



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D. C. 20503

THE DIRECTOR

December 19, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: FY-2001 Agency Appeals Meeting – INFORMATIONAL

On Monday, December 20, you are scheduled to meet with Secretary Albright, Secretary Shalala, and Secretary Riley to discuss their FY 2001 budget appeals. Attached you will find summaries of these appeals and our recommendations for resolving them.

We would recommend that you use this meeting as a listening session, reserving judgment on the final settlement levels until the economic team presents to you its recommendations for initiatives. Overall, the Secretary Shalala and Secretary Riley should largely be satisfied with the settlement levels we are recommending. Secretary Albright will likely continue to push for additional funding to address her concerns.

Health and Human Service
(in millions of dollars)

FY 2001

FY 1999	FY 2000	Current Proposal	Appeal	Total Potential Settlement
41,329	45,574	47,131	2,857	\$1,559 - \$1,831

Current Status: We have narrowed the HHS appeal to only three issues – NIH, Child Care, and Head Start. Apart from these items, we have agreed with HHS on a robust funding level of \$22 billion, four percent above the FY 2000 level. This level provides significant increases over FY 2000 for many priorities such as Ryan White (+\$125 million), mental health (+\$100 million), IHS (+\$200 million), and FDA (+\$165 million).

Outstanding Issues: Of the outstanding issues, we expect only NIH to be an issue that is difficult to resolve.

- **NIH:** The Secretary seeks a \$1.8 billion (ten percent) increase for NIH. As you know, over the past two years, the NIH budget has increased by \$4.3 billion.

You indicated last week that you wanted a credible increase for NIH within a balanced research initiative of about \$1.5 billion. OMB recommends an increase between \$376 million to \$648 million. At the lower level, the increase would provide inflationary costs as measured by the CPI. The higher level would provide inflationary costs at the more specific medical research inflationary level.

- **Child Care:** HHS has appealed for \$817 million in discretionary resources for the Child Care and Development Block Grant and \$1.8 billion in mandatory subsidy and early learning funds.

In our recommendations for initiatives, we will propose funding the entire discretionary subsidy appeal and \$600 million to create a new Early Learning Fund. This would increase total discretionary subsidy funding to \$2 billion and allow 215,000 new children to receive subsidies. While HHS knows that more funding is likely, they are not aware of the level we plan to recommend. Unlike past years when we have proposed mandatory subsidy funds, this year we are recommending additional funding on the discretionary side only, where we are more likely to be successful with the Congress. During appropriations negotiations last month, Senator Specter committed to including \$2 billion in his initial HHS funding level.

- **Head Start:** HHS has appealed for \$249 million above the current proposal, for a total of \$6.2 billion.

The proposed settlement level would provide an additional \$366 million over the current proposal and a \$1 billion increase over FY 2000. At a total funding level of \$6.3 billion in FY 2001, Head Start could serve about 950,000 children, including at least 54,000 Early Head Start children. DPC and NEC concur with the recommended funding level, which would get us more than half of the remaining distance to our goal of one million children by FY 2002.

International/Department of State
(in millions of dollars)

FY 2001

FY 1999	FY 2000	Current Proposal	Appeal	Total Potential Settlement
23,383	20,581*	21,302	24,000	924

*Excludes \$1,825 million for Wye River Agreement

Current Status: The State Department continues to seek approximately \$24 billion, or about \$3 billion above OMB's current proposal. The current proposal for international affairs is \$21.1 billion. This level is 2.5 % above FY 2000 enacted and includes substantial increases above FY 2000 enacted levels for UN Peacekeeping (+\$239 million), debt forgiveness (+\$77 million), the Global Environment Facility (+\$142 million), embassy security (+150 million), Eximbank (+\$122 million), and international family planning assistance (+\$140 million). We have been working with the Department over the last weeks to prioritize potential increases.

Outstanding Issues: Of the State Department's \$3 billion appeal, we would recommend a settlement package of \$919 million to fund the Administration's highest international priorities. In addition, as noted above, we will be providing you recommendations regarding additional funding for an international spending that will help to satisfy the Secretary's priorities, as well as those of White House agencies. In addition, while you have not yet decided on the final initiative package a significant portion of the proposed \$500 million international initiatives would fund State programs if you are comfortable with the allocation we presented to you last week. At this potential funding level, international funding would be approximately ten percent over the levels for FY 2000 that were negotiated last month.

The recommended settlement would include:

- **Overseas Security for American Personnel.** The Department has appeal for an additional \$600 million for construction of new embassies overseas, as well as about \$700 million in newly identified additional funding requirements to complete security up-grades that were begun last year with the funding Congress provided after the embassy bombings in Kenya and Tanzania.

Our proposed settlement would provide the requested additional \$200 million to pay for the

- most urgent additional requirements for security upgrades at US missions abroad. In addition, we anticipate a FY 2000 supplemental to pay for construction of two new US missions in Pristina and Sarajevo, both high priorities of the Department that constitutes \$209 million of their appeal.

- **State Operations.** The Department has appealed for \$310 million for operating expenses to hire new staff, complete the integration of USIA into the State Department and cover inflation and other expenses.

