weatherized 249,000 units. Over 165,000 elderly people have been served. Final funding for fiscal year 1982 was not approved until December 1981; therefore, DOE will not be able to complete taking applications from States and begin distributing funds until March 1982. Program administrators are predicting lower production levels as a result of the lower fiscal year 1982 funding amounts.

No funds for weatherization have been requested by the administration in its fiscal year 1983 budget. The administration has proposed to eliminate categorical funding of the Federal weatherization program along with the dismantlement of the DOE.

EDUCATION

The administration's fiscal year 1983 budget proposes the abolition of the Department of Education and the establishment of a "foundation for education assistance." The proposed foundation would assume responsibility for block grants and consolidated aid for State and local educational agencies; student loans and grants; support for equal educational opportunity programs; and a core of informational, statistical, and research services for education.

While the education of older adults has never been a major part of our current educational system, there are educational programs that assist older citizens.

The title I–B educational outreach program under the Higher Education Act was funded at $10 million for fiscal year 1981. The Reagan administration requested a fiscal year rescission, but the program retained $2.2 million for the maintenance of educational outreach offices in all of the States. The Omnibus Budget Reconciliation Act of 1981 placed a ceiling of $8 million on the authorization for this program for fiscal year 1982. The continuing resolution for fiscal year 1982 provided no funding for the program. The Reagan budget for fiscal year 1983 requests no funding for this program.

The 1980 amendments to the Higher Education Act made changes to title IV–A that allowed part-time students to be eligible for supplemental education opportunity grants (SEOG's). The previous requirement that students be enrolled on at least a half-time basis to qualify for SEOG's was regarded as a barrier to working adults, homemakers, and older persons who wish to continue their education. The SEOG program provides grants of up to $2,000 for students of exceptional financial need. The supplemental grant is administered at the individual postsecondary institution participating in the program. There has been a significant reduction in the budget of the program, from $370 million in fiscal year 1981 to $278 million in fiscal year 1982. The Reagan budget requests no funding for the supplemental grant program in fiscal year 1983.

For fiscal year 1983, the administration proposes $11.9 million for the funding of the improvement of postsecondary education (FIPSE) program. This amount represents a slight increase over fiscal year 1982, but is still $1.5 million below the comparable fiscal year 1981 appropriation. The fund was established in 1972 to improve the effectiveness of postsecondary education. It does so through support of innovative projects which demonstrate practical steps taken by educators and communities to strengthen education programs beyond the high school level. Many FIPSE projects are continued with local funding after Federal support has ended. Elder hostels are an example of a project first initiated under FIPSE and then supported by local efforts.

EMPLOYMENT

The senior community services employment program, authorized under title V of the Older Americans Act, is the major Federal program designed to provide employment opportunities for older workers. It provides part-time community service employment for people age 55 and older with incomes that do not exceed the Office of Management and Budget poverty level (in 1981, $5,387 for a one-person household). Enrollees are paid no less than the Federal or State minimum wage or the local prevailing rate of pay for similar work, whichever is higher. Participants may work up to 1,300 hours per year and average 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 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 administered by the U.S. Department of Labor through eight national contractors. In fiscal year 1980, the average number of jobs numbered 52,000. In fiscal year 1981 and fiscal year 1982, the number is 54,200. In fiscal year 1980, 80,000 persons participated in the program; 84,000 persons are expected to participate in fiscal year 1982. Funding for the program in fiscal year 1981 was $277.1 million.

On December 29, 1981, the President signed Public Law 97–115, the "Older Americans Act Reauthorization Amendments of 1981," which authorized the following appropriations for title V: Fiscal year 1982, $277.1 million; fiscal year 1983, $296.5 million; fiscal year 1984, $317.3 million.

Title V receives funds under the fiscal year 1981 appropriations for the Older Americans Act through June 30, 1982. The fiscal year 1982 continuing resolution included $66 million to fund title V from July 1, 1982 through September 30, 1982, a 4-percent reduction in spending which was requested by President Reagan.

The Reagan administration's fiscal year 1983 budget contains a proposal to eliminate the community service employment program as a separately funded program. It proposes to replace it with a new special targeted program to train groups such as migrants and seasonal farm workers, Indians and other Native Americans, dislocated workers, displaced homemakers, veterans, and persons eligible for trade adjustment assistance benefits, as well as older workers. The new program, which would be a part of the administration's proposed program to replace the Comprehensive Employment and Training Act (CETA) program, would place more emphasis on training activities than the current program. Although the details of the proposal are not yet fully known, the budget indicates that the new program would be nationally administered and would be funded at a $200 million level for fiscal year 1983 and serve an estimated 80,000 persons.

