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(Michael Deaver set)] ~~(1)-(2)~~ (1)-(3)

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Mr. Michael K. Deaver
1st Floor, WM

TABLE OF CONTENTS

Department of Commerce

- Economic Development Administration (EDA) and Regional Development (addressed 2/12/81)..... 1
- Maritime Subsidies..... 2
- National Oceanic and Atmospheric Administration (NOAA) Programs... 3

Foreign Aid

- Adjustment..... 1

Department of Defense

- Savings and Budget Totals..... 1
- Defense Civilian Employment..... 2

Cross Cutting Issues

- Pay Raises for Civilian Employees..... 1
- Federal Civilian Employment..... 2
- Cost of Living Adjustments - Civilian..... 3
- Cost of Living Adjustments - Military..... 4

Department of Housing and Urban Development

- Planning Assistance..... 1
- Urban Development Action Grants..... 2
- Community Development Block Grants..... 3
- Rehabilitation Loan Fund..... 4
- Neighborhood Self-Help Development..... 5
- Public Housing Modernization..... 6
- Tenant Rent Burden..... 7
- Solar Energy and Conservation Bank..... 8
- Level of Subsidized Housing..... 9

Department of Education

- Elementary and Secondary Grants Consolidation..... 1
- Vocational Education..... 2
- Student Loans and Pell Grants..... 3
- School Assistance in Federally Affected Areas (Impact Aid)..... 4
- National Institute of Education..... 5
- Institute for Museum Sciences..... 6
- Student Loan Marketing Association (Sallie Mae)..... 7

Department of Transportation

- Federal Highway Program..... 1
- Urban Mass Transportation Capital Grants..... 2
- Airport Construction..... 3
- Northeast Corridor Improvement Projects..... 4
- Local Rail Service Assistance..... 5

Department of Transportation (cont'd.)

- Highway Safety Grants..... 6
- Cooperative Automotive Research Programs..... 7
- Highway Trust Fund Tax Receipts..... 8

Eliminate Federal Subsidies

- Mass Transit Operating Board..... 1
- Civil Aeronautics Board..... 2
- Coast Guard User Fees..... 3
- Waterway User Charges..... 4
- Eliminating Subsidies for Airport and Airway Users..... 5
- Conrail Subsidies..... 6
- AMTRAK..... 7
- Agriculture User Charges Proposals - Grain Inspection and Cotton
and Tobacco Classing and Inspection..... 8

Water Resources Development

- Reduced Funding for Ongoing Construction..... 1

Other Independent Agencies

- Low Priority Veterans Services..... 1
 - Compensation Adjustment for Unemployability
 - Cancellation/Deferral of VA Medical Facility Construction
 - Reduce Interest Rate Subsidy on Insurance Loans
 - Beneficiary Travel
 - G.I. Bill Benefits for Flight Training and Correspondence Courses
- NASA Retrenchment..... 2
- NSF Retrenchment..... 3
- Appalachian Regional Commission..... 4
- National Endowments..... 5
- Corporation for Public Broadcasting..... 6
- National Consumer Cooperative Bank..... 7
- EPA Waste Treatment..... 8
- U.S. Postal Service Subsidy..... 9

Department of Commerce

SUBJECT: Economic Development Administration (EDA) and Regional Development Commissions

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current Base:						
Budget Authority	712	718	785	851	916	984
Outlays	605	726	764	806	885	938
Policy reduction:						
Budget Authority	-389	-686	-729	-792	-851	-970
Outlays	-50	-226	-304	-539	-673	-882
Reagan Budget:						
Budget Authority	323	32	56	59	65	14
Outlays	555	500	460	267	212	56

Change Proposed:

Funding for EDA and the Regional Commissions would be terminated starting in the second half of FY 1981. There is a lack of consistent and convincing evidence that EDA programs are cost effective and actually create new jobs and capital investment. The Regional Commissions have been poorly managed and have been involved largely with local--rather than truly regional--projects. More effective ways to promote economic development will be used: (1) The Administration's overall economic strategy of tax and regulatory reductions is a more effective way to promote private sector operations. (2) An Administration Task Force will explore the enterprise zone concept which proposes incentives for the private sector to invest in distressed areas. (3) Modest increases to the Community Development Block Grant program will be proposed. Funds provided under this program can be used in a flexible manner by county and city jurisdictions.

