

OLDER AMERICANS AND THE FEDERAL  
BUDGET: PAST, PRESENT, AND FUTURE

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AN INFORMATION PAPER

PREPARED BY THE STAFF OF THE  
SPECIAL COMMITTEE ON AGING  
UNITED STATES SENATE



APRIL 1984

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## PREFACE

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Federal spending for older Americans, because it represents a large portion of the Federal budget, has come under increasing scrutiny as the Congress searches for ways to reduce annual \$200 billion Federal deficits. In fiscal year 1985, America's 26 million citizens age 65 and older will be the benefactors of about \$256 billion in Federal spending, almost 28 percent of the total spending anticipated in that year.

Some view the extent of our Federal commitment to the elderly with alarm, while others see it as a natural consequence of our social responsibility to provide for retired people in a modern industrial society. However it is viewed, the role of spending for the elderly in the Federal budget has become a topic for review and debate this year, and will remain one for many years to come.

The Special Committee on Aging has prepared this analysis of long-term trends in Federal spending for the elderly and their implications for Federal budgets in the future. The analysis looks back 25 years to the awakening of a national awareness of the problems of aging, and traces the development of aging programs and their effect on the budget to the present. The final section is devoted to an analysis of the future budget demands posed by the ever-growing numbers of Americans over 65.

In 1960, less than 15 percent of the Federal budget was spent on the elderly, and almost all of this spending was in the form of retirement benefits. Since then, the share of the budget spent on the elderly has nearly doubled. In part, this is due to the fact that increasing numbers of older Americans received improved social security benefits as the system matured. A more significant cause of this increase, however, was legislated improvements in income protection, health insurance, and services which were enacted in the late 1960's and early 1970's in an effort to reduce high rates of poverty among the elderly. Today, only two-thirds of the elderly budget is spent on retirement income. Health care spending, in contrast, has become an increasingly significant fiscal burden for both the national treasury and individual senior citizens.

Although some contend that spending on the elderly is out of control, the growth in the share of the Federal budget spent on the elderly has slowed and may soon stop. Only excessive increases in the cost of health care threaten to continue to expand the proportion of spending on behalf of the elderly in the Federal budget. Indeed, forecasts of the costs of pension and health care programs over the next 50 years indicate that the share of the budget devoted to pension spending will decline and remain below current levels in the future. On the other hand, without some change in our method of financing health care, the share devoted to health

care spending will continue to rise and may eventually surpass the cost of pensions.

The fundamental purpose of this information paper, "Older Americans and the Federal Budget: Past, Present, and Future," is to enable those who set national policy to make rational, well-informed decisions about future spending for older Americans. The challenge facing us in our effort to curb budget deficits is to enact deficit reduction measures which constitute sound policy for the long run. It is essential that in the search for a quick fix for the budget we not sacrifice the ability of our Nation to continue to meet its ongoing responsibilities to its older citizens.

I wish to acknowledge the work of the staff of the Committee on Aging in preparing this document.

JOHN HEINZ, *Chairman.*

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# **OLDER AMERICANS AND THE FEDERAL BUDGET: PAST, PRESENT, AND FUTURE**

## **Chapter 1**

### **THE FEDERAL ROLE**

Growing concern about the size of the budget deficit has focused attention on the share of the Federal budget spent on older Americans. The elderly have a prominent place in the Federal budget because they depend for a large portion of their income on a federally managed system of income transfers from workers. Although other "dependent" groups in the population receive substantial income support from workers, most of this is "out-of-pocket" support and relatively little flows through the Federal budget. The magnitude of the transfer of resources to the elderly has made them a special focus in the debate over Federal budget deficits, both as beneficiaries of taxpayer largesse and as scapegoats in the search for budget savings. As the budget debate intensifies, it will increasingly call into question the size of our commitment to the elderly in the Federal budget and the rationale for this commitment.

### **FEDERAL SPENDING ON AGING**

Federal spending on older Americans today ranks second only to spending on national defense as a share of the Federal budget. The portion of budget dedicated to the elderly has become substantial over the last 20 years, and there is now increasing sentiment that too large a share of our national resources is being used to provide income security and services to those 65 years of age and over. While it may seem excessive that 28 percent of the Federal budget should be spent on only 11 percent of the population, it should be recognized that the Federal Government has a unique responsibility to provide basic support for the elderly.

The United States is not unusual in the role it has assumed. In most modern industrial nations today, the national government has the major responsibility for transferring income and providing services to its older citizens. In large part, this is the result of a common response by modern nations to the social changes in the last century. With traditional means of old-age support weakened by industrialization, modern societies have resorted to formal income transfers from workers to the aged, operated by the central government.

Our own response has been unusual only in that we began later, and have committed a smaller share of our resources than other nations. Our social security system began paying benefits in 1940, a half century after the first system was established in Europe; and today we commit about 5 percent of the gross national product (GNP) to our retirement, survivors and disability insurance system,

and less than 7 percent of GNP to the elderly overall, while Western European nations typically spend between 6 and 10 percent of GNP on their retirement, survivors and disability programs alone.<sup>1</sup>

Spending on the elderly is quite different than most other spending in the Federal budget. Most of the money which passes through the Federal budget to provide support for the elderly, is spent on universal social insurance benefits. Beyond this, the Federal Government pays its former employees and military personnel benefits similar to those provided by other employers, and it provides special assistance to the low-income elderly. Very little of the Federal spending on the elderly is discretionary.

Most Federal spending for older Americans is for social security and medicare, which are financed through their own tax collected expressly and exclusively for the purpose of paying retirement and health benefits. Workers pay the tax in the expectation that it entitles them to receive similar benefits in the future when they retire. The inclusion of social security in the budget has been hotly debated because its "self-funding" precludes the use of its revenues for other purposes, and because its obligations to retirees and workers are considered long-term obligations which should be immune from year to year budget decisions. In addition, social security is not currently a source of budget deficits since the operations of the social security trust funds are providing surpluses in the budget.

In fiscal year 1985, \$256 billion of Federal spending is expected to be of direct benefit to older Americans. Of every dollar spent on the elderly through the Federal budget in that year, 82 cents will go for social insurance, of which 25 cents of this amount will be spent in the form of hospital and medical benefits and 57 cents will be cash retirement or survivors benefits.

After its role as trustee of the social insurance system, the next most significant area of involvement by the Federal Government is in its role as employer. In this capacity, the Federal Government provides pensions and insurance benefits to veterans of military service and former civilian employees. Like social security, the military and civilian retirement systems also have an element of self-financing, in that a portion of their costs are provided through the budgets of the operating agencies and, in the case of civilian employment, by the employees themselves. About 9 cents of every Federal dollar spent on the elderly in fiscal year 1985 will go to provide veterans benefits or retirement benefits to former military or civilian personnel or their survivors who are 65 years of age or older. About 5 cents of this amount will be spent on civilian retirement, the rest will go for military retirement and veterans benefits.

A third area of Federal involvement with the elderly is in providing means tested benefits to the elderly poor, who are unable, despite the existence of a universal social insurance system, to meet basic subsistence needs. About 7 cents of every dollar spent on the elderly in fiscal year 1985 is expected to be used to provide supplemental security income (SSI) benefits, housing, food, energy assist-

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<sup>1</sup> U.S. Congress. Senate. Special Committee on Aging. Social Security in Europe: The Impact of an Aging Population. Committee Print, 97th Congress, 1st Sess. Washington, U.S. Govt. Print. Off., 1981.

ance, and social services to low-income individuals. An additional 2 cents will be spent on other programs of general benefit for the elderly.

These employee retirement and low-income assistance benefits, which together account for about 5 percent of the Federal budget, are not unique to the elderly. Employee benefits are part of the total compensation of Federal employees and are assumed to be comparable to the benefits private employers use to attract and retain qualified labor. Low-income assistance is part of an overall system of income and in-kind payments to the poor which is not provided exclusively to the elderly poor.