Our proposed settlement would include an additional \$70 million for State operating expenses to allow the Department to maintain current services.

- **Foreign Assistance.** The Department has appealed for about \$1 billion, including \$310 million for AID development assistance, \$245 million for Eastern Europe, \$175 million for the Independent States, \$130 million for Economic Support Funds.

Our proposed settlement would provide \$463 million for the following programs:

- \$110 million for the Economic Support Fund, the Secretary's highest foreign assistance priority;
 - \$140 million for development assistance;
 - \$58 million more for international environment initiatives;
 - \$75 million for Kosovo and Southeastern Europe;
 - \$50 million for the NIS; and
 - \$48 million for anti-terrorism assistance
- **Other programs.** In addition to the above, we intend to provide additional funding to Eximbank to support US exports, plus more assistance for humanitarian programs. Finally, we are also proposing about \$60 million to replace the US mission to the UN.

Our recommended settlement is consistent with the proposal we will make to you on the allocation of the international initiative. Any additional funding for the State Department over these levels would come at the expense of funding other initiatives. If such funding was available, there seems to be consensus that we should fund additional Eastern European activities. In addition, the State Department likely would recommend additional funds for operating expenses.

Department of Education
(in millions of dollars)

FY 2001

FY 1999	FY 2000	Current Proposal	Appeal	Total Potential Settlement
33,520	35,703	35,703	3,792	4,610

Current Status: We passed back a funding level to the Education Department that current proposal maintains discretionary spending at the FY 2000 level. At this level, we would cut lower priority programs to fund new initiatives proposed under the ESEA reauthorization and provide increases to a small number of high priority programs. The Education Department has appealed for a \$3.8 billion increase in Education's discretionary spending over the current proposal, mostly concentrated in elementary and secondary education.

We have reserved \$2.4 billion for base programs financed with offsets we have proposed in past budgets. These offsets have no impact on student borrowers and promote efficiency in the student loan programs. To preserve our ability to work with the NEC and DPC to fund Administration priorities within available resources, we have not made the Department aware that these funds were set aside and we have not yet negotiated a settlement of this appeal.

Outstanding Issues: In addition to distributing the \$2.4 billion discussed above, we will also be recommending that \$2.2 billion from the initiative fund be allocated to the Education Department to undertake a new school renovation initiative and to help close the opportunity gap. To complement your tax credit proposal, we recommend a \$1.5 billion emergency school renovation proposal. This proposal would support \$8 billion in renovation in nearly 10,000 of the poorest schools, including the 113 school districts serving children living on Indian lands.

In total, our recommended settlement level would increase Education's spending by about \$4.7 billion over FY 2000. This would represent the largest proposed increase for the Department since its inception.

To support your ESEA reauthorization proposal, most of the recommended increases are in elementary and secondary education and include:

- **Class Size Reduction.** \$1.75 billion (an increase of \$250 million over the current proposal) to support 47,200 teachers, assuming the Administration's proposed match.
- **After School/Summer School.** \$1 billion (an increase of \$475 million over the current proposal) for After school, more than doubling the funds for the 21st Century Community Learning Centers program and universal after-school or summer schools programs in all 7,000 low-performing schools nationwide.

- **Accountability and Title I.** \$8.4 billion (an increase of \$216 million over the current proposal and \$416 million over FY 2000) for Title I grants to school districts. This includes \$250 million for the Accountability Fund (an increase of \$116 million over FY 2000) which helps States and school districts put accountability systems in place and turn around failing schools. Our recommendation also funds a new Rewards and Recognition program to reward States for implementing accountability systems quickly and for publishing school report cards.
- **Teaching to High Standards.** \$1 billion (an increase of \$497 million over the current proposal) to support sustained and intensive high-quality teacher professional development, with an emphasis on the core academic subjects. Included in this total are a number of new teacher quality initiatives.
- **Pell Grants.** The maximum Pell Grant award is increased by \$200 to \$3,500, the largest increase requested by the Administration.
- **Special Education.** \$6.4 billion (an increase of \$355 million over the current proposal), representing the largest increase requested by this Administration.

MANDATORY INITIATIVES
(Budget authority in billions of dollars)

Initiatives:	<u>2000</u>	<u>00-04</u>
Child care and Early Learning Fund.....	1.8	10.5
Health care:		
Medicare buy-in.....	0.0	1.6
Cancer clinical trials.....	0.0	0.8
Kennedy-Jeffords.....	0.1	1.1
Other.....	0.2	2.7
Subtotal, health care.....	0.3	6.1
Provide funding for superfund orphan shares.....	0.2	1.0
Extend welfare to work.....	1.0	1.0
Other.....	1.4	4.9
Subtotal, mandatory initiatives.....	4.6	23.5
Tobacco financed discretionary:		
Public health initiative.....	0.2	1.0
Possible self-financed initiatives:		
Food stamps for immigrants.....		
UI reform proposal.....		
Total, initiatives.....	4.8	24.5

OTHER MANDATORY INITIATIVES
(Budget authority in millions of dollars)