2/11/81,

Department of Commerce

SUBJECT: Termination of Direct Subsidies to the Maritime Industry

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current Base:						
Budget Authority	488	585	1,000	1,081	1,127	1,040
Outlays	609	630	695	785	978	1,080
Policy reduction:						
Budget Authority	-93	-160	-528	-571	-580	-460
Outlays	-11	-28	-126	-251	-420	-510
Reagan Budget:						
Budget Authority	395	425	472	510	547	580
Outlays	598	602	569	534	558	570

Change Proposed:

The Federal subsidies to support new merchant ship construction would be eliminated starting with the remaining FY 1981 funds. No new construction subsidies would be proposed for FY 1982-1986 and no new commitments for operating differential subsidies would be made. The subsidies contribute to inefficiencies in the market place and ship operations. The negative effect on shipyard employment will be offset by the expanded Navy shipbuilding program. The amounts provided for merchant ship construction contribute very little to maintenance of the shipbuilding base. As a follow-on to the President's maritime policy statements last summer, the Secretary of Commerce would convene a conference of top maritime and shipbuilding leaders to explore ways and means of formulating a maritime policy. (The resulting near-term outlay savings are small due to the Government's 20-year obligation under existing operating differential subsidy contracts.)

SUBJECT: National Oceanic and Atmospheric Administration (NOAA) Programs

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current Base:						
Budget Authority	92	184	224	262	275	268
Outlays	145	175	217	265	274	249
Policy reduction:						
Budget Authority	-9	-152	-202	-238	-250	-241
Outlays.....	-6	-59	-135	-207	-237	-223
Reagan Budget:						
Budget Authority	83	32	22	24	25	27
Outlays	139	116	82	58	37	26

Change Proposed:

In FY 1982, the Coastal Energy Impact Program (CEIP) and the Coastal Zone Management (CZM) State Grant Program would be terminated. Federal grant assistance to Sea Grant Colleges would be reduced by 50%. The development of the National Ocean Satellite System (NOSS) would be deferred indefinitely. CEIP is not necessary because project local impacts from coastal oil and gas development are not beyond the capabilities of State/local actions. Coastal zone management and marine research programs are already operational in the majority of affected States. Twenty-five states (covering 78 percent of the coastline) already have received several years of federal assistance to develop, implement, and administer their CZM programs. The 16 institutions designated as Sea Grant Colleges have developed marine research expertise on local/state/regional bases. While of long-term scientific importance, the global weather data to be generated by NOSS is not urgent and the project can be deferred.

FOREIGN AID ADJUSTMENT

Expected Savings:	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	5,430	7,246	6,567	7,680	8,188	8,644
Outlays	4,944	5,180	5,666	6,360	6,912	7,430
Policy reduction						
Budget Authority	-616	-1,866	-180	-2,474	-2,948	-3,157
Outlays	-85	-409	-591	-1,065	-1,527	-1,827
Reagan Budget						
Budget Authority	4,814	5,380	6,387	5,201	5,240	5,487
Outlays	4,859	4,771	5,075	5,295	5,385	5,603

The 1982 budget level for foreign aid will be cut by \$1.8 billion from Carter budget levels. All of the reductions will be in development assistance as shown in the table. These reductions will eliminate spending in low priority areas, will begin modifications in U.S. participation in certain multilateral institutions, and will require the design of new approaches to foreign aid to achieve objective with less money. The Agency for International Development program will be reduced by as much as 20 percent, to \$1.9 billion. Payments to many of the multilateral institutions will be stretched out. Soft loans for agricultural commodity imports under the P.L. 480 food aid program will also be cut back. Specific program changes will be made final in the near future.