In operating the social insurance system, however, the Federal Government performs a function which is targeted primarily to older Americans. The 22 percent of the Federal budget dedicated to the elderly for this purpose reflects a commitment the Federal Government to aid younger generations in providing support to their elders.

### THE RATIONALE FOR SOCIAL INSURANCE

The social security system is essentially designed to effect an orderly transfer of large amounts of income from workers to retirees. It is a system which enables workers to make level and predictable lifelong payments for the support of their older relatives. In addition, by pooling the cost of this support it insures current workers against the risk of the random and often devastating burden of individually providing financial support for their own older parents and relatives. That is, by spreading costs, which can be substantial and concentrated, across the working population, younger workers have a smaller, fairer, and more predictable financial burden and their parents have a greater degree of financial independence and security than would otherwise be possible. Universal coverage of the population enables elderly with and without surviving children to receive financial support from workers with and without surviving parents.

The need for a universal system of income transfer can be traced back to the Nation's transition from an agrarian to an industrial economy in the early part of the 20th century. In earlier times, relatively few people survived to old age, and those who did often either owned a productive resource, such as a farm, or retained a skill that had value to society. As a result, most aged individuals in an agrarian society retained control over the means of their own support well into old age. Support came also through the extended family when necessary.

Industrialization lowered the value of older workers in the economy and gradually relieved them of the means for their own support. Mass production techniques reduced the premium on experience that had existed with skilled crafts and lessened the control of the individual over conditions of his own employment. Mass assembly tasks required skills that were of little use outside the factory. Workers found themselves increasingly dependent on their employer for support.

At the same time, rising proportions of older persons in the population due to lengthening life expectancy put increasing pressure



on traditional means of old age support. Accompanying labor surpluses slowed the hiring and promotion of younger workers and led employers to seek ways to remove older employees.

The separation of workers from control over the means of their own support made people increasingly dependent in old age on whatever financial resources they had managed to accumulate in a lifetime. Few were able to accumulate sufficient resources to sustain themselves in the now longer periods of old age. With the onset of the depression, increasing numbers of elderly were forced into early retirement without adequate means of support.

Although popular notions tended to view the poor as responsible for their own condition, the elderly were distinguished as the "worthy" or "deserving" poor because they became poor despite a life of work and thrift. The common view that dependency in old age was associated with a collapse of traditional means of support, and not with individual shortcomings, created broad support for a universal income transfer system operated by the Federal Government. In addition, forecasts of the future costs of public assistance for the needy elderly revealed that most older Americans would become poor in the future and receive State public assistance unless there was a universal old age income transfer system.

The social insurance system, which has become the fundamental source of retirement income for older Americans, remains a significant deterrent to widespread poverty among the elderly. As social security has grown to provide benefits to a larger proportion of the aged population, public assistance payments to the elderly have come to play a less significant role (see chart 1). This replacement of social insurance for what would have been public assistance has helped, in the last two decades alone, to cut the poverty rate among the elderly in half—from 28.5 percent in 1966 to 14.6 percent in 1982. Today, social insurance benefits are credited with preventing 86 percent of the poverty which would exist if social security were not available, according to estimates of the Office of Management and Budget. Without transfer payments, these estimates reveal, 55 percent of the elderly today would be poor.<sup>2</sup>

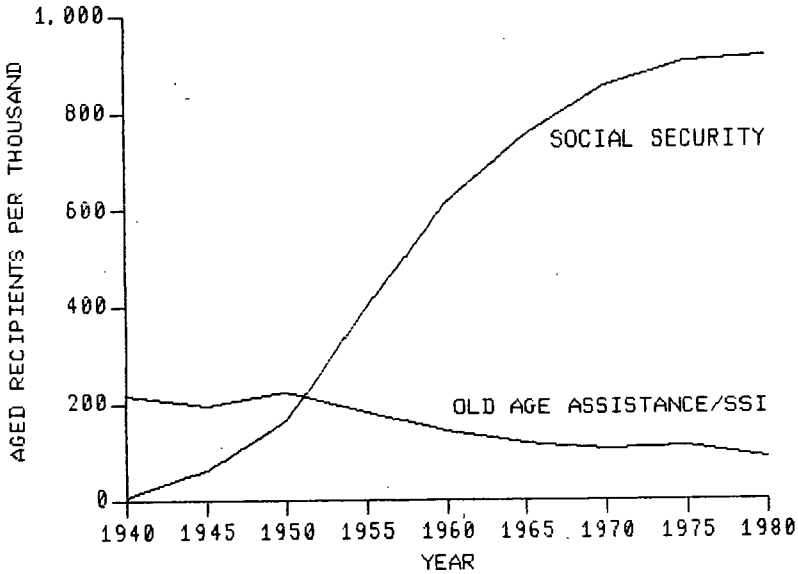
In the years to come, aspects of the social insurance program will be repeatedly reassessed, and adjustments may be made to payroll tax payments, benefit levels, the income tax treatment of benefits, and even categories of eligibility. Whatever modifications may lie ahead, some form of massive income transfer from workers to retirees will continue to be a major part of the Federal budget in the foreseeable future.

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<sup>2</sup> U.S. Congress. House. Committee on Ways and Means. Subcommittee on Oversight and Subcommittee on Public Assistance and Unemployment Compensation. Testimony by Hon. David A. Stockman, Director, Office of Management and Budget. Hearing, 98th Cong., 1st Sess. Nov. 3, 1983. Washington, U.S. Govt. Print. Off., 1983.

CHART 1

PROPORTION OF AGED POPULATION RECEIVING  
SOCIAL SECURITY AND OLD AGE ASSISTANCE/SSI  
1940-1980



SOURCE: SOCIAL SECURITY BULLETIN,  
ANNUAL STATISTICAL SUPPLEMENT, 1982. TABLE 167

## Chapter 2

### GROWTH IN SPENDING ON OLDER AMERICANS

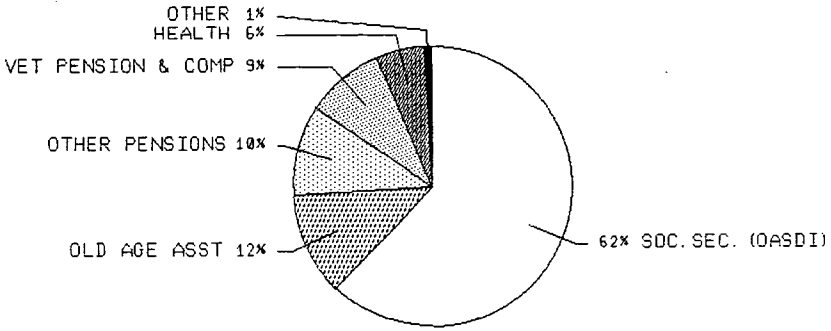
Twenty years ago, the Federal Government's involvement in aging programs was important, but did not constitute a substantial part of Federal spending. Less than 15 percent of the Federal budget was spent on programs serving people 65 years of age and older prior to 1965. Nearly all of the spending in these earlier years was for retirement income, primarily social security and Federal pensions.

In the last 20 years, however, the share of the Federal budget devoted to the elderly has nearly doubled. In part, this growth has resulted from the normal maturation of social security, which only began paying benefits in 1940. A more significant factor, however, has been the legislated improvements in income protection, health insurance, and services for the elderly enacted in the late 1960's and early 1970's in response to concerns about high rates of poverty and social isolation among the elderly. Two of these legislated changes—the enactment of medicare and an across-the-board benefit increase in social security—account for the bulk of this growth in the Federal role.

