

Congress' budget proposal would freeze domestic budget authority

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The Council of State Governments said the budget resolutions approved by House and Senate are an improvement for states over the president's proposal.

Norman Beckman, director of the CSG's Washington office, said in an article appearing in a recent issue of the CSG official organ, that the states can get a good picture of what to expect from the fiscal 1986 budget from the resolutions because the significant dollar differences center on Social Security benefit and defense appropriations rather than domestic programs.

Overall the president's deficit reduction plan would have terminated or phased out 20 programs and imposed major reductions or reforms in 40 additional programs.

Basically, the House and Senate actions provide a freeze on domestic discretionary budget authority in fiscal 1986. It also halves inflation allowances for all except low-income programs in fiscal 1987-88. Excluded from the freeze are most means-tested entitlements and discretionary programs for low-income people.

Congress committees accepted the president's economic assumption and neither assumed any tax increase. Both houses approved ending General Revenue-Sharing for fiscal 1987.

The major differences between the House and Senate budget resolutions, by major programs areas are:

- **Health** — In Medicaid, the House provides for inflation while the Senate assumes at \$1.2 billion cut over three years to be achieved by

reforms, including increased collections of third-party insurances.

- **Education** — The House would adjust for inflation a broad range of programs affecting low income individuals and freeze other programs for one year at the 1985 level. The Senate provides increases only for programs serving the disabled and would freeze most other programs. The Senate reduces funding for impact aid, guaranteed student loans, job training and the employment services.

- **Energy** — Energy conservation programs would be cut by \$200 million in fiscal 1986-87 by the Senate but none by the House.

- **Agriculture** — The House would cut \$9.7 billion in farm subsidy and credit programs for fiscal 1986-88. The Senate would phase out the direct loan program, cut the Soil and Water Conservation 15 percent and make cuts totaling \$15.1 billion over fiscal 1986-87.

- **Commerce and House Credit** — Rural housing programs would be cut by 20 percent by the House and 50 percent by the Senate. Small Business Administration programs would be cut by 20 percent by the House, saving \$600 million over the next three years, and \$2.5 billion by the Senate.

- **Transportation** — Urban mass transit capital grants would be frozen for one year by the House and reduced 23 percent in fiscal 1986 by the Senate. AMTRAK would be reduced 10 percent by the House and 12.5 percent by the Senate in fiscal 1986 and 40 percent by fiscal 1988.

The House would cut highway obligations \$13.8 billion over three years, \$3.95 billion more than the Senate.

- **Community and Regional Development** — Urban development action grants in fiscal 1986 would be cut 10 percent by the House and 20 percent by the Senate and then terminated in fiscal 1987. Both houses would cut Community Development Block Grants by 10 percent.

- **Income Security** — Both the Senate and House assume changes in child nutrition and food stamps. The Senate could cut energy conservation programs by 10 percent. The House would fund at current levels housing assistance programs but the Senate would freeze or reduce.

- **General Revenue Sharing** — The House would cut by 25 percent but be fully funded by the Senate in fiscal 1986. Both would end the program starting in fiscal 1987.

Despite all the proposed federal budget cuts, both the House and Senate resolutions still project a deficit of \$180 billion in fiscal 1986 and \$140 billion to \$160 billion in fiscal 1988.

Federal tax proposals would eliminate the deduction for all state and local taxes and reduce tax-free borrowing.

In comparison to the president's original budget proposal, the current Republican Senate administration and Democratic House fiscal 1986 budget resolutions both take it a little easier on the states, which are expected to absorb these powerful budget and tax policy jolts.