	<u>2000</u>	<u>00-04</u>
New initiatives:		
Agriculture EZ/EC proposal.....	15	75
Extend 4 month student loan consolidation fix.....	172	172
Independent living (HHS).....	40	190
Elderly housing vouchers.....	100	500
NDNH enhancement.....	40	40
Wildlife Habitat Incentives (WHI).....	10	50
Farmland Protection Program (FPP).....	28	138
Cooperator Export Program.....	30	150
Reallocate rural development & research funds.....	--	180
Increase impact aid to Guam.....	5	25
Eliminate social services block grant reduction.....	485	485
Return to work proposals (ticket and demo):		
SSI.....	--	4
DI.....	1	52
Subtotal, new proposals.....	926	2,061
Subtotal, other mandatory initiatives.....	1,445	4,934

OTHER MANDATORY INITIATIVES
(Budget authority in millions of dollars)

	2000	00-04
Reproposals:		
Fund new Urban Empowerment Zones.....	150	750
Reauthorize NAFTA-TAA for five years and other TAA amendments.....	138	737
Expand cover-over of distilled spirits tax to Puerto Rico and Virgin Islands.....	46	230
Increase Environmental Quality Incentive Program.....	100	500
Forest Service payments to States de-coupling	25	219
BLM timber payments to States delinkage.....	6	56
Recreation/entrance fees (DOI/USDA).....	--	58
Pay full VA benefits for Filipinos residing in the U.S....	5	25
Charge fees to lenders participating in VA's home loan program to fund information technology improvements:		
Increased technology spending.....	5	15
Fees.....	-5	-15
Shift St. Lawrence Seaway mandatory.....	13	67
Conforming railroad Social Security equivalent benefits to Social Security.....	36	231
Subtotal, repropoals.....	519	2,873

OFFSETS
(Budget authority in billions of dollars)

	<u>2000</u>	<u>00-04</u>
Tobacco.....	-7.0	-49.1
Mandatory offsets for discretionary.....	-8.7	-16.8
Other offsets:		
Health care.....	-0.1	-4.3
Student loans.....	-2.0	-4.3
Other.....	-0.6	-3.6
Total, offsets.....	-18.5	-78.1

TOBACCO RECEIPTS AND THEIR USES
 (Revenues or budget authority in billions of dollars)

	<u>2000</u>	<u>00-04</u>
Sources		
Impose 50 cent excise tax (10/1/99).....	6.0	31.5
Accelerate current law 15 cents increase (10/1/99).....	1.0	1.6
Medicaid recoupment	<u>0.0</u>	<u>16.0</u>
Total, sources	7.0	49.1
HHS proposals		
Begin recoupment in 2000.....	5.0	25.0

USES OF TOBACCO REVENUES AND SAVINGS
 (Revenues or budget authority in billions of dollars)

	2000	00-04
Use of revenues		
DOD.....	1.3	6.5
VA.....	3.6	18.0
OPM.....	1.9	9.5
Fund tobacco control		
NIH.....	0.5	2.5
CDC, FDA.....	0.1	0.5
Subtotal use of revenues.....	7.4	37.0
Use of Medicaid recoupment		
Tranch I - drug grants etc.....	0.0	8.0
Tranch II:		
Child care early learning.....	a/	2.4
Discretionary public health.....	0.2	1.0
Medicare Buy-In.....	0.0	1.5
Cancer clinical trials.....	0.0	0.8
Subtotal, use of recoupment	0.2	13.7
Total, uses.....	7.6	50.7

a/ The 2000 cost of child care/early learning is to be paid for by non-tobacco offsets

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FY 2000 DISCRETIONARY BUDGET STATUS

(Budget authority in billions of dollars)

	Appeal	Settlement
Available resources.....		5.2
Agencies likely to settle.....	4.1	-0.7
Transportation		
Treasury		
Legal Services Corporation		
NEA / NEH		
NSF		
OPM		
SBA		
SSA		
Other small agencies		
Settlement possible.....	5.0	-0.6
Agriculture		
EPA		
FEMA		
Interior		
Judiciary		
Justice		
NASA		
Presidential appeals likely.....	23.7	-1.1
Commerce		
Education		
Energy		
HHS		
HUD		
Labor		
State / International Affairs		
Veterans		
Available resources after settlement of appeals.....	---	2.9
Initiatives.....		5.2 to 5.9
Education and training		
Health		
Urban, Empowerment and Welfare Reform		
Environment		
National Service		
Technology		
Tobacco		
Women, Children, and Families		
Crime		
Remaining problem.....		2.3 to 3.0

Remaining Funding Issues
(BA in millions of dollars)

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	FY 1998	FY 1999	FY 2000			Proposed Final
			OMB Passback	Appeal	Potential Settlement	
SETTLEMENT POSSIBLE:						
AGRICULTURE.....	14,611	14,475	14,381	608	---	14,381

County Office Funding. USDA seeks to delay a long-standing NPR plan to consolidate its county offices and reduce staffing. This plan was delayed last year because of concerns about implementation of the emergency spending program. USDA seeks an additional \$463 million for county office salary and expenses including computer upgrades. While the consolidation and staff reductions are unpopular, the alternative is to propose funding for offices that we have already announced would be streamlined.