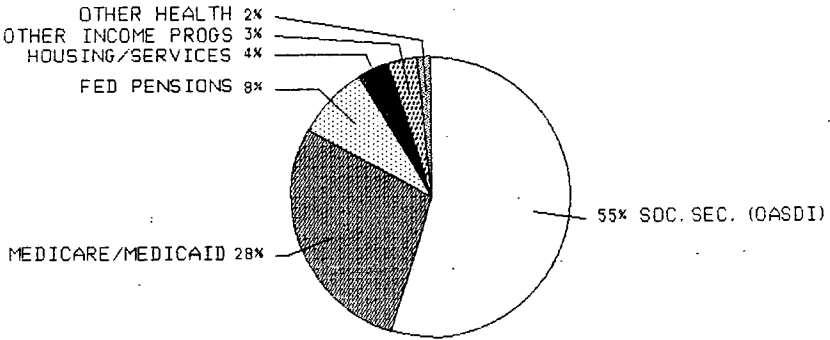
As a result of these changes, Federal spending on older Americans will have increased to nearly 28 percent of the Federal budget by fiscal year 1985. The growth in health care coverage and costs has produced a significant shift in the allocation of spending on the elderly. Health care, which was only 6 percent of this spending in 1960, will account for 30 percent by 1985. On the other hand, retirement income benefits, which were 90 percent of the spending on the elderly, will account for 66 percent in 1985.

CHART 2

FEDERAL SPENDING ON OLDER AMERICANS  
FY 1960 vs. FY 1985 (est.)



1960



1985 (EST.)

Now, in the 1980's, the growth in programs for the elderly in the Federal budget has slowed and may be coming to a halt. With elderly poverty rates nearer to those of the nonelderly and social insurance and pension systems fully mature, spending on the elderly is reaching a plateau. Only uncontrollable increases in the cost of health care threaten to continue to expand the share of the Federal budget devoted to providing support for the elderly.

### AWAKENING OF AGING CONCERNS

In the years before 1965, the portion of the Federal budget devoted to the elderly increased slowly as the social security program and other Federal pension programs matured. Annual spending on social security rose as increasing proportions of retiring workers gained eligibility for benefits and drew larger benefits due to longer periods of social security coverage. This slow and steady growth in the role of the elderly in the Federal budget was accelerated in the late 1960's by the enactment of a national agenda to reduce poverty and improve living conditions for the elderly.

Heightened concern with old age issues had its origins in the late 1950's when special units were formed in both the Eisenhower administration and the Congress to focus attention on the problems of aging and the aged. Legislation to aid the elderly appeared in the area of housing in the late 1950's. Although low-income public housing, created under the Housing Act of 1937, was not initially intended to provide special assistance for the elderly, it began after 1956 to evolve into one of the principle forms of Federal assistance for low-income senior citizens. In 1956, nearly 20 years after the public housing program was first established, only 10 percent of all the units were occupied by persons 65 and older. However, between 1956 and 1959, several legislative changes were made to encourage construction of units for the elderly, causing the percentage of public housing units occupied by the elderly to increase to 19 percent by 1964 and to 46 percent by 1984. In addition, 1959 saw the enactment of the section 202 program, the first housing program specifically designed for the elderly.

Growing congressional interest in aging issues led to the emergence of the proposal for medicare as a campaign issue in the 1960 election and to the convening of the first White House Conference on Aging in 1961. These developments in turn brought broad recognition of aging problems and paved the way for the enactment of major legislation to aid older Americans in the mid-1960's.

TABLE 1.—FEDERAL OUTLAYS BENEFITING THE ELDERLY, FISCAL YEARS 1960–85 <sup>1</sup>

	[Dollars in billions]					
	1960	1965	1970	1975	1980	1985 (estimated)
<b>Health:</b>						
Medicare.....			\$6.8	\$12.8	\$29.4	\$64.9
Medicaid.....			1.1	2.7	4.9	7.5
Other.....	<sup>2</sup> \$0.8	<sup>2</sup> \$1.0	0.7	1.4	3.8	4.0
<b>Total.....</b>	<b><sup>2</sup> 0.8</b>	<b><sup>2</sup> 1.0</b>	<b>8.6</b>	<b>16.9</b>	<b>38.1</b>	<b>76.4</b>
<b>Retirement income:</b>						
OASDI.....	8.4	12.2	20.9	44.1	82.7	140.1
OAA/SSI.....	<sup>3</sup> 1.6	<sup>3</sup> 1.6	<sup>3</sup> 1.9	1.9	2.2	2.7
Civil service retirement.....	.5	.9	1.6	4.1	8.5	13.6
Military retirement.....	.1	.2	.4	.9	1.9	2.8
Veterans compensation/pension.....	1.2	1.7	1.9	2.3	3.4	4.8
Railroad retirement.....	.8	.9	1.3	2.5	3.6	4.8
Other Federal retirement.....	( <sup>4</sup> )	( <sup>4</sup> )	( <sup>4</sup> )	0.1	0.2	0.3
Black lung.....			( <sup>4</sup> )	0.6	1.2	1.3
<b>Total.....</b>	<b>12.6</b>	<b>17.5</b>	<b>28.0</b>	<b>56.5</b>	<b>103.7</b>	<b>170.4</b>
<b>Services:</b>						
Housing.....		.1	.3	.7	2.8	5.0
Older Americans Act.....			( <sup>4</sup> )	.3	.9	1.0
Social services.....				.3	.6	.6
Food stamps.....		.1	.1	.4	.6	.6
Energy assistance.....					.6	.7
Other.....	.1	.2	.3	.6	.5	1.3
<b>Total.....</b>	<b>.1</b>	<b>.4</b>	<b>.7</b>	<b>2.3</b>	<b>6.0</b>	<b>9.2</b>
<b>Total outlays benefiting elderly.....</b>	<b>\$13.5</b>	<b>\$18.9</b>	<b>\$37.3</b>	<b>\$75.7</b>	<b>\$147.8</b>	<b>\$256.0</b>
<b>Percent.....</b>	<b>14.6</b>	<b>16.0</b>	<b>19.1</b>	<b>23.3</b>	<b>25.6</b>	<b>27.6</b>
<b>Total Federal outlays.....</b>	<b>\$92.2</b>	<b>\$118.4</b>	<b>\$195.7</b>	<b>\$324.2</b>	<b>\$576.7</b>	<b>\$925.5</b>

<sup>1</sup> Reflects benefit payments and services provided to individuals aged 65 and over. These are estimates developed by the staff of the Senate Special Committee on Aging based on information provided by Federal program staff, the Office of Management and Budget and the Congressional Research Service.

<sup>2</sup> Committee estimates based on information that Federal health spending on the elderly in fiscal year 1966 was \$1.1 billion and total Federal health spending was \$3.5 billion in fiscal year 1960.

<sup>3</sup> The Federal share of old age assistance benefit payments does not include the Federal share of benefits paid to the elderly from aid to the blind or aid to the permanently and totally disabled. Total benefit payments to the elderly from these sources are believed to be small.

<sup>4</sup> Less than \$50 million.

## NEW AGING PROGRAMS

The first watershed year in Federal involvement with the problems of older Americans was 1965. Federal programs enacted in this year opened up two major new areas of spending for the elderly. The most significant new area was health insurance. Responding to concerns that the poor and elderly were being denied care and that rising out-of-pocket costs were eroding the adequacy of retirement income benefits paid to the elderly, the Congress passed the Medicare and Medicaid programs.

Medicare was established to provide hospital insurance to those 65 and older who were eligible for social security, and to provide optional physician insurance for anyone 65 and older. Medicare brought with it most of its own funding—a supplement to the social security payroll tax to finance the hospital insurance pro-

gram, and premiums to cover part of the cost of the physicians insurance.

While the enactment of medicare triggered the most rapid growth in Federal spending for the elderly, it has not effectively reduced the burden of health care costs for the elderly and their families. From a program spending \$7 billion in 1970, medicare has grown to a program with \$60 billion in Federal outlays in 1983. Over the last 12 years, medicare outlays have increased at an average annual rate of 18 percent, more than twice the rate of inflation and one-third faster than the growth in national personal health care expenditures. Even with savings measures enacted in the 1980's, it is still projected to grow at four times the rate of inflation through the end of the decade.

