

FUNCTION 370: COMMERCE AND HOUSING CREDIT

FUNCTION SUMMARY

Function 370 includes discretionary housing programs, such as subsidies for single and multifamily housing in rural areas and mortgage insurance provided by the Federal Housing Administration; net spending by the Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, the census, and small business; and spending for deposit insurance activities related to banks, savings and loans, and credit unions.

In 1998, spending for Function 370 is \$7.9 billion in BA and \$1.3 billion in outlays, a dramatic change from the corresponding 1997 levels of \$8.1 billion and -\$14.6 billion. Discretionary spending represents the stable portion (compared with the mandatory programs) of the function totals, amounting to \$3.1 billion in BA and \$3.0 billion in outlays in 1998.

As reflected in the spending summary table, under the freeze baseline, total outlays in Function 370 will increase by \$2.0 billion to a level of \$3.3 billion in 1999, with subsequent increases producing \$8.9 billion in outlays in 2000, and \$12.3 billion by 2003. Baseline features of volatile (such as deposit insurance) or rapidly expanding mandatory programs account for the changes in the function totals over time. The Postal Service, for instance, runs cyclical surpluses and deficits and is responsible for part of the drop in BA from 1998 to 1999 (\$7.9 billion to \$4.3 billion). The rest of the change in budget authority results from recording an automatic loan subsidy appropriation of \$3.3 billion in 1998 to reflect unpaid bids for certain spectrum auctions (Block C); no similar appropriation appears in 1999 or subsequent years. In the other direction, the Universal Service Fund (USF) is expected to increase from \$2.6 billion in 1998 to \$5.6 billion in 1999, and then to \$9.4 billion in 2000, with smaller increases after that. Note, however, that while the USF records outlays related to government-mandated subsidies for telecommunications services, payments into the fund that cover those costs appear on the revenue side of the budget and **exactly offset the outlays**. Thus, the USF has no net budgetary impact.

The key assumption enacted from the BBA for this function produced savings of \$0.7 billion over five years by allowing the Federal Housing Administration (FHA) the tools to require mortgage lenders (whose loans the FHA insures) to be more active in dealing with delinquent or defaulted borrowers.

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SPENDING SUMMARY (\$ billions)

		1998	1999	2000	2001	2002	2003
Chairman's Mark	BA	7.9	4.3	15.6	14.7	15.7	15.1
	OT	1.3	3.3	10.5	10.5	11.9	11.8
BBA	BA	7.9	4.8	15.9	15.0	16.0	15.5
	OT	1.3	3.7	10.4	10.9	12.1	12.1
Freeze Baseline	BA	7.9	4.3	14.0	15.1	16.2	15.6
	OT	1.3	3.3	8.9	10.7	12.4	12.3
Chairman's Mark compared to:							
BBA	BA	--	-0.5	-0.3	-0.3	-0.4	-0.4
	OT	--	-0.5	+(*)	-0.4	-0.1	-0.2
Freeze Baseline	BA	--	-(*)	+1.5	-0.4	-0.5	-0.5
	OT	--	-0.1	+1.5	-0.2	-0.5	-0.5

DESCRIPTION OF CHAIRMAN'S MARK

The Chairman's Mark proposes a total 1999 level of \$4.7 billion in BA and \$3.7 billion in outlays for Function 370, which is above a freeze by \$0.4 billion in BA and \$0.3 billion in outlays.

For discretionary spending only, the Chairman's Mark reflects a 1999 level of \$3.4 billion in BA and \$3.3 billion in outlays, an increase of \$0.3 billion above a freeze. Specific assumptions for 1999 compared with a freeze are as follows:

- ▶ An additional \$0.5 billion in BA and \$0.4 billion in outlays in 1999 for final preparations for the decennial census, and then \$1.7 billion in BA and outlays in 2000 to conduct it;
- ▶ The reductions included in the President's budget for rural housing loans, FHA insurance, Small Business Administration loans and salaries and expenses, and certain salaries and expenses accounts in the Department of Commerce.