The OMB passback includes increases over FY 1999 for WIC, food safety, rural development and the Forest Service.

EPA.....	7,361	7,590	6,932	614	50	6,982
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While EPA appealed for \$614 million, we have been quite close to settling open issues with an add of \$50 million for an agency operating program.

However, CEQ has raised concerns that the topline funding for EPA will be seen as inadequate by the environmental community. The decline is related to a lower funding request for the Clean Water State Revolving Fund (CWSRF). Policy resources are not the major concern raised by CEQ, but rather the impact on the EPA topline. The CWSRF level is consistent with Administration goals for adequate fund capitalization and phase-out of Federal assistance by 2005.

FEMA.....	848	827	838	277	60	898
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We still hope to resolve the FEMA appeal at a level close to the recommended settlement amount. James Lee Witt has agreed to repeat our past policy to fund emergencies on a contingency basis rather than under the discretionary caps. However, he would like to increase the contingency funding to a level that may lead the appropriators to argue that we have increased our use of emergency funding.

FEMA would use the additional \$177 million to fund worthy initiatives to advance pre-disaster mitigation policies. We are trying to avoid stirring up an emergency funding issue, while still funding at least a portion of the pre-disaster mitigation within the caps

Remaining Funding Issues
(BA in millions of dollars)

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	FY 1998	FY 1999	FY 2000			Proposed Final
			OMB Passback	Appeal	Potential Settlement	
INTERIOR.....	7,523	7,713	8,100	2,191	50	8,150

Partnership for America's Resources (PAR). The major Interior appeal item is a substantial initiative to increase our efforts to protect or acquire green spaces, the Partnership for America's Resources (PAR). The Department proposes a \$2 billion a year program of new mandatory spending (not offset) which would greatly expand Federal activity on a broad range of land stewardship programs. CEQ is recommending a substantial initiative.

All other Interior appeals issues could be resolved with the \$50 million in the potential settlement.

JUDICIARY.....	3,194	3,365	3,639	268	268	3,907
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The recommended level funds the Judiciary at the planning guidance level, equal to the FY 2000 column in the Judiciary's FY 1999 budget request. This level represents an 8 percent increase over the 1999 enacted level, but is \$268 million below the agency request. Under the recommendation, the President's budget would include the Judiciary's full request, while separately including some form on "negative allowance" with the discretionary spending totals.

JUSTICE.....	17,303	18,035	17,390	762	350	17,740
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COPS II. Resolution of the Justice appeal will hinge on decisions about the COPS II initiative. With the likely funding of COPS II, we expect to be able to resolve the Justice issues.

NASA.....	13,638	13,665	13,467	348	--	13,467
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NASA has appealed for \$348 million in FY 2000.

OMB's recommendation for NASA provides \$150 million in FY 2000 for the International Space Stations (\$1 billion over 5 years), as well as protecting priorities in space and earth science, space transportation technology, and aviation safety research, and reallocated funds for a number of high priority initiatives such as Triana, Digital Earth, and the interagency IT initiative.

Remaining Funding Issues
(BA in millions of dollars)

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		<u>FY 2000</u>			
<u>FY 1998</u>	<u>FY 1999</u>	<u>OMB</u>	<u>Potential</u>	<u>Proposed</u>	
		<u>Passback</u>	<u>Appeal</u>	<u>Settlement</u>	<u>Final</u>

NASA (cont'd)

The science community is likely to criticize space station research equipment deferrals that would be necessary at the OMB recommend level, and NASA astronauts and foreign partners are likely to criticize the proposed deletion of the habitation module. We will continue to work with NASA and would most likely be able to settle on FY 2000 levels if we provide additional outyear resources.

Remaining Funding Issues
(BA in millions of dollars)

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	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>			<u>Proposed Final</u>
			<u>OMB Passback</u>	<u>Appeal</u>	<u>Potential Settlement</u>	
<u>PRESIDENTIAL APPEALS LIKELY:</u>						
COMMERCE.....	4,215	5,031	6,338	913	400	6,738

Decennial Census Funding Level. DOC has appeal for an additional \$420 million, arguing that this additional funding is needed to successfully implement a census using sampling. At the recommended level of \$4.5 billion, the current census is already 1/3 more expensive in real dollars than the 1990 Census. We are working with DOC on a compromise funding increase.

Other Programs. DOC has also appealed for \$493 million in other programs, with a proposed technology initiative for \$229 million the largest item. The initiative would be duplicative of programs already underway at Labor, HHS, and Education.

EDUCATION.....	29,559	33,119	32,945	4,666	---	32,945
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Secretary Riley has appealed for \$4.7 billion above the OMB recommended level.

Education would increase the cost of existing initiatives – including class size – and undertake substantial new efforts in the areas of teacher quality, accountability, and a new pre-school program.

