

NLWJC - Kagan

DPC - Box 005 - Folder 004

Budget Materials - FY1999

Generally [4]

Bruce and Elena:

Attached is where Barbara, Bob Shireman and I came out on education budget issues. To help you look at this:

1. Page 1 goes through all of the additions--over and above the base in the latest OMB proposal. The third column shows the additional amounts of \$ needed to get to the goal briefly described in the middle column. Many of the items on this list were in the "other education program" category in OMB's documents from yesterday's meeting. We think this takes care of the key policy and political imperitives on this list.

2. Page 2 shows our new initiatives. A couple of points here:

- we can live with the lower figure for the zones initiative; we'll increase funding to a significant level in the out years. I think we've got to come in a good bit over \$1 billion for 5 years in order for this to be seen as a big deal in the urban education world, which our original \$320 million per year clearly achieved. We did not discuss any 5 year figures in putting this document together.
- **The Hispanic Education Initiatives represent a very substantial increase. They are a good thing to do, but we shouldn't do this for nothing. Barbara, Bob and I agreed that before this is nailed down, someone here needs to have a heart-to-heart talk with Becera. If this investment -- coupled with whatever final decision we make on Spanish language reading tests-- won't win us any support for the tests, we should make a more modest investment. We think this point needs to be made in the meeting this afternoon.**

3. Page 3 lays out some options, both with respect to reducing the overall cost, and one possible additional investment.

- The technology initiatives are quite questionable in my judgement. The teacher training one isn't terribly well conceived. We discussed as an alternative requiring states to use some portion of the money they are already getting under Technology Literacy Challenge grants (including and additional \$75 million already in this budget) for teacher training. We figure we could claim about \$200 million for this overall. I think this is the right way to go, rather than starting a new program. Since this is Gene's initiative, we weren't in a position to propose this in the base budget we put together.

With respect to the Learning on Demand initiative, it pays to keep something alive there (including perhaps the full \$50 million) in the hopes that we will somehow figure out what to do with it, including something for Romer and Western Governors U.

- Special Ed is the outstanding political issue. The budget now level funds that program--we think for the first time. If there is a political need to increase funding, the \$262 million is the lowest logical number--it funds inflation and enrollment increases. While none of us was inclined to argue strongly for this increase, we all felt that you should have the issue in front of you while making the final budget decisions.

Needs in the base:

Program	Goal	Amount
Comprehensive School Reform	Obey path	30
Even Start Family Literacy	No Cut	22
Eisenhower Teacher Training	No Cut	25
Title I basic	\$350 increase (4.6%)	8
Indian Education	10% increase	6
Vocational Education	No Cut	56
Perkins Loan capital	Don't eliminate (still a cut)	50
SEOG	Don't cut	31
Work-Study	Keep all campus-based aid at FY 98 level	30
America Reads	Original first-year path	50
Homeless Youth		1
Comprehensive Regional Assistance Centers		13
TRIO	increase	13
Statistics & Assessment		11
Math & Science OERI	8th Grade math test	47
Admin (all)		12
HBCU	same increase as HSI	10
Pell Grants	move independent student formula change to FY 2000	-250
TOTAL		165

Initiatives

Program	Original Request	Proposal
Education Opportunity Zones	320	225
College-School Partnerships	300	150
Hispanic Education	153	110
Technology Teacher Training	100	100
Learning on Demand	50	50
Head Start	150	150
Child Labor (non-duplicated)	39	39
D.C. Schools	20	20
SUBTOTAL NEED		844
OMB Recommendation		600
REMAINING NEED		244

TOTAL NEEDS:

Base Programs		165
Initiatives		244
TOTAL		409

Question 1:

Technology Teacher Training	Fund within base	-100
Learning on Demand	\$10 million for demonstration	-40
TOTAL SAVINGS		-140

Question 2:

College-School Partnerships	Move to Mandatory	-150
SAVINGS		-150
CUMULATIVE SAVINGS		-290
REMAINING NEED	assuming savings	119

Question 3:

Special Education	Fund cost and enrollment increase	262
TOTAL NEEDS		671
TOTAL NEEDS WITH Q 1 & 2 SAVINGS		381

**Potential Allocation of Presidential Priority Reserve,
Summary**
(budget authority, in millions of dollars)

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	<u>FY 1999</u>
Anti-Terrorism/Counter-Terrorism.....	16
Child Care.....	200
Crime/Drugs.....	387
Disaster Assistance.....	20
Economic Development.....	160
Education and Training.....	1,510
Environment.....	498
General Government.....	83
Health.....	245
International Affairs.....	208
Labor.....	91
Low-Income Programs.....	675
Race/Civil Rights Initiative.....	56
Research	546
Agency Appeal Reserve.....	305

Total.....	5,000
Presidential Priority Reserve.....	5,000

Outstanding Discretionary Issues:

- Highways
- FAA
- Land Acquisition
- Etc.

**Potential Allocation of Presidential Priority Reserve,
Detail**
(budget authority, in millions of dollars)

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	<u>FY 1999</u>
Anti-Terrorism/Counter-Terrorism:	
Justice: State and Local First Responder Training.....	16
Total, Anti-Terrorism/Counter-Terrorism.....	16
Child Care:	
Child Care Initiatives	
- Education.....	60
- HHS.....	140
Total, Child Care.....	200
Crime/Drugs:	
USDA: IG/Law Enforcement.....	23
Justice:	
Fund 1000 New Border Patrol Agents.....	103
Indian Country Law Enforcement.....	25
Construction of New Federal Prison (recommend funding in 2000).....	--
Treasury:	
Restore Tax Law Enforcement.....	91
President's Youth Crime Gun Interdiction.....	16
Customs: Narcotics Init., Automated Targeting, Non Intrusive Inspection.....	29
ONDCP: Increase to Provide for General McCaffrey's Drug Priorities.....	100
Total, Crime.....	387
Disaster Assistance:	
FEMA:	
Fully Fund Pre-Disaster Mitigation	20
Total, Disaster Assistance.....	20
Economic Development:	
HUD:	
Economic Development Initiative.....	75
Interior:	
Treasury Loan to Presidio Trust (CA).....	10
SBA:	
Assistance and Training for Minority and Disadvantaged Business Development.....	5
TVA:	
Fund Non-Power Programs through Appropriations not through Power Proceeds.....	70
Total, Economic Development.....	160

**Potential Allocation of Presidential Priority Reserve,
Detail**
(budget authority, in millions of dollars)

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FY 1999

Education and Training:

CPB and Commerce: Support Public Broadcasting Digital Transition.....	32
Education:	
Possible Education Initiatives:.....	600
- College Prep Mentoring/Information.....	
- Urban/Rural School Improvements.....	
- Hispanic Initiatives.....	
- Child Labor Initiative.....	
- Training Teachers in Technology Use.....	
- Learning on Demand.....	
- Head Start further expansion.....	
- Other Education Initiatives.....	
Impact of Federal Aid on Minority Access and Retention in Higher Education (non-add, see Race/Civil Rights).....	[25]
Title 1, Ed for the Disadvantaged.....	250
Comprehensive School Reform Demonstrations.....	145
Bilingual and Immigrant Education 5% above FY 98 Level.....	18
Adult Education, 6% above FY98 (to FY98 President's Budget).....	22
Pell Grants, Increase Independent Students.....	250
Labor:	
Youth Training (restore elimination of program in base).....	130
Corporation for National & Community Service:	
Build up America Reads in 1 step.....	63
Total, Education and Training	1,510

Environment:

Global Climate Change - New Initiatives.....	200
Multiagency: Watershed Health Initiative (USDA, DOI, EPA, Corps).....	248
Commerce: NOAA - Replace Fisheries Research Ships (starts in 2000).....	--
Interior:	
Protecting Species and Habitats (ESA).....	50
Fund existing Natural Resource Protection Priorities at FY98 Enacted Levels (starts in 2000).....	--
Total, Environment	498

**Potential Allocation of Presidential Priority Reserve,
Detail**
(budget authority, in millions of dollars)

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FY 1999

General Government:

Interior: Indian Land Consolidation.....	10
Treasury: IRS - Customer Service.....	73
	83

Health:

HHS:	
Double NIH in ten years via Dedicated Revenues.....	[750]
CDC - Youth Smoking Initiative.....	21
FDA - Youth Smoking Initiative.....	9
Initiatives to Reduce Race Related Health Disparities (non-add, see Race/Civil Rights).....	[30]
SAMHSA - Increase Substance Abuse Block Grant.....	100
HRSA - Increase Ryan White vs FY98.....	100
AHCPR - Health Care Quality.....	15
	245
Total, Health.....	245
Total, Health with NIH.....	[970]

International Affairs:

State: Increase Annual Assessed Costs for International Organizations.....	62
Treasury: Debt Forgiveness for Africa.....	35
AID:	
Development Assistance.....	50
Civil Society Trust for Central and Eastern Europe.....	13
Peace Corps: Millennium Initiative.....	48
	208
Total, International Affairs.....	208

Labor:

Unemployment Trust Fund (Integrity Initiative).....	91
	91
Total, Labor.....	91

**Potential Allocation of Presidential Priority Reserve,
Detail**
(budget authority, in millions of dollars)

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FY 1999

Low-Income Programs:

HHS: Full Restoration of Reductions to LIHEAP.....	342
HUD:	
Home Ownership Initiative.....	50
Vouchers for Welfare to Work.....	283

Total, Low-Income Programs.....	675

Race/Civil Rights Initiative:

Education: Impact of Federal Aid on Minority Access and Retention in Higher Education.....	25
HHS:	
Initiatives to Reduce Race Related Health Disparities.....	30
Office for Civil Rights.....	1

Total, Race/Civil Rights Initiative.....	56

Research:

Commerce: NIST - Construct Advanced Measurement Laboratory.....	63
Education: NSF/ED - Education Research.....	50
Energy: Construction of National Spallation Neutron Source.....	157
NASA: Restore \$13.2B FY98 Outyear Plan starting in 2000.....	---
NSF: Investments in Basic Research (inflate from FY98 level).....	276

Total, Research.....	546



Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP
cc: Leanne A. Shimabukuro/OPD/EOP
Subject: Crime-Related Budget Items

Bruce/Elena:

Here are my reactions to OMB's passback/appeals. Please let me know your reaction. I've shared some of these thoughts w/Deich's folks on a preliminary basis.

1. DPC priorities.

Community-Based Prosecutors and Justice. There are currently no funds for our community prosecutors initiative, so it will have to come from the PPR (President's Priority Reserve). Originally, DOJ had \$25 million for compatible items in its budget submission (a \$3 million community justice initiative and \$22 million for a block-by-block program) that, I believe, can be rolled into what we're trying to do with the Community Prosecutors. However, it looks as if DOJ has given up on these items -- or tucked them elsewhere in the budget. If so, this is all new money that we need to find.

Juvenile Justice. The budget retains the funds we proposed last year and adds \$30 million for Indian country -- that means \$100 million for prosecutors, \$60 million for courts (includes \$10 million increase for Indians), and \$95 million for at-risk youth (includes \$20 million increase for Indians). Even though Congress appropriated \$250 million for a juvenile justice block grant (\$110 reserved for prosecutors and courts), I think -- with one exception -- that we should reiterate what we had in last year's budget until a juvie bill passes. Here's my controversial one exception: we should drop the \$95 million for an at-risk youth initiative and consider using that money for prosecutors.

Here's my reasoning: (1) we have not and are not likely to get this money in the CJS bill. The CJS appropriators and Judiciary Committee continue to resist our efforts to use any significant number of crime/juvie funds for such broad-based/undefined prevention; (2) Rahm continues to make the case to the Hill leadership that our prevention message needs to be school-focused, yet this initiative is anything but school-focused. And (3) DOJ's budget is also not where the real money or battle is at anyway. Safe and Drug-Free Schools already has the district-by-district support Rahm craves and involves serious money (nearly \$600 million) that is at risk in the budget process. More importantly, we DPC are getting ready to launch a \$200 million per year after school program that should be the focus of our message and legislative efforts.

Indian Law Enforcement. DOJ remains opposed to OMB's proposal and, with the exception of OMB's \$40 million earmark in prisons and \$30 million earmark in proposed juvie funds, is appealing for some \$102 million out of the PPR for Indian Law Enforcement. This includes: }
\$4.657 million for 50 investigative positions (30 agents) at FBI; \$3.352 million for FBI victims/witness coordinators and support staff; \$3.466 million for 35 positions in USAs offices (26 AUSAs); 12 new grant administrators to manage the proposed prison/juvie

earmarks (my personal favorite, in light of Ron Klain's e-mail earlier today); and \$90.405 million for BIA law enforcement (part of the Interior, not DOJ, budget allocation). Personally, I think its ridiculous that DOJ -- for such a "high crime priority" -- can't find even part of mere \$11 million in their FBI or USA budget, or cover the costs of administering earmarks that essentially already exists! I leave to the Interior folks whether or not BIA's \$90 million should come out of their base or the PPR.

Hate Crimes. While I don't have a # for what it will take in terms of FBI and USA resources to implement the Hate Crimes enforcement initiative, DOJ is asking for these funds to come out of the PPR. And as with the Indian Directive, we should support DOJ finding at least some of these resources in house.

2. Other Crime Issues

Byrne Grants. The current OMB passback includes two hits to the Byrne program that I believe are sure to lose on the Hill and get us maximum grief from the Govs: (1) a \$100 million earmark in Byrne (\$553 million overall in formula funds to states) for non criminal justice drug treatment. This is not one of Byrne's authorized purposes, and would seen as taking funds from drug enforcement and putting them into treatment -- a "false choice" we have tried to avoid. And (2) a \$25 million earmark for Indian Country law enforcement.

VAWA. VAWA funds for FY 1999 are currently just below last year's appropriation. Given our record on this issue -- and strong Hill support -- we should at least fund VAWA at least year's level. This is only about another \$21 million.]

Drug Testing/Treatment and Courts. OMB and I had discussed consolidating some of the drug testing/treatment dollars, so that the President had a larger initiative to point to (\$200 million, instead of 4-5 different programs). Justice is opposed and thinks this will reduce overall funding. OMB and I have backed off.

Safe Start Initiative. DOJ is asking for \$10 million from the PPR to launch a Safe Start initiative for kids exposed to violence. Frankly, unless this is something we or FLOTUS are committed to, I am not inclined to push for it. First, DOJ has discretionary funds to do this (so it shouldn't get bumped up), and HUD has been authorized since '92 to pursue a similar initiative in public housing (about \$4 million). Second, DOJ originally proposed a \$100 million per year initiative -- and none of the numerous and "supportive" agencies have kicked any dollars into the kitty. To me, this initiative looks a lot like "Pulling America's Communities Together (PACT)," "DAWN" (Denver, Atlanta, Washington, Nebraska), "Model Intensive Grants" and "At-risk Youth," and DPC shouldn't adopt another multi-disciplinary prevention initiative unless we're really committed to it (Besides aren't we getting ready to adopt the AG's communities project and link it to our after school effort?) Third, DPC already is proposing a \$200 to \$400 million per year initiative for early learning, and increasing funds for Early Head Start (0 to 3). I know these initiatives aren't the same, but they've got to be better vehicles/opportunities than DOJ's budget.

Local Law Enforcement Block Grant (LLEBG). DOJ has asked that the President fund this \$523 million law enforcement block grant for cities from the PPR. It's strongly supported by the Hill R's, Mayors and police, and is considered by some as part of the deal that preserves COPS funding at the 100,000 level -- or 1.4+ billion per year. Though we have not supported the LLEBG, it has been faithfully included in the CJS approps and DOJ is now pushing to have it included in our budget. I've suggested to OMB that, if we are really going to consider funding it, we should give the President some options on how to better target the LLEBG. For instance, when the Mayors were here last spring for the Drug Summit, one of their primary beefs was access to direct funds to fight the drug war locally.]

Maybe we should consider embracing the LLEBG, but asking Mayors to dedicate it to a balanced local drug strategy. Maybe we should look to use these funds for COPS-related initiatives -- technology, retention and other things that they're probably using it for now anyway.

Race. The COPS budget include \$1 million for police recruitment. Also, the Civil Rights budget includes a \$2 million increase for police brutality and misconduct, and the NIJ budget includes \$500,000 for a police use of force study. I asked for the recruitment funds; I take the police brutality and use of force funds to be a DOJ request.

Youth Crime Gun Interdiction (gun tracing, or YOGI, as I call it). I'm going to double check the #s on this tomorrow, but I do know that Treasury is appealing for some additional funds for this initiative (maybe \$4 million more). We -- including Rahm -- should be supportive. We promised to support Treasury's efforts to fund more ATF agents to work on this and to crack down on illegal gun traffickers.

3. Drug Budget

I asked to see the drug cross-cut, but was unable to get my hands on it. I hope to get it tomorrow and pass along some further comments. Several issues have already surfaced. These include: (1) cutting Safe and Drug-Free Schools in half and sending the money to HHS (ouch! Nuff said); (2) cuts to Custom's personnel budget (this speaks to border drug enforcement issues and is likely to be criticized by some on the Hill); (3) McCaffrey's push for another \$100 million in interdiction funds at DOD (I'm uncertain as to whether or not this is close to being resolved); and cuts to Byrne (mentioned above).

Forgive the length of this e-mail, but I hope this info is useful.

Jose'

POTENTIAL MANDATORY SAVINGS PROPOSALS
(IN MILLIONS OF DOLLARS)

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	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 99-03 Total</u>
Restrict States' ability to shift administrative costs from TANF to Food Stamps and Medicaid.....	-523	-544	-580	-621	-665	-2933
Recall education loan guaranty agency reserves.....	-237	-237	-237	-236	-236	-1183
Reduce excess payments to student loan intermediaries.....	-704	-452	-533	-550	-573	-2814
Restructure child support enforcement financing (8% of administrative expenditures).....	-93	-309	-367	-419	-601	-1789
Above CSE recommendation plus 5.6% additional administrative savings.....	-234	-241	-248	-256	-263	-1242
Reduce export enhancement (EEP).....	-230	-259	-188	-198	-208	-1083
Collect State Bank Exam fee (Federal Reserve).....	-100	-104	-109	-114	-119	-546
Close the Agriculture loophole allowing income support abuse (AMTA).....	-125	-114	-97	-92	-92	-520
Improve Food Stamp Quality Control and Retailer Integrity.....	-63	-63	-63	-63	-63	-315
Total Savings.....	-2309	-2323	-2422	-2549	-2820	-12425

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POTENTIAL SAVINGS -- MANDATORY OR DISCRETIONARY
 (IN MILLIONS OF DOLLARS)

						FY 99-03
	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	Total
Reinstate Superfund taxes.....	-1765	-1375	-1395	-1432	-1471	-7438
Extend 2.5 cent general fund tax on gasohol.....	-57	-259	-330	-343	-357	-1346
Use \$0.05 of the gas tax to pay for Research.....	-525	-525	-525	-525	-525	-2625
Subtotal, Mand./Disc. proposals.....	-2347	-2159	-2250	-2300	-2353	-11409
TOTAL, All Proposals.....	-4656	-4482	-4672	-4849	-5173	-23834

Veterans Tobacco Cost and Savings Options

BASELINE

- o The Veterans Affairs General Counsel has recently ruled that the VA must pay monthly service-connected disability benefits to veterans for tobacco-related illness that occur after separation from the military, if the veteran became addicted to nicotine while serving in the military.
- o OMB estimates that 542,000 veterans are potentially eligible to claim benefits under this ruling, and an additional 6,600 will become eligible annually.
- o Depending on how quickly the VA moves to process tobacco-related claims -- and how much more money they have to spend on the associated administrative costs -- this new benefit could cost between \$2.5 billion and \$26.3 billion over FY 1998-2003.
 - If we add no new resources to process these claims, VA will pay an estimated 2.5 billion in higher mandatory benefits (Option 1).
 - If we add modest additional resources to process benefits (\$39 million over 5 years), VA will pay \$8.9 billion in higher benefits (Option 2).
 - If we add sufficient benefits to process all backlogged claims by 2002, VA will pay an additional \$26.3 billion in higher benefits (Option 3).

POLICY

- o The Administration proposed to repeal this benefit in the FY 1998 budget. However, there were no savings associated with the repeal because OMB had not yet added the costs of the benefit to the mandatory baseline.
- o Options 1 and 2 are consistent with a policy to repeal this benefit.

Veterans Tobacco Cost and Savings Options
(preliminary estimates; dollars in millions)

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 1998 -2003
Option 1							
No additional discretionary resources for administrative costs of administering the benefit for tobacco-related illness							
Increased discretionary spending	0	0	0	0	0	0	0
Increased mandatory costs	8	139	309	487	673	856	2,472
Option 2							
Modest additional discretionary spending							
Increased discretionary spending	0	2	4	9	12	14	41
Increased mandatory costs	8	139	721	1,543	2,657	3,806	8,874
Option 3							
Sufficient additional discretionary spending to process all backlogged claims by 2001							
Increased discretionary spending	0	24	56	68	0	0	148
Increased mandatory costs	8	139	6,290	9,575	5,124	5,205	26,341

Potential Medicare Savings
(dollars in billions)

5-year savings

Income Related Premium

* Option 1: \$50K/\$75K, maximum premium=100%	-9.0
* Option 2: \$60/\$90K, maximum premium=100%	-8.0
* Option 3: \$90K/\$115K, maximum premium=75%	-7.0

Other Medicare Savings

** Reduce Medicare Eprotein payments by \$1	-0.3
** Base Medicare payment for drugs on provider acquisition cost	-0.3
** Reform the partial hospitalization benefit	-0.1
** Require Medicare insurers to provide Medicare Secondary Payer (MSP) data	-0.8
Prevent duplicative payments for hospice services	-0.3
Reduce Medicare overpayments for food	-0.1
Total, Other Medicare Savings	-1.9

*CBO scoring from the BBA process. Updated Treasury estimates may be much higher.

**Options supplied by HHS/HCFA.

Settlement-Specified Uses + Other Non-Federal Constituency Spending

(BA - \$ in Billions)

Maintain Settlement Claims if Unaddressed Elsewhere

	How Paid?	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	FY99-03	FY99-08
Public Health Trust Fund	In NIH											0.0	0.0
HHS Research on Cessation	In HHS											0.0	0.0
National Education/Media Campaign	In Settlement	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.6	0.7	0.7	2.7	5.9
State Programs/ASSIST	In State \$											0.0	0.0
HHS Grants to Reduce Tobacco Use	In State \$											0.0	0.0
Cessation Trust Fund	Reduce in Stmt	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.5	1.0
FDA Enforcement	Part in HHS	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	1.0	2.0
Payments to Tobacco-Sponsored Teams	In Settlement		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.9
Civil Suit Reimbursements	In Settlement	0.0	0.4	0.6	0.6	0.8	1.2	1.2	1.2	3.2	3.2	2.8	12.8
Miscellaneous	In Settlement	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	2.5	5.0
International (Proposed Add)	New Proposal	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.5	1.5
Farmers (Proposed Add)	New Proposal	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>	<u>0.5</u>	<u>1.5</u>
Total		<u>0.6</u>	<u>1.3</u>	<u>1.7</u>	<u>1.8</u>	<u>1.8</u>	<u>2.2</u>	<u>2.2</u>	<u>2.2</u>	<u>4.3</u>	<u>4.3</u>	<u>7.4</u>	<u>22.6</u>

from what?
also reduced, yes?

300m a yr. more likely

USING TOBACCO REVENUES TO FUND VARIOUS INITIATIVES

Revenues in billions current \$; per-pack equivalents in real & current \$

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	FY99-03	FY09-08
PER PACK REVENUES – Real 1999\$	0.50	0.65	0.80	0.90	1.00	1.10	1.20	1.30	1.40	1.50		
– Current \$	0.50	0.67	0.85	0.98	1.13	1.28	1.43	1.60	1.77	1.96		
TOTAL REVENUES (billions current \$)	8.1	10.0	12.2	13.4	15.0	16.6	18.1	19.7	21.3	23.0	59	157
A Protecting State and Most Tobacco Settlement Funding, But Not Federal Research												
Research & Other Federal Funds	3.3	4.2	6.0	5.1	6.7	6.4	7.9	9.5	9.0	10.7	25	69
Annual Net Payments to States	4.0	4.5	4.5	6.5	6.5	8.0	8.0	8.0	8.0	8.0	26	66
Tobacco Settlement/Constituency Fund	0.8	1.3	1.7	1.8	1.8	2.2	2.2	2.2	4.3	4.3	7	23
Total Uses – Package A	<u>8.1</u>	<u>10.0</u>	<u>12.2</u>	<u>13.4</u>	<u>15.0</u>	<u>16.6</u>	<u>18.1</u>	<u>19.7</u>	<u>21.3</u>	<u>23.0</u>	<u>59</u>	<u>157</u>
B Protecting State and Federal Funding, But Not Settlement Items (Except Litigation Claims)												
Research & Other Federal Funds	4.1	5.1	6.9	6.1	7.7	7.4	8.9	10.5	10.1	11.8	30	79
Annual Net Payments to States	4.0	4.5	4.5	6.5	6.5	8.0	8.0	8.0	8.0	8.0	26	66
Tobacco Settlement/Constituency Fund	0.0	0.4	0.8	0.8	0.8	1.2	1.2	1.2	3.2	3.2	3	13
Total Uses – Package B	<u>8.1</u>	<u>10.0</u>	<u>12.2</u>	<u>13.4</u>	<u>15.0</u>	<u>16.6</u>	<u>18.1</u>	<u>19.7</u>	<u>21.3</u>	<u>23.0</u>	<u>59</u>	<u>157</u>
Comparing Federal Funds to Potential Needs												
Federal Funds under Scenario A	3.3	4.2	6.0	5.1	6.7	6.4	7.9	9.5	9.0	10.7	25	69
Federal Funds under Scenario B	4.1	5.1	6.9	6.1	7.7	7.4	8.9	10.5	10.1	11.8	30	79
Doubling NIH in 10 Years	1.0	2.0	3.1	4.3	5.6	7.0	8.6	10.1	11.8	13.6	16	67

Receipts net of other tax losses.

Start on doubling NIH

Pres Trust Fund - Settlement
2.5 2.5 3.5 4 5

5yr = 17.5

DRAFT 12/07 T021AR0002

Balances of Trust Funds with Discretionary Spending

(In billions of dollars)

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Highway.....	28	31	35	39	43
Airport and Airway.....	8	5	4	3	3
Hazardous Substance Superfund.....	7	8	8	9	11
Harbor Maintenance.....	2	2	2	3	4
Oil Spill Liability	1	2	2	2	2
Aquatic Resources.....	1	1	1	1	1
Leaking Underground Storage Tank....	1	1	1	1	2
All Other.....	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>6</u>
Total.....	53	55	59	65	71

The CAPGO Proposal

Description

- o Create a new BEA category (CAPGO) by:
 - transferring discretionary spending from the caps (and lowering the caps);
 - transferring an equal amount of revenues from the paygo baseline.
- o All revenues collected by CAPGO are available to be spent
 - authorization committees retain current jurisdiction and may extend or increase revenue provisions, but all funds provided to CAPGO are reserved for spending under CAPGO, not under PAYGO;
 - appropriation committees also retain current jurisdiction and may choose to provide “such sums” or limit the spending, but any limits would only delay spending -- the appropriators could not impose CAPGO limits to make spending available for other discretionary programs.
- o In addition to the limits in authorization and appropriation language, enforcement is also provided through apportionment; that is, no spending may occur until the revenues have been received.

Pros

- o Allows user fees or other governmental receipts to fund discretionary spending.
- o Retains current committee jurisdictions.
- o Relatively simple: you can spend what you collect.

Cons

- o Because gross receipts exceed spending for several CAPGO accounts, CAPGO would increase deficits by +\$30B over four years.
- o To the extent that timing of spending lags collections, balances may accumulate. But no interest is paid on the balances; that is, CAPGO accounts are not trust funds in a traditional sense.
- o Existing trust fund balances remain; any spending from them must come from the discretionary spending cap.