Despite this growth in annual spending, medicare payments increasingly fail to keep pace with rising health costs. Health care expenditures not paid by medicare have been rising steadily as a percent of elderly income. By 1981, health spending not paid by medicare equaled 19.9 percent of the average per capita income of a person over 65—almost equal to the share of income consumed by health care spending before medicare was enacted (20.4 percent). The elderly pay nearly a third of their total health care bills out-of-pocket, a percentage that has remained constant in recent years. As increases in health care costs continue to outstrip increases in income, and as changes are enacted in medicare shifting greater costs to medicare beneficiaries, the prospects for continuing erosion in the value of this protection increases.

Medicaid was enacted to provide matching funds to the States to finance health insurance for the poor, including supplemental insurance for the elderly poor covered under medicare. Medicaid has also grown rapidly in the past two decades, with outlays rising from \$4.9 billion in 1970 to \$35.5 billion in 1983. The Federal share of the payments going to the elderly was \$6.4 billion in 1983, more than four times the amount spent on the elderly only a decade earlier. The portion of medicaid spending benefiting the elderly has increased from 31 percent in 1972 to 36 percent in 1982, largely as the result of the rapid growth in the cost of nursing home care.

These two programs brought under the Federal budget a portion of national health care costs which would have otherwise been borne largely by individuals and their families. They also prevented the elderly and the poor from being completely priced out of the health care delivery system. By 1970, 4 percent of the Federal budget was devoted to medicare and medicaid spending on the elderly.

Congress also acted in 1956, with the passage of the Older Americans Act, to create new Federal program specifically designed to meet the social service needs of older people. The act itself was one of a series of Federal initiatives that were part of President Johnson's Great Society legislation. These programs resulted from a belief that a large percentage of the elderly were impoverished, and that a greater Federal emphasis beyond the income transfer and health programs was needed to assist this group. Although older persons could receive services under a multiplicity of other Federal programs, the act was the first major vehicle for the organization and delivery of social services to the elderly.

The Older Americans Act followed on the heels of a similar, but somewhat more expansive grouping of social service programs initiated under the Economic Opportunity Act of 1964. With a similar conceptual framework to that embodied in the Economic Opportunity Act, the Older Americans Act was established on the premise that decentralization of authority and the use of local control over policy and program decisions would create a more responsive service system at the community level.

When first enacted in 1965, the act established a series of broad policy objectives designed to meet the needs of older persons. These objectives, however, lacked both legislative authority and adequate appropriations to be truly effective. Although the act initially had a limited scope and funding—providing for a Federal Administration on Aging and making minimal grants to State units on aging—it established a structure through which the Congress later expanded aging services.

Even though the programs enacted in 1965 grew slowly initially, these new areas of spending, added to the already rising costs of retirement income programs, caused the portion of the Federal budget dedicated to the elderly to rise from 15 to 19 percent by 1970.

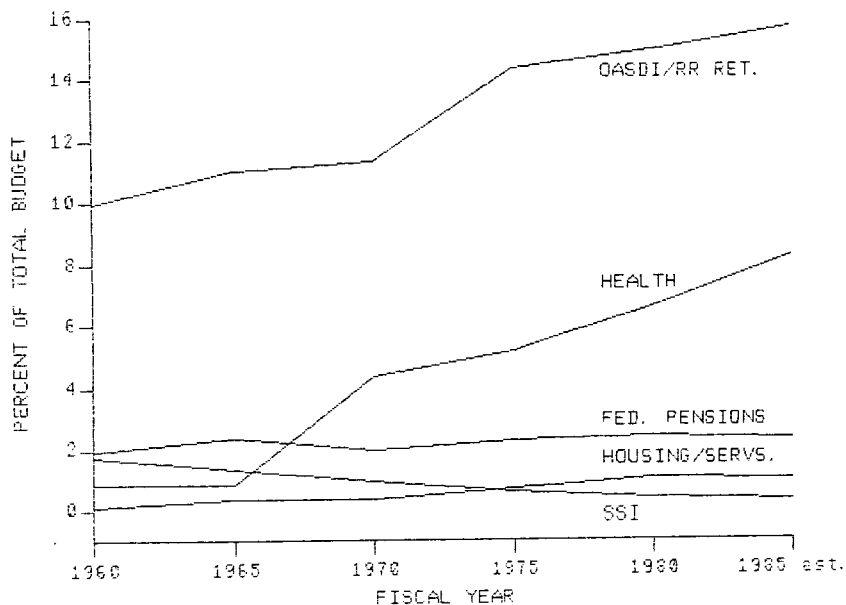
#### IMPROVEMENTS IN AGING PROGRAMS .

A second watershed in Federal involvement with the elderly occurred in 1972 and 1973. In response to 1970 census findings that one in four elderly were poor and recommendations from the 1971 White House Conference on Aging, the Congress in 1972 granted a 20-percent increase in social security benefits, set in motion the automatic adjustment of social security benefits for the cost of living, and established a national income "floor" for the elderly through the supplemental security income (SSI) program. The conversion from State-administered old-age assistance payments to the Federal SSI payment had little effect on Federal spending for cash assistance to the elderly. The across-the-board increase in social security benefits, however, coming on the heels of earlier social security benefit increases to adjust for inflation, caused social insurance outlays to rise substantially. Between 1970 and 1975, social security spending on the elderly rose from 10.7 to 13.6 percent of the Federal budget and from 2 to 3 percent of the gross national product (GNP).



CHART 3

FEDERAL OUTLAYS BENEFITING THE ELDERLY  
 PERCENT OF FEDERAL BUDGET  
 FY 1960-1985 (est.)



Congress followed up on the improvements in income transfers with modifications in services to the elderly. In 1973, the Congress enacted a significant expansion in services provided under the Older Americans Act. The 1973 amendments required States to establish sub-State planning and service areas and area agencies on aging which were responsible for the development of comprehensive and coordinated social service delivery systems at the community level. In addition to expanding the role of the State and area agencies on aging, the 1973 amendments significantly increased authorization levels for programs supported under the act. In fiscal year 1973, total funding rose to \$253 million as compared to \$102 million in fiscal year 1972 and \$27.3 million in fiscal year 1971. Funding for this expanded role has continued to rise reaching over \$1 billion today.

Congress expanded Federal housing assistance to the elderly in 1974. The section 202 elderly housing program was reinstated and the section 8 housing assistance program was enacted which, although it is not targeted to the elderly, has become one of the two major sources of assisted housing units occupied by those 65 years of age and older. Today, section 8 provides approximately 800,000 units of assisted housing for the elderly. The other major source, public housing, provides roughly 650,000 units for elderly families. Section 202, traditionally thought of as the elderly housing program, has just 100,000 apartment units for elderly families.

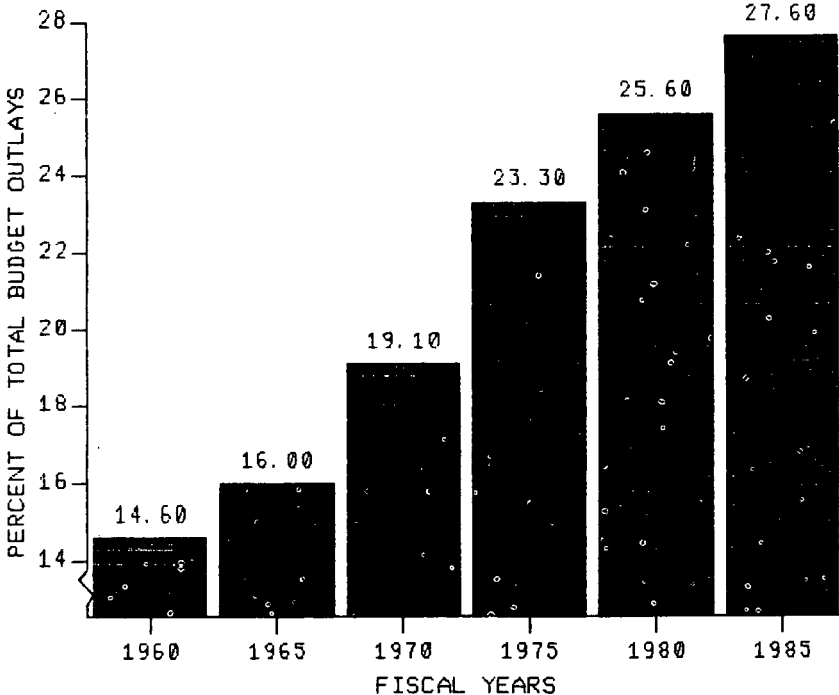
Medicare and medicaid also contributed to the growth in spending on the elderly during the 1970's. Spending on health care for the elderly in these two programs rose from 4 to 6 percent of the Federal budget between 1970 and 1980. The result of all of these changes was a significant increase in the proportion of the Federal budget spent on the elderly, from 19 to about 26 percent in the decade from 1970 to 1980.