At the core of the Department's argument is the concern that a topline which fails to match the large increases in past budgets will be viewed as a lowering of education as an Administration priority. At the recommended funding level, this would be our first budget with small or no increases in Pell, Title I or other base Education programs.

The recommended level would continue to fund class size and school construction at the levels proposed last year for FY 2000.

This is an area where a number of items are likely to be funded as initiatives, but far from the \$4 billion increase sought by the Department.

ENERGY.....	16,710	17,309	17,690	1,197	150	17,840
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DOE has appealed for an additional \$1.2 billion for: a new \$350 million environmental programs initiative to accelerate cleanup efforts; an additional \$50 million for counter intelligence and critical infrastructure initiatives; and \$100 million to fill the Strategic Petroleum Reserve.

Remaining Funding Issues
(BA in millions of dollars)

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<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>			
		<u>OMB</u> <u>Passback</u>	<u>Appeal</u>	<u>Potential</u> <u>Settlement</u>	<u>Proposed</u> <u>Final</u>

ENERGY (cont'd)

Overall, DOE's proposal would increase funding for environmental cleanup by 8 percent and science by 9 percent over enacted. The increase in science would be used primarily to develop supercomputers for science applications. Finally, the appeal would allow DOE to conduct nuclear and fossil energy research at levels above enacted.

At the potential settlement level, we would propose adding close to \$150 million to increase funding to reduce risk from Russian nuclear missiles and accelerate DOE's environmental cleanup. Funding would be increased for climate change research, but fossil and nuclear energy research would be below the FY 1999 enacted level.

HHS.....	36,119	40,309	40,211	4,640	300	40,511
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The HHS appeal will be difficult to settle. Last year's NIH growth has truly squeezed other areas within HHS. Our proposed levels shift a significant share of HCFA administrative funding to the mandatory side, funded by \$1.3 billion in Medicare and Medicaid reductions. This is a controversial proposal. Funding for Child Care would be continued from last year and Head Start would remain in FY 2000 on course to reach 1 million children.

Current levels do not provide funding at last year's level for a number of Presidential priorities, including tobacco, food safety, bio-terrorism and mental health. Additional funding for these programs may be available from resources set aside for initiatives.

To remain within the available constraints, HHS increases above this level would have to be contained to several hundred million dollars against the Department's appeal for \$4.6 billion. If we maintain last year's target level for NIH, which is only a \$49 million increase over the 1999 enacted, we would seek to use both appeal funds and initiative funds to provide modest increases in CDC, Ryan White, and other high profile health programs.

With the proposed settlement level, the HHS topline would increase, but not as dramatically as would key programs.

Remaining Funding Issues
(BA in millions of dollars)

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	FY 1998	FY 1999	FY 2000			Proposed Final
			OMB Passback	Appeal	Potential Settlement	
HUD.....	22,228	24,380	27,800	6,003	-419	27,381

HUD has appealed for \$6 billion to fund a broad range of initiatives, including public housing, vouchers, and CDBG.

Our recommended level would maintain base funding for most programs but cut public housing capital to the 1999 request level to pay for increases in vouchers, homeless assistance, HOPWA, and a modest economic development initiative.

LABOR.....	10,710	10,991	10,991	753	100	11,091
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Labor has appealed for \$753 million above the OMB recommendation. We expect that the appeals related to base operations will be resolved.

The appeal requests funding of several items that will be considered for funding as initiatives. If some of these are included in initiatives lists, we expect to settle with DOL.

STATE/INTERNATIONAL

AFFAIRS.....	19,494	20,044	20,534	4,852	614	21,148
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State, Treasury, AID, Export-Import Bank, and others have appealed for over \$4 billion. Most notably, State seeks \$732 million to expand State staffing and \$1.4 billion to fund construction of over 20 new embassies and consulates.

At the proposed settlement level, we would provide agreed upon funding for security but would still fall far short of State's request. We have made some progress in our discussions with State about capitalizing the embassy security program over a number of years, including Y for FY 2001 advance appropriations for new embassy construction. However, we believe that it is necessary that funding for embassy construction be tied to a sound capital acquisition plan.

Remaining Funding Issues
(BA in millions of dollars)

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	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>			
			<u>OMB Passback</u>	<u>Appeal</u>	<u>Potential Settlement</u>	<u>Proposed Final</u>
VA.....	18,926	19,246	18,894	1,283	---	18,894

VA has appealed for \$1.4 billion. Two years ago, VA agreed to a budget with substantial long term benefits to the Department. VA spending under the caps would be frozen in exchange for allowing VA to keep all collections from payors. Absent this agreement, the collections would simply have gone to the general fund.

If VA uses these receipts to fund high priorities such Hepatitis C coverage, we would have sufficient resources to resolve this appeal without any additional funds.

VA argues that a budget which fails to increase discretionary funding will be a political disaster with veterans. We have made little progress in our discussions with the Department.

At the core of VA's large dollar appeal is a difference of opinion regarding how receipts should be allocated. VA would like more independence on the use of these resources and is resisting efforts to address there proposed policies under customary constraints regarding WH and OMB review.