CAPGO Summary
(in billions of dollars)

12/01/97
09:23 AM
CAPGO
**1999-
2003**

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2003</u>
Surface Transportation (Highways and Transit)							
Base spending.....	27.1	27.3	27.6	27.5	27.7	28.4	138.5
Initiative spending.....	-----	<u>4.9</u>	<u>5.4</u>	<u>5.9</u>	<u>6.4</u>	<u>6.3</u>	<u>28.9</u>
Total spending.....	27.1	32.2	33.0	33.4	34.1	34.7	167.4
Revenues.....	32.3	33.0	33.4	34.1	34.7	35.3	170.5
Deficit impact.....	-----	2.1	5.6	7.4	8.7	9.2	33.0
<hr/>							
FAA							
Base spending.....	8.6	8.7	8.8	8.8	8.9	9.1	44.3
Initiative spending.....	-----	<u>0.5</u>	<u>0.6</u>	<u>1.9</u>	<u>2.4</u>	<u>2.7</u>	<u>8.1</u>
Total spending.....	8.6	9.2	9.4	10.7	11.3	11.8	52.4
Revenues.....	9.2	9.2	9.4	10.7	11.3	11.8	52.4
Deficit impact.....	-----	0.5	0.7	1.3	2.1	2.7	7.3
<hr/>							
NIH							
Base spending.....	13.6	13.8	13.9	13.9	14.0	14.3	69.9
Initiative spending.....	-----	<u>0.9</u>	<u>1.6</u>	<u>2.6</u>	<u>3.7</u>	<u>4.7</u>	<u>13.5</u>
Total spending.....	13.6	14.7	15.5	16.5	17.7	19.0	83.4
Existing revenues.....	12.8	12.8	14.7	15.1	15.5	15.7	73.8
New taxes.....	-----	<u>2.2</u>	<u>1.8</u>	<u>1.8</u>	<u>1.6</u>	<u>3.1</u>	<u>10.5</u>
Revenues.....	12.8	15.0	16.5	16.9	17.1	18.8	84.3
Deficit impact.....	-----	-1.5	-0.2	0.8	2.2	1.9	3.2
<hr/>							
Land, Water, and Facility Restoration Funds							
Base spending.....	1.0	1.0	1.0	1.0	1.0	1.0	5.0
Initiative spending.....	-----	-----	<u>0.2</u>	<u>0.4</u>	<u>0.5</u>	<u>0.7</u>	<u>1.8</u>
Total spending.....	1.0	1.0	1.2	1.4	1.5	1.7	6.8
Revenues.....	3.0	1.0	1.2	1.4	1.6	1.7	6.9
Deficit impact.....	-----	-----	0.2	0.4	0.6	0.7	1.9
<hr/>							
Total CAPGO							
Base spending.....	50.3	50.8	51.3	51.2	51.6	52.8	257.7
Initiative spending.....	-----	<u>6.3</u>	<u>7.8</u>	<u>10.8</u>	<u>13.0</u>	<u>14.4</u>	<u>52.3</u>
Total spending.....	50.3	57.1	59.1	62.0	64.6	67.2	310.0
Revenues.....	57.3	58.2	60.5	63.1	64.7	67.6	314.1
Deficit impact.....	-----	1.1	6.3	9.9	13.6	14.5	45.4

12-4

Budget Mtg - Outline

1. ONDCT - drug budget.

25M → ~~16.8~~^{17.36} - 17.46 this year request
↓
(last year) 15% ↑

pass back - a bit over 1% ↑ (below inflation)

appeal 17.46 - 9% ↑ - essentially 7 initiatives

Killey: If we have to pick, do we do treatment/prevention, not interdiction?

McC: No answer, have to do all.

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DEPARTMENT OF AGRICULTURE

(Not including International programs)
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	14,226	14,279	14,465	14,592	14,841	N/A
Passback.....	14,221	13,995	14,015	14,006	14,116	14,478

Priority Programs

- Rural Development: Provides a program level (loans and grants) of \$6.1 billion (+1% over FY 1998 enacted) for key programs, including water and wastewater, single family housing, community facilities, and businesses.
- Food Safety: Provides a program level of \$617 million (+5% over enacted) for the Food Safety and Inspection Service, including modernization of its meat and poultry inspection system. As in the FY 1998 Budget, assumes user fees to fund program costs (\$420 million in FY 1999).
- WIC: \$4.1 billion to maintain average monthly participation at 7.5 million.
- Forest Service (FS) Operating Program: Budget (\$1.4 billion, -2% below enacted) protects FS operations (Northwest Forest plan and other timber sales), and incorporates major timber road policy reforms.

Other Programs

- Civil Rights: Funds the Secretary's request for expanded civil rights programs within the base (\$135 million, +42% over FY 1998 enacted).
- Non-WIC FCS Programs: Commodity Assistance, Food Donations for Selected Groups, nutrition res., and Federal admin. funded at just over \$400 million total.

Potential Issues

- Initiatives: Candidates for Priority Reserve are Water Quality, Law Enforcement, and Food Safety initiatives (\$108 million total). USDA may appeal funding for these initiatives (\$441 requested), plus two others (Infrastructure and Customer Service) proposed by USDA as Reserve candidates but not included by OMB.
- USDA may also appeal proposed reductions to mandatory commodity programs, needed to pay for USDA's requested \$100 million annual increase in a mandatory conservation cost-share program (\$100 million per year), crop insurance costs (\$100 million per year), and for grants to rural EZ/ECs (\$20 million per year). One such reduction affects the Export Enhancement Program (\$230 million cut, proposed by USDA and agreed to by OMB, to a level of \$320 million, double FY 1998 enacted), which will need to be reconciled with Administration GATT commitments.

DEPARTMENT OF EDUCATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	29,409	28,981	29,544	29,893	30,199	N/A
Passback.....	29,559	29,586	30,424	30,996	31,487	31,848

Priority Programs

- Goals 2000: \$501 million, \$10 million above FY 1998, to help States set challenging academic standards and implement comprehensive reform.
- Title I: \$8 billion, \$63 million above FY 1998 for comparable programs to assist schools serving students in low-income communities.
- America Reads Initiative: \$290 million, the second-year level agreed to in the Bipartisan Budget Agreement, to help all children read well by the third grade.
- Pell Grants: \$7.8 billion, \$435 million above FY 1998, to support a \$3,100 maximum award (\$100 above FY 1998), the highest award level ever.
- Technology Literacy Challenge Fund: \$500 million, \$75 million above FY 1998 to help States implement State-wide technology plans.

Other Programs

- Safe and Drug Free Schools: \$556 million, the same as FY 1998, for school districts to prevent drug abuse and violence in schools.
- Special Education: \$4.8 billion, the same as FY 1998, to help States educate children with disabilities.
- Adult Education: \$372 million, \$12 million above FY 1998, to support adult basic and secondary education, family literacy, and ESL training.

Potential Issues

- Request was \$4.1 billion over FY 1998. Of this amount, \$1 billion was for new Presidential Initiatives, including Institutional Retention Grants, Super Pell Grants, Urban/Rural Initiative, Teacher Recruitment Initiative, Drug Coordinators, Mentoring Initiative, and Early Information on College.
- Candidates for consideration from the Presidential reserve include: (1) \$420 million for new initiatives in FY 1999, (2) \$1.5 billion as candidates for increases to base program operations and (3) \$500 million in FY 2000 (advance appropriation) for urban/rural school achievement incentives.

DEPARTMENT OF DEFENSE - MILITARY (051)

(budget authority, in billions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	251.6	257.2	263.5	270.3	278.4	N/A
Passback.....	256.6	258.4	262.7	269.5	277.5	285.2

Priority Programs

- Defense Totals: The DoD passback is based on the Bipartisan Budget Agreement, as adjusted for Line Item Veto and the reallocation of funds between subfunctions 051 and 053 for the Nuclear Stockpile Stewardship Management Program.
- Readiness and Modernization: Passback level generally supports the recommendations of DoD's Quadrennial Defense Review (QDR). It allows for a strong national defense by maintaining readiness while increasing funding for modernization programs. We are working with the Department to ensure that weapons procurement funding goals established in the QDR are met.
- Quality of Life Programs: Funding is provided for enhancing DoD's commitment to quality of life programs. A full current law pay raise of 3.1% is provided for military personnel in FY 1999.
- Unfunded Requirements: DoD has identified several activities for which funding was not anticipated in the agency request, including the Nuclear Stockpile Stewardship and Management Program, higher civilian pay raises and an increased demand for counterterrorism and counter-drug programs. Savings from lower inflation, which DoD will be permitted to retain, will free up funds for these activities.

Potential Issues

- Bosnia: Additional funding of \$2.3-2.9 billion is requested by DoD to cover the increased cost of contingency operations in Bosnia in FY 1998 and FY 1999. The Administration will seek emergency funding to cover these costs.
- Defense Outlays: Outlay relief of \$3 billion in FY 2000 and \$6 billion in FY 2002 may be requested by DoD. Defense argues that these increases result from programmatic changes approved in the QDR and an outlay shortfall agreed to by the Administration and Congress for FY 2002 in both last year's budget and in the Budget Agreement.
- Nuclear Stockpile Stewardship Management Program (NSSMP): DoD may appeal the reallocation of funds from the Defense-Military budget to the Department of Energy to cover the costs of this program. We have structured our passback to DoD to avoid an appeal on this or any other issue.

DEPARTMENT OF COMMERCE
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	4,223	4,806	6,063	3,976	3,930	N/A
Passback.....	4,266	4,667	5,925	3,899	3,743	3,760

Priority Programs

- Decennial Census: \$1.1 billion (\$404 million over FY 1998 enacted) is provided for Census Bureau programs, including \$794 million for decennial census activities. In 1999, the Bureau moves from testing and planning to operational activities associated with the 2000 Census.
- Fast Track: \$50 million is provided each year through FY 2003 for a new initiative within the Economic Development Administration to provide economic development assistance to communities adversely impacted by trade agreements.
- Environment: \$731 million is provided for environmental activities, including substantial increases to promote natural disaster reduction, foster sustainable development, and support the Clean Water Initiative.
- Technology: \$658 million is provided for the National Institute for Standards and Technology, \$20 million below FY 1998. Includes \$250 million for the Advanced Technology Program, \$106 million for Manufacturing Extension, and \$20 million for National Information Infrastructure Grants.

Other Programs

- Satellites: \$617 million (\$183 million over enacted) is provided for satellite systems to support new procurements for both geostationary and polar satellites.
- Weather Service: \$484 million (\$14 million above the request) is provided for base programs to support additional Weather Service needs identified by General Kelly.

Potential Issues

- Decennial Census: Commerce may appeal because they now estimate that the decennial census "dual-track" compromise (proceeding with sampling and non-sampling in FY 1999) may have significant 1999 and 2000 costs that are **not** included in either the agency request or the passback.
- Patent and Trademark Office: \$781 million is provided for PTO, \$127 million over the FY 1998 level to support more examiners, process automation, and outreach. The controversial 17.6% patent surcharge is extended, yielding \$116 million to offset the cost of other priorities, and will be opposed by the intellectual property community.

DEPARTMENT OF ENERGY
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	19,224	17,615	16,709	16,262	15,821	N/A
Passback.....	16,501	17,671	16,946	16,465	16,146	16,478

Priority Programs

- Defense Programs: Provides \$4.5 billion per year (\$0.5 billion above the 1998 Budget) to maintain the effectiveness of nuclear weapons without underground testing. The Directors of DOE's weapons labs believe the increase is the minimum required for them to testify to Congress that they can maintain the reliability of the stockpile under the Comprehensive Test Ban Treaty.
- Energy Conservation and Renewable Energy: Provides \$1.018 billion (net) in FY 1999, a \$140 million increase over FY 1998, and \$55 million above the agency request. This is the same level requested in FY 1998. These programs provide most of the funding for the Administration's Global Climate Change-related applied R&D and for the Partnership for a New Generation of Vehicles (PNGV). An additional \$140 million is a candidate for Presidential Initiative funding, as part of the President's 5-year, \$5 billion climate-change initiative.

Other Programs

- Environmental Management: Provides almost \$6.6 billion for environmental programs, including cleanup of DOE's nuclear weapons facilities and scientific evaluation of the suitability of the Yucca Mountain site as a possible geologic repository for commercial spent nuclear fuel.
- Science: About \$2.3 billion is provided to continue Nobel Prize winning basic and applied research into areas such as particle physics, the human genome, improved semiconductors and to operate 18 National Scientific User Facilities. A proposal to build the \$1.3 billion National Spallation Neutron Source at Oak Ridge National Lab is a candidate for funding as a Presidential Initiative.

Potential Issues

- Power Marketing Administrations (PMAs): The Administration will pursue discussion of an option to transfer three PMAs -- Southeastern, Southwestern, and Western -- to non-Federal governmental entities that would assume the debt payments PMAs now make to the U.S. Treasury. OMB will also explore the transfer of Bonneville Power Administration to non-Federal governmental interests in the FY 2000 budget. Even though the revenues from these options are not included in the passback, DOE is likely to appeal. If the proposal is included in the budget, opposition from public power interests and Congress is also likely.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	24,753	28,365	30,321	31,737	32,965	N/A
Passback.....	24,087	23,752	27,872	28,793	29,823	31,170

Priority Programs

- Includes \$100 million to help fund a second round of Empowerment Zones and Enterprise Communities.
- Includes \$75 million over the next three years for the Brownfields Redevelopment Initiative, continuing the Administration's FY 1998 commitment.
- Provides \$1 billion for Homeless Assistance Grants, a \$181 million increase from 1998. \$823 million is for grants and the remainder is for 32,000 vouchers and supportive services for the chronic homeless with severe mental disabilities.
- Maintains Community Development Block Grant (CDBG) at the FY 1998 level of \$4.7 billion. CDBG is reduced by 17% in FYs 2000-2003 to \$4 billion.
- Provides sufficient funds through FY 2003 to renew all expiring Section 8 rental contracts (\$7 billion in FY 1999 budget authority and \$64 billion over FYs 1999-2003).

Other Programs

- By continuing to tear down the worst public housing units and replacing them with low-density housing and with rental vouchers, current service levels for public housing stocks are maintained while subsidies are decreased by 3% to \$6.1 billion in 1999.
- Reduces funding for the HOME program by 15% from the FY 1998 level. Funding is increased by \$206 million over the FY 1998 request.
- Reduces funding for elderly and disabled housing to \$474 million (same as agency request). Reserving 25% of elderly funds for vouchers will assist the same number of elderly as those assisted in FY 1998.

Potential Issues

- HUD requests \$1 billion for Economic Development Initiatives (EDI) which was funded as a set-aside of \$138 million in CDBG in FY 1998. \$500 million is for the development of a secondary market for economic development loans. OMB has provided up to \$248 million for set-asides within CDBG to fund this or other small urban programs in FY 1999.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	35,292	35,597	35,874	36,177	36,491	N/A
Passback.....	35,862	34,844	35,001	35,097	35,185	35,764

Priority Programs

- NIH: \$13.6 billion provided, same as FY 1998 enacted and \$1.2 billion less than requested. This is \$570 million above the FY 1998 Budget request (Additional funds are a possible Presidential Initiative).
- Ryan White: \$1.15 billion provided, the same level as FY 1998 enacted and \$60 million less than the HHS request. This is \$114 million above the FY 1998 Budget request (Additional funds are a possible Presidential Initiative).
- Head Start: \$4.49 billion provided, a \$134 million increase above FY 1998 enacted. This funding level will support adding 36,000 slots in FY 1999, continuing expansion toward one million slots in FY 2002.

Other Programs

- FDA: Total program level of \$1 billion provided, a 1% increase above the FY 1998 enacted level, to be partly financed through \$132 million in increased user fees.
- CDC: \$2.33 billion provided, \$52.4 million less than FY 1998 and \$429 million less than the request. HIV Prevention, Immunizations and Breast and Cervical Cancer Screening are maintained at the FY 1998 enacted level.
- LIHEAP: \$442 million is reduced from the \$1.1 billion advance appropriation for FY 1999 to \$658 million. The TANF block grant includes existing authority to provide energy assistance to low-income households with dependents.
- HCFA: Total program level of \$2 billion provided for program management, a \$189 million increase above FY 1998 level. The increase is funded entirely through new user fees.
- Other Important Programs: Funding for the following activities was maintained at the FY 1998 enacted level: MCH Block Grant, Health Centers, Mental Health and Substance Abuse Block Grants, Tobacco and Food Safety activities.

Potential Issues

- Overall, passback is \$1.018 billion below the FY 1998 enacted level and \$3.989 billion below HHS's \$38.8 billion request. HHS will seek higher levels in appeals.

DEPARTMENT OF THE INTERIOR (DOI)
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	7,428	7,450	7,522	7,515	7,472	N/A
Passback.....	7,468	7,411	7,331	7,260	7,248	7,360

Priority Programs

- National Park Service (NPS): NPS operations, a BBA priority, is \$1.3 billion (+3% over enacted). Overall, \$1.5 billion (-6% below FY 1998 enacted) provided for NPS operations, construction and land acquisition.
- Other Land Management Agencies: \$1.6 billion (+3% over enacted) provided for the Fish and Wildlife Service and Bureau of Land Management operations, including administration of the Endangered Species Act (ESA).
- Bureau of Indian Affairs (BIA) and Office of the Special Trustee: \$1.8 billion (+3% over enacted) provided for Tribal Priority Allocations (a BBA priority), school operations, trust services, and resolution of past BIA trust fund mismanagement.
- Everglades Restoration: \$50 million is provided in NPS (which is \$50 million below the enacted/requested level because there are accumulated unobligated balances that will allow the NPS to maintain the full program level in FY 1999). Funding is provided from FY 1999 through FY 2004 to meet the Administration's remaining \$300 million commitment to Everglades restoration.
- California Bay Delta Restoration: \$143 million (68% over enacted) is provided, which is the full authorized amount.

Other Programs

- U.S. Geological Survey: \$800 million (+3% over enacted) for scientific and technical support, including funding for a Global Disaster Information Network, real-time hazards warnings for floods and other natural disasters, and civilian applications of classified imagery and data.

Potential Issues

- DOI will probably appeal the overall funding level. They requested \$600 billion over guidance for restoration of program levels to FY 1998 level, \$100 million for Everglades, pay and fixed cost increases, program increases for anticipated ESA re-authorization and related conservation activities, and BIA programs.
- Candidates for Presidential Priority Reserve funding: ESA re-authorization (\$50 million), Indian land ownership consolidation (\$25 million), Presidio (CA) Trust (\$25 million), and Guam (\$6 million). In the outyears, \$202 million in each year to maintain existing natural resource initiatives at FY 1998 enacted levels.

DEPARTMENT OF LABOR
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	11,225	11,063	11,049	11,145	11,304	N/A
Passback.....	10,707	10,631	10,545	10,502	10,558	10,618

Priority Programs

- Job Training: Nearly \$6 billion is provided for job training and related services for low-income adults and youth and for dislocated workers, which continues the FY 1998 enacted level for most major programs. \$50 million in FY 1999 (\$750 million over five years) for serving dislocated workers, and \$37 million to open a new Job Corps center and improve operations are approved from the Priority Reserve. Passback includes \$250 million for the Youth Opportunity Area program.
- Labor Law Enforcement and Statistics: \$1.025 billion (a 4% increase of the FY 1998 level of \$987 million) is provided for enforcing various workplace safety and employment laws and expansion of FY 1998 initiatives. For the Bureau of Labor Statistics, additional funding over FY 1998 is provided for the last stages of revising the CPI.

Other Programs

- Unemployment Insurance (UI): Funds for State operating grants are straightlined from FY 1998 at about \$2.4 billion. Pending on the list for funding from the Priority Reserve is \$91 million for "UI Integrity" -- an error and fraud reduction proposal not financed by Congress in FY 1998.

Potential Issues

- Training for Low-Income Youth: To fit the increases for labor law enforcement and other initiatives within the passback level, the program of formula grants to States for training some 106,000 low-income youth was eliminated. Evaluations show this program has not increased employment or earnings of youth. DOL will appeal. \$130 million to restore the FY 1998 enacted level is included among programs competing for the Priority Reserve.
- Training for Low-Income Adults: Passback is at the FY 1998 enacted level of \$955 million, \$109 million below the FY 1998 request. DOL will appeal. Pending for the Priority Reserve is a proposal to add \$109 million to restore these grants to the FY 1998 request.
- Unemployment Insurance: Straightlined as \$2.4 billion. DOL argues UI operating grants are underfunded by \$300 million. It may appeal for additional money or to switch funding to mandatory.

DEPARTMENT OF JUSTICE
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	17,784	18,413	17,447	17,707	18,175	N/A
Passback*.....	17,326	17,741	16,629	16,410	16,761	17,213

(*Includes prison funding associated with D.C. sentenced felons.)

Priority Programs

- **Crime:** Fully funds crime initiatives at \$5.8 billion (\$5.5 billion for the Department of Justice), the authorized funding level as provided by the Bipartisan Budget Agreement.
- **D.C. Prison Revitalization:** \$300 million is provided to support the D.C. revitalization initiative, which will consolidate all D.C. adult sentenced felons within the Federal Prison System.
- **FBI:** An additional \$174 million is provided for FBI capital investments, including a project to “narrowband” the FBI’s extensive wireless radio systems. These funds will also support the development of a new network that will allow the FBI to share investigative data between offices, and to make fuller use of computer-based analytical tools.
- **INS:** An additional \$280 million is provided for enforcement and detention enhancements. No new Border Patrol agents are included in the base funding enhancement; the border technology initiative has the effect of “freeing” 1,300 Border Patrol agents along the SW border.

Other Programs

- \$205 million in existing DOJ funding has been earmarked to support an “Indian Country” law enforcement initiative, aimed at improving public safety and criminal justice on Indian lands.
- An increase of \$107 million is provided for drug testing, treatment, etc., for State and local prisoners.

Potential Issues

- Justice’s discretionary funding has grown by 7% annually. Passback is a 2.2% increase over FY 1998 enacted. Justice sought funding enhancements of \$2.2 billion over passback. Passback does not fund the following, which the Department will likely appeal: (1) \$125 million for a new Federal prison facility in California; (2) \$103 million for 1,000 Border Patrol agents; (3) \$100 million for anti-drug grants for drug treatment; (4) \$523 million for the Local Law Enforcement Block Grant. Justice may also seek \$205 million in new funding for the Indian Initiative that passback funded through existing, redirected resources.

DEPARTMENT OF VETERANS AFFAIRS

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	18,705	18,675	18,672	18,659	18,660	N/A
Passback.....	18,927	18,675	18,670	18,655	18,658	19,315

Passback provides \$0.7 billion over guidance to adhere to the agreement, made with the Department last year, that funding would be level and without increases for five years.

Other Programs

- Medical Care: \$17 billion (agency request) for veterans health programs, consistent with the agreement that appropriated funding for Medical Care be flat through FY 2002.
- Medical Research: \$234 million for research on illnesses and disabilities affecting veterans.
- Benefits Administration: More than \$800 million to administer veterans compensation and pension benefits and other veterans entitlement programs. No increase for potential nicotine-dependence disability claims.
- Cemeteries: \$100 million to open four new cemeteries and accommodate increasing workload.
- Construction: Nearly \$300 million to modernize medical centers and maintain cemeteries. Continues trend away from major new facilities and additions.

Potential Issues

- Passback funds the benefits administration program \$100 million below request. VA overestimates future workload, underestimates productivity, resists consolidation initiatives, and proposes new IT initiatives without an overall architecture in place.
- Passback funds the medical research program \$80 million below request. VA has ample funding to study Persian Gulf Syndrome and other conditions related to military service. This appropriation represents only 25% of VA research funding. The research program should expand its use of non-VA, extramural sources.

DEPARTMENT OF THE TREASURY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	11,819	11,779	11,407	11,564	11,810	N/A
Passback.....	11,478	11,740	11,149	11,140	11,133	11,050

Priority Programs

- IRS Priorities: \$7.5 billion is provided for tax administration (compared to \$7.3 billion in FY 1998), plus \$323 million for Information Technology Investments and \$143 million for the Earned Income Tax Credit Compliance Initiative. This will protect tax administration, including customer service (e.g., toll-free operations), the filing season, and information systems. The President already has announced the IRS Customer Service initiative, and there will be at least \$73 million provided subsequent to passback.
- Customs Automated Commercial Environment: Continuation of the development and deployment of the Automated Commercial Environment will be funded through user fees.
- ATF Youth Crime Gun/Firearms Trafficking: In addition to \$12 million in base funding (same as FY 1998), an additional \$16 million for this program is a candidate for funding from the Presidential Priority Reserve.
- Community Development Financial Institutions Fund: The CDFI Fund is supported at \$125 million for FY 1999.

Other Programs

- ATF Headquarters Relocation Expenses: OMB believes construction of a new high security building cannot be accommodated in the budget. Instead, \$32 million is provided for relocating and possibly disbursing headquarters staff.
- Financial Management Service: OMB is significantly increasing its focus on the need to improve the performance of the Financial Management Service for the benefit of the entire government.

Potential Issues

- Treasury may appeal the base program level for the IRS and Customs.

DEPARTMENT OF TRANSPORTATION

(budgetary resources, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	38,107	38,440	38,708	39,034	38,606	N/A
Passback.....	39,209	39,798	41,404	41,984	42,624	43,332

Other Programs

- Surface Transportation: Highway and transit programs are funded at the Balanced Budget Agreement levels. A total of \$20.5 billion is provided for Federal-aid highways, \$382 million for highway safety, and \$4.45 billion for transit, including \$100 million for the Department's Access to Jobs initiative. In total, this is \$1.6 billion below FY 1998 enacted level.
- Rail: Amtrak funding over five years exceeds the Department's request. A total of \$4.9 billion is provided, \$2.9 billion in discretionary capital appropriations and \$2.1 billion in mandatory spending from Taxpayer Relief Act funding. Funds would be released upon approval of a comprehensive Amtrak capital investment plan.
- Aviation: FAA operating funding increases to \$5.6 billion in FY 1999 to address safety and security needs. Capital funding increases 8% to \$2.0 billion in FY 1999 to accelerate modernization. Increases in safety and modernization programs are funded at the expense of Airport Grants.
- Coast Guard: Coast Guard is funded at \$3,123 million, including \$309 million from non-DoD defense funding for defense readiness activities. No added funding is provided for drug interdiction; various low-priority vessels and facilities are decommissioned; and the capital replacement program for deepwater assets is referred to an advisory council for further study.

Potential Issues

- Airport Grants and Surface Transportation: Deep cuts would be controversial. Restoration of these cuts is a candidate for funding from the Presidential Priority Reserve.
- User Fees: The following proposals may generate opposition: (1) increase Federal employee parking charges to market rate to fund Washington Metro capital needs; (2) increase existing hazardous materials registration fee to cover the cost of the hazardous materials transportation safety program; (3) implement a new commercial vessel navigational assistance fee and a domestic icebreaking fee.
- Highways: OMB may propose a budget concept change that would allow greater highway spending within the constraints of the Bipartisan Budget Agreement.

FEDERAL EMERGENCY MANAGEMENT AGENCY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	838	838	838	838	838	N/A
Passback.....	829	809	806	801	791	812

Other Programs

- Disaster Relief: \$308 million provided. The budget will request a contingent emergency appropriation of \$2,173 million. These combined amounts represent FEMA's ten-year average obligations for Disaster Relief.
- Pre-disaster Mitigation: \$30 million is provided, an amount equal to the 1998 enacted level, but \$20 million less than the agency request.
- Emergency Management Planning and Assistance (EMPA): \$195 million, a reduction of \$15 million from the agency request. The agency is expected to reach decreased funding level by reducing the amount provided to State and local governments as grants for disaster planning and response training.
- Other Programs: Full agency requests recommended for Salaries and Expenses, Emergency Food and Shelter, Disaster Assistance Direct Loan Program, and Office of Inspector General.