### STABILIZATION

The legislated increases in spending on the elderly in the early 1970's were the last significant legislative efforts to improve income and services for the elderly. In the early 1980's the growth in the proportion of the Federal budget spent on the elderly slowed substantially, increasing only from 26 percent in 1980 to 28 percent in 1985. Medicare and medicaid spending on the elderly have continued to consume ever larger portions of the Federal budget, rising from 6 percent of Federal spending in 1980 to an estimated 8 percent by 1985. This increase in health spending accounts for nearly all of the 2 percent rise in the proportion of the budget dedicated to the elderly in this period.

CHART 4

### SHARE OF FEDERAL BUDGET BENEFITING THE ELDERLY 1960-1985



The major factor moderating the effect of medicare and medicaid increases has been slowed growth in social security and Federal pensions. Federal spending on social security began to stabilize in the late 1970's in part because benefit increases, now tied to a cost-of-living escalator, were no longer growing more rapidly than the budget. In addition, legislated reductions in social security benefits in 1977 and 1981, and a delay in the cost-of-living adjustment in 1983, helped to level off relative spending on this program. Social security increased as a share of the budget from 14.3 to 15.1 percent between 1980 and 1985.

Increases in other entitlement spending slowed even more substantially after 1980, due largely to reductions in cost-of-living adjustments enacted in 1981 and 1982 as part of the annual budget process, and a decline in inflation in 1983. Other entitlement spending for the elderly, most of which is for retirement income, actually decreased in its share of the Federal budget from 3.7 percent in 1980 to only 3.3 percent in 1985.

Budget cuts in the early 1980's have had the greatest effect on discretionary domestic spending. Federal spending for programs providing social services to the elderly has been the least affected of all discretionary spending, with only a slight drop between 1980 and 1985 in the proportion of the budget devoted to elderly services.

It can be said that in the decade of the eighties the Federal role in transferring income from workers to the retired and in providing basic protection to the frail and poor elderly has finally come of age. The effects of the transformation of Federal policy over the last two decades can be seen in the improved economic status and social independence of the elderly. Today, although substantial differences in income remain between the elderly and the nonelderly, the act of retirement alone is no longer the source of poverty, isolation, and poor health it once was. With the changes of the last few decades now stabilized, the challenge remains to moderate the rising cost of health care, and to fulfill the Nation's commitment to older Americans in the decades to come.

## Chapter 3

### SPENDING FOR OLDER AMERICANS IN THE FUTURE

The fact that the portion of the Federal budget devoted to older Americans has grown substantially in the past, and is expected to grow in the future, has been used to support the claim that Federal spending for the elderly is out of control. Projected growth in Federal programs benefiting persons over 65, however, is almost entirely the result of uncontrolled increases in health spending, and it may no longer be realistic to assume, as the projections do, that health spending increases at current rates will continue unchecked.

#### THE NEAR FUTURE

The focus on Federal spending for older Americans for the remainder of this decade is framed by the general concern over budget deficits. Prior to fiscal year 1982, Federal budget deficits were fairly stable, averaging in the most recent years about \$50 billion a year. Federal budget outlays accounted for between 20 and 22 percent of GNP, while revenues equalled 18 to 20 percent of GNP.

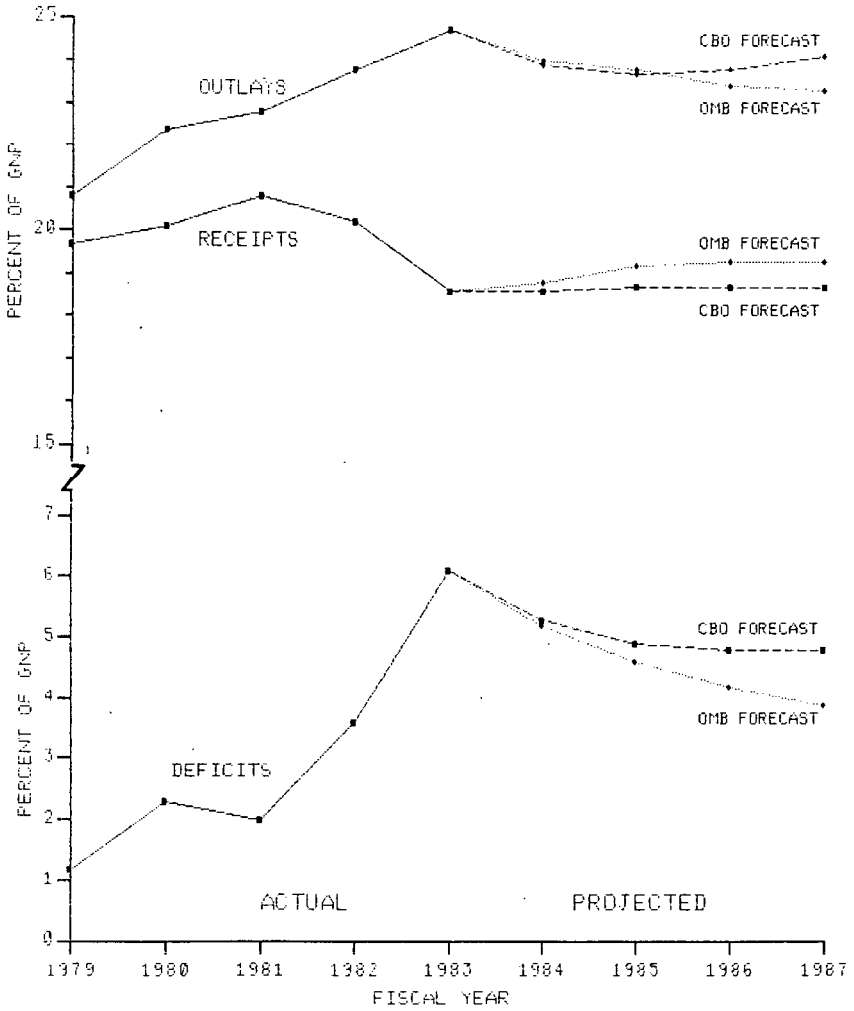
Beginning in fiscal year 1982, however, radical changes began to occur in the Federal budget. Federal budget outlays rose substantially, from 22.8 percent of GNP in 1981 to 24.7 percent in 1983, while revenues declined in relative terms, from 20.8 percent of GNP in 1981 to 18.6 percent of GNP in 1983.<sup>3</sup>

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<sup>3</sup> U.S. Office of Management and Budget. *The United States Budget in Brief, Fiscal Year 1985*. Washington, February 1984.