FY00 Discretionary Initiatives

<u>Initiative by Agency</u>	<u>Amount</u> (\$ million)
DEPARTMENT OF EDUCATION	
Adult Literacy	255
Social Promotion/After School	350
Teacher Quality	0
Urban and Rural Computing Centers (or HUD or Commerce)	75-100
Charter Schools and Choice	9
Stay-in-College Initiative	50-100
Title I Accountability Fund	200
You Can Go to College Campaign	0
Technology for Disabled Americans	40-60
Native Americans	10
Education Research	25
SUBTOTAL	1,014-1,109
DEPARTMENT OF LABOR	
Universal Re-employment	300
Youth Employment	212
FMLA and Paid Leave Research Fund	8
Child Labor Enforcement	3
International Labor Standards	40
Equal Pay (also EEOC)	20
SUBTOTAL	583
HHS	
Bioterrorism	65
Superbug	10
Long-term Care (Family Support, Nursing Home Quality, Medicare Limitation Education)	150
AIDs: Ryan White (28) and CBC Initiative (50)	78
Mental Health	75

Race & Health	50
Rural Emergency Services	25
Tobacco -- Public Health (CDC)	27
Tobacco -- FDA Enforcement	66
Children's Hospitals	40
Education Research	25
Food Safety (w/USDA)	50
SUBTOTAL	661
HUD	
Abandoned Buildings	100
SBA	
Trillion Dollar Roundtable	238
DEPARTMENT OF TREASURY	
Trillion Dollar Roundtable (CDFI)	25
Firearms Enforcement (w/DOJ)	25
Financial Consumer Bill of Rights	25
SUBTOTAL	75
EPA	
Climate Investment Fund	250
DEPARTMENT OF COMMERCE	
Coastal Salmon Restoration	125
DEPARTMENT OF INTERIOR	
Lands Legacy and Livability	500-750
CORPORATION FOR NATIONAL SERVICE	100
DEPARTMENT OF STATE	
Child Labor (AID)	20-30
Microcredit	10
SUBTOTAL	30-40
NSF	
Information Technology Initiative	14-29

Digital Library for Education (also Smithsonian)	20
SUBTOTAL	34-49
DEPARTMENT OF ENERGY	
Global Climate Change -- Research and Technology (also Ag, EPA, NSF, NASA, NOAA)	75
Russia Initiative (also State and DoD)	185-535
SUBTOTAL	260-685
AGRICULTURE	
Integrated Science for Ecosystem Challenges (also NOAA)	50
VETERANS AFFAIRS	
Smoking Cessation	90
DEPARTMENT OF JUSTICE	
COPS II	650
Redirect Prison Funds to Coerced Abstinence and Alternatives to Incarceration	100
Child Support	10
Medicare Suit (w/HHS, DoD, VA, OPM)	20
Child Welfare Judicial Reform	5
Abortion Safety	5
SUBTOTAL	790
DEPARTMENT OF DEFENSE	
Information Technology Initiative	100
Smoking Cessation	60
Medical Research	200
SUBTOTAL	360
TOTAL	5.2-5.9

**Department of Defense
Bridging the Gap
(\$ in billions)**

	<u>FY 2000</u>
Original DoD Overguidance Request	19.2
DoD Revised Request	13.0
	<u>FY 2000</u>
DoD Revised Request	13.0
White House Initiatives	0.4
Adjusted Request	13.4
Agreed to offsets	-3.2
Remaining Gap	10.3
<u>Additional Adjustments Tentatively Agreed to by DoD</u>	
Alternative Scoring for Retirement Compromise	-0.6
PAYGO Balances	-2.2
Remaining Gap	6.8
<u>Additional Adjustments Not Agreed to by DoD</u>	
Directed scoring on expiring balances	-0.7
Rescission	-2.4
Defer facilities funding	-1.4
Absorb first-year of pay table reform	-0.6
Defer long-term modernization	-1.7
Remaining Gap	-0.0

OUTYEAR POLICY PRIOR TO CLOSING DEFENSE GAP
(in billions of dollars)

	Five year outlay impact
Problem in outyears.....	112.7
Expand spending offset by:	
Mandatory savings and other offsets.....	-16.9
Tobacco legislation and recoupmnt.....	-40.1
Remaining problem.....	55.6
Options to avoid spending the surplus on non-defense discretionary spending:	
(1) Avoid spending surplus over five years	
Reduce non-DoD spending below freeze by: 5% in FY2001, 5% in FY2002, 8% in FY2003, and 10% in FY2004.....	-55.8
(2) Avoid spending surplus each year	
Reduce non-DoD spending below freeze by: 9% in FY2001, 8% in FY2002, 5% in FY2003, and 1% in FY2004.....	-55.5
Impact on surplus.....	0.0

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DIMINISHED OFFSETS
(in billions of dollars)

Our challenge in the FY 2000 Budget is more difficult than last year because many offsets are no longer available. The "Missing" offsets result in a funding shortfall of \$10 billion in FY 2000 and \$78.9 billion over five years. Some offsets were used to finance the highway bill and the tobacco situation is more complex.