Potential Issues

- FEMA will likely appeal the reductions to EMPA State and local grants and Pre-disaster Mitigation. These restorations are candidates for the Presidential Priority Reserve.
- FEMA may oppose the proposed funding structure for Disaster Relief (a small appropriation plus a contingent emergency request). This minimizes the size of balances immediately available to FEMA.

ENVIRONMENTAL PROTECTION AGENCY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	7,645	7,741	7,139	7,156	7,261	N/A
Passback.....	7,361	7,395	6,796	6,725	6,795	6,945

Priority Programs

- Operating Program. Provides \$3.4 billion (+2% over FY 1998 enacted) for EPA's enforcement, research, regulatory and state grant programs. Includes significant increases for key priorities such as Climate Change (+65%), last year's Right to Know Initiative (+50%) and a new Children's Health Initiative (+\$10 million). Also included is \$31 million to establish a new particulate matter (PM) monitoring network and pay related costs, consistent with the PM rule issued last summer.
- Superfund. Provides \$2.1 billion (+40% over enacted, including \$650 million in advance appropriation) to fund acceleration of the Superfund hazardous waste cleanup program. Under OMB's plan, EPA may still be able to meet the President's goal of cleaning up two-thirds of Superfund sites by 2000, even though Congress failed to provide the requested FY 1998 Superfund increase.

Other Programs

- State Revolving Funds (SRF). A total of \$1.625 billion is provided to capitalize the Drinking Water SRF (\$825 million; +\$100 million over enacted) and the Clean Water SRF (\$800 million; - \$550 million below enacted). The Administration's goals are to make available \$500 million annually for the Drinking Water SRF, even after Federal capitalization is ended, and \$2 billion annually for the Clean Water SRF. We can meet these goals within the passback level by stretching out the capitalization of these revolving funds.

Potential Issues

- EPA will strongly appeal the SRF funding level, arguing that the Administration should not reduce these popular programs below the enacted level. A proposal to restore the \$450 million is a candidate for the President Priority Reserve. Establishing a broader, interagency water quality initiative is also an alternative and a Priority Reserve candidate.
- EPA will also appeal the level for the PM monitoring network, arguing that additional funding is needed to ensure deadlines are met and provide data to better characterize the problem. A proposal for enhanced PM funding for additional samplers is a candidate for the Priority Reserve.

CORPS OF ENGINEERS
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	3,379	3,464	3,484	3,331	3,342	N/A
Passback.....	4,058	2,988	3,473	3,240	3,294	3,298

Priority Programs

- Everglades Restoration Program: Funded at the request of \$80 million, which will allow restoration activities to proceed on schedule.
- Columbia/Snake River Salmon Recovery Project: Funded at the request of \$117 million, consistent with the Administration's commitment under the 1996 Columbia River Salmon Memorandum of Agreement.

Other Programs

- New York/New Jersey Harbor Activities: Funded at the level needed to meet specific Administration commitments, but well below the level needed to fund follow-on activities expected by non-Federal interests.

Potential Issues

- Construction Program Funding: Total FY 1999 construction program funding of \$659 million in budget authority is extremely low compared to historic and recent funding levels. Congress increased construction and other project spending by \$700 million in FY 1998. This increase will result in additional outlays in FY 1999 that, in turn, reduce new budget authority available by about \$300 million, from approximately \$950 million to the passback of \$659 million.

Passback is \$419 million (39%) below the FY 1998 request; \$810 million (55%) below FY 1998 enacted; and \$1,057 million (61%) below the request. This will require substantial additional delays in completing construction of nearly all of the over 200 ongoing projects and might require some project shut downs. The Corps needs to take action in FY 1998 to delay projects in order to meet this FY 1999 level. The Corps will interpret this level of funding as a lack of support for its program and will appeal.

- New Construction Starts: Passback includes funding for eight new construction starts. Seven projects are considered "prudent stewardship" of existing infrastructure, mostly major rehabilitations of old Corps projects that are suffering structural problems due to age. The other new start, Sandbridge, VA, could be a model for increased local long-term responsibility for shoreline protection projects. The Corps requested 22 new starts, but is unlikely to appeal.

INTERNATIONAL AFFAIRS
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	22,972	18,852	18,854	18,811	18,762	N/A
Passback.....	22,972	18,737	18,607	18,464	18,417	18,263

Priority Programs

- Middle East: Economic and military aid in support of the peace process is \$5.3 billion, essentially the same as FY 1998.
- Central and Eastern Europe: Assistance to Bosnia is maintained at the FY 1998 level of \$225 million, but aid is reduced to some other East European countries.
- Export-Import Bank: To meet growing demand for export credit, particularly from the New Independent States (NIS), subsidy funds grow by 18% to \$810 million.
- Multilateral Development Banks: Scheduled payments are fully funded at \$1.15 billion and arrears incurred through FY 1997 are paid off.
- UN and Other International Organizations: \$900 million is provided consistent with the original plan to pay off arrears and cut annual contributions. Given congressional inaction on the plan, further review will be necessary.
- State Department Operations: \$2.7 billion is provided, nearly 10% above the FY 1998 enacted level, including full support for information technology upgrades and funds for new embassy construction in Beijing and Berlin.
- IMF Quota Increase: The requested \$14.5 billion is provided for this one-time payment. It is not in the amounts in the table because the Bipartisan Budget Agreement provides for the caps to be raised for this purpose.

Other Programs

- Aid to the NIS: Funding is held close to the FY 1998 level of \$770 million to continue trade and investment programs but level is \$224 million below request.
- AID Development Assistance: The \$1.65 million provided is a 4% cut from FY 1998 but priority population and environment programs can be fully funded.

Potential Issues

- The State Department may seek more than \$2 billion above passback to fund items that they believe to be Presidential priorities.
- Eximbank may resist raising its fees and increasing risk sharing, which will be necessary to restrain demand within the passback amount.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	13,500	13,410	13,200	13,200	13,200	N/A
Passback.....	13,648	13,246	12,600	12,600	12,600	12,600

Priority Programs

- Space Station: Passback matches NASA request of \$2.1 billion per year.
- Restoration of Administration Priority Programs: Passback reverses NASA-proposed cuts to Administration priorities as follows:
 - Space Science "Origins": Given the Administration's strong support for robotic space exploration, and recent successes of the Pathfinder mission, passback provides \$918 million over five years to restore this initiative.
 - Mission to Planet Earth (MTPE): Passback restores \$446 million over five years to MTPE to prevent delays in gathering critical earth system data as the Administration engages in sensitive global climate change negotiations.
 - Advanced Space Transportation: Given the Administration's support of the Reusable Launch Vehicle (RLV) program, and to accommodate National Space Transportation Policy goals, passback provides \$1.6 billion over five years to continue RLV and enable future launch capacity decisions.

Other Programs

- Restoring Administration priorities requires other cuts, primarily a \$2 billion, five-year cut to Aeronautics, about half the program's budget, to 1970's levels.

Potential Issues

- Passback in the out-years is at a level below that agreed to last year with Congress (Sen. Mikulski) and NASA to stabilize the NASA budget at \$13.2 billion annually. NASA likely to push for funding at FY 1998 level (\$13.7 billion) annually. Options exist to restore funding to these levels using the Presidential Reserve.
- Proposed Aeronautics cut will force a fundamental rethinking of the relationship between the Federal government and the aeronautics industry. NASA strongly opposes this cut.
- To protect other priority NASA programs in the future, passback proposes that potential Space Station cost growth be offset within the roughly \$7 billion NASA spends annually on human spaceflight. NASA opposes this constraint.

GENERAL SERVICES ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	226	141	141	147	141	N/A
Passback.....	146	114	112	113	99	137

Other Programs

- Federal Buildings Fund: Approximately \$900 million is provided for the Federal Buildings Fund's capital program. This includes major repair and alteration of 18 existing facilities and the design and construction of new facilities as follows:
 - Designs for the U.S. Mission to the United Nations, a border station in Sault Saint Marie, MI, and a new Department of Transportation Headquarters.
 - Construction of a border station in Babb, MT.
 - Site remediation at the Southeast Federal Center in Washington, D.C.

Potential Issues

- Courthouses: GSA requested \$501 million to design and/or construct 15 new courthouses that were identified on the Judiciary's 5-year courthouse construction plan. **The passback does not provide any funding for courthouse projects.** However, \$157 million for new courthouses is a candidate for the Presidential Priority Reserve.
- Old Executive Office Building: GSA did not request, and passback does not include, funding for the rehabilitation and restoration of the OEOB.
- Federal Building Fund Rescission: Passback includes a \$92 million rescission in FY 1998 to eliminate the additional shortfall in projected rent income in the Federal Buildings Fund.
- Federal employee parking fees to finance mass transit projects: A "Washington Area Regional Transportation Fund" will be established to help fund the WMATA capital shortfall until such time as a new "Washington Area Regional Transportation Fund" is established. This fund will be financed by charging Executive Branch employees within the Washington metropolitan area commercial rates for parking. The President's budget will recommend that the Legislative and Judicial Branches impose such user fees but will not require them to do so in the legislative proposal.

U.S. OFFICE OF PERSONNEL MANAGEMENT

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	186	183	183	183	183	N/A
Passback.....	186	187	183	181	179	184

Other Programs

- Provides funds for completion of OPM's new information technology architecture and for Government-wide personnel automation and electronic record keeping initiatives.
- Provides funds to increase Inspector General's audit capacity over Federal Employees' Health Benefits Program carriers.

NATIONAL SCIENCE FOUNDATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	3,367	3,374	3,381	3,388	3,395	N/A
Passback.....	3,429	3,242	3,235	3,215	3,185	3,270

Priority Programs

- Research and Related Activities: Passback decreases research and related activities by \$112 million from FY 1998 enacted to \$2,434 million. The number of researchers supported would decrease by roughly 1,000 to a total of 24,500 for FY 1999.
- Education and Human Resources: Passback decreases education and human resources programs by \$29 million from FY 1998 enacted to \$604 million. Cuts from FY 1998 would be made in undergraduate, graduate, and K-12 programs.

Other Programs

- Major Research Equipment: Passback provides \$62 million for Major Research Equipment, including \$25 million to complete the replacement of the U.S. station at the South Pole.
- Salaries and Expenses: Salaries and expenses will be frozen at the FY 1998 enacted level (\$142 million).

Potential Issues

- The overall funding level, over 5% below FY 1998 enacted, will not be acceptable to the agency. NSF will compare its passback level to other research agencies, specifically the National Institutes of Health, whose passback is at FY 1998 enacted levels.
- An addback that increases funding for research and related activities by inflation over the FY 1998 enacted level, and freezes education programs and salaries and expenses at the FY 1998 level is a candidate for funding from the Presidential Priority Reserve. Overall, the proposal would provide nearly \$223 million over passback, and \$36 million over FY 1998 enacted.

SMALL BUSINESS ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	701	718	718	718	719	N/A
Passback.....	716	706	703	696	689	706

Priority Programs

- 7(a) Business Loans: Passback funds \$9.5 billion in 7(a) loan guarantees in FY 1999, approximately \$600 million more than the anticipated level of demand in FY 1998.
- 504 Loan Program: SBA will continue to run the 504 program at a 0% subsidy rate to the Federal Government. The projected demand for this program is approximately \$2.6 billion in FY 1999.
- Disaster Loan Program: Passback provides loan subsidy BA adequate to fund the 10-year average loan level, excluding the Northridge earthquake. It also includes an increase in the disaster loan interest rate for borrowers.
- Small and Disadvantaged Business (SDB) Certifications: Passback assumes that SBA will cover the costs of the newly required SDB certification process through reimbursements from the major contracting agencies.
- Women's Business Centers: Passback provides funding for SBA's Women's Business Centers at \$6 million, \$2 million more than FY 1998 enacted.

Other Programs

- Lender Monitoring and Oversight: Passback includes approximately \$12 million for SBA lender monitoring and oversight.
- Small Business Development Centers: Passback assumes that approximately \$10 million of the \$75 million funding level for Small Business Development Centers will be covered by having firms pay nominal fees for the services they receive.

Potential Issues

- 7(a) Business Loans: SBA requested a \$12 billion loan level for the 7(a) program in FY 1999, nearly a 26% increase over the anticipated FY 1998 loan level of \$8.9 billion. The agency will likely appeal OMB's projected FY 1999 7(a) loan level of \$9.5 billion mentioned above.

SOCIAL SECURITY ADMINISTRATION
Administrative Expenses
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	6,575	6,525	6,535	6,535	6,545	N.A.
Passback.....	6,467	6,301	6,403	6,506	6,612	6,720

Other Programs

- Ongoing Operations: Funding is virtually level from FY 1998 to FY 1999. Reductions in personnel are expected to be offset by productivity improvements from reengineering efforts. Approved funding is at a level intended to avoid furloughs or RIFs.
- Additional Continuing Disability Reviews: Total includes \$305 million to fund additional continuing disability reviews in FY 1999, an increase of \$115 million over FY 1998. No new funding is provided for implementation of changes to the SSI program in the welfare reform law. The \$100 million included in FY 1998 was the second of two years in which this special funding was planned to be included.
- Automation Initiatives: FY 1999 funding level includes \$190 million less for this purpose than FY 1998, since FY 1998 was the last of five years of appropriations for SSA's major overhaul of its nation-wide computer network. FY 1999 funding level does include \$85 million in two-year funding for short-term initiatives and replacement efforts.

Potential Issues

- SSA's request is some \$470 million above passback, including: (1) \$315 million for ongoing operations, (2) \$50 million for automation initiatives, and (3) \$115 million for more aggressive reviews of financial eligibility of SSI recipients. The difference between the agency request and passback in the outyears ranges between \$400 million and \$600 million annually.
- The passback does not include the \$50 million for automation -- although it does include other automation funds -- because SSA has provided no plan for how these funds would be spent. The passback also does not include increases for ongoing operations or for SSI financial reconsiderations, neither of which have been adequately justified.

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DEPARTMENT OF AGRICULTURE

(Not including International programs)
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	14,226	14,279	14,465	14,592	14,841	N/A
Passback.....	14,221	13,995	14,015	14,006	14,116	14,478

Priority Programs

- Rural Development: Provides a program level (loans and grants) of \$6.1 billion (+1% over FY 1998 enacted) for key programs, including water and wastewater, single family housing, community facilities, and businesses.
- Food Safety: Provides a program level of \$617 million (+5% over enacted) for the Food Safety and Inspection Service, including modernization of its meat and poultry inspection system. As in the FY 1998 Budget, assumes user fees to fund program costs (\$420 million in FY 1999).
- WIC: \$4.1 billion to maintain average monthly participation at 7.5 million.
- Forest Service (FS) Operating Program: Budget (\$1.4 billion, -2% below enacted) protects FS operations (Northwest Forest plan and other timber sales), and incorporates major timber road policy reforms.

Other Programs

- Civil Rights: Funds the Secretary's request for expanded civil rights programs within the base (\$135 million, +42% over FY 1998 enacted).
- Non-WIC FCS Programs: Commodity Assistance, Food Donations for Selected Groups, nutrition res., and Federal admin. funded at just over \$400 million total.

Potential Issues

- Initiatives: Candidates for Priority Reserve are Water Quality, Law Enforcement, and Food Safety initiatives (\$108 million total). USDA may appeal funding for these initiatives (\$441 requested), plus two others (Infrastructure and Customer Service) proposed by USDA as Reserve candidates but not included by OMB.
- USDA may also appeal proposed reductions to mandatory commodity programs, needed to pay for USDA's-requested \$100 million annual increase in a mandatory conservation cost-share program (\$100 million per year), crop insurance costs (\$100 million per year), and for grants to rural EZ/ECs (\$20 million per year). One such reduction affects the Export Enhancement Program (\$230 million cut, proposed by USDA and agreed to by OMB, to a level of \$320 million, double FY 1998 enacted), which will need to be reconciled with Administration GATT commitments.

DEPARTMENT OF COMMERCE

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	4,223	4,806	6,063	3,976	3,930	N/A
Passback.....	4,266	4,667	5,925	3,899	3,743	3,760

Priority Programs

- Decennial Census: \$1.1 billion (\$404 million over FY 1998 enacted) is provided for Census Bureau programs, including \$794 million for decennial census activities. In 1999, the Bureau moves from testing and planning to operational activities associated with the 2000 Census.
- Fast Track: \$50 million is provided each year through FY 2003 for a new initiative within the Economic Development Administration to provide economic development assistance to communities adversely impacted by trade agreements.
- Environment: \$731 million is provided for environmental activities, including substantial increases to promote natural disaster reduction, foster sustainable development, and support the Clean Water Initiative.
- Technology: \$658 million is provided for the National Institute for Standards and Technology, \$20 million below FY 1998. Includes \$250 million for the Advanced Technology Program, \$106 million for Manufacturing Extension, and \$20 million for National Information Infrastructure Grants.

Other Programs

- Satellites: \$617 million (\$183 million over enacted) is provided for satellite systems to support new procurements for both geostationary and polar satellites.
- Weather Service: \$484 million (\$14 million above the request) is provided for base programs to support additional Weather Service needs identified by General Kelly.

Potential Issues

- Decennial Census: Commerce may appeal because they now estimate that the decennial census "dual-track" compromise (proceeding with sampling and non-sampling in FY 1999) may have significant 1999 and 2000 costs that are not included in either the agency request or the passback.
- Patent and Trademark Office: \$781 million is provided for PTO, \$127 million over the FY 1998 level to support more examiners, process automation, and outreach. The controversial 17.6% patent surcharge is extended, yielding \$116 million to offset the cost of other priorities, and will be opposed by the intellectual property community.

DEPARTMENT OF DEFENSE - MILITARY (051)

(budget authority, in billions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	251.6	257.2	263.5	270.3	278.4	N/A
Passback.....	256.6	258.4	262.7	269.5	277.5	285.2

Priority Programs

- Defense Totals: The DoD passback is based on the Bipartisan Budget Agreement, as adjusted for Line Item Veto and the reallocation of funds between subfunctions 051 and 053 for the Nuclear Stockpile Stewardship Management Program.
- Readiness and Modernization: Passback level generally supports the recommendations of DoD's Quadrennial Defense Review (QDR). It allows for a strong national defense by maintaining readiness while increasing funding for modernization programs. We are working with the Department to ensure that weapons procurement funding goals established in the QDR are met.
- Quality of Life Programs: Funding is provided for enhancing DoD's commitment to quality of life programs. A full current law pay raise of 3.1% is provided for military personnel in FY 1999.
- Unfunded Requirements: DoD has identified several activities for which funding was not anticipated in the agency request, including the Nuclear Stockpile Stewardship and Management Program, higher civilian pay raises and an increased demand for counterterrorism and counter-drug programs. Savings from lower inflation, which DoD will be permitted to retain, will free up funds for these activities.

Potential Issues

- Bosnia: Additional funding of \$2.3-2.9 billion is requested by DoD to cover the increased cost of contingency operations in Bosnia in FY 1998 and FY 1999. The Administration will seek emergency funding to cover these costs.
- Defense Outlays: Outlay relief of \$3 billion in FY 2000 and \$6 billion in FY 2002 may be requested by DoD. Defense argues that these increases result from programmatic changes approved in the QDR and an outlay shortfall agreed to by the Administration and Congress for FY 2002 in both last year's budget and in the Budget Agreement.
- Nuclear Stockpile Stewardship Management Program (NSSMP): DoD may appeal the reallocation of funds from the Defense-Military budget to the Department of Energy to cover the costs of this program. We have structured our passback to DoD to avoid an appeal on this or any other issue.

DEPARTMENT OF EDUCATION
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	29,409	28,981	29,544	29,893	30,199	N/A
Passback.....	29,559	29,586	30,424	30,996	31,487	31,848

Priority Programs

- Goals 2000: \$501 million, \$10 million above FY 1998, to help States set challenging academic standards and implement comprehensive reform.
- Title I: \$8 billion, \$63 million above FY 1998 for comparable programs to assist schools serving students in low-income communities.
- America Reads Initiative: \$290 million, the second-year level agreed to in the Bipartisan Budget Agreement, to help all children read well by the third grade.
- Pell Grants: \$7.8 billion, \$435 million above FY 1998, to support a \$3,100 maximum award (\$100 above FY 1998), the highest award level ever.
- Technology Literacy Challenge Fund: \$500 million, \$75 million above FY 1998 to help States implement State-wide technology plans.

Other Programs

- Safe and Drug Free Schools: \$556 million, the same as FY 1998, for school districts to prevent drug abuse and violence in schools.
- Special Education: \$4.8 billion, the same as FY 1998, to help States educate children with disabilities.
- Adult Education: \$372 million, \$12 million above FY 1998, to support adult basic and secondary education, family literacy, and ESL training.

Potential Issues

- Request was \$4.1 billion over FY 1998. Of this amount, \$1 billion was for new Presidential Initiatives, including Institutional Retention Grants, Super Pell Grants, Urban/Rural Initiative, Teacher Recruitment Initiative, Drug Coordinators, Mentoring Initiative, and Early Information on College.
- Candidates for consideration from the Presidential reserve include: (1) \$420 million for new initiatives in FY 1999, (2) \$1.5 billion as candidates for increases to base program operations and (3) \$500 million in FY 2000 (advance appropriation) for urban/rural school achievement incentives.

DEPARTMENT OF ENERGY
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	19,224	17,615	16,709	16,262	15,821	N/A
Passback.....	16,501	17,671	16,946	16,465	16,146	16,478

Priority Programs

- Defense Programs: Provides \$4.5 billion per year (\$0.5 billion above the 1998 Budget) to maintain the effectiveness of nuclear weapons without underground testing. The Directors of DOE's weapons labs believe the increase is the minimum required for them to testify to Congress that they can maintain the reliability of the stockpile under the Comprehensive Test Ban Treaty.
- Energy Conservation and Renewable Energy: Provides \$1.018 billion (net) in FY 1999, a \$140 million increase over FY 1998, and \$55 million above the agency request. This is the same level requested in FY 1998. These programs provide most of the funding for the Administration's Global Climate Change-related applied R&D and for the Partnership for a New Generation of Vehicles (PNGV). An additional \$140 million is a candidate for Presidential Initiative funding, as part of the President's 5-year, \$5 billion climate-change initiative.

Other Programs

- Environmental Management: Provides almost \$6.6 billion for environmental programs, including cleanup of DOE's nuclear weapons facilities and scientific evaluation of the suitability of the Yucca Mountain site as a possible geologic repository for commercial spent nuclear fuel.
- Science: About \$2.3 billion is provided to continue Nobel Prize winning basic and applied research into areas such as particle physics, the human genome, improved semiconductors and to operate 18 National Scientific User Facilities. A proposal to build the \$1.3 billion National Spallation Neutron Source at Oak Ridge National Lab is a candidate for funding as a Presidential Initiative.

Potential Issues

- Power Marketing Administrations (PMAs): The Administration will pursue discussion of an option to transfer three PMAs -- Southeastern, Southwestern, and Western -- to non-Federal governmental entities that would assume the debt payments PMAs now make to the U.S. Treasury. OMB will also explore the transfer of Bonneville Power Administration to non-Federal governmental interests in the FY 2000 budget. Even though the revenues from these options are not included in the passback, DOE is likely to appeal. If the proposal is included in the budget, opposition from public power interests and Congress is also likely.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	35,292	35,597	35,874	36,177	36,491	N/A
Passback.....	35,862	34,844	35,001	35,097	35,185	35,764

Priority Programs

- NIH: \$13.6 billion provided, same as FY 1998 enacted and \$1.2 billion less than requested. This is \$570 million above the FY 1998 Budget request (Additional funds are a possible Presidential Initiative).
- Ryan White: \$1.15 billion provided, the same level as FY 1998 enacted and \$60 million less than the HHS request. This is \$114 million above the FY 1998 Budget request (Additional funds are a possible Presidential Initiative).
- Head Start: \$4.49 billion provided, a \$134 million increase above FY 1998 enacted. This funding level will support adding 36,000 slots in FY 1999, continuing expansion toward one million slots in FY 2002.

Other Programs

- FDA: Total program level of \$1 billion provided, a 1% increase above the FY 1998 enacted level, to be partly financed through \$132 million in increased user fees.
- CDC: \$2.33 billion provided, \$52.4 million less than FY 1998 and \$429 million less than the request. HIV Prevention, Immunizations and Breast and Cervical Cancer Screening are maintained at the FY 1998 enacted level.
- LIHEAP: \$442 million is reduced from the \$1.1 billion advance appropriation for FY 1999 to \$658 million. The TANF block grant includes existing authority to provide energy assistance to low-income households with dependents.
- HCFA: Total program level of \$2 billion provided for program management, a \$189 million increase above FY 1998 level. The increase is funded entirely through new user fees.
- Other Important Programs: Funding for the following activities was maintained at the FY 1998 enacted level: MCH Block Grant, Health Centers, Mental Health and Substance Abuse Block Grants, Tobacco and Food Safety activities.

Potential Issues

- Overall, passback is \$1.018 billion below the FY 1998 enacted level and \$3.989 billion below HHS's \$38.8 billion request. HHS will seek higher levels in appeals.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	24,753	28,365	30,321	31,737	32,965	N/A
Passback.....	24,087	23,752	27,872	28,793	29,823	31,170

Priority Programs

- Includes \$100 million to help fund a second round of Empowerment Zones and Enterprise Communities.
- Includes \$75 million over the next three years for the Brownfields Redevelopment Initiative, continuing the Administration's FY 1998 commitment.
- Provides \$1 billion for Homeless Assistance Grants, a \$181 million increase from 1998. \$823 million is for grants and the remainder is for 32,000 vouchers and supportive services for the chronic homeless with severe mental disabilities.
- Maintains Community Development Block Grant (CDBG) at the FY 1998 level of \$4.7 billion. CDBG is reduced by 17% in FYs 2000-2003 to \$4 billion.
- Provides sufficient funds through FY 2003 to renew all expiring Section 8 rental contracts (\$7 billion in FY 1999 budget authority and \$64 billion over FYs 1999-2003).

Other Programs

- By continuing to tear down the worst public housing units and replacing them with low-density housing and with rental vouchers, current service levels for public housing stocks are maintained while subsidies are decreased by 3% to \$6.1 billion in 1999.
- Reduces funding for the HOME program by 15% from the FY 1998 level. Funding is increased by \$206 million over the FY 1998 request.
- Reduces funding for elderly and disabled housing to \$474 million (same as agency request). Reserving 25% of elderly funds for vouchers will assist the same number of elderly as those assisted in FY 1998.

Potential Issues

- HUD requests \$1 billion for Economic Development Initiatives (EDI) which was funded as a set-aside of \$138 million in CDBG in FY 1998. \$500 million is for the development of a secondary market for economic development loans. OMB has provided up to \$248 million for set-asides within CDBG to fund this or other small urban programs in FY 1999.

DEPARTMENT OF THE INTERIOR (DOI)
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	7,428	7,450	7,522	7,515	7,472	N/A
Passback.....	7,468	7,411	7,331	7,260	7,248	7,360

Priority Programs

- National Park Service (NPS): NPS operations, a BBA priority, is \$1.3 billion (+3% over enacted). Overall, \$1.5 billion (-6% below FY 1998 enacted) provided for NPS operations, construction and land acquisition.
- Other Land Management Agencies: \$1.6 billion (+3% over enacted) provided for the Fish and Wildlife Service and Bureau of Land Management operations, including administration of the Endangered Species Act (ESA).
- Bureau of Indian Affairs (BIA) and Office of the Special Trustee: \$1.8 billion (+3% over enacted) provided for Tribal Priority Allocations (a BBA priority), school operations, trust services, and resolution of past BIA trust fund mismanagement.
- Everglades Restoration: \$50 million is provided in NPS (which is \$50 million below the enacted/requested level because there are accumulated unobligated balances that will allow the NPS to maintain the full program level in FY 1999). Funding is provided from FY 1999 through FY 2004 to meet the Administration's remaining \$300 million commitment to Everglades restoration.
- California Bay Delta Restoration: \$143 million (68% over enacted) is provided, which is the full authorized amount.

Other Programs

- U.S. Geological Survey: \$800 million (+3% over enacted) for scientific and technical support, including funding for a Global Disaster Information Network, real-time hazards warnings for floods and other natural disasters, and civilian applications of classified imagery and data.