February 12, 1981

SUBJECT: Department of Defense Savings

Expected savings:	(\$ billions)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Current Base</u>						
Budget Authority	169.1	195.9	221.1	246.4	272.9	301.4
Outlays	156.9	181.5	205.1	228.7	253.8	280.4
<u>Proposed Reduction 1/</u>						
Budget Authority	-.4	-4.2	-6.2	-7.5	-8.5	-9.4
Outlays	-.3	-3.9	-5.9	-7.0	-8.0	-8.9
<u>Revised Base</u>						
Budget Authority	168.6	191.7	214.9	238.9	264.4	292.0
Outlays	156.6	177.6	199.3	221.7	245.8	271.6
<u>Proposed Increase</u>						
Budget Authority	+8.2	+30.4	+44.9	+61.7	+81.5	+105.0
Outlays	+1.3	+8.2	+29.7	+45.3	+63.2	+82.5
<u>Reagan Budget</u>						
Budget Authority	176.8	222.1	259.8	300.6	345.9	397.0
Outlays	157.9	185.8	229.0	267.0	309.0	354.0

1/ The proposed reduction assumes a military pay raise of 9.1% in FY 1982. A higher pay raise would reduce annual savings for each year by \$1.4 to \$1.8 billion.

Proposed reductions. Three categories of savings are proposed:

- Pay adjustments. Caps on Federal pay, limiting the frequency of retiree cost-of-living payments to once a year, and withdrawal of the Carter Administration's military retirement reform legislative proposal are included.
- Operations. A major effort to achieve economies in the defense basing structure will be initiated through base closings and realignments as well as contracting out. Application of the constraints on travel, consultants, and administrative reforms in service and construction contracts (Davis Bacon Act, Service Contract Act) will produce additional savings.
- Acquisition reform. Managerial improvements include increased use of multi-year procurements, more economical production order quantities and increased competition in the award of contracts. Marginal systems will be terminated. Productivity investments with high potential savings will be emphasized.

Proposed increases include additional funds for

- Improvements in military readiness to include additional training, equipment, ammunition, spare parts and operations.
- Accelerated modernization by more rapid replacement of obsolete equipment.
- New initiatives including providing for a new manned bomber, and a substantial increase in Navy shipbuilding to include commitment to a

ALL AGENCIES

SUBJECT: Pay Raises For Civilian Employees

Expected savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	-	\$5,800	\$10,700	\$15,300	\$19,700	\$24,100
Outlays	-	5,600	10,400	15,100	19,400	23,700
Policy reduction						
Budget Authority	-	-3,900	-5,500	-6,500	- 7,100	- 7,700
Outlays	-	-3,800	-5,300	-6,500	- 7,000	- 7,600
Reagan Budget						
Budget Authority	-	1,900	5,200	8,800	12,600	16,400
Outlays	-	1,800	5,100	8,600	12,400	16,100

Change proposed:

Under current law, Federal civilian pay rates must be adjusted annually to keep them "comparable" with private sector pay. Because of pay caps used in recent years, a catch-up to comparability rates would be so large as to be unacceptable this year (13.5%). Moreover, there is general agreement that the current system for determining comparability rates has serious flaws that should be corrected. For this reason, the Carter Administration proposed a comprehensive pay reform, which was not accepted by Congress. The Reagan Administration will recommend that the desirable features of the Carter compensation reform be enacted, and that the legislation set the Federal compensation standard at 94 percent of average non-Federal compensation (including benefits). This course is justified because: (1) The comprehensive reform proposals are based on a number of major studies of recent years and have been supported by Presidents of both parties; and (2) the 94 percent is appropriate because some aspects of Federal employment make it more attractive than comparably-paid private sector jobs.

February 12, 1981

SUBJECT: Federal Civilian Employment - Non-Defense

Change proposed: The hiring freeze will be replaced by lower new civilian personnel ceilings.

For non-Defense agencies, with a few exceptions (e.g., VA, State), civilian employment will be reduced to the level that would have been achieved had a total freeze on hiring remained in effect throughout fiscal year 1981. For 1982 there will be a reduction of about 72,000 from the Carter budget. For 1983 and each year thereafter (through 1986), there will be additional reductions of approximately 17,500 annually.

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Number of Employees (in thousands):						
Current Base.....	1,195	1,216	1,216	1,216	1,216	1,216
Potential Change.	-43	-72	-90	-108	-125	-143
Reagan Budget....	1,152	1,144	1,126	1,108	1,091	1,073
Dollar Savings ^{a/} ...	\$.3B	\$1.9B	\$2.6B	\$2.8B	\$3.1B	\$3.4B

a/ - These savings include savings related to individual program reductions or terminations considered elsewhere.