	2000	'00-'04
Enacted 1999 Budget proposals:		
Veterans Tobacco.....	-1.3	-22.6
Social services block grant	---	-3.5
Other.....	<u>-0.9</u>	<u>-4.9</u>
Total, enacted proposals.....	-2.2	-31.0
Tobacco Policy Not Enacted:		
Impact of State Tobacco Settlement on State-administered programs.....	-2.7	-18.1
Federal Tobacco Reforms Not Enacted.....	<u>-5.1</u>	<u>-29.7</u>
Total, Impact of Tobacco.....	-7.8	-47.9
Funding Shortfall Carried Over From FY 1999.....	-10.0	-78.9

Additional Requirements and Initiatives

		<u>(Outlays)</u>	<u>5-Year</u>
● Mandatory Reproposals:	<u>00</u>		
– Child Care and Early Learning	1.2		9.3
– Medicare Buy-In	0.1		2.1
– Superfund Orphan Shares	0.2		1.0
– Other	0.7		5.1
● Tax Reproposals:			
– Affordable Child Care	0.3		5.6
– Energy Efficiency/Climate Change	0.4		4.4
– School Construction	0.2		5.0
– Expiring Provisions	1.0		3.5
– Other	1.3		5.9
● Expiring Programs:			
– Welfare-To-Work	0.2		5.6
– COPS	1.2		3.6
● New Initiatives			

2000 Budget Goals

- **Save Surplus for Social Security**
- **Fulfill Prior Commitments**
- **Adequately Fund Core Government**
- **Finance Initiatives**

Potential FY 2001 Initiatives

(in millions of dollars)

	<u>BA</u>	<u>OL</u>
Resources Available:	7,800	2,860
Recommended Initiatives:		
School Construction.....	1,500	150
S&T -- R&D.....	1,500	450
Opportunity Gap/Child Care.....	2,900	1,215
International.....	500	275
Environmental.....	500	275
Digital Divide.....	100	55
New Markets.....	100	55
Native Americans	100	55
Remaining Resources	600	330

Potential Uses for Remaining Resources:

- Increase Initiative Funding Levels
- Fund Other Options
- Hold to resolve agency appeals

School Construction

In 1995, GAO determined that the nationwide need for school renovation and construction was \$112 billion. Other estimates confirm that at least half of this amount is needed for emergency repairs. The Administration's Tax Credit proposal helps to address the need for large-scale renovations and construction of new buildings. A complementary Loan and Grant proposal could help address the need for smaller-scale renovation projects.

- **Tax Credit Proposal.** Through this \$24.8 billion program, the Federal Government provides tax credits to holders of school construction bonds in lieu of interest payments. Within this program, \$2.4 billion is reserved for Quality Zone Academy Bonds and \$400 million is reserved for schools funded by the Bureau of Indian Affairs (BIA).
- **Loan and Grant Proposal.** This \$1.5 billion program could support renovation projects in high-poverty, high-need school districts with little or no capacity to fund repairs. At this funding level, both loans and grants could be made available, with the grants directed toward the neediest districts. Renovations funded through loans and grants could include repairs to roofs, climate control systems, or plumbing. Loans and Grants could also fund school modernization for Internet access (computer wiring and infrastructure) if no other source of funds is available.
- **Native American Schools.** Within the \$1.5 billion program, we propose that \$115 million go to BIA schools to address emergency construction needs. In addition, we propose that \$50 million in grants go to schools with high concentrations of Native Americans.

	Loan and Grant Program	Tax Credit Program
First Year Cost	\$1.5 billion in BA	\$146 million in reduced tax receipts
Total Cost	Dependent on length of program	\$15 billion in reduced tax receipts
Total Construction and Renovation Supported	\$7.73 billion (based on \$1.5 billion BA)	\$24.8 billion
Small Renovation Projects¹	9,300	Few to none
School Construction or Modernization²	A few (in BIA).	6,000
Funding Type	Discretionary - Loans and Grants	Mandatory - Tax Credits
Maturity of Loans or Bonds	7 years	15 years

NOTES:

¹Small renovation projects include items such as repairs to roofs, climate control systems and plumbing and, on average, cost under \$1 million.

³On average, construction of a new school costs \$12 million and full modernization or large-scale renovation costs \$2.5 million.

Open Issues:

- **Increase funding for Native American schools.**
Options: Add \$135 million more to the \$165 million provided in this initiative for Indian school construction and repair, bringing the total for Indian school construction a total of \$300 million.
- **Increase funding for BIA bond defeasement.** Add additional \$20 million for BIA to help tribes defease bond principal over time.

SCIENCE AND TECHNOLOGY INITIATIVES

Current Status: The 21st Century Research Fund provides \$40.8 billion, a \$677 million (1.7 percent) increase over FY 2000.

Proposal: The S&T Initiative would increase the 21st Century Research Fund to \$42.4 billion, a \$2.2 billion (5.5 percent) increase.