CHART 5

FEDERAL BUDGET AS A PERCENT OF GNP  
ACTUAL AND PROJECTED RECEIPTS, OUTLAYS, AND DEFICITS  
1979 TO 1987

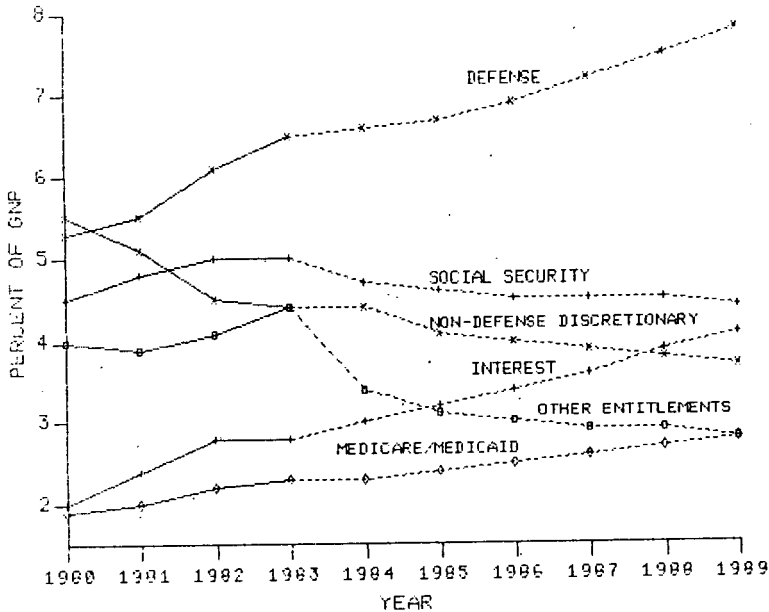


SOURCES: OFFICE OF MANAGEMENT AND BUDGET, THE UNITED STATES BUDGET IN BRIEF, FISCAL YEAR 1985, TABLE 8, AND CONGRESSIONAL BUDGET OFFICE, BASELINE BUDGET PROJECTIONS FOR FISCAL YEARS 1985-1989, FEBRUARY 1984, TABLE 1.

Rising outlays were driven primarily by large legislated increases in defense spending, which raised the proportion of GNP spent on national defense from 5.5 percent in 1981 to 6.5 percent in 1983. In addition, net interest payments rose as a result of high interest rates and rising deficits, growing from 2.4 percent to 2.7 percent of GNP over this period. Outlays for entitlements (e.g. social security, medicare, Federal pensions) also increased over this period, rising from 10.7 percent of GNP in 1981 to 12 percent in 1983. However, legislation enacted to limit their growth is expected to reduce entitlement outlays to 1981 levels again in 1984.<sup>4</sup>

CHART 6

FEDERAL BUDGET OUTLAYS  
ACTUAL AND PROJECTED  
1980-1989



SOURCE: CONGRESSIONAL BUDGET OFFICE. BASELINE BUDGET PROJECTIONS FOR FISCAL YEARS 1985-1989. FEBRUARY 1984. TABLE 6

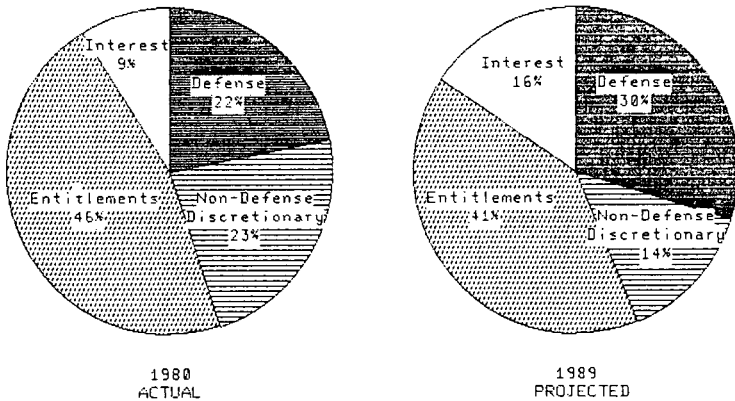
<sup>4</sup> U.S. Congressional Budget Office. Unpublished Tables. January 1984.

Increases in defense and entitlement spending were substantial enough in the early 1980's to more than offset large reductions in spending for other, primarily social, programs. Nondefense discretionary spending declined, largely as the result of fiscal year 1982 and 1983 budget cuts, from 5.1 percent of GNP in 1981 to 4.4 percent in 1983.<sup>5</sup>

The shift from social to defense spending set in motion in the budget in the early 1980's is expected to continue throughout the rest of the decade, absent a change in the law. Entitlements and other mandatory spending, which continued to rise as a share of GNP in the early 1980's, are expected to decline from 12.4 percent in 1983 to 10.6 percent of GNP by 1989. Nondefense discretionary spending is expected to continue its decline, dropping from 4.4 percent to 3.7 percent of GNP by 1989. At the same time, defense spending, under current law, is expected to rise from 6.5 percent to 7.8 percent of GNP by 1989. As a result, the share of the budget dedicated to domestic spending will decline from 62 to 55 percent over this period, while the share dedicated to defense will grow from 26 to 30 percent.<sup>6</sup>

CHART 7

ALLOCATION OF THE FEDERAL BUDGET  
1980 AND 1989



SOURCE: CONGRESSIONAL BUDGET OFFICE. BASELINE BUDGET PROJECTIONS FOR FISCAL YEARS 1985-1989. FEBRUARY 1984. FIGURE 6.

<sup>5</sup> Ibid.

<sup>6</sup> U.S. Congressional Budget Office. Baseline Budget Projections for Fiscal Year 1985-89. A Report to the Senate and House Committees on the Budget—Part II. Washington, U.S. Govt. Print. Off., February 1984. pp. 19-20.

## THE LONG TERM

Today, 40 percent of the Federal budget is spent generally on pension and health programs, only a portion of which go to the elderly. Spending on pension and health programs in general has increased from 25 percent in 1965, and is projected to increase further to more than 50 percent after the turn of the century.<sup>7</sup> While not all of this is spending for the elderly, the increase in proportion does reflect the growing cost of supporting older Americans.

The past growth on spending for the elderly and the growth projected for the future result from two completely different factors. Before the 1980's, the growth in spending on the elderly was largely due to the normal maturing of retirement income programs. As social security and Federal pension programs developed, they supported greater numbers of retirees with higher benefit payments for longer periods. In addition, legislated benefit increases in response to high rates of poverty among the elderly raised total payments for social insurance substantially in the late 1960's and early 1970's.

Retirement income spending, however, is no longer a source of growth in spending on the elderly. In the last 2 years, the relative growth in retirement income spending has slowed, and it is now projected to decline for 20 years as a result of stability in the size of the older population. While it will increase again, thereafter, it is not expected to reach current levels again until 2030. Social security retirement and disability benefits, which grew from 2.5 percent of GNP in 1965 to 5.2 percent in 1983, are projected to decline to 4.2 percent by 2005, and then increase to 5.7 percent by 2030. Other pension benefits paid from the Federal budget are expected to decline from 2 percent of GNP currently to about 1.2 percent of GNP by 2030.<sup>8</sup>

TABLE 2.—FEDERAL PENSION AND HEALTH PROGRAMS AS A PERCENTAGE OF GNP AND THE BUDGET: 1965 to 2040

	Pension programs as a percent of GNP <sup>1</sup>	Health programs as a percent of GNP <sup>1</sup>	Total as a percent of GNP <sup>1</sup>	Total as a percent of budget <sup>2</sup>
1965.....	4.1	0.3	4.4	24.9
1970.....	4.7	1.4	6.1	30.0
1975.....	6.4	2.0	8.4	37.1
1980.....	6.5	2.3	8.8	38.2
1982.....	7.1	2.7	9.7	39.6
1984.....	7.0	2.8	9.8	39.7
1986.....	6.6	3.0	9.6	39.4
1988.....	6.4	3.2	9.6	39.4
1990.....	<sup>a</sup> 6.6	<sup>a</sup> 3.1	9.7	40.4
1995.....	6.2	3.7	9.9	41.3
2000.....	5.8	4.0	9.8	40.8
2005.....	5.6	4.4	10.0	41.7
2010.....	6.0	4.7	10.7	44.6

<sup>7</sup> Palmer, John L., and Torrey, Barbara B. Health Care Financing and Pension Programs. Prepared for the Urban Institute Conference on Federal Budget Policy in the 1980's. Sept. 29 and 30, 1983.

<sup>8</sup> Social Security estimates are from the 1983 Report of the Trustees of the Old Age and Survivors Insurance and Disability Insurance Trust Fund. Table 30. Based on Intermediate II-B assumptions. Additional estimates are from actuarial reports from Federal retirement programs.