Fiscal year 1983 estimated budget outlays for the special targeted program would be about 50 percent of fiscal year 1982 outlays for all programs proposed for consolidation, or $222 million in fiscal year 1983 as compared to $457 million in fiscal year 1982. The total estimated outlay amount for the title V program in fiscal year 1982, $268 million, is $46 million higher than the total estimated outlays for the consolidated program. The total participant level for the new program is estimated at 80,000 persons as compared to the fiscal year 1982 estimated title V participant level of 84,000. If the decreases were spread proportionately, it could mean 40,000 fewer older workers would be served.

Programs authorized under the Comprehensive Employment and Training Act (CETA) have served older workers only to a limited extent.

CETA PARTICIPANTS BY TITLE AND AGE GROUPS, 1976 AND 1980

	1976			1980		
	Title I [1]	Title II [1]	Title VI [1]	Title II (b)(c) [1]	Title II (d) [1]	Title VI [1]
Total participants (100 percent)	1,425,000	197,500	431,600	1,113,800	486,400	410,400
Under 22 (percent)	56.5	22.2	21.4	47.9	36.1	24.2
22 to 44 (percent)	36.5	63.9	64.7	45.7	51.5	62.8
45 to 54 (percent)	4.1	8.8	8.8	4.1	7.5	7.6
55 and over [2] (percent)	2.9	5.0	5.0	2.3	5.0	5.4

[1] As a result of the 1978 CETA amendments, the title numbers changed. The programs under the different titles have not changed.
[2] Age breakouts 55 to 64: 65 and over are not reported.

Source: U.S. Department of Labor, Employment and Training Administration.

However, two provisions of the act have directed efforts toward assisting older workers. Under title II, part B, prime sponsors (mainly governmental units with populations of 100,000 or more) were authorized to assist eligible participants in overcoming particular barriers to employment experienced by older workers. No specific funding level was set for this effort, which was left to the discretion of the local administering units. The second provision, title III, section 308, authorized funding of projects for middle-aged and older workers as part of a research and demonstration program. The Omnibus Budget Reconciliation Act of 1981 did not provide a specific authorization for section 308, but allowed the use of up to 5 percent of the $219 million for all title III programs. According to the Department of Labor, $950,000 was allocated for the section 308 program in fiscal years 1981 and 1982.

The legislative authorization for the CETA program expires at the end of September 1982. President Reagan's fiscal year 1983 budget proposes to drastically 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 target program administered nationally, will eliminate the specific provisions for older workers in titles II and III.

The Equal Employment Opportunity Commission (EEOC) is responsible for enforcement of the Age Discrimination in Employment Act. Under the continuing resolution in effect through March 31, 1982, funding for the EEOC for fiscal year 1982 was $139.8 million. The fiscal year 1983 budget request is $144.9 million. In fiscal year 1982, the number of age discrimination complaints to be handled by the Commission is expected to reach 11,500.

TRANSPORTATION

Section 16(b) of the Urban Mass Transportation Act of 1964, 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 of the elderly. The Reagan budget requests $31.2 million for section 16(b) in 1983, a reduction of $2.4 million from the fiscal year 1982 level and a $12.6 million reduction from the fiscal year 1981 level.

Section 18 of the Urban Mass Transportation Act of 1964, 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 does not request funds for this purpose in fiscal year 1983. A total of $69 million was provided for the program in fiscal year 1982.

Section 5 of the Urban Mass Transportation Act provides money to all urbanized areas in the country by formula and permits the money to be used for capital operating purchases at the locality's discretion. Section 5(m) also contains the requirement that localities give reduced fares in nonpeak hours to the elderly and handicapped individuals. The President's budget requests $640 million for fiscal year 1983, compared with $1.04 billion in fiscal year 1982. Reduced services and increased fares may result from this 36 percent cut, which could impact older citizens who utilize public transportation.

RESCISSION PROPOSALS

The Federal budget system includes a mechanism for canceling, in whole or in part, program funding (budget authority) previously provided by the Congress. This mechanism, called a rescission, takes the form of a bill or resolution. When the rescission proposal is submitted to the Congress, both the Senate and the House of Representatives must complete action on it within 45 days after receipt of the proposal, or the budget authority must be used for the program it was intended to fund.

The fiscal year 1983 budget includes a few rescission proposals affecting the elderly. They are listed in the following summary table.

Fiscal year 1981 rescission proposals

	In millions
Career education	$9.6
Adult education	1.9
Vocational education	103.8
Assisted housing	9,400.0