Subject: Annual Indexation of Civil Service Retirement Annuities

(in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current services						
BA	27,764	31,124	33,293	35,447	37,249	39,103
0	17,763	21,324	23,925	26,557	29,152	31,618
Policy reductions <u>1/</u>						
BA	0	510	430	400	380	390
0	0	510	430	400	380	390
Reagan level						
BA	27,764	30,614	32,863	35,047	36,869	38,713
0	17,763	20,814	23,495	26,157	28,772	31,228

1/ These estimates do not reflect the effect of the 80% cap. OPM is in the process of costing that option.

Change Proposed:

The Civil Service Retirement law currently provides for two cost-of-living adjustments each year; one in March and one in September, based on increases in the Consumer Price Index (CPI). The OMB recommendation would eliminate all September adjustments. The current system of semi-annual adjustments is more liberal than virtually all non-Federal pension plans. These semi-annual adjustments are responsible in significant part for the unfunded liability of the Retirement Fund and for the public's perception that Federal retirement benefits are unjustifiably more liberal than retirement benefits in the non-Federal sector. The change to annual adjustments will put the Fund on a sounder financial basis and would make cost-of-living adjustments under the Civil Service Retirement System consistent with the annual adjustment granted under Social Security. This is consistent with a similar proposal being made for the military and other Federal retirement system.

2/12/81

Subject: Annual Indexation of Military Retired Pay

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
<u>Expected Savings:</u>						
Current Services						
BA	13,869	15,748	17,395	18,899	20,324	21,705
Outlays	13,869	15,748	17,395	18,899	20,324	21,705
Policy Reductions ^{1/}						
BA	68	380	283	218	173	145
Outlays	68	380	283	218	173	145
Reagan Level						
BA	13,801	15,368	17,112	18,681	20,151	21,560
Outlays	13,801	15,368	17,112	18,681	20,151	21,560

1/ These estimates do not reflect the effect of the 80% cap.

Change Proposed:

Currently, retired military personnel receive cost of living adjustments semi-annually; one in March and one in September based on increases in the Consumer Price Index (CPI). The policy reduction would eliminate all September adjustments.

SUBJECT: Planning Assistance

Expected Savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	34	37	39	42	44	46
Outlays	40	35	36	39	41	44
Policy Reduction						
Budget Authority	-34	-37	-39	-42	-44	-46
Outlays	-3	-26	-36	-39	-41	-44
Reagan Budget						
Budget Authority	0	0	0	0	0	0
Outlays	37	9	0	0	0	0

Change proposed:

This proposal would end the Planning Assistance program by rescinding \$34 million in 1981 and not requesting future funding. This change is justified because (1) the primary intent of this program--to develop local and State planning capabilities--has been realized and (2) since the benefits of sub-national planning accrue primarily and directly to sub-national entities, the Federal Government should not have to pay for them.

February 9, 1981

SUBJECT: Urban Development Action Grants

Expected Savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	675	734	787	836	882	926
Outlays	365	632	717	716	770	822
Policy Reduction						
Budget Authority	-340	-734	-787	-836	-882	-926
Outlays	-7	-66	-345	-555	-770	-822
Reagan Budget						
Budget Authority	335	0	0	0	0	0
Outlays	358	566	372	161	0	0

Change proposed:

This proposal would end the Urban Development Action Grant (UDAG) program by rescinding \$340 million in 1981 and not requesting future funding. This change is justified because (1) there is no evidence demonstrating that the UDAG program creates new investment or jobs on a national level and (2) funds from the Community Development Block Grant program can be used for the same projects as UDAG funds.

February 12, 1981

SUBJECT: Community Development Block Grants (CDBG)

Expected Savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	3695	4016	4309	4576	4828	5070
Outlays	3838	3993	3816	4116	4401	4663
Policy Reduction						
Budget Authority	---	+94	+51	-16	-118	-210
Outlays	---	+2	+37	+69	+25	-54
Reagan Budget						
Budget Authority	3695	4110	4360	4560	4710	4860
Outlays	3838	3995	3853	4185	4426	4609

Change Proposed:

This proposal would:

- ° increase 1982 funding by \$150 million from that proposed by President Carter (\$3,960 million to \$4,110 million) so as to promote commercial economic development projects in highly distressed areas;
- ° propose changes to the basic law so as to increase local flexibility in project selection and use of funds and to ensure that CDBG funds can be used for the same purposes as funds from categorical programs being eliminated; and
- ° seek a legislative change so that discretionary grant funds are distributed to States for their allocation to small towns and communities in their jurisdictions.