TABLE 2.—FEDERAL PENSION AND HEALTH PROGRAMS AS A PERCENTAGE OF GNP AND THE BUDGET: 1965 to 2040—Continued

	Pension programs as a percent of GNP <sup>1</sup>	Health programs as a percent of GNP <sup>1</sup>	Total as a percent of GNP <sup>1</sup>	Total as a percent of budget <sup>2</sup>
2015.....	6.0	5.0	11.0	45.8
2020.....	6.5	5.4	11.9	49.6
2025.....	7.0	5.9	12.9	53.8
2030.....	7.1	6.4	13.5	56.3
2035.....	7.1	7.0	14.1	58.8
2040.....	7.0	7.5	14.5	60.4

<sup>1</sup> Estimates for 1984 to 1988 are based on CBO baseline assumptions (August 1983); forecasts for 1990 and beyond are based on intermediate assumptions of the Social Security and Medicare actuaries.

<sup>2</sup> Forecasts for 1990 and beyond are based on the assumption that the Budget accounts for 24% of GNP.

<sup>3</sup> The discontinuity in the estimates of pension and health benefits as a percent of GNP between 1988 and 1990 is due the Social Security trustee's assuming that OASDI will grow at a faster rate than CBO in the late 1980's and the Health Insurance trustees' assuming that Medicare will grow at a slower rate than CBO assumes.

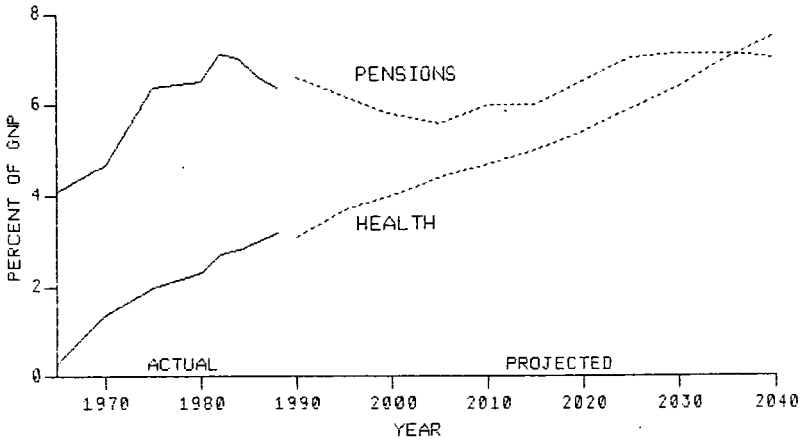
Source: John L. Palmer and Barbara B. Torrey, "Health Care Financing and Pension Programs," prepared for the Urban Institute Conference on "Federal Budget Policy in the 1980s." Sept. 29 and 30, 1983.

Today, rising health care costs have taken over as the source of increase in Federal spending on the elderly. In 1970, medicare and other Federal health programs accounted for only 1.6 percent of GNP but by 1983 Federal health spending had risen to 2.7 percent of GNP. With no change in the law, increases in health spending are projected to accelerate, resulting in more than 6 percent of GNP going to Federal health spending by 2030.<sup>9</sup> In short, if health care costs are not brought under control, Federal spending on health care will equal, and indeed surpass, Federal spending on retirement income within the next 50 years.

<sup>9</sup> Medicare forecasts are from the 1983 Report of the Trustees of the Hospital Insurance Trust Fund.

CHART 8

FEDERAL PENSION AND HEALTH PROGRAMS  
PERCENT OF GNP  
1965-2040



NOTE: THE DISCONTINUITY BETWEEN 1988 AND 1990 RESULTS FROM THE USE OF DIFFERENT ASSUMPTIONS FOR 1984-1988 AND 1990-2040.

SOURCE: JOHN PALMER AND BARBARA TORREY, HEALTH CARE FINANCING AND PENSION PROGRAMS, PREPARED FOR URBAN INSTITUTE CONFERENCE ON FEDERAL BUDGET POLICY IN THE 1980s, SEPTEMBER 1983.

The rising cost of Federal health care is largely the result of weaknesses in the general structure of health care financing. Some of the upward pressure on health costs does come from the aging of the population and higher average medical expenses of the very old who will be an increasing portion of this older population. But a more significant factor is the projected rise in general health care costs at rates which will outstrip the growth rate in the economy.

Overall, the share of the Federal budget going to the elderly is expected to remain fairly stable for the next two decades, as declines in retirement income spending offset increases in health spending. Only then should overall spending on the elderly rise as a portion of the budget, and then only if health costs have been allowed to rise unchecked in the interim.

It has taken four decades to set in motion our national system of social insurance and to reduce the high risk of poverty which once existed after retirement. Much of the spending increase which was associated with this process has now slowed down. Social security's massive intergenerational transfer of income is expected to account for a fairly stable 4 to 6 percent of GNP in the future. Federal programs for the elderly poor are now declining in relation to the economy. Only the effect of rising health care costs on health spending for the elderly remains an element of uncertainty in the Federal commitment to assure a secure retirement for America's senior citizens.

# APPENDIX

## FEDERAL PROGRAMS BENEFITING OLDER AMERICANS

This appendix lists the major programs benefiting older Americans. In addition to brief descriptions of how each program assists the elderly, estimates of program spending for Americans 65 and older are provided. These estimates are developed by the staff of the Senate Special Committee on Aging based upon data provided by the Congressional Research Service (CRS), the Office of Management and Budget (OMB), and other Federal agencies, including: The Department of Health and Human Services (HHS); the Office of Personnel Management (OPM); the Veterans Administration (VA); the Railroad Retirement Board (RRB); the Department of Defense (DOD); the Department of Agriculture (USDA); the Department of Housing and Urban Development (HUD); the Department of Energy (DOE); the Department of Labor (DOL); ACTION; and the Legal Services Corporation (LSC). In most cases, the outlay figures are derived by establishing approximate percentages of total program spending devoted to the elderly.

### ESTIMATED OUTLAYS FOR OLDER AMERICANS

(In millions of dollars)

	Fiscal year—	
	1984	1985
I. Income Security		
1. Social Security (HHS): The OASDI trust fund provides monthly cash benefits to retired and disabled workers, their dependents, and survivors, based on the worker's earnings record. The program is financed largely by taxes on employees, employers and self-employed individuals. Under current law in fiscal year 1985 the old-age and survivors insurance (OASI) program is expected to pay benefits to 33.1 million beneficiaries, 65 or older. The disability insurance (DI) program is expected to pay benefits to an additional 3.8 million disabled workers and their dependents, none of whom are elderly....	132,200	140,100
2. Supplemental Security Income (HHS): SSI is a means-tested cash assistance program for the low income aged, blind and disabled. In 1984, the Federal payment standard is \$314 for individuals and \$472 for couples. Currently there are 3.9 million recipients of SSI benefits, 39 percent of whom are elderly.....	2,760	2,676
3. Federal Civilian Retirement and Disability (OPM): The program covers 2.7 million federal employees and provides benefits to 1.4 million retired or disabled employees of the legislative, judicial and executive branches and 0.5 million survivors of Federal employees. Full retirement benefits are paid to employees meeting age and service requirements (age 55 with 30 years of service, 60 with 20 years of service, 62 with five years of service).....	12,791	13,584
4. Military Retirement System (DOD): In Fiscal year 1985 the military retirement system will provide benefits to 1.4 million (retired military personnel, their dependents and beneficiaries) on the basis of their years of service and active duty pay grade. Since military personnel qualify for retirement after 20 years of service, only about 20 percent of participants are elderly.....	2,689	2,831
5. Railroad Retirement (RRB): The Railroad Retirement Board will provide retirement, disability and survivor payments to 980,000 railroad beneficiaries, their survivors and their dependents in fiscal year 1985. Railroad workers are entitled to benefits after ten years of service, and may retire at 62 (early retirement) or 65.....	4,729	4,838