Potential Issues

- DOI will probably appeal the overall funding level. They requested \$600 billion over guidance for restoration of program levels to FY 1998 level, \$100 million for Everglades, pay and fixed cost increases, program increases for anticipated ESA re-authorization and related conservation activities, and BIA programs.
- Candidates for Presidential Priority Reserve funding: ESA re-authorization (\$50 million), Indian land ownership consolidation (\$25 million), Presidio (CA) Trust (\$25 million), and Guam (\$6 million). In the outyears, \$202 million in each year to maintain existing natural resource initiatives at FY 1998 enacted levels.

DEPARTMENT OF JUSTICE
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	17,784	18,413	17,447	17,707	18,175	N/A
Passback*.....	17,326	17,741	16,629	16,410	16,761	17,213

(*Includes prison funding associated with D.C. sentenced felons.)

Priority Programs

- **Crime:** Fully funds crime initiatives at \$5.8 billion (\$5.5 billion for the Department of Justice), the authorized funding level as provided by the Bipartisan Budget Agreement.
- **D.C. Prison Revitalization:** \$300 million is provided to support the D.C. revitalization initiative, which will consolidate all D.C. adult sentenced felons within the Federal Prison System.
- **FBI:** An additional \$174 million is provided for FBI capital investments, including a project to “narrowband” the FBI’s extensive wireless radio systems. These funds will also support the development of a new network that will allow the FBI to share investigative data between offices, and to make fuller use of computer-based analytical tools.
- **INS:** An additional \$280 million is provided for enforcement and detention enhancements. No new Border Patrol agents are included in the base funding enhancement; the border technology initiative has the effect of “freeing” 1,300 Border Patrol agents along the SW border.

Other Programs

- \$205 million in existing DOJ funding has been earmarked to support an “Indian Country” law enforcement initiative, aimed at improving public safety and criminal justice on Indian lands.
- An increase of \$107 million is provided for drug testing, treatment, etc., for State and local prisoners.

Potential Issues

- Justice’s discretionary funding has grown by 7% annually. Passback is a 2.2% increase over FY 1998 enacted. Justice sought funding enhancements of \$2.2 billion over passback: Passback does not fund the following, which the Department will likely appeal: (1) \$125 million for a new Federal prison facility in California; (2) \$103 million for 1,000 Border Patrol agents; (3) \$100 million for anti-drug grants for drug treatment; (4) \$523 million for the Local Law Enforcement Block Grant. Justice may also seek \$205 million in new funding for the Indian Initiative that passback funded through existing, redirected resources.

DEPARTMENT OF LABOR
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	11,225	11,063	11,049	11,145	11,304	N/A
Passback.....	10,707	10,631	10,545	10,502	10,558	10,618

Priority Programs

- Job Training: Nearly \$6 billion is provided for job training and related services for low-income adults and youth and for dislocated workers, which continues the FY 1998 enacted level for most major programs. \$50 million in FY 1999 (\$750 million over five years) for serving dislocated workers, and \$37 million to open a new Job Corps center and improve operations are approved from the Priority Reserve. Passback includes \$250 million for the Youth Opportunity Area program.
- Labor Law Enforcement and Statistics: \$1.025 billion (a 4% increase of the FY 1998 level of \$987 million) is provided for enforcing various workplace safety and employment laws and expansion of FY 1998 initiatives. For the Bureau of Labor Statistics, additional funding over FY 1998 is provided for the last stages of revising the CPI.

Other Programs

- Unemployment Insurance (UI): Funds for State operating grants are straightlined from FY 1998 at about \$2.4 billion. Pending on the list for funding from the Priority Reserve is \$91 million for "UI Integrity" -- an error and fraud reduction proposal not financed by Congress in FY 1998.

Potential Issues

- Training for Low-Income Youth: To fit the increases for labor law enforcement and other initiatives within the passback level, the program of formula grants to States for training some 106,000 low-income youth was eliminated. Evaluations show this program has not increased employment or earnings of youth. DOL will appeal. \$130 million to restore the FY 1998 enacted level is included among programs competing for the Priority Reserve.
- Training for Low-Income Adults: Passback is at the FY 1998 enacted level of \$955 million, \$109 million below the FY 1998 request. DOL will appeal. Pending for the Priority Reserve is a proposal to add \$109 million to restore these grants to the FY 1998 request.
- Unemployment Insurance: Straightlined as \$2.4 billion. DOL argues UI operating grants are underfunded by \$300 million. It may appeal for additional money or to switch funding to mandatory.

DEPARTMENT OF TRANSPORTATION

(budgetary resources, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	38,107	38,440	38,708	39,034	38,606	N/A
Passback.....	39,209	39,798	41,404	41,984	42,624	43,332

Other Programs

- Surface Transportation: Highway and transit programs are funded at the Balanced Budget Agreement levels. A total of \$20.5 billion is provided for Federal-aid highways, \$382 million for highway safety, and \$4.45 billion for transit, including \$100 million for the Department's Access to Jobs initiative. In total, this is \$1.6 billion below FY 1998 enacted level.
- Rail: Amtrak funding over five years exceeds the Department's request. A total of \$4.9 billion is provided, \$2.9 billion in discretionary capital appropriations and \$2.1 billion in mandatory spending from Taxpayer Relief Act funding. Funds would be released upon approval of a comprehensive Amtrak capital investment plan.
- Aviation: FAA operating funding increases to \$5.6 billion in FY 1999 to address safety and security needs. Capital funding increases 8% to \$2.0 billion in FY 1999 to accelerate modernization. Increases in safety and modernization programs are funded at the expense of Airport Grants.
- Coast Guard: Coast Guard is funded at \$3,123 million, including \$309 million from non-DoD defense funding for defense readiness activities. No added funding is provided for drug interdiction; various low-priority vessels and facilities are decommissioned; and the capital replacement program for deepwater assets is referred to an advisory council for further study.

Potential Issues

- Airport Grants and Surface Transportation: Deep cuts would be controversial. Restoration of these cuts is a candidate for funding from the Presidential Priority Reserve.
- User Fees: The following proposals may generate opposition: (1) increase Federal employee parking charges to market rate to fund Washington Metro capital needs; (2) increase existing hazardous materials registration fee to cover the cost of the hazardous materials transportation safety program; (3) implement a new commercial vessel navigational assistance fee and a domestic icebreaking fee.
- Highways: OMB may propose a budget concept change that would allow greater highway spending within the constraints of the Bipartisan Budget Agreement.

DEPARTMENT OF THE TREASURY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	11,819	11,779	11,407	11,564	11,810	N/A
Passback.....	11,478	11,740	11,149	11,140	11,133	11,050

Priority Programs

- IRS Priorities: \$7.5 billion is provided for tax administration (compared to \$7.3 billion in FY 1998), plus \$323 million for Information Technology Investments and \$143 million for the Earned Income Tax Credit Compliance Initiative. This will protect tax administration, including customer service (e.g., toll-free operations), the filing season, and information systems. The President already has announced the IRS Customer Service initiative, and there will be at least \$73 million provided subsequent to passback.
- Customs Automated Commercial Environment: Continuation of the development and deployment of the Automated Commercial Environment will be funded through user fees.
- ATF Youth Crime Gun/Firearms Trafficking: In addition to \$12 million in base funding (same as FY 1998), an additional \$16 million for this program is a candidate for funding from the Presidential Priority Reserve.
- Community Development Financial Institutions Fund: The CDFI Fund is supported at \$125 million for FY 1999.

Other Programs

- ATF Headquarters Relocation Expenses: OMB believes construction of a new high security building cannot be accommodated in the budget. Instead, \$32 million is provided for relocating and possibly disbursing headquarters staff.
- Financial Management Service: OMB is significantly increasing its focus on the need to improve the performance of the Financial Management Service for the benefit of the entire government.

Potential Issues

- Treasury may appeal the base program level for the IRS and Customs.

DEPARTMENT OF VETERANS AFFAIRS

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	18,705	18,675	18,672	18,659	18,660	N/A
Passback.....	18,927	18,675	18,670	18,655	18,658	19,315

Passback provides \$0.7 billion over guidance to adhere to the agreement, made with the Department last year, that funding would be level and without increases for five years.

Other Programs

- Medical Care: \$17 billion (agency request) for veterans health programs, consistent with the agreement that appropriated funding for Medical Care be flat through FY 2002.
- Medical Research: \$234 million for research on illnesses and disabilities affecting veterans.
- Benefits Administration: More than \$800 million to administer veterans compensation and pension benefits and other veterans entitlement programs. No increase for potential nicotine-dependence disability claims.
- Cemeteries: \$100 million to open four new cemeteries and accommodate increasing workload.
- Construction: Nearly \$300 million to modernize medical centers and maintain cemeteries. Continues trend away from major new facilities and additions.

Potential Issues

- Passback funds the benefits administration program \$100 million below request. VA overestimates future workload, underestimates productivity, resists consolidation initiatives, and proposes new IT initiatives without an overall architecture in place.
- Passback funds the medical research program \$80 million below request. VA has ample funding to study Persian Gulf Syndrome and other conditions related to military service. This appropriation represents only 25% of VA research funding. The research program should expand its use of non-VA, extramural sources.

CORPS OF ENGINEERS
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	3,379	3,464	3,484	3,331	3,342	N/A
Passback.....	4,058	2,988	3,473	3,240	3,294	3,298

Priority Programs

- Everglades Restoration Program: Funded at the request of \$80 million, which will allow restoration activities to proceed on schedule.
- Columbia/Snake River Salmon Recovery Project: Funded at the request of \$117 million, consistent with the Administration's commitment under the 1996 Columbia River Salmon Memorandum of Agreement.

Other Programs

- New York/New Jersey Harbor Activities: Funded at the level needed to meet specific Administration commitments, but well below the level needed to fund follow-on activities expected by non-Federal interests.

Potential Issues

- Construction Program Funding: Total FY 1999 construction program funding of \$659 million in budget authority is extremely low compared to historic and recent funding levels. Congress increased construction and other project spending by \$700 million in FY 1998. This increase will result in additional outlays in FY 1999 that, in turn, reduce new budget authority available by about \$300 million, from approximately \$950 million to the passback of \$659 million.

Passback is \$419 million (39%) below the FY 1998 request; \$810 million (55%) below FY 1998 enacted; and \$1,057 million (61%) below the request. This will require substantial additional delays in completing construction of nearly all of the over 200 ongoing projects and might require some project shut downs. The Corps needs to take action in FY 1998 to delay projects in order to meet this FY 1999 level. The Corps will interpret this level of funding as a lack of support for its program and will appeal.

- New Construction Starts: Passback includes funding for eight new construction starts. Seven projects are considered "prudent stewardship" of existing infrastructure, mostly major rehabilitations of old Corps projects that are suffering structural problems due to age. The other new start, Sandbridge, VA, could be a model for increased local long-term responsibility for shoreline protection projects. The Corps requested 22 new starts, but is unlikely to appeal.

ENVIRONMENTAL PROTECTION AGENCY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	7,645	7,741	7,139	7,156	7,261	N/A
Passback.....	7,361	7,395	6,796	6,725	6,795	6,945

Priority Programs

- Operating Program. Provides \$3.4 billion (+2% over FY 1998 enacted) for EPA's enforcement, research, regulatory and state grant programs. Includes significant increases for key priorities such as Climate Change (+65%), last year's Right to Know Initiative (+50%) and a new Children's Health Initiative (+\$10 million). Also included is \$31 million to establish a new particulate matter (PM) monitoring network and pay related costs, consistent with the PM rule issued last summer.
- Superfund. Provides \$2.1 billion (+40% over enacted, including \$650 million in advance appropriation) to fund acceleration of the Superfund hazardous waste cleanup program. Under OMB's plan, EPA may still be able to meet the President's goal of cleaning up two-thirds of Superfund sites by 2000, even though Congress failed to provide the requested FY 1998 Superfund increase.

Other Programs

- State Revolving Funds (SRF). A total of \$1.625 billion is provided to capitalize the Drinking Water SRF (\$825 million; +\$100 million over enacted) and the Clean Water SRF (\$800 million; - \$550 million below enacted). The Administration's goals are to make available \$500 million annually for the Drinking Water SRF, even after Federal capitalization is ended, and \$2 billion annually for the Clean Water SRF. We can meet these goals within the passback level by stretching out the capitalization of these revolving funds.

Potential Issues

- EPA will strongly appeal the SRF funding level, arguing that the Administration should not reduce these popular programs below the enacted level. A proposal to restore the \$450 million is a candidate for the President Priority Reserve. Establishing a broader, interagency water quality initiative is also an alternative and a Priority Reserve candidate.
- EPA will also appeal the level for the PM monitoring network, arguing that additional funding is needed to ensure deadlines are met and provide data to better characterize the problem. A proposal for enhanced PM funding for additional samplers is a candidate for the Priority Reserve.

FEDERAL EMERGENCY MANAGEMENT AGENCY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	838	838	838	838	838	N/A
Passback.....	829	809	806	801	791	812

Other Programs

- Disaster Relief: \$308 million provided. The budget will request a contingent emergency appropriation of \$2,173 million. These combined amounts represent FEMA's ten-year average obligations for Disaster Relief.
- Pre-disaster Mitigation: \$30 million is provided, an amount equal to the 1998 enacted level, but \$20 million less than the agency request.
- Emergency Management Planning and Assistance (EMPA): \$195 million, a reduction of \$15 million from the agency request. The agency is expected to reach decreased funding level by reducing the amount provided to State and local governments as grants for disaster planning and response training.
- Other Programs: Full agency requests recommended for Salaries and Expenses, Emergency Food and Shelter, Disaster Assistance Direct Loan Program, and Office of Inspector General.

Potential Issues

- FEMA will likely appeal the reductions to EMPA State and local grants and Pre-disaster Mitigation. These restorations are candidates for the Presidential Priority Reserve.
- FEMA may oppose the proposed funding structure for Disaster Relief (a small appropriation plus a contingent emergency request). This minimizes the size of balances immediately available to FEMA.

GENERAL SERVICES ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	226	141	141	147	141	N/A
Passback.....	146	114	112	113	99	137

Other Programs

- **Federal Buildings Fund:** Approximately \$900 million is provided for the Federal Buildings Fund's capital program. This includes major repair and alteration of 18 existing facilities and the design and construction of new facilities as follows:
 - Designs for the U.S. Mission to the United Nations, a border station in Sault Saint Marie, MI, and a new Department of Transportation Headquarters.
 - Construction of a border station in Babb, MT.
 - Site remediation at the Southeast Federal Center in Washington, D.C.

Potential Issues

- **Courthouses:** GSA requested \$501 million to design and/or construct 15 new courthouses that were identified on the Judiciary's 5-year courthouse construction plan. **The passback does not provide any funding for courthouse projects.** However, \$157 million for new courthouses is a candidate for the Presidential Priority Reserve.
- **Old Executive Office Building:** GSA did not request, and passback does not include, funding for the rehabilitation and restoration of the OEOB.
- **Federal Building Fund Rescission:** Passback includes a \$92 million rescission in FY 1998 to eliminate the additional shortfall in projected rent income in the Federal Buildings Fund.
- **Federal employee parking fees to finance mass transit projects:** A "Washington Area Regional Transportation Fund" will be established to help fund the WMATA capital shortfall until such time as a new "Washington Area Regional Transportation Fund" is established. This fund will be financed by charging Executive Branch employees within the Washington metropolitan area commercial rates for parking. The President's budget will recommend that the Legislative and Judicial Branches impose such user fees but will not require them to do so in the legislative proposal.

INTERNATIONAL AFFAIRS
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	22,972	18,852	18,854	18,811	18,762	N/A
Passback.....	22,972	18,737	18,607	18,464	18,417	18,263

Priority Programs

- Middle East: Economic and military aid in support of the peace process is \$5.3 billion, essentially the same as FY 1998.
- Central and Eastern Europe: Assistance to Bosnia is maintained at the FY 1998 level of \$225 million, but aid is reduced to some other East European countries.
- Export-Import Bank: To meet growing demand for export credit, particularly from the New Independent States (NIS), subsidy funds grow by 18% to \$810 million.
- Multilateral Development Banks: Scheduled payments are fully funded at \$1.15 billion and arrears incurred through FY 1997 are paid off.
- UN and Other International Organizations: \$900 million is provided consistent with the original plan to pay off arrears and cut annual contributions. Given congressional inaction on the plan, further review will be necessary.
- State Department Operations: \$2.7 billion is provided, nearly 10% above the FY 1998 enacted level, including full support for information technology upgrades and funds for new embassy construction in Beijing and Berlin.
- IMF Quota Increase: The requested \$14.5 billion is provided for this one-time payment. It is not in the amounts in the table because the Bipartisan Budget Agreement provides for the caps to be raised for this purpose.

Other Programs

- Aid to the NIS: Funding is held close to the FY 1998 level of \$770 million to continue trade and investment programs but level is \$224 million below request.
- AID Development Assistance: The \$1.65 million provided is a 4% cut from FY 1998 but priority population and environment programs can be fully funded.

Potential Issues

- The State Department may seek more than \$2 billion above passback to fund items that they believe to be Presidential priorities.
- Eximbank may resist raising its fees and increasing risk sharing, which will be necessary to restrain demand within the passback amount.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	13,500	13,410	13,200	13,200	13,200	N/A
Passback.....	13,648	13,246	12,600	12,600	12,600	12,600

Priority Programs

- Space Station: Passback matches NASA request of \$2.1 billion per year.
- Restoration of Administration Priority Programs: Passback reverses NASA-proposed cuts to Administration priorities as follows:
 - Space Science "Origins": Given the Administration's strong support for robotic space exploration, and recent successes of the Pathfinder mission, passback provides \$918 million over five years to restore this initiative.
 - Mission to Planet Earth (MTPE): Passback restores \$446 million over five years to MTPE to prevent delays in gathering critical earth system data as the Administration engages in sensitive global climate change negotiations.
 - Advanced Space Transportation: Given the Administration's support of the Reusable Launch Vehicle (RLV) program, and to accommodate National Space Transportation Policy goals, passback provides \$1.6 billion over five years to continue RLV and enable future launch capacity decisions.

Other Programs

- Restoring Administration priorities requires other cuts, primarily a \$2 billion, five-year cut to Aeronautics, about half the program's budget, to 1970's levels.

Potential Issues

- Passback in the out-years is at a level below that agreed to last year with Congress (Sen. Mikulski) and NASA to stabilize the NASA budget at \$13.2 billion annually. NASA likely to push for funding at FY 1998 level (\$13.7 billion) annually. Options exist to restore funding to these levels using the Presidential Reserve.
- Proposed Aeronautics cut will force a fundamental rethinking of the relationship between the Federal government and the aeronautics industry. NASA strongly opposes this cut.
- To protect other priority NASA programs in the future, passback proposes that potential Space Station cost growth be offset within the roughly \$7 billion NASA spends annually on human spaceflight. NASA opposes this constraint.

NATIONAL SCIENCE FOUNDATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	3,367	3,374	3,381	3,388	3,395	N/A
Passback.....	3,429	3,242	3,235	3,215	3,185	3,270

Priority Programs

- Research and Related Activities: Passback decreases research and related activities by \$112 million from FY 1998 enacted to \$2,434 million. The number of researchers supported would decrease by roughly 1,000 to a total of 24,500 for FY 1999.
- Education and Human Resources: Passback decreases education and human resources programs by \$29 million from FY 1998 enacted to \$604 million. Cuts from FY 1998 would be made in undergraduate, graduate, and K-12 programs.

Other Programs

- Major Research Equipment: Passback provides \$62 million for Major Research Equipment, including \$25 million to complete the replacement of the U.S. station at the South Pole.
- Salaries and Expenses: Salaries and expenses will be frozen at the FY 1998 enacted level (\$142 million).

Potential Issues

- The overall funding level, over 5% below FY 1998 enacted, will not be acceptable to the agency. NSF will compare its passback level to other research agencies, specifically the National Institutes of Health, whose passback is at FY 1998 enacted levels.
- An addback that increases funding for research and related activities by inflation over the FY 1998 enacted level, and freezes education programs and salaries and expenses at the FY 1998 level is a candidate for funding from the Presidential Priority Reserve. Overall, the proposal would provide nearly \$223 million over passback, and \$36 million over FY 1998 enacted.

U.S. OFFICE OF PERSONNEL MANAGEMENT

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	186	183	183	183	183	N/A
Passback.....	186	187	183	181	179	184

Other Programs

- Provides funds for completion of OPM's new information technology architecture and for Government-wide personnel automation and electronic record keeping initiatives.
- Provides funds to increase Inspector General's audit capacity over Federal Employees' Health Benefits Program carriers.

SMALL BUSINESS ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	701	718	718	718	719	N/A
Passback.....	716	706	703	696	689	706

Priority Programs

- 7(a) Business Loans: Passback funds \$9.5 billion in 7(a) loan guarantees in FY 1999, approximately \$600 million more than the anticipated level of demand in FY 1998.
- 504 Loan Program: SBA will continue to run the 504 program at a 0% subsidy rate to the Federal Government. The projected demand for this program is approximately \$2.6 billion in FY 1999.
- Disaster Loan Program: Passback provides loan subsidy BA adequate to fund the 10-year average loan level, excluding the Northridge earthquake. It also includes an increase in the disaster loan interest rate for borrowers.
- Small and Disadvantaged Business (SDB) Certifications: Passback assumes that SBA will cover the costs of the newly required SDB certification process through reimbursements from the major contracting agencies.
- Women's Business Centers: Passback provides funding for SBA's Women's Business Centers at \$6 million, \$2 million more than FY 1998 enacted.

Other Programs

- Lender Monitoring and Oversight: Passback includes approximately \$12 million for SBA lender monitoring and oversight.
- Small Business Development Centers: Passback assumes that approximately \$10 million of the \$75 million funding level for Small Business Development Centers will be covered by having firms pay nominal fees for the services they receive.

Potential Issues

- 7(a) Business Loans: SBA requested a \$12 billion loan level for the 7(a) program in FY 1999, nearly a 26% increase over the anticipated FY 1998 loan level of \$8.9 billion. The agency will likely appeal OMB's projected FY 1999 7(a) loan level of \$9.5 billion mentioned above.

SOCIAL SECURITY ADMINISTRATION
Administrative Expenses
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	6,575	6,525	6,535	6,535	6,545	N.A.
Passback.....	6,467	6,301	6,403	6,506	6,612	6,720

Other Programs

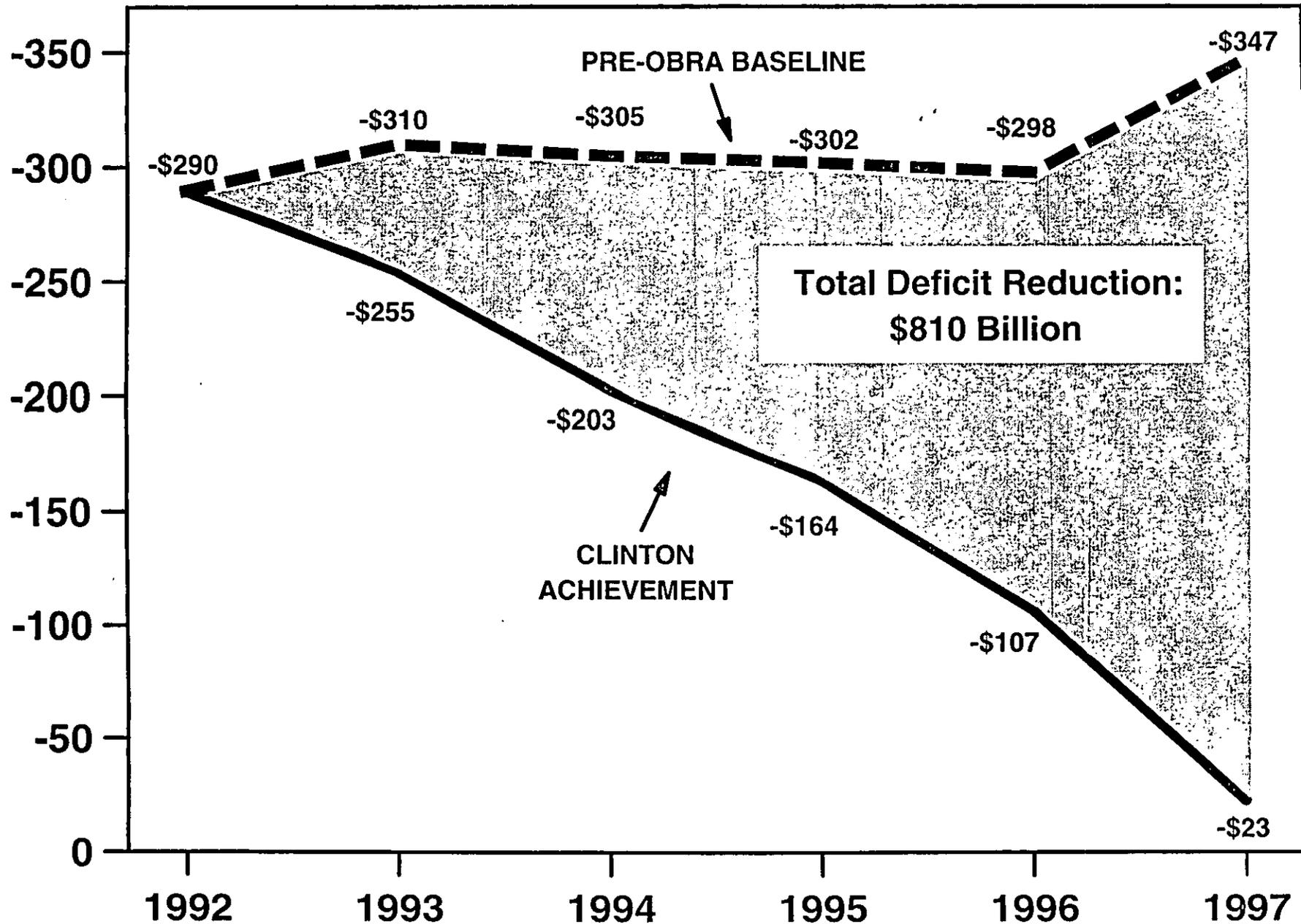
- Ongoing Operations: Funding is virtually level from FY 1998 to FY 1999. Reductions in personnel are expected to be offset by productivity improvements from reengineering efforts. Approved funding is at a level intended to avoid furloughs or RIFs.
- Additional Continuing Disability Reviews: Total includes \$305 million to fund additional continuing disability reviews in FY 1999, an increase of \$115 million over FY 1998. No new funding is provided for implementation of changes to the SSI program in the welfare reform law. The \$100 million included in FY 1998 was the second of two years in which this special funding was planned to be included.
- Automation Initiatives: FY 1999 funding level includes \$190 million less for this purpose than FY 1998, since FY 1998 was the last of five years of appropriations for SSA's major overhaul of its nation-wide computer network. FY 1999 funding level does include \$85 million in two-year funding for short-term initiatives and replacement efforts.

Potential Issues

- SSA's request is some \$470 million above passback, including: (1) \$315 million for ongoing operations, (2) \$50 million for automation initiatives, and (3) \$115 million for more aggressive reviews of financial eligibility of SSI recipients. The difference between the agency request and passback in the outyears ranges between \$400 million and \$600 million annually.
- The passback does not include the \$50 million for automation -- although it does include other automation funds -- because SSA has provided no plan for how these funds would be spent. The passback also does not include increases for ongoing operations or for SSI financial reconsiderations, neither of which have been adequately justified.