These program changes are consistent with the Reagan Administration's commitment to providing adequate and flexible support for the needs of our Nation's cities and towns.

SUBJECT: Rehabilitation Loan Funds

Expected Savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	130	130	134	138	140	142
Outlays	133	134	136	138	140	142
Policy Reduction						
Budget Authority	-130	-130	-134	-138	-140	-142
Outlays	-63	-191	-210	-211	-213	-214
Reagan Budget						
Budget Authority	0	0	0	0	0	0
Outlays	70	-57	-74	-73	-73	-72

Change proposed:

This proposal would end the Rehabilitation Loan Fund by rescinding \$130 million in 1981 and not requesting future funding. This change is justified because the Rehabilitation Loan Fund basically duplicates the Community Development Block Grant program which annually commits over \$1 billion to various types of rehabilitation.

February 9, 1981

SUBJECT: Neighborhood Self-Help Development

Expected Savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget Authority	9	10	10	11	12	12
Outlays	15	9	10	11	11	12
Policy Reduction						
Budget Authority	-8	-10	-10	-11	-12	-12
Outlays	-4	-9	-10	-11	-11	-12
Reagan Budget						
Budget Authority	1	0	0	0	0	0
Outlays	11	*	0	0	0	0

* Less than \$500,000.

Change proposed:

This proposal would end the Neighborhood Self-Help Development program by rescinding \$8 million in 1981 and by not requesting future funding. This change is justified because the program largely duplicates the efforts of the Neighborhood Reinvestment Corporation and the Community Development Block Grant program.

February 9, 1980

SUBJECT: Public Housing Modernization

Expected Savings:

(in millions of dollars)

	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base						
Budget authority	2,000	2,000	2,000	2,000	2,000	2,000
Outlays <u>1/</u>	---	---	---	50	150	250
Policy reduction						
Budget authority	---	-800	-800	-800	-800	-800
Outlays <u>1/</u>	---	---	---	-20	-60	-100
Reagan Budget						
Budget authority	2,000	1,200	1,200	1,200	1,200	1,200
Outlays <u>1/</u>	---	---	---	30	90	150

1/ Outlays shown are from budget authority for 1982 and subsequent years only.

Change proposed:

This program of repairs and renovation of public housing projects would be slowed down. Current funding is probably in excess of the level which local housing authorities can effectively use. The goals of the comprehensive modernization effort recently authorized by Congress--assuring that public housing meets minimum safety and sanitation standards and is more energy efficient and less costly to operate--would still be met by 1986.

February 9, 1981

Department of Housing and Urban Development

SUBJECT: HUD Subsidized Housing Programs Tenant Rent Burden

Expected Savings:

	(in millions of dollars)					
	<u>1981</u>	<u>1982</u>	<u>1983</u>	<u>1984</u>	<u>1985</u>	<u>1986</u>
Current Base <u>1/</u>						
Budget Authority	30,973	33,987	36,862	39,760	41,742	42,901
Outlays	6,571	8,177	9,769	11,645	13,599	15,515
Policy Reduction <u>2/</u>						
Budget Authority	-400	-4,007	-3,607	-4,540	-4,983	-5,122
Outlays	+38	-171	-529	-965	-1,609	-2,221
Reagan Budget <u>1/</u>						
Budget Authority	30,573	29,980	33,255	35,220	36,759	38,779
Outlays	6,609	8,006	9,240	10,680	11,990	13,294

1/ Combined totals for subsidized and public housing operating subsidy programs.

2/ Reflects not only the impact of rent increases, but also the net effect of rescissions and supplementals in 1981 and 1982.

Change proposed:

An increase in the rent contribution required from tenants living in HUD subsidized housing will be phased-in over the next five years. The gradual increases from the current 25 percent of income to 30 percent of income will make the rent contribution for subsidized tenants more consistent with rents paid by unsubsidized lower income tenants. In addition, it will reduce some of the inequity of providing very deep subsidies to a limited number of eligible households. It is estimated that the increased rent payment for subsidized tenants in FY 1982 will average less than \$5 per month. A change in the authorizing legislation will be required.