## ESTIMATED OUTLAYS FOR OLDER AMERICANS—Continued

[In millions of dollars]

	Fiscal year—	
	1984	1985
I. Income Security		
6. Veterans Disability Compensation (VA): 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. Of 2.3 million veterans, 23 percent are 65 or older. Sixty-four percent of survivors are 65 or older. ....	2,561	2,697
7. Veterans Pensions (VA): The veterans pension program will assist a projected 732,000 wartime veterans who suffer from non-service connected disabilities which are permanent and total, and which preclude them from gainful employment. 817,000 survivors of veterans may also qualify for some benefit based on need. Fifty-two percent of veterans, and 64 percent of survivors are 65 or older. ....	2,197	2,027
8. Food Stamps Program (USDA): The food stamp program provides vouchers to low income households for the purchase of food sufficient to meet the costs of providing a minimally nutritious diet. Of the projected 21.4 million participants in fiscal year 1985, 8.5 percent will be elderly. ....	555	524
9. Low-Income Home Energy Assistance Program (HHS): The Low-Income Energy Assistance Program provides block grants to the states to assist low income households with excessive home energy costs. Payments are made to assist participants with expenses such as weatherization, and heating and cooling bills. Priority is given to households with an elderly or handicapped member. Approximately one third of the participants are elderly. ....	625	625
10. Black Lung (HHS): The Federal black lung program provides monthly cash benefits to eligible coal miners totally disabled by pneumoconiosis, or "black lung" disease, and to their survivors. The part B program is fully federally funded, while part C is financed by an excise tax on the coal industry. An estimated 85 percent of Part B and 67 percent of Part C beneficiaries are 65 and older. ....	1,234	1,245
II. Health programs		
1. Medicare (HHS): Enacted in 1965 as a means of providing protection for the elderly from the costs of health care, Medicare is comprised of two programs: Part A (HI) pays for inpatient hospital care, stays in skilled nursing facilities and home health services; Part B (SMI) pays for all other services covered by medicare—principally physician services. In 1983, 26 million aged and 3 million disabled individuals participated in the medicare program. ....	56,395	64,870
2. Medicaid (HHS): 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. Program expenditures are heavily weighted toward institutional services, especially long term care in nursing homes. In 1983, 3.2 million older Americans were eligible for Medicaid benefits. ....	6,920	7,535
3. Veteran's Health (VA): The VA provides health care services in VA hospitals, domiciliarys, nursing homes and outpatient clinics; on a contract basis in non-VA hospitals and community nursing homes; and on a grant basis in State veterans' home facilities. VA medical care is available to all veterans for care for service-connected conditions. Other veterans are eligible for care for non-service connected conditions if they are unable to defray the cost of care elsewhere or are age 65 or older. ....	823	910
III. Housing		
1. Public Housing (HUD): Provides rental housing for low-income families in projects run by local housing authorities. Federal outlays are for construction, modernization and operating subsidies. Elderly occupy 640,000 units or 42 percent of all public housing units. ....	1,355	1,423
2. Section 8 (HUD): Was designed in 1974 as the private sector alternative to public housing for low income families. The new construction/substantial rehabilitation portion of the program, which was repealed in the Housing Act of 1983, made long-term obligations of funds to developers for the production of multi-family housing. More than 60 percent of the units in new projects are occupied by the elderly (over 425,000 units). The other portion of the program, existing housing, provides rental assistance certificates to low-income families (28 percent elderly—more than 300,000 units) to live in existing private housing. ....	2,440	2,587
3. Section 202 (HUD): 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. Elderly occupy 101,251 units (more than 90 percent) of 202 housing. ....	764	707
4. Farmers Home Administration (USDA): Includes housing assistance programs for rural families ranging from mortgage assistance and home repair grants and loans (principally for the elderly) to multifamily rental housing construction loans and rental assistance payments. 11.5 percent of assisted households or 206,500 units are for elderly families. ....	396	<sup>a</sup> 390

## IV Social Services

1. Older Americans Act (HHS): The Older Americans Act (OAA); enacted in 1965, established authority for a series of programs designed to improve the lives of older Americans in the areas of income, health, employment, retirement, and community services. The OAA established the Administration of Aging (AoA) as the Federal-level agency responsible for the administration of programs under the act. Since its enactment, OAA programs have grown from a few small social services grants and research projects to a network of 57 State units on aging, and over 600 area agencies on aging.....	789	773
2. Food Commodities Program (USDA): The food commodities program is administered by the Department of Agriculture and is designed to supplement the nutrition programs authorized under Title III of the Older Americans Act. The USDA provides reimbursement to States based on the number of meals served. States have the option of accepting reimbursement in cash, commodity foods, or a combination of both.....	115	116
3. Older Americans Volunteer Programs (ACTION): The Older Americans Volunteer Programs (OAVP) are administered by the ACTION agency, and consist of the retired senior volunteer program (RSVP), the foster grandparent program, and the senior companion program. These programs serve a dual purpose of uniting the energy, experience, and skill of older persons with unmet community and individual needs.....	88	88
4. Social Services Block Grant (HHS): The Social Services Block Grant (SSBG) was authorized under the Omnibus Budget Reconciliation Act of 1981 to provide a wide variety of community social services to individuals and families. The SSBG succeeded a similar but more restrictive program of social services grants to States under Title XX of the Social Security Act. Under SSBG, States receive allotments based on population, and largely determine the services they wish to provide to meet the specific needs of persons in their community.....	582	587
5. Community Services Block Grant (HHS): The Community Services Block Grant (CSBG) was authorized under the Omnibus Budget Reconciliation Act of 1981 to provide funds for anti-poverty efforts, such as services to secure employment and to gain adequate housing, and for needed emergency assistance. The CSBG program, which is administered by the Department of Health and Human Services, replaced the activities of the Community Services Administration.....	76	( <sup>3</sup> )
6. Weatherization Assistance Program (DOE): The Department of Energy Weatherization program is authorized by Title IV of the Energy Conservation and Production Act of 1976, to provide assistance to those persons who lack the cash or credit to improve energy conservation in their home. The weatherization assistance program provides for the installment of insulation, storm windows and doors, and other energy efficiency improvements. Persons below 125 percent of poverty are eligible for assistance, and priority is given to the elderly and handicapped.....	115	114
7. National Institute on Aging (HHS): The National Institute on Aging (NIA), the newest institute of the National Institutes of Health, conducts and supports research to increase the knowledge of the aging process and associated physical, psychological, and social factors resulting from advanced age. The NIA was established in 1974.....	100	112
8. Legal Services Corporation (LSC): provides legal services in civil matters for low-income individuals through local legal aid projects. Federal outlays fund local projects and national support centers, which develop and provide specialized expertise to legal services attorneys.....	36	( <sup>3</sup> )
9. Job Training Partnership Act (DOL): The provisions of the Job Training Partnership Act (JTPA) of 1982 were adopted by the Congress to replace the Comprehensive Employment and Training Act (CETA) programs. Section 109 of Title I of JTPA authorized the second major Federal employment program directed toward elderly employment opportunity and assistance needs. Under this section, 3 percent of the total of \$1.9 billion available for State and local programs is to be directed toward older worker training programs.....	56	56
10. Title V of the Older Americans Act (DOL): The program provides part-time employment opportunities in community service activities for low-income persons aged 55 and over. Participants may work up to 1,300 hours per year, or an average of 20 to 25 hours per week, in a wide variety of community service activities. In Fiscal Year 1984, Federal funding was provided to support 62,500 job slots.....	317	317

<sup>1</sup> This figure represents an annualized amount. In Fiscal Year 1984, only eleven payments were made, therefore actual outlays are \$2,535 million.

<sup>2</sup> FmHA analysts provided rough obligation totals rather than outlays because obligations provide a better indication of annual spending commitments for the elderly.

<sup>3</sup> For fiscal year 1985, the Administration has proposed to phase out programs funded under the Community Service Block Grant and the Legal Services Corporation.