REDUCING THE DEFICIT: THE CLINTON RECORD

DOLLARS IN BILLIONS

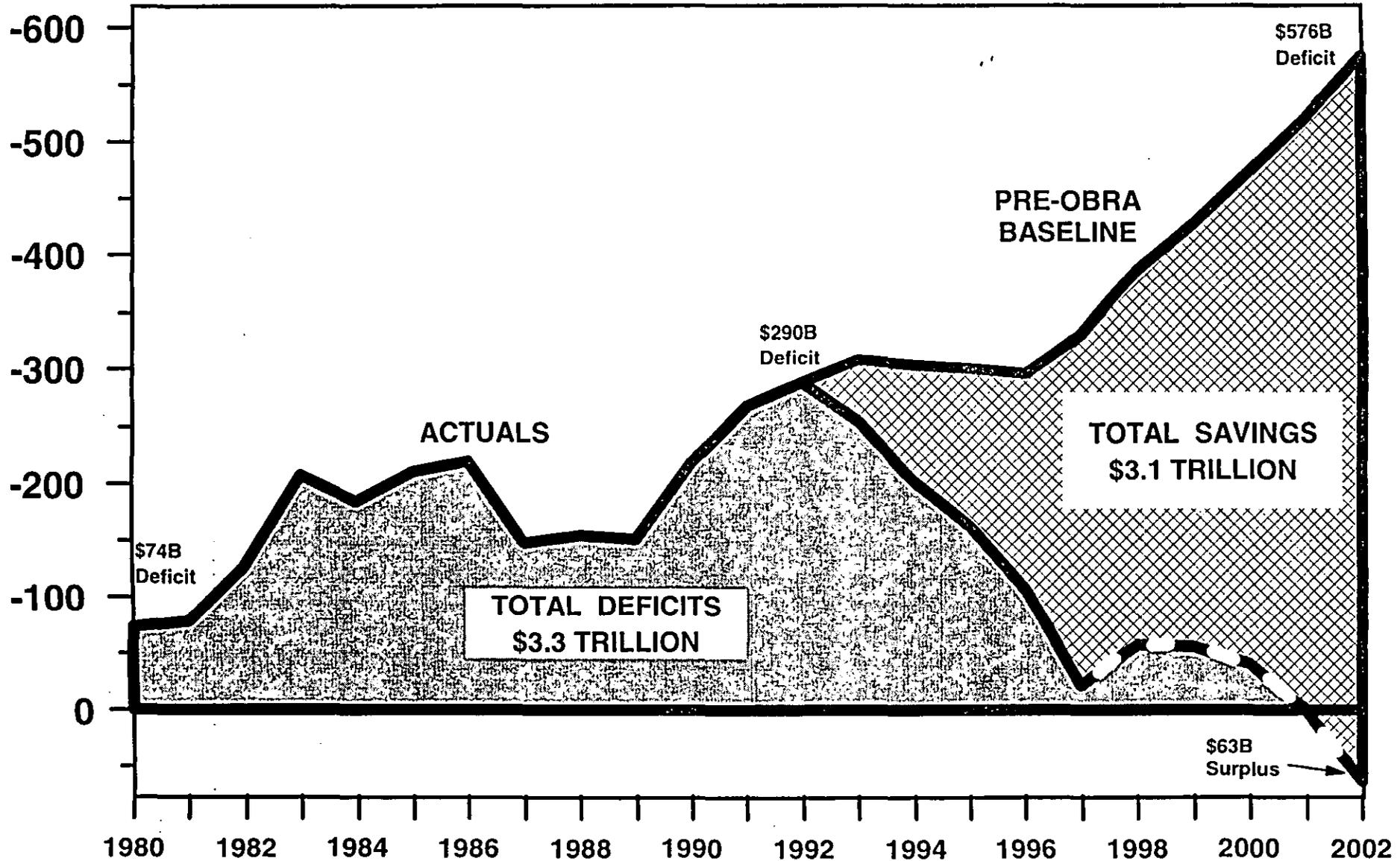


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*Budget materials -
FY 1999 generally*

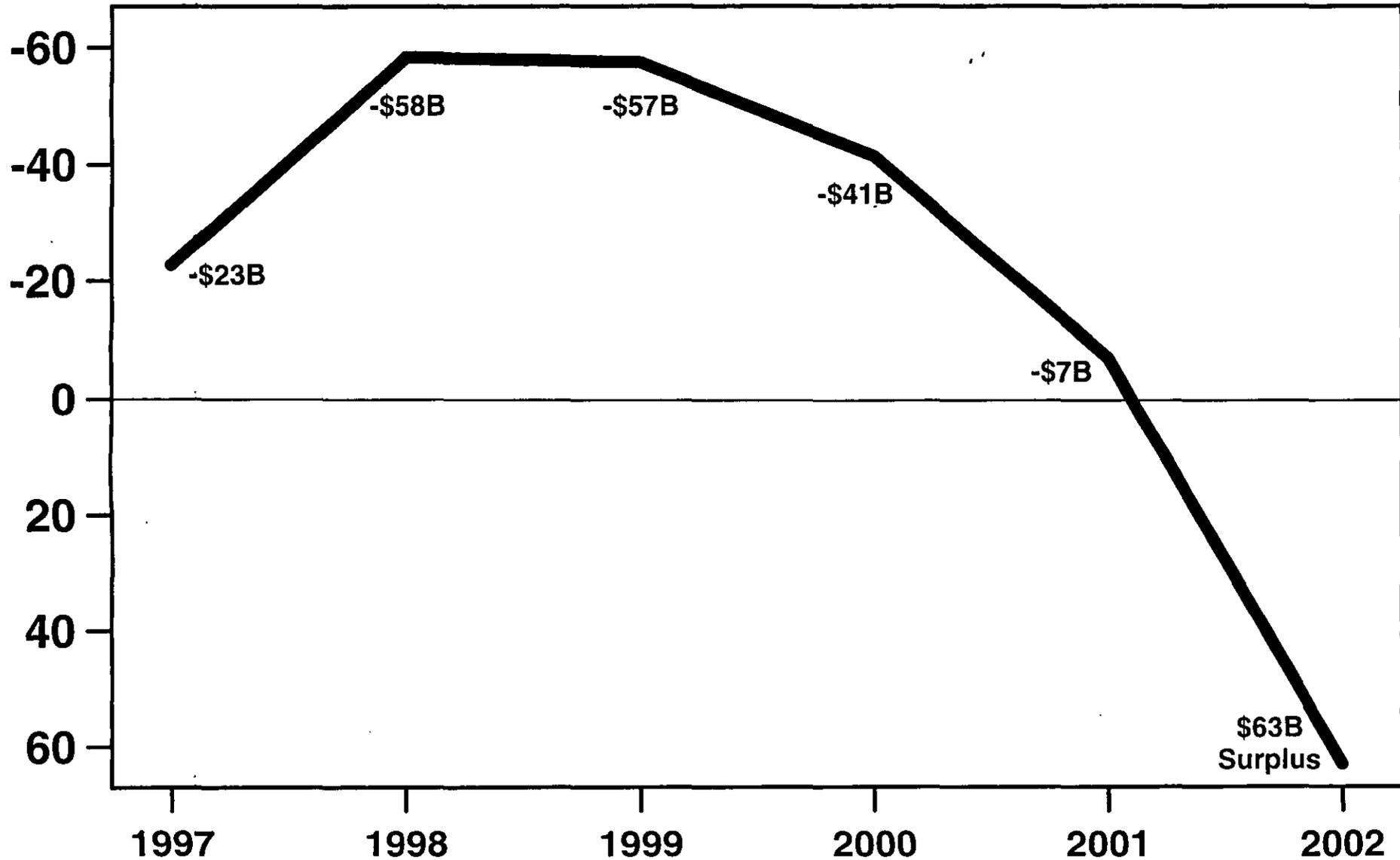
FINISHING THE JOB: BALANCING THE BUDGET AFTER DECADES OF DEFICITS

SURPLUS (+) / DEFICITS (-) IN BILLIONS



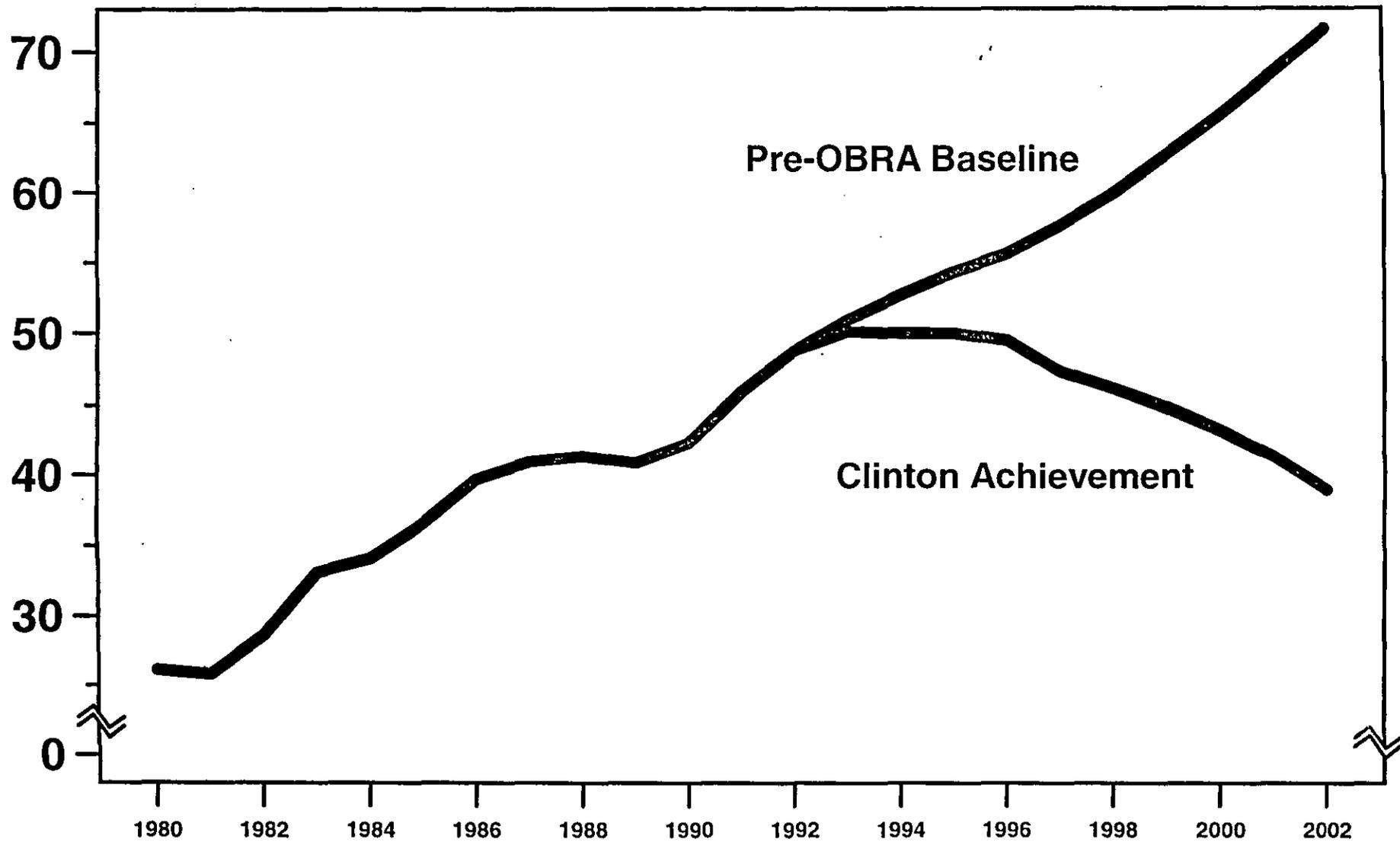
Mid-Session Review Budget Projection

SURPLUS (+)/DEFICIT (-) IN BILLIONS OF DOLLARS



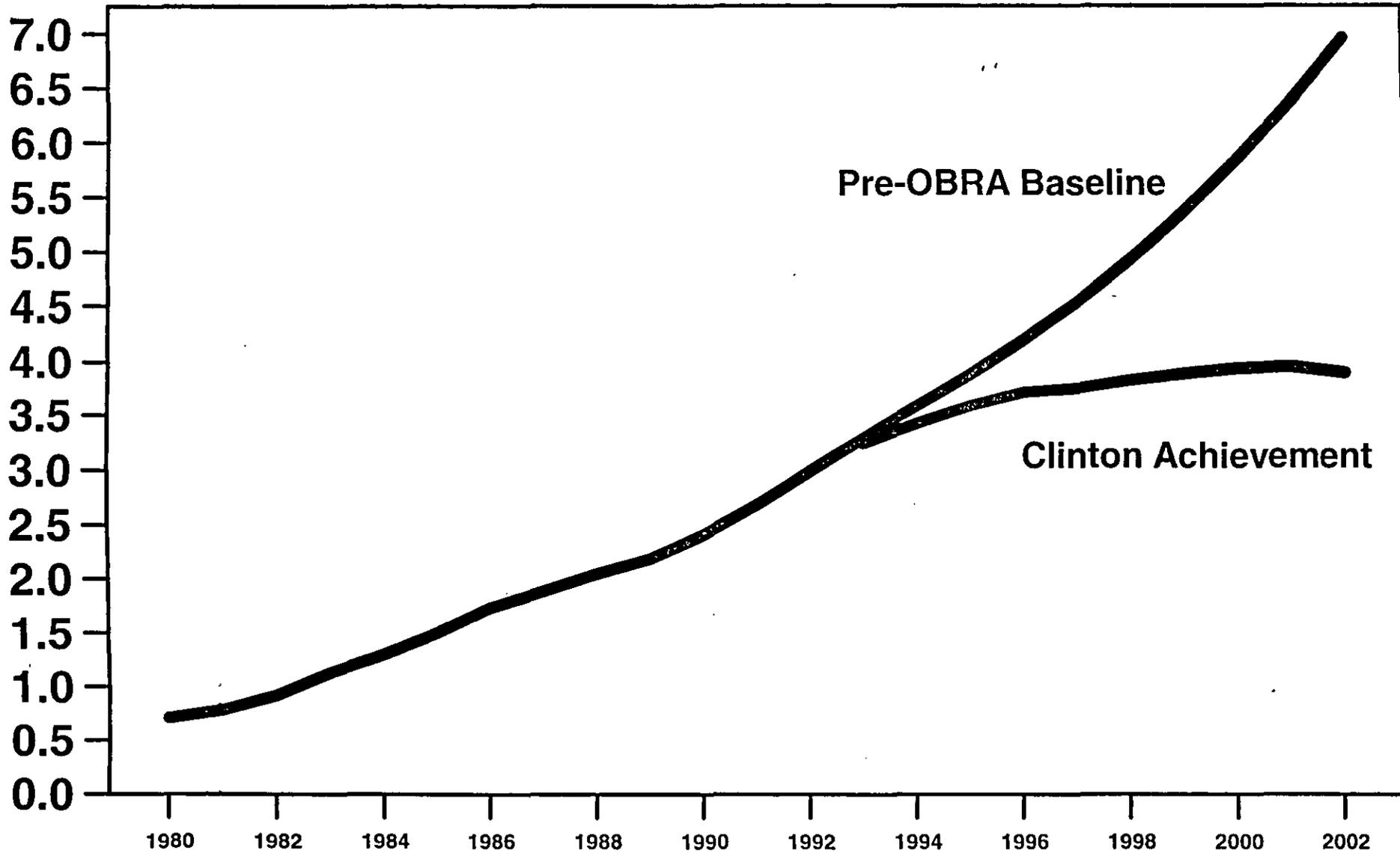
Debt Held by the Public

PERCENT OF GDP



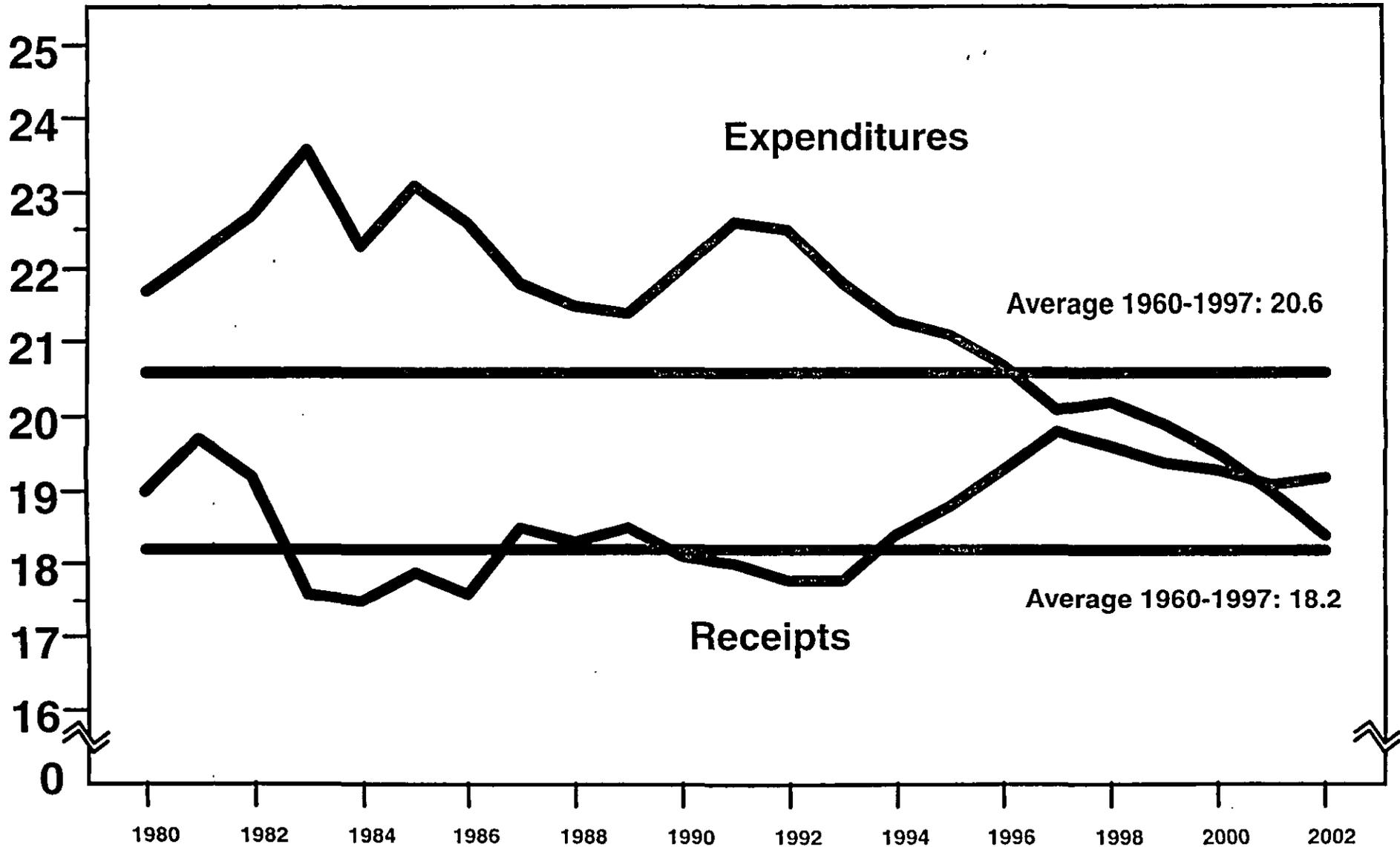
Debt Held by the Public

TRILLIONS OF DOLLARS



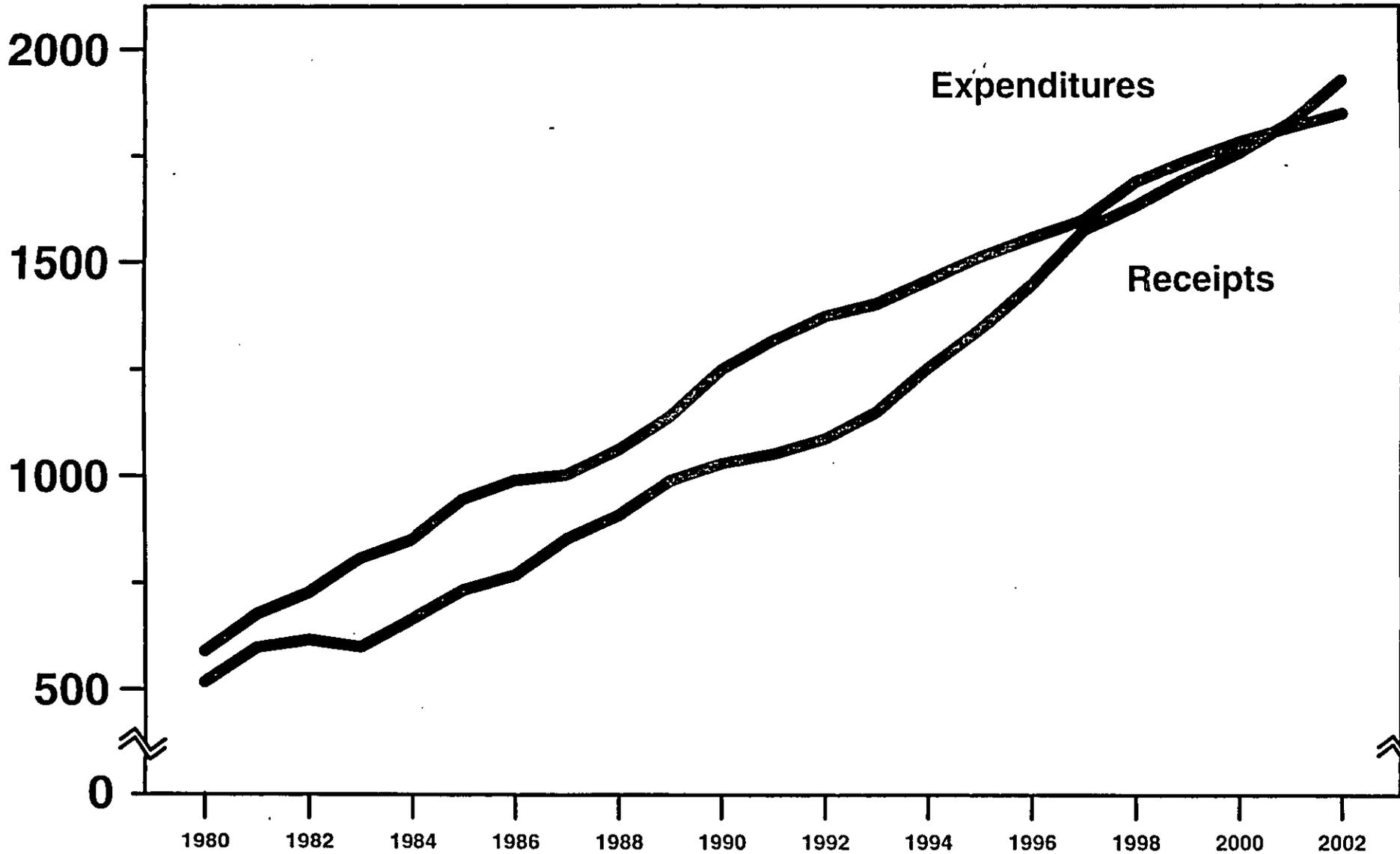
Receipts and Expenditures

PERCENT OF GDP



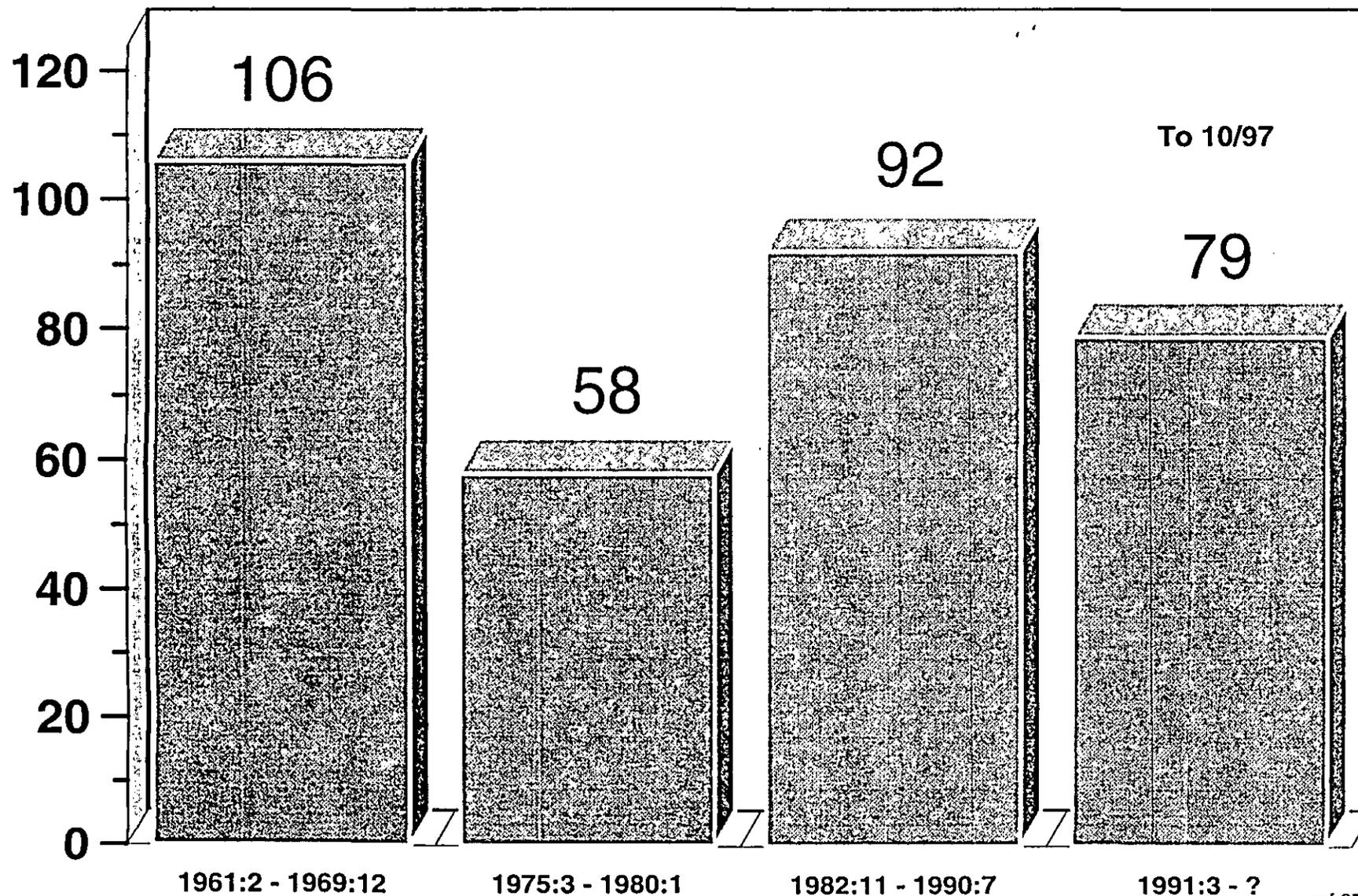
Receipts and Expenditures

DOLLARS IN BILLIONS

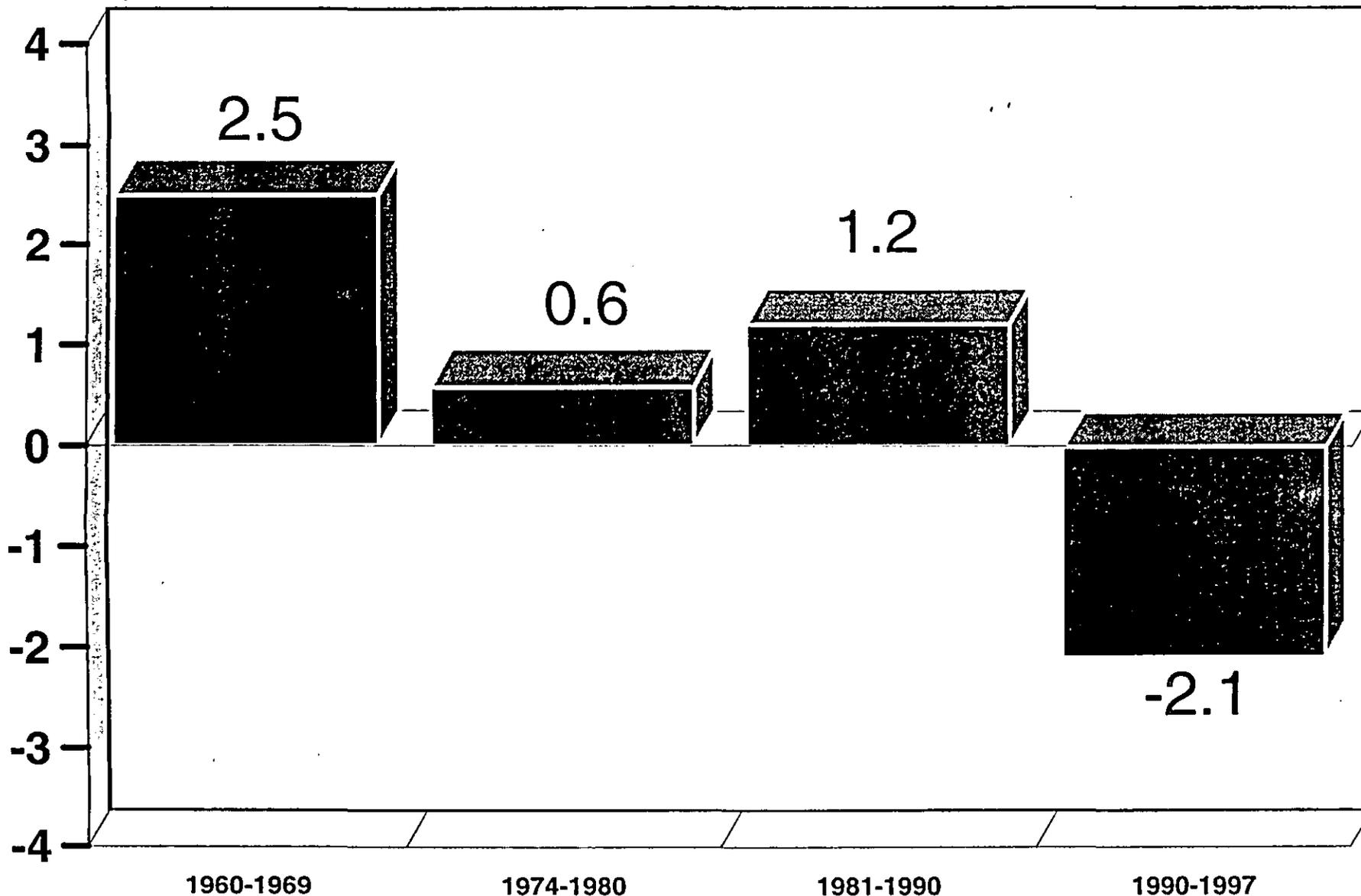


The Four Longest Postwar Expansions

MONTHS FROM TROUGH TO PEAK

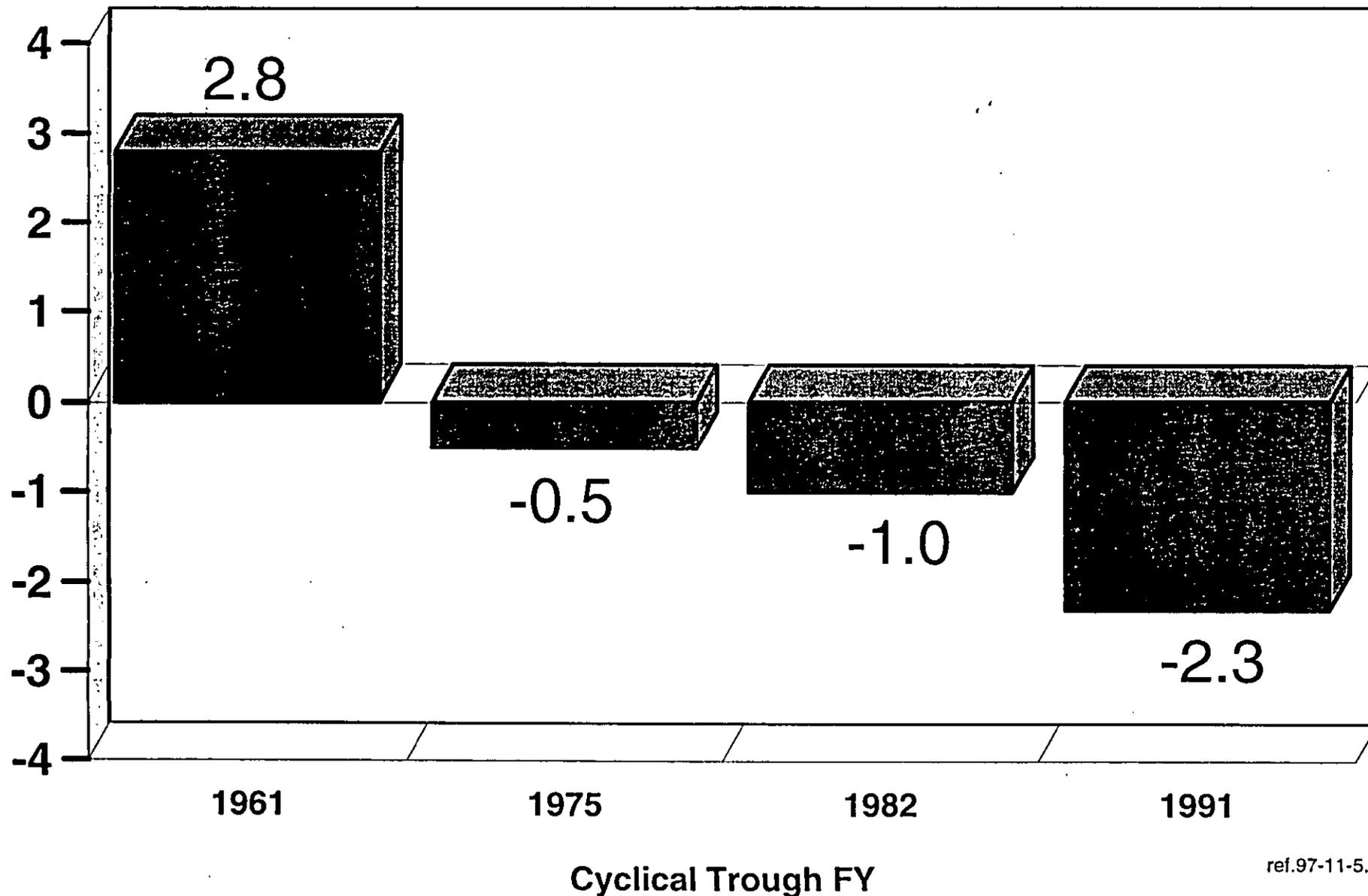


Change in Full Employment Deficit as a Percent of Potential GDP During Four Longest Postwar Expansions (Preceding Cyclical Peak FY to Seventh Following FY)



Increase in CBO standardized-employment deficit as a share of potential GDP. Full employment deficit is adjusted for deposit insurance, allied contributions to Desert Storm and spectrum auctions. Potential GDP is an estimate of GDP at full employment.

Change in Full Employment Deficit as a Percent of Potential GDP During Four Longest Postwar Expansions (Preceding Cyclical Trough FY to Sixth Following FY)

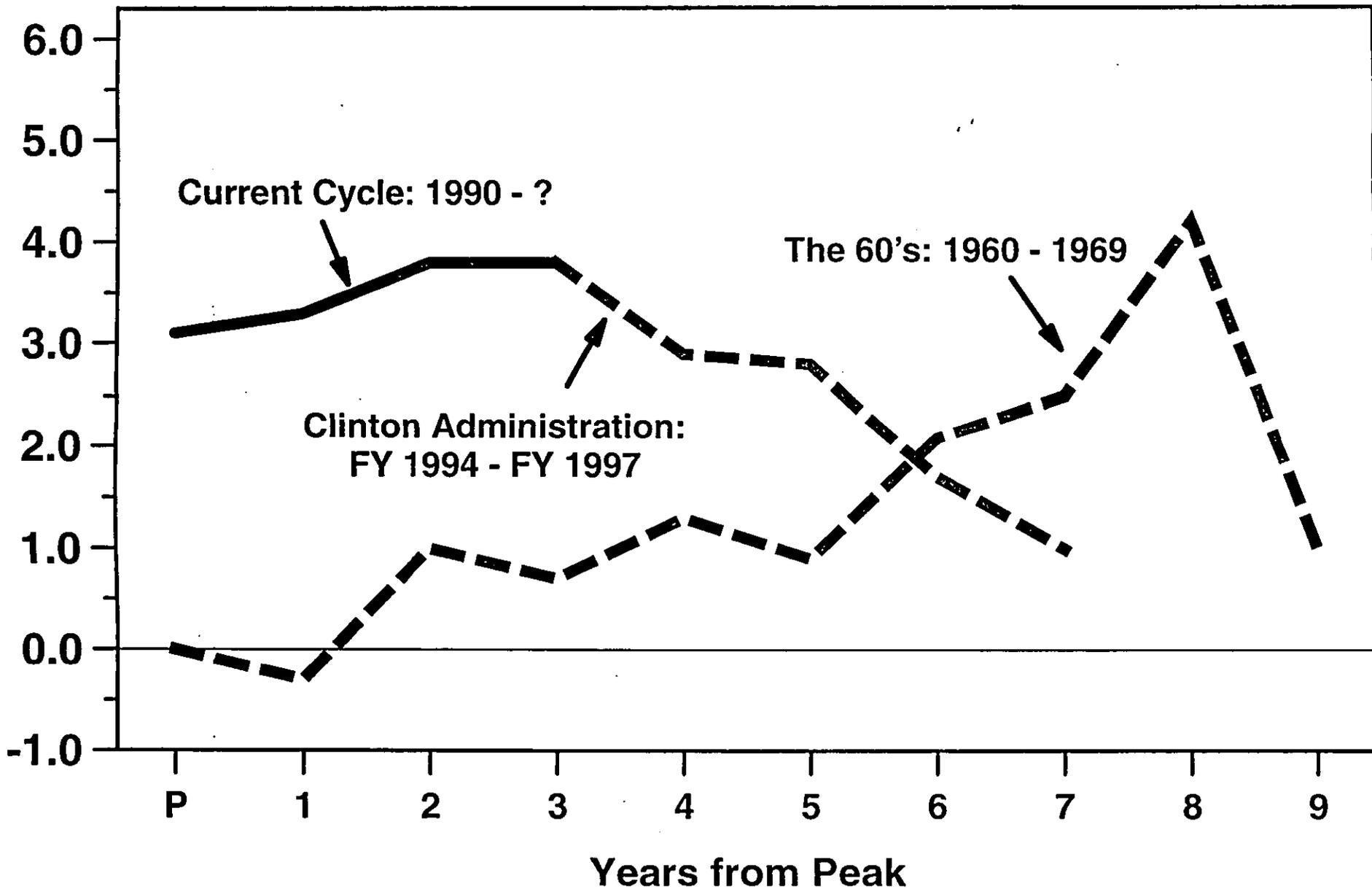


ref.97-11-5.econpol

Increase in CBO standardized-employment deficit as a share of potential GDP. Full employment deficit is adjusted for deposit insurance, allied contributions to Desert Storm and spectrum auctions. Potential GDP is an estimate of GDP at full employment.

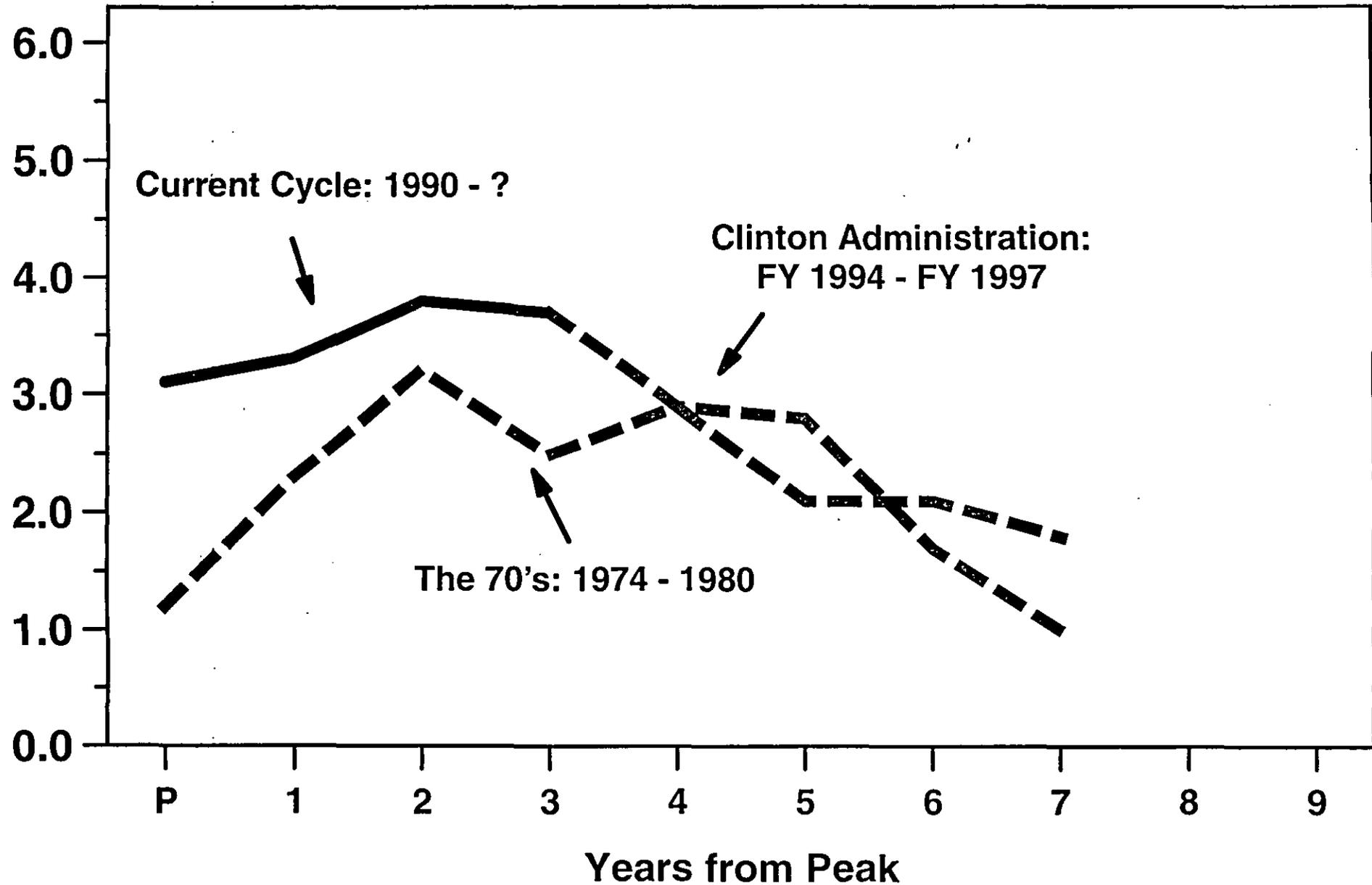
Structural Deficit as a Percent of Potential GDP

(Fiscal Years, 1990s vs 1960s)



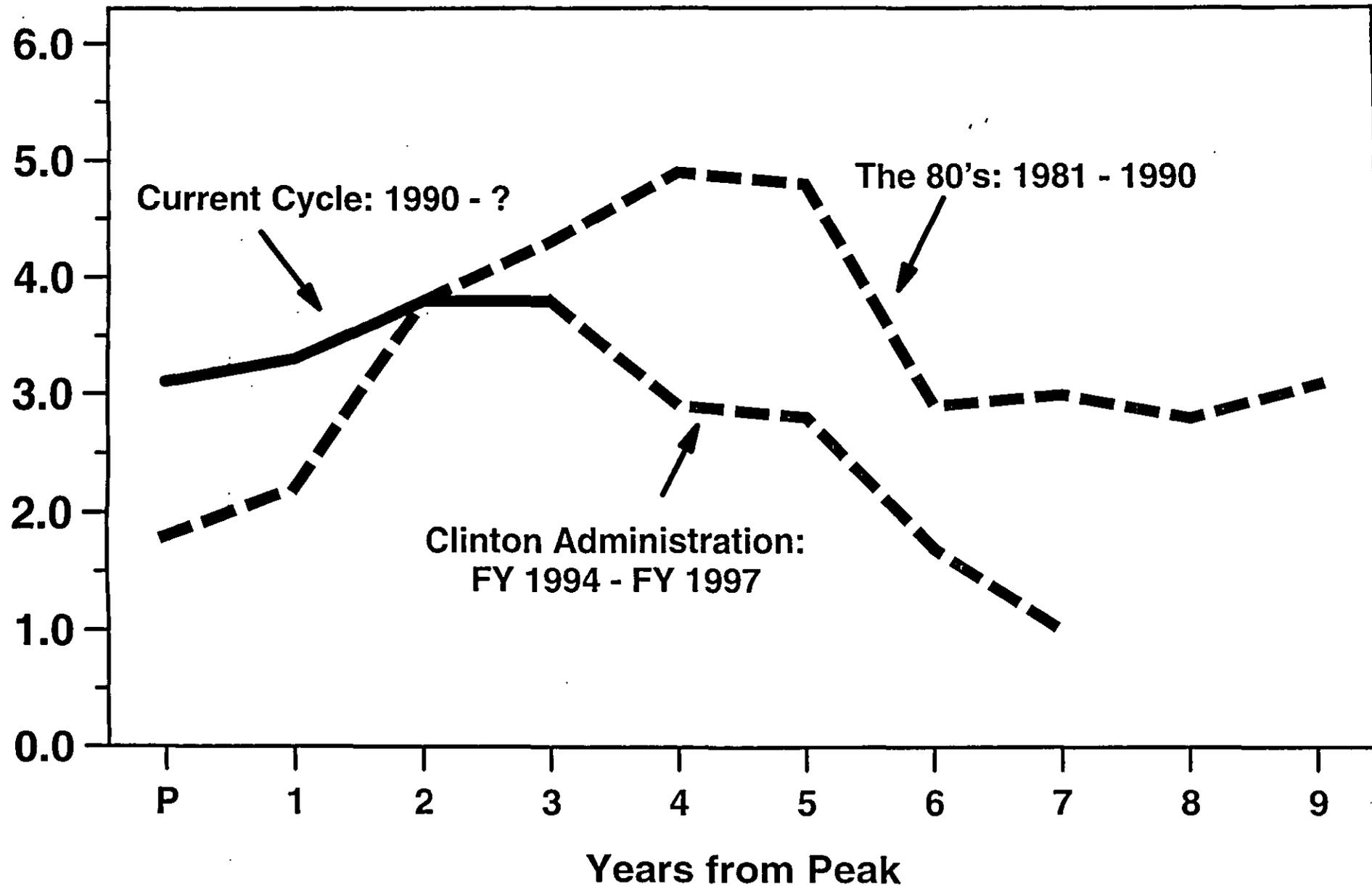
Structural Deficit as a Percent of Potential GDP

(Fiscal Years, 1990s vs 1970s)



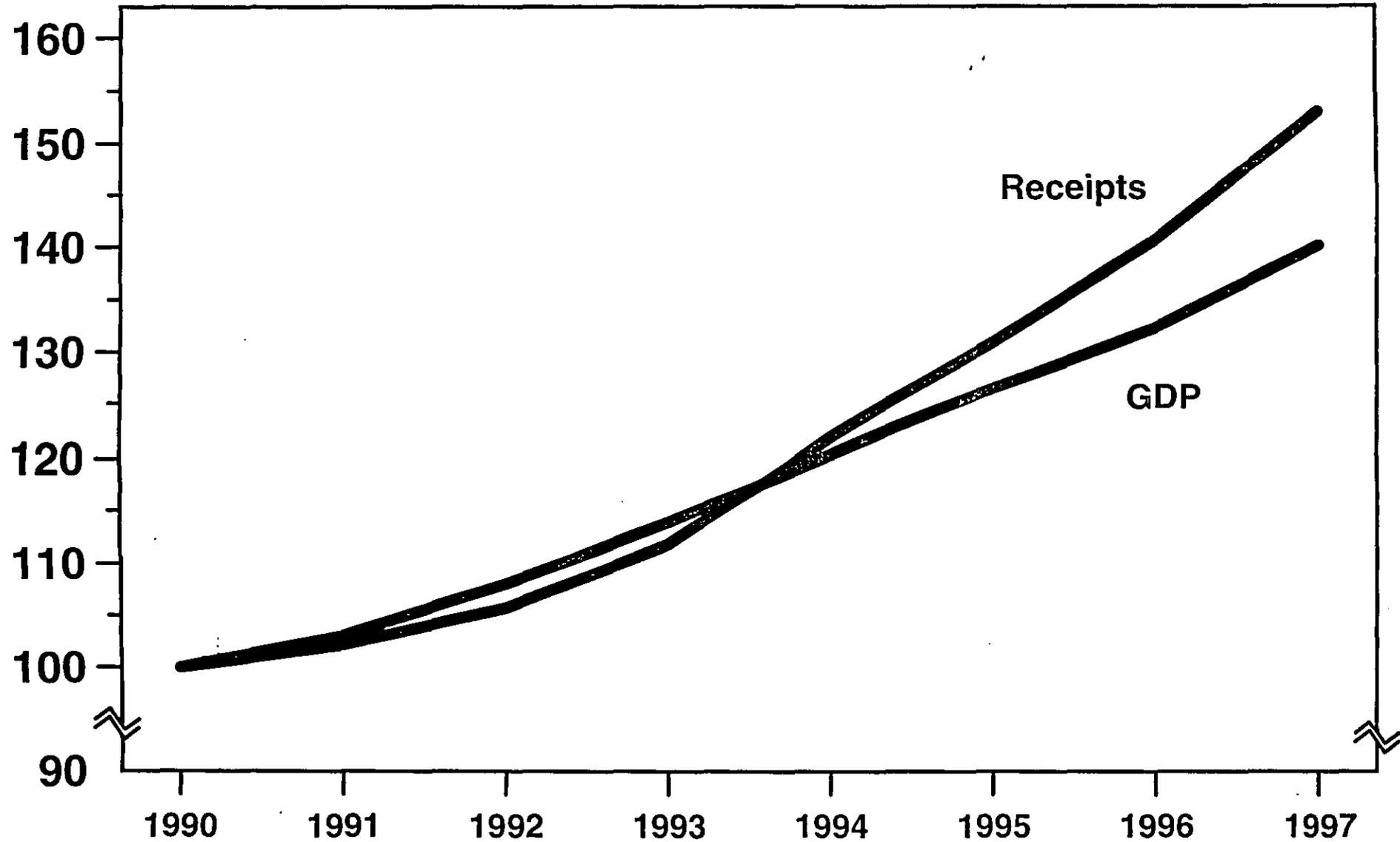
Structural Deficit as a Percent of Potential GDP

(Fiscal Years, 1990s vs 1980s)



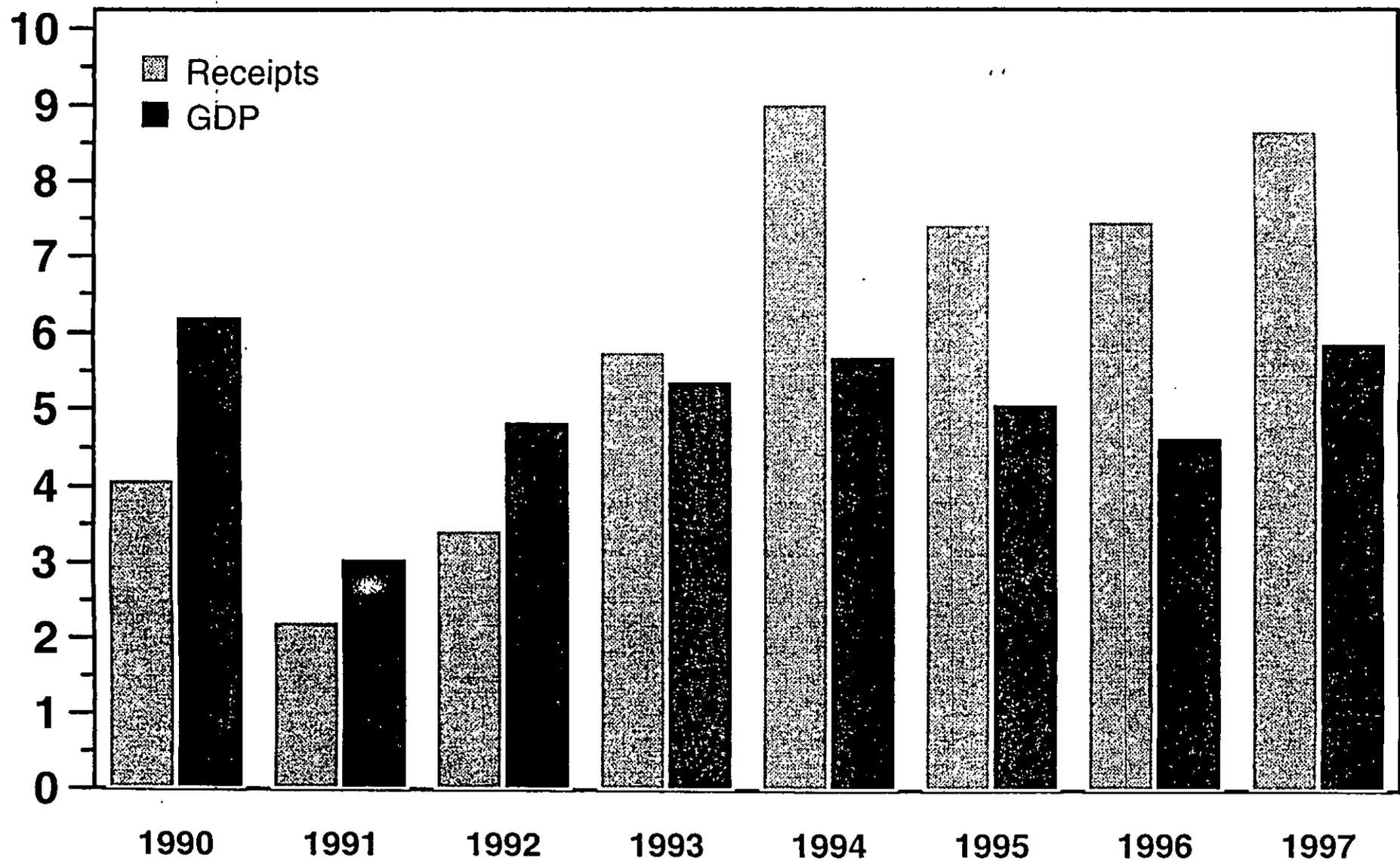
Receipts Grew Faster than GDP

Index, 1990 = 100



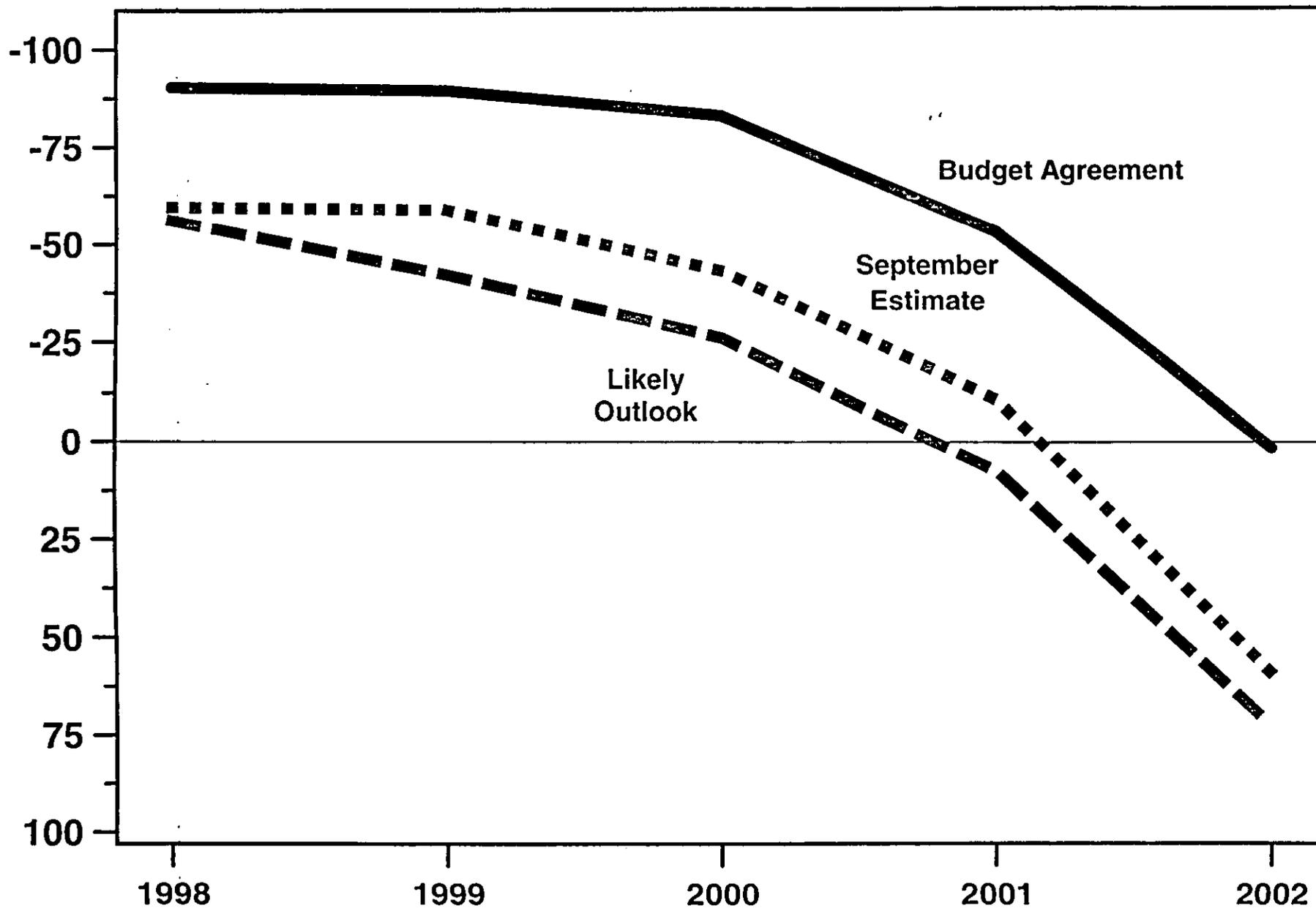
Receipts and Nominal GDP

ANNUAL % CHANGE



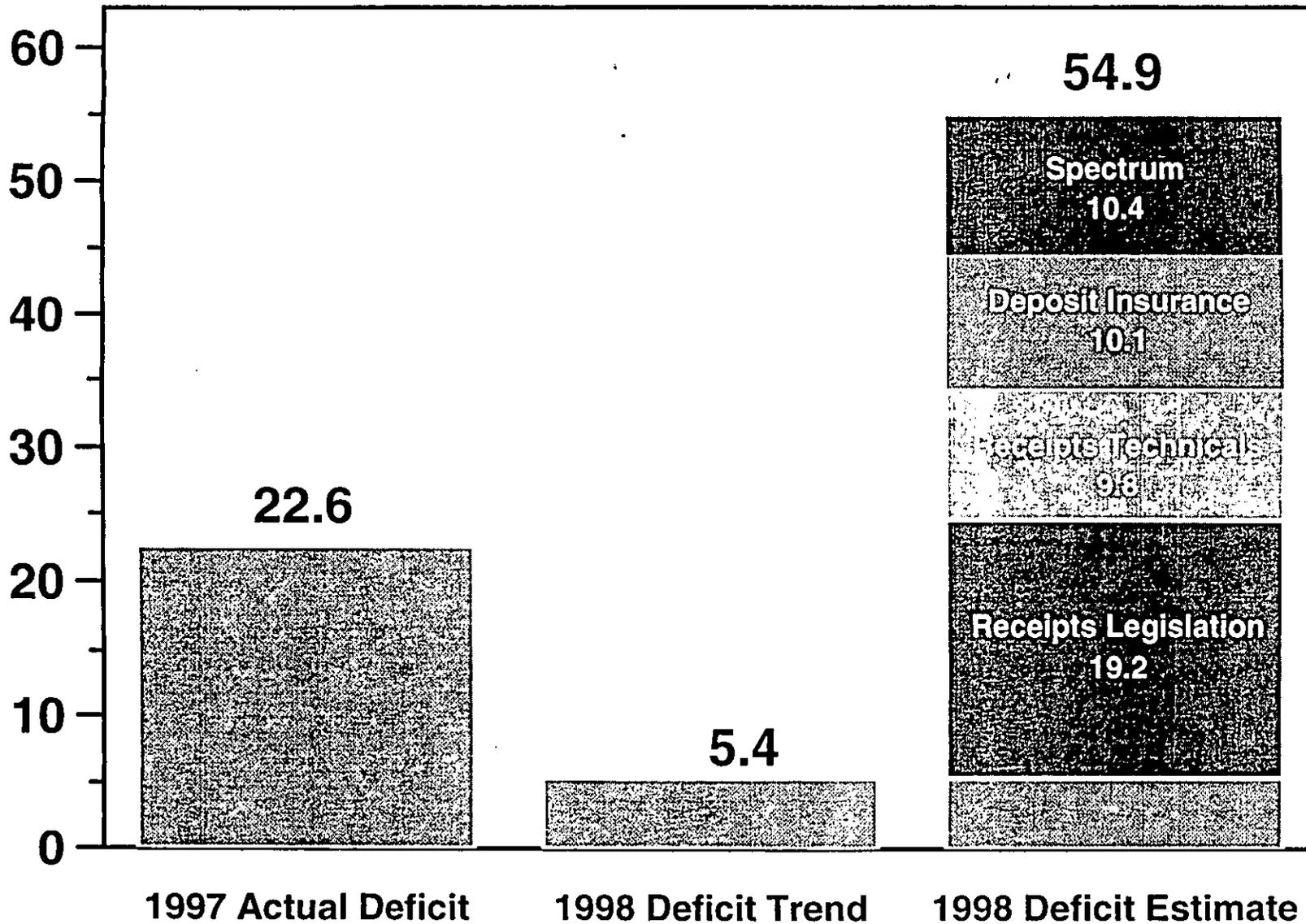
Changes in Estimates of the Budget Agreement

DEFICIT (-)/SURPLUS (+) IN BILLIONS OF DOLLARS



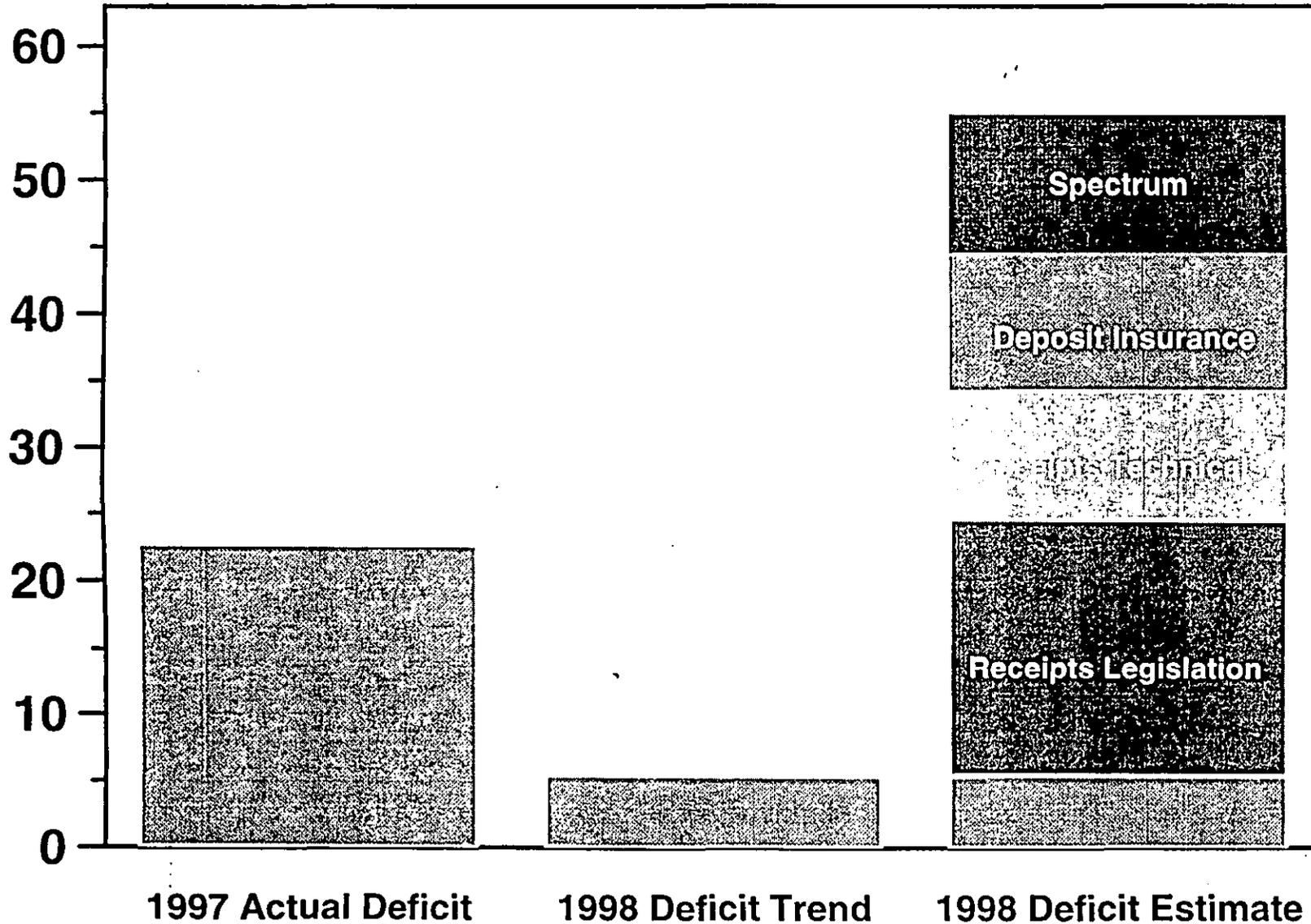
Why Does the 1998 Deficit Go Up?

BILLIONS OF DOLLARS



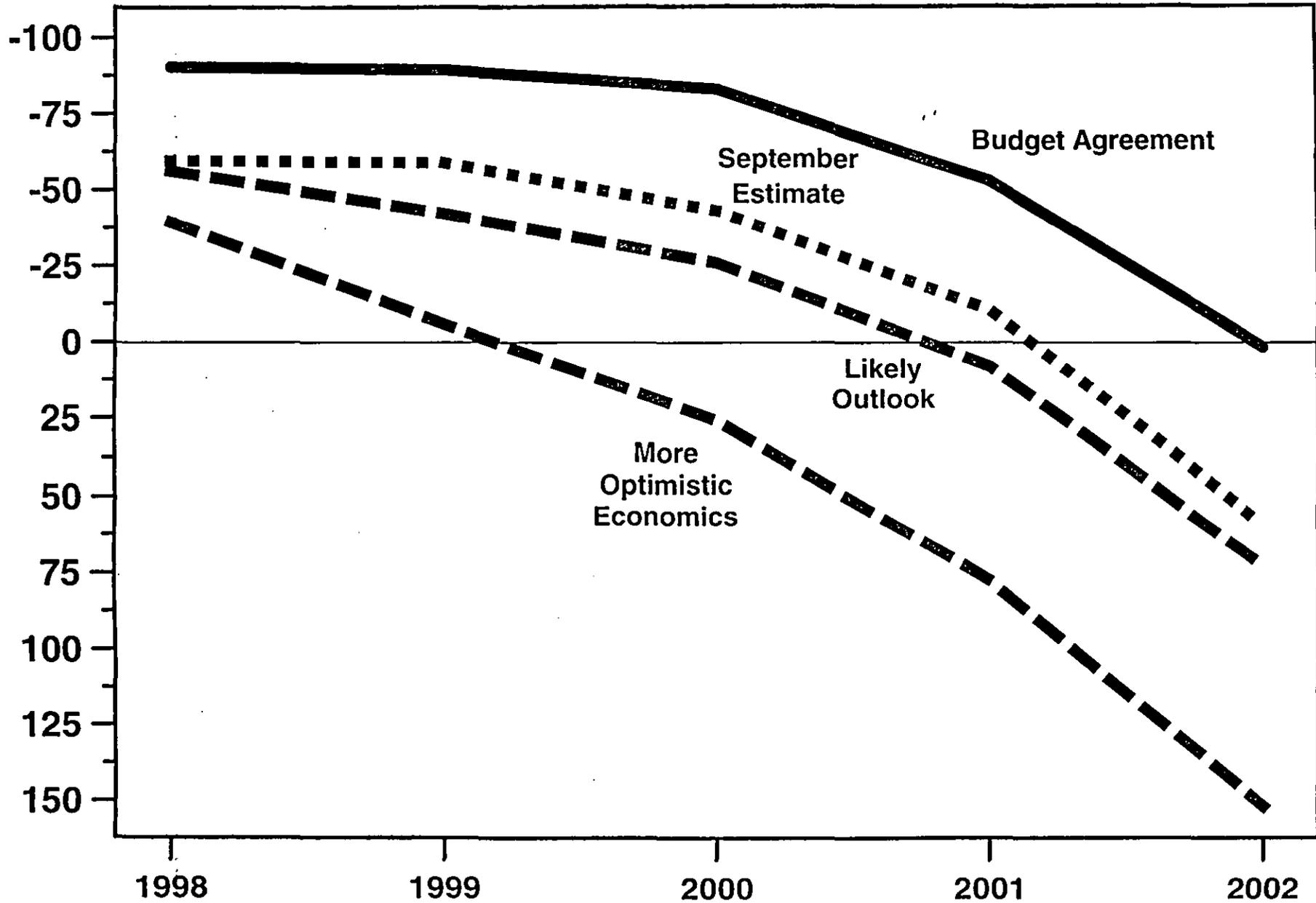
Why Does the 1998 Deficit Go Up?

BILLIONS OF DOLLARS



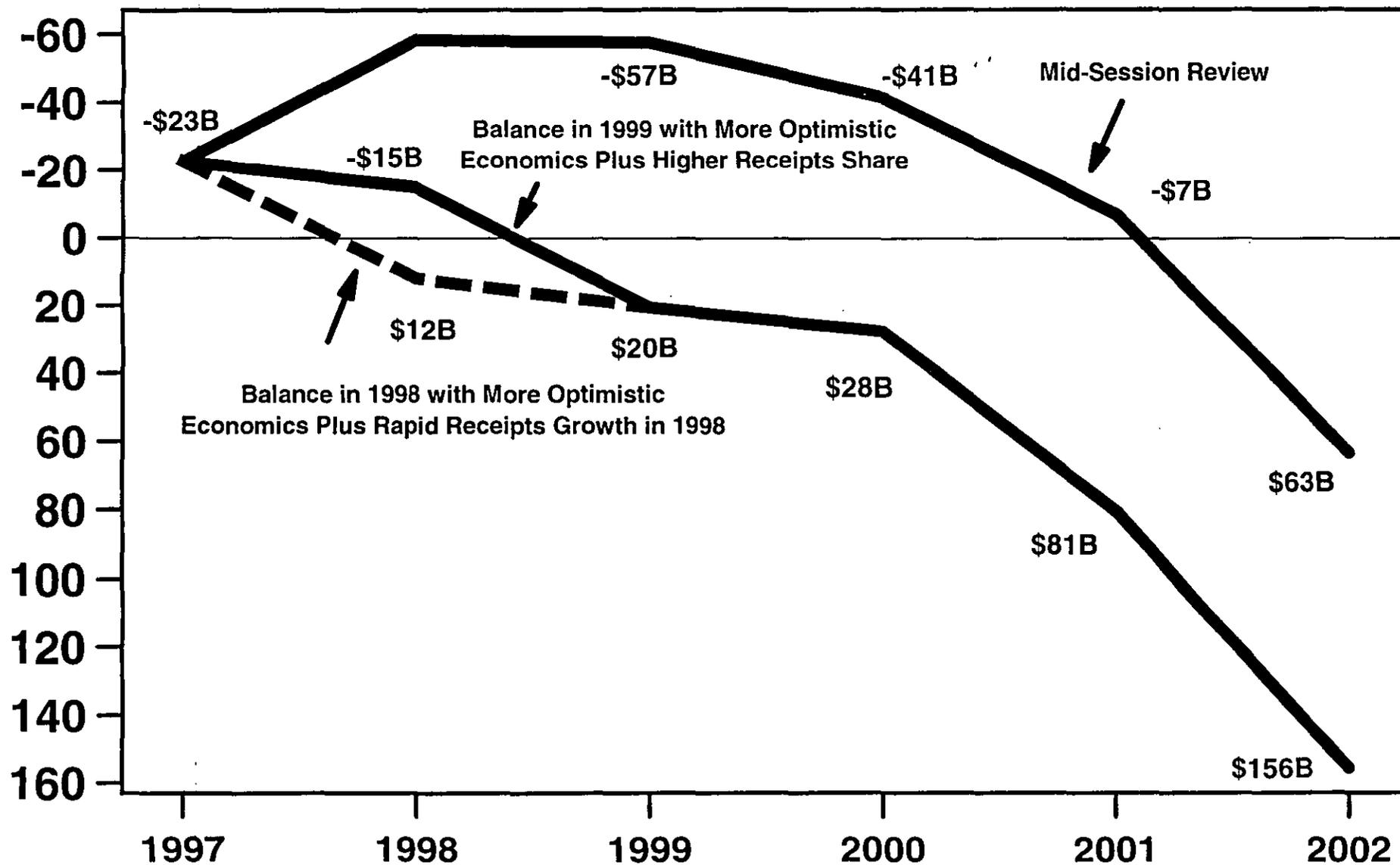
Changes in Estimates of the Budget Agreement

DEFICIT (-)/SURPLUS (+) IN BILLIONS OF DOLLARS



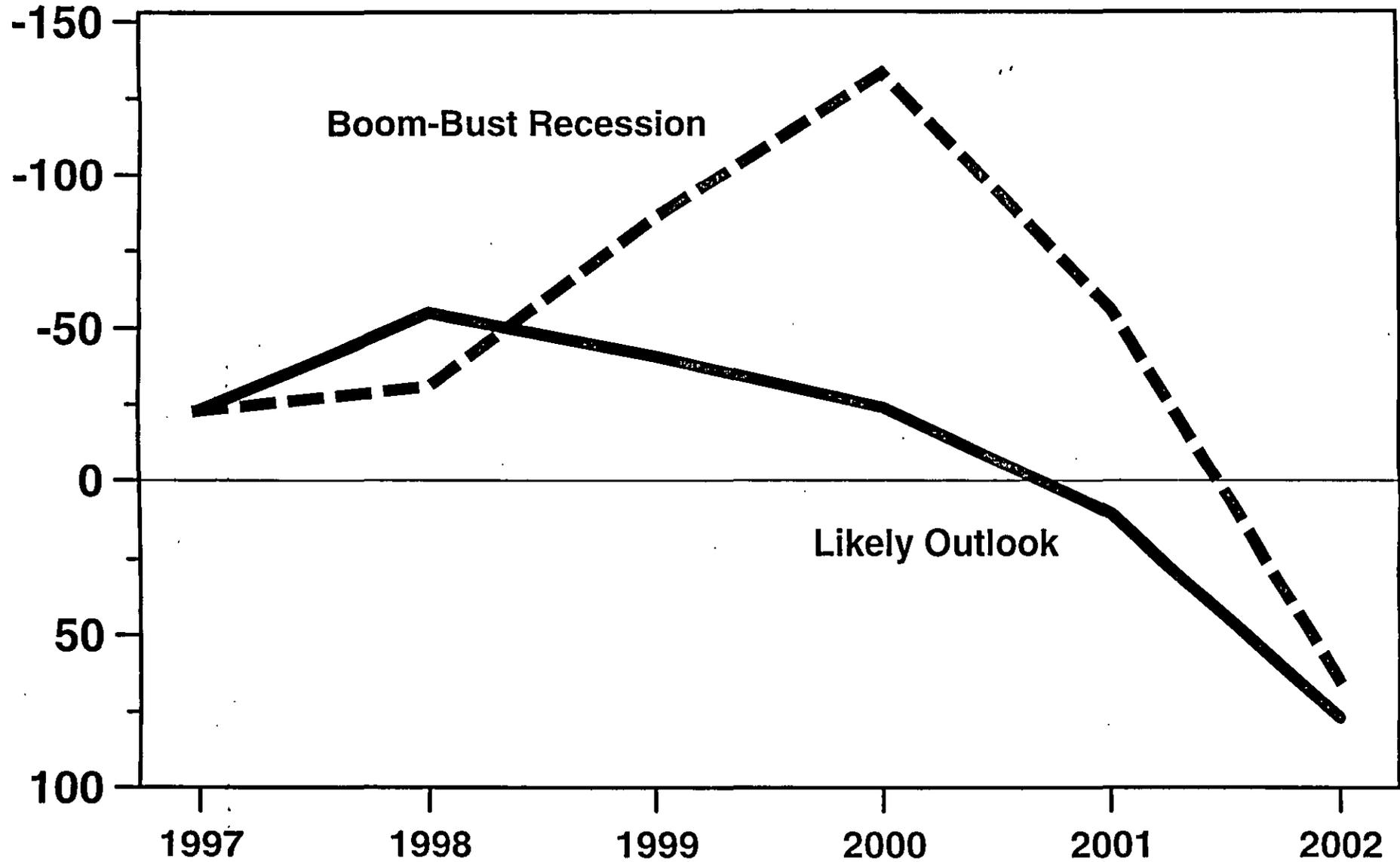
Balanced Budget in 1998 and 1999

SURPLUS (+)/DEFICIT (-) IN BILLIONS OF DOLLARS



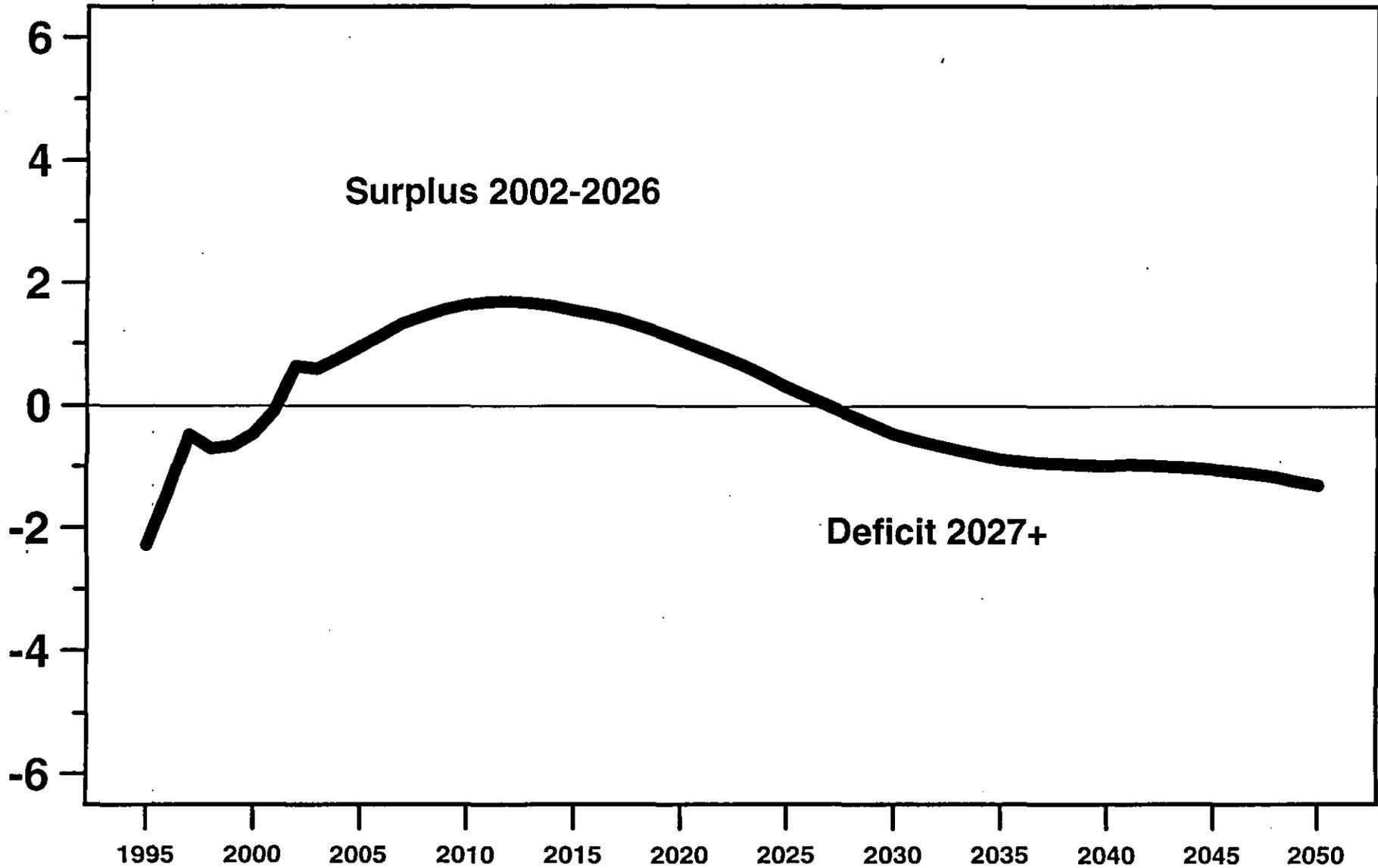
Impact of a Boom-Bust Recession

DEFICIT (-)/SURPLUS (+) IN BILLIONS OF DOLLARS



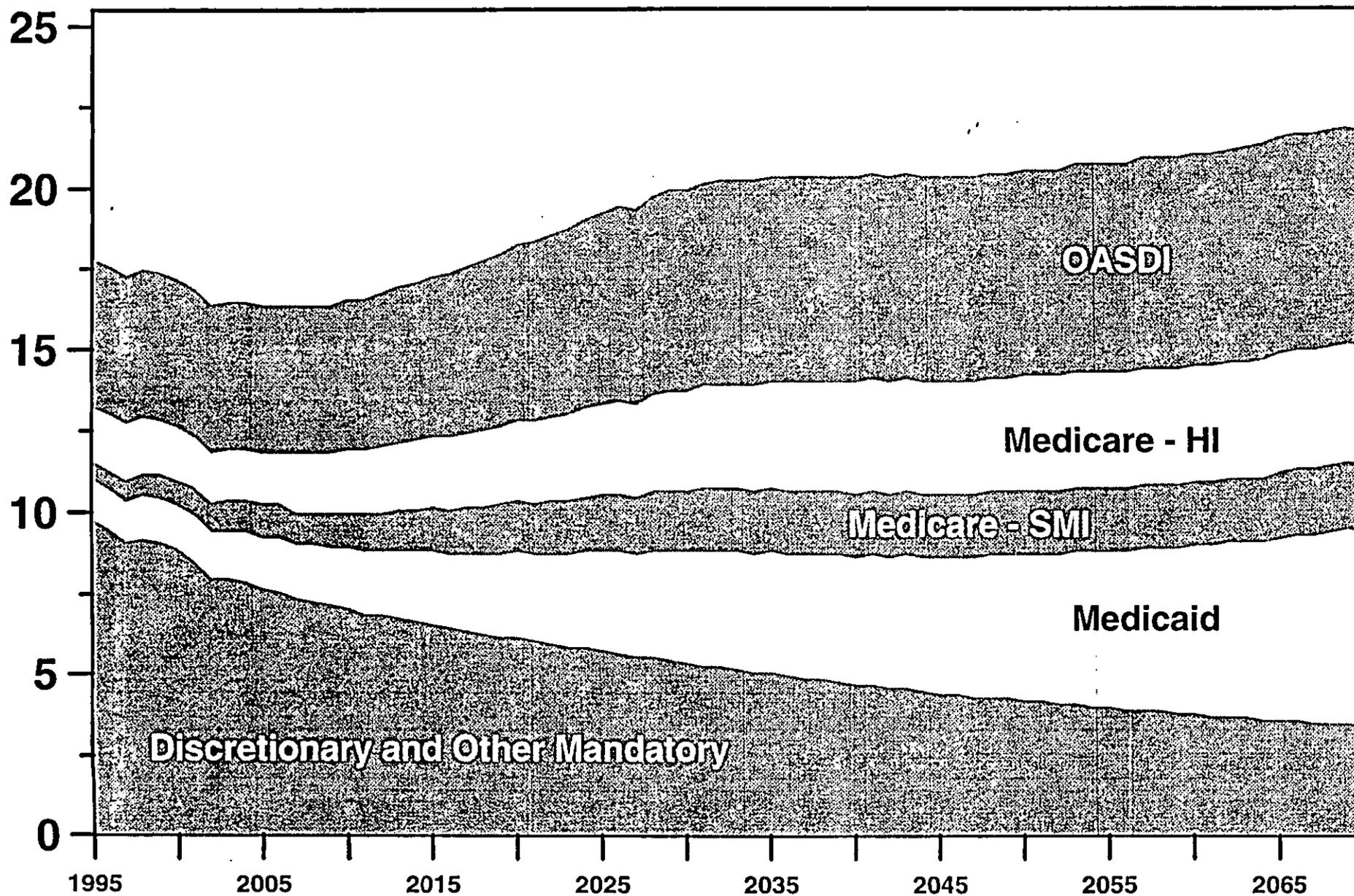
The Long-Run Outlook

DEFICIT (-)/SURPLUS (+) AS A PERCENT OF GDP



Total Outlays as a Percent of GDP

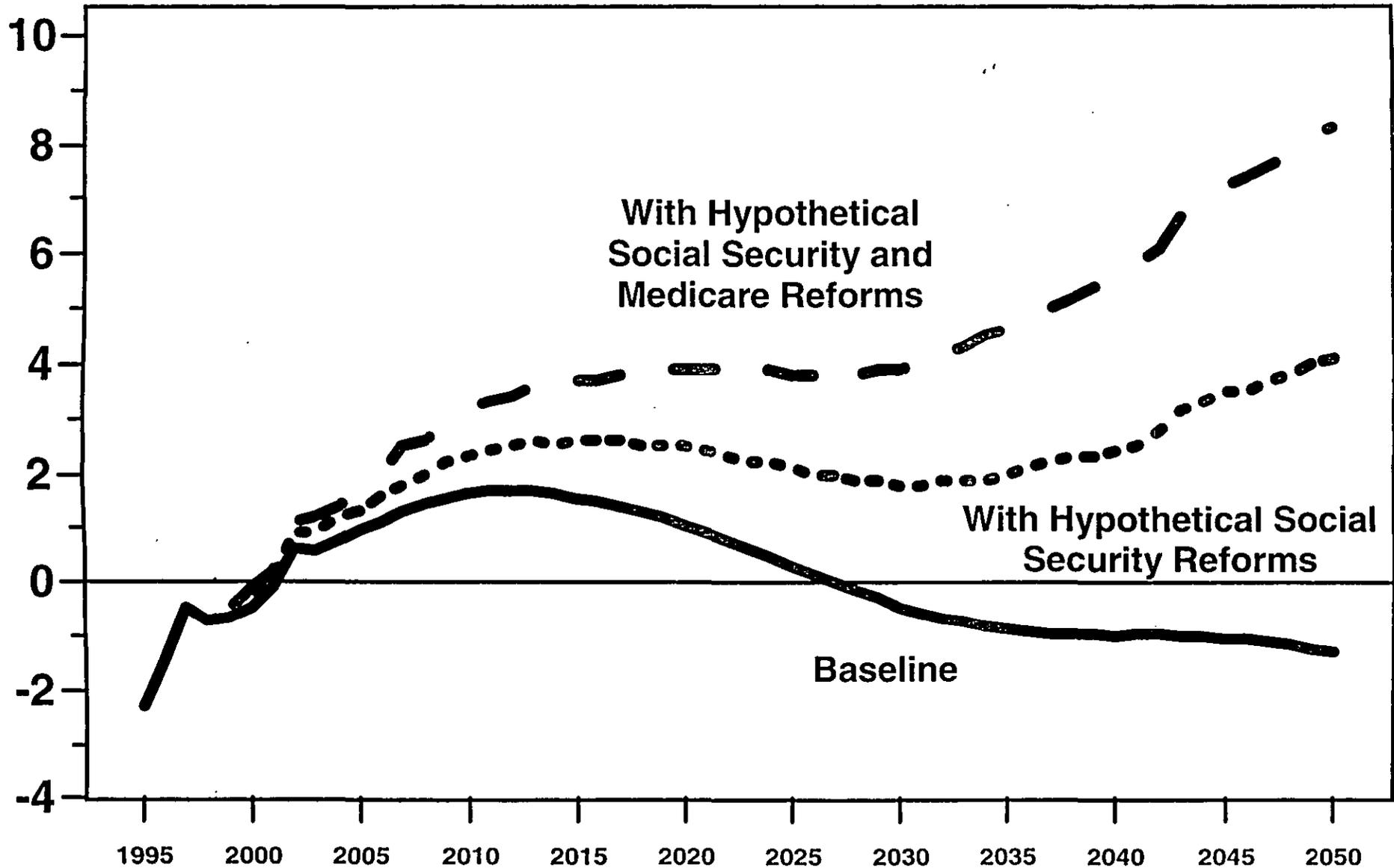
(Excluding Net Interest)



Medicare and Social Security outlays based on OMB economic assumptions, which differ from those in the Trustees' reports.

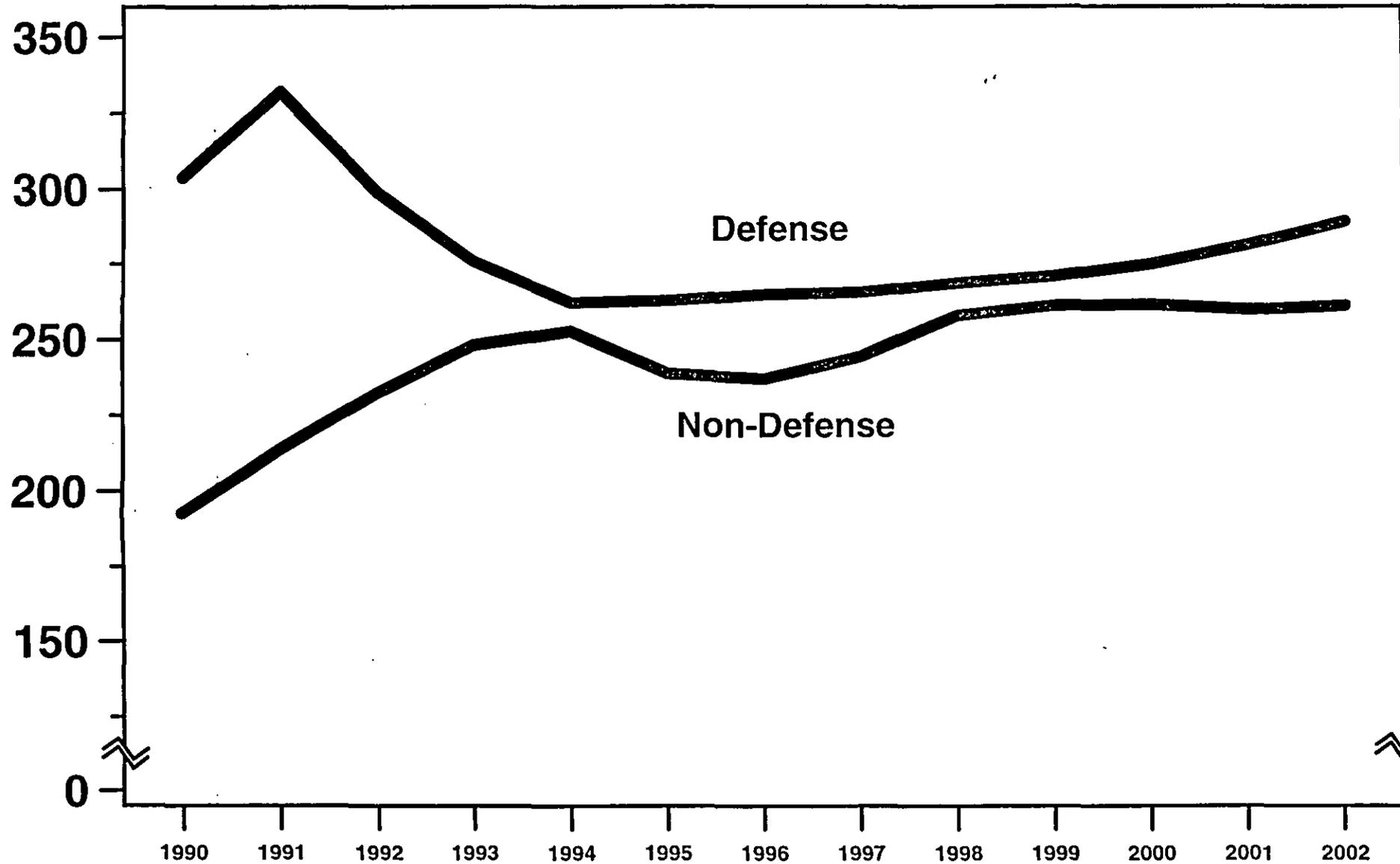
Effect of Social Security and Medicare Reforms

DEFICIT (-)/SURPLUS (+) AS A PERCENT OF GDP



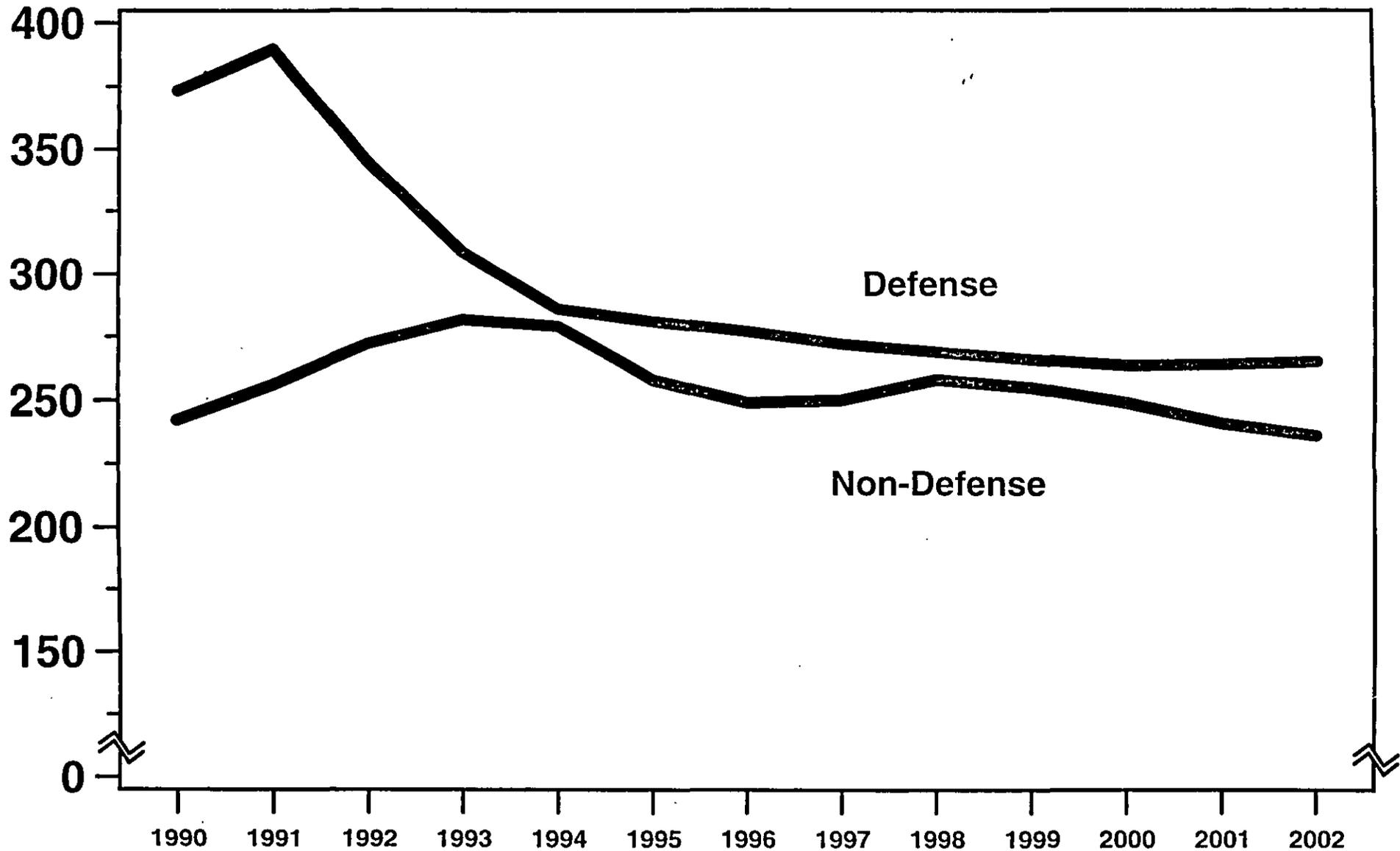
Trends in Discretionary Spending in Nominal Dollars

BILLIONS OF DOLLARS



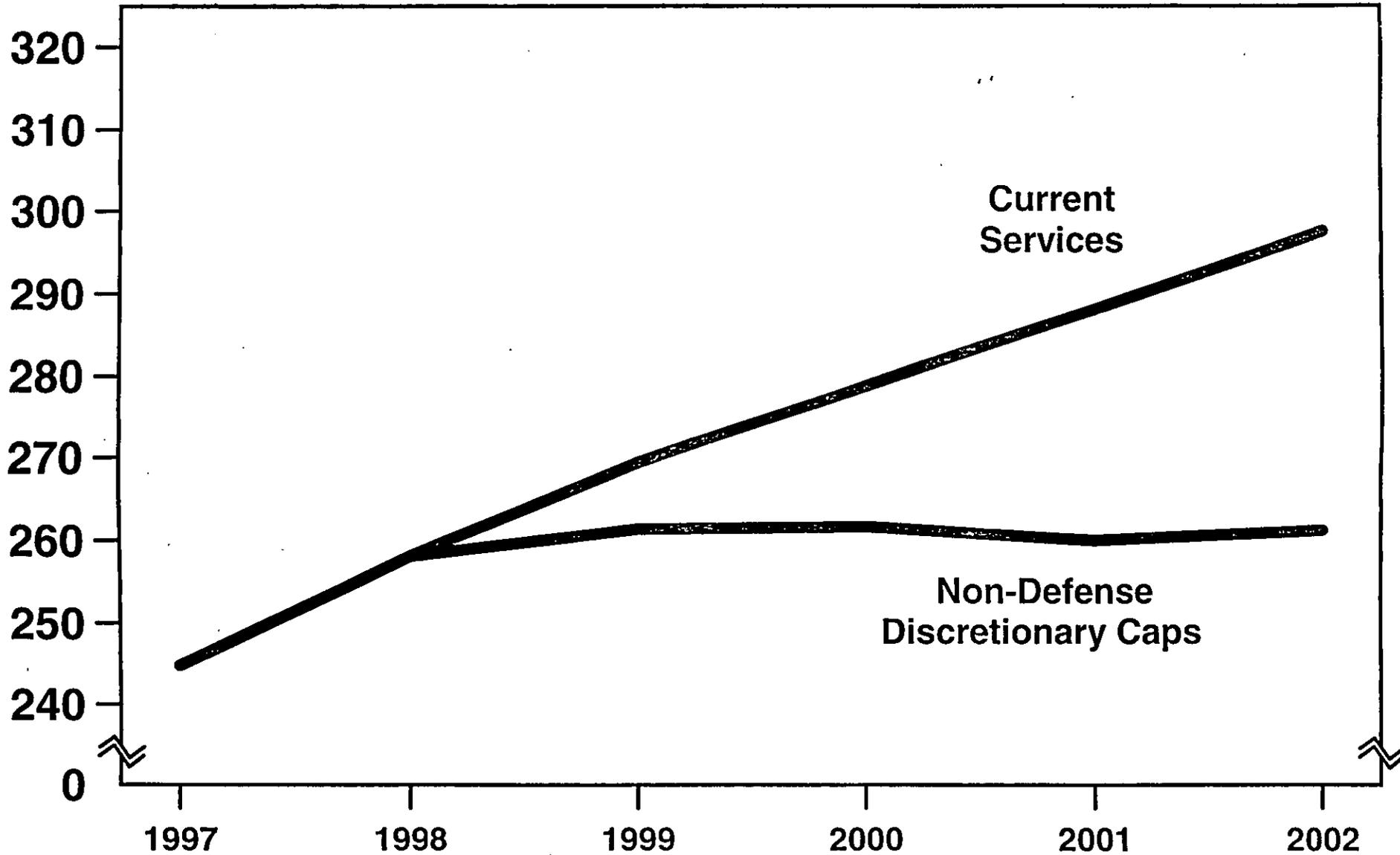
Trends in Discretionary Spending in Real Dollars

BILLIONS OF 1998 DOLLARS



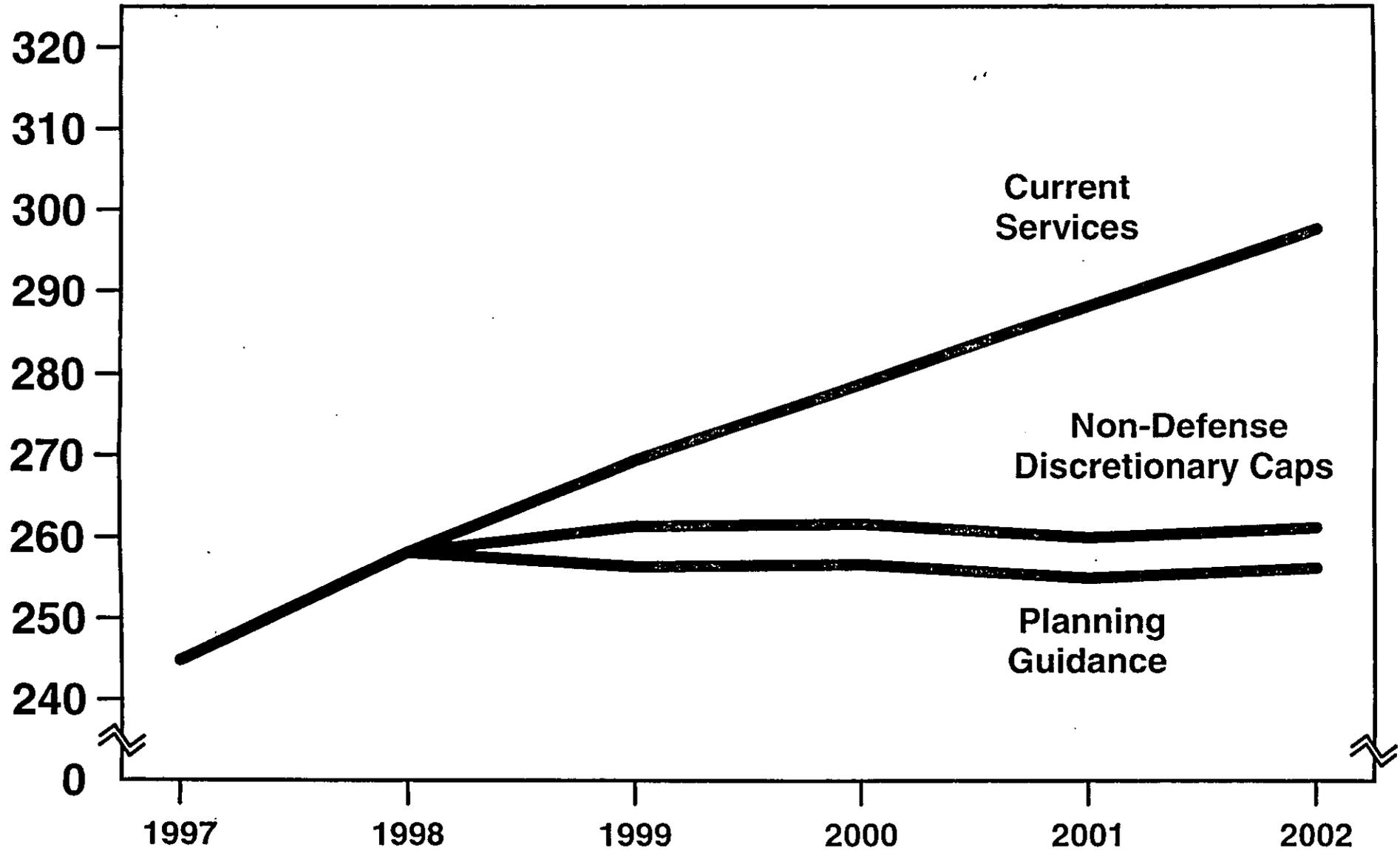
Non-Defense Discretionary Caps vs. Current Services (Budget Authority)

BILLIONS OF DOLLARS



Non-Defense Discretionary Caps, Current Services and Planning Guidance (Budget Authority)

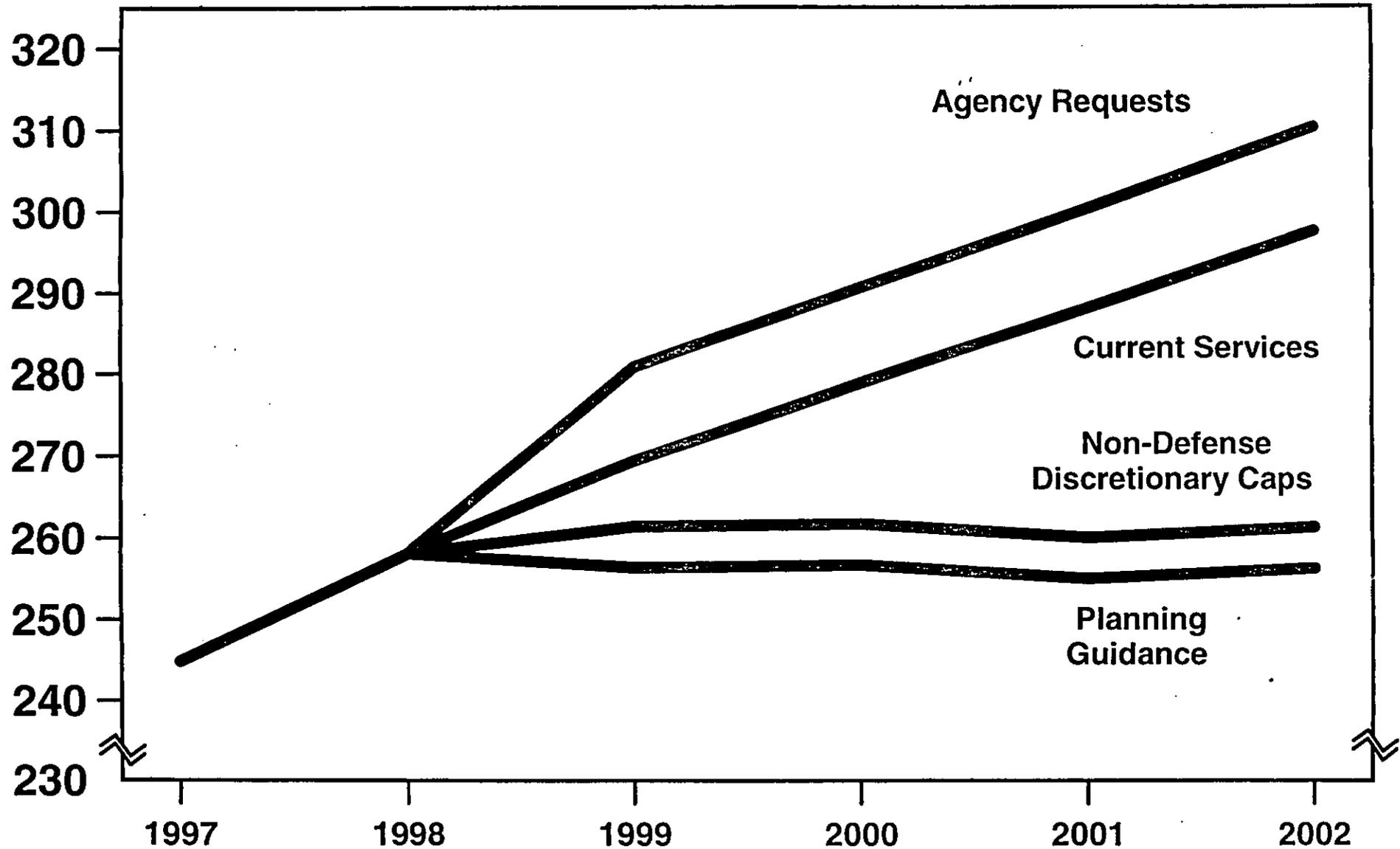
BILLIONS OF DOLLARS



Non-Defense Discretionary Caps, Current Services, Planning Guidance and Agency Requests

BILLIONS OF DOLLARS

(Budget Authority)



Budget materials - FY 99 generally

7

ACF, FCS, & SSA -- FY 1999 Budget
Discretionary Guidance and Agency Request Levels

Budgetary Resources in Millions	FY 1997	FY 1998		FY 1999		
	Enacted	Budget	Conference	Guidance	Request	Initiatives
HHS Administration for Children and Families & Administration on Aging						
LIHEAP *	1,215	1,000	1,000	936	1,000	
Refugee and Entrant Assistance	422	396	419	370	396	
Child Care & Development Block Grant	19	1,000	953	936	1,000	
Head Start	3,981	4,305	4,305	4,568	4,634	
Other ACF Services	1,383	1,194	1,313	1,118	1,214	
Violent Crime Trust Fund	20	99	93	93	-102	
Social Services Block Grant	120	0	-81	-81	0	
AoA Programs	830	838	861	785	963	
Supportive services (non-add)	301	301	310	286	311	
Meals (non-add)	470	470	482	446	549	
All Other (non-add)	60	68	57	53	50	
ACF/AoA Subtotal	7,969	8,832	8,842	8,725	9,308	0

* The FY 1999 advance appropriation for LIHEAP is \$1.1 billion.

USDA Food and Consumer Service

WIC	3,806	4,108	3,924	4,108	3,945	
Commodity Assistance Programs						
Soup Kitchens/Food Banks (TEFAP Admin)	90	45	45	27	45	
Commodity Supplemental Food Program	76	86	96	52	100	
Food Donation Programs for Selected Groups	141	141	141	85	131	
All Other	118	138	116	83	143	13
FCS Subtotal	4,231	4,518	4,322	4,355	4,364	13

Social Security Administration, Budget for Administrative Resources

Ongoing Operations and Automation Investment	6,134	6,285	6,169	5,934	6,477	
Additional CDRs (Discretionary Cap Adjustment)	310	290	290	240	240	
SSA Subtotal	6,444	6,575	6,459	6,174	6,717	0

36,000
 same slots;
 also some
 other things -
 e.g. quality
 set-aside
 910

Budget materials -
FY 99



Paul J. Weinstein Jr.

10/27/97 04:22:04 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Tentative FY99 Budget Process Schedule for Wednesday Meeting

Budget Schedule

1. The OMB Director's review through November. These are internal meetings.
2. Cross-Cuts potentially to occur the week prior to Thanksgiving.
3. Agency passbacks the week of Thanksgiving.
4. Agency appeals to the Director starting the first week of December.
5. Budget options presented to President mid-December.
6. Final NEC budget meetings with POTUS third week of December.

Message Sent To:

Bruce N. Reed/OPD/EOP
Michael Cohen/OPD/EOP
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Jose Cerda III/OPD/EOP
Christopher C. Jennings/OPD/EOP
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