Science and Technology Proposal (BA in millions of dollars)

	FY 2001		
	<u>Current Levels</u>	<u>Proposed Initiative</u>	<u>Total</u>
<i>Funding within 21st Century Research Fund:</i>			
National Institutes of Health	17,913	+430	18,343
National Science Foundation: Funding for IT initiative, nanotechnology initiative, workforce education, Integrated Science for Ecosystems, and core sciences.	3,916	+725	4,641
Department of Energy: Funding for IT initiative, nanotechnology initiative, bioenergy initiative, solar & renewables, and basic sciences research.	4,060	+132	4,192
NASA: Funding for IT initiative, nanotechnology initiative, space sciences, space launch technology, and aeronautics.	5,020	+132	5,152
Department of Defense: Funding for IT initiative, nanotechnology initiative, and other important programs.	4,455	0	4,455
Department of Agriculture: Funding for bioenergy initiative and Integrated Science for Ecosystems.	1,581	+36	1,617
Department of Commerce: Funding for nanotechnology initiative, Advanced Technology Program, Critical Infrastructure Protection, NOAA's observation program.	798	+84	882
Other: Funding for Digitization Initiative.	<u>3,069</u>	<u>+5</u>	<u>3,074</u>
Total, Initiative Proposal	40,812	+1,544	42,356

Open Issues:

- **Growth Level for NIH** The decision will affect how much other programs will increase or we need to increase total funds allocated (see table attached).

Options: NIH inflation index: (a) GDP +\$376m; (b) CPI +\$430m or (c) BRDPI +\$645m

Recommendation: Recommend NIH at CPI increase to ensure funding for other important initiatives and help restore balance between health research and other research areas.

Science and Technology Initiative			
(BA, \$ in millions)	\$1.5B Option		
	NIH @ GDP	NIH @ CPI	NIH @ BRDPI
National Institutes of Health	+376	+430	+645
National Science Foundation	+780	+725	+645
Information Technology R&D	+190	+190	+180
Nanotechnology	+69	+69	+69
Biocomplexity	+85	+85	+50
Workforce	+80	+60	+40
Integrated Science for Ecosystems	+16	+16	+16
Core Science Programs	+340	+305	+290
Defense *	[+250]	[+250]	[+250]
Information Technology R&D	+60	+60	+60
Nanotechnology	+40	+40	+40
Other Initiatives (e.g., Chem-Bio)	+150	+150	+150
Energy	+132	+132	+101
Information Technology R&D	+16	+16	+13
Nanotechnology	+10	+10	+10
Clean Energy: Bioenergy Rsrch	+35	+35	+20
Solar & Renewables	+14	+14	+14
Basic Research Programs	+57	+57	+44
NASA	+132	+132	+101
Information Technology R&D	+15	+15	+15
Nanotechnology	+15	+15	+5
Space Science	+56	+56	+52
Adv. Space Transportation Tech.	+20	+20	+15
Bioastronautics	+15	+15	+10
Aeronautics	+14	+14	+9
Others	+124	+125	+52
DOC: NIST Advanced Tech. Pgm	+20	+20	+10
DOC: NIST Critical Infra. Protection	+25	+25	+10
DOC: NIST Nanotechnology	+10	+10	+5
DOC: NOAA Observation Program	+28	+29	+10
USDA: Clean Energy: Bioenergy	+30	+30	+10
USDA: Integ. Science for Ecosystems	+6	+6	+2
Smithsonian: Digitization	+3	+3	+3
National Park Service: Digitization	+2	+2	+2
TOTAL	+1,544	+1,544	+1,544

* -- DOD counted outside R&D initiative, but will be included in describing initiative.

Closing the Opportunity Gap/Child Care Initiative

Current Status:

Child Care: The current \$634 million increase for Head Start would provide funds for 40,000 additional children, one third of the remaining distance to our goal of one million children by FY 2002. Current levels include no increases for subsidies above the discretionary level of \$1.2 billion and mandatory level of \$2.6 billion. Last year, you proposed an increase of \$1.2 billion in mandatory funding in the budget year and \$7.5 billion over five years.

Education. To close the education opportunity gap, the current level provides about \$1.2 billion in additional resources. These increases include \$446 million for 21st Century Learning Centers (doubles the previous funding level, bringing the total to \$900 million) and \$200 million for the Class Size Reduction program (8,000 qualified teachers added, for a total of 39,000). The current level also includes a variety of teacher quality initiatives and increases the Pell maximum award by \$200.

	FY00 Enacted	FY01 Proposed	Total (+/-) over FY00	Comments
Child Care				
Head Start	5,267.0	6,267.0	1,000.0	Increase serves about 70,000 additional children
Child Care Devel. Block Grant	1,183.0	2,000.0	817.0	Funds 215K more children; agreed to by Specter
Early Learning Fund	0.0	600.0	600.0	Needs authorization language
Total	6,450.0	8,867.0	2,417.0	
Elementary and Secondary				
Indian Education	77.0	115.5	38.5	50 percent increase in the program
Arts in Education	11.5	23.0	11.5	Doubles funding for this program
Class Size	1,300.0	1,750.0	450.0	Funds 47,000 teachers with proposed match
Special Ed	6,036.6	6,371.6	335.0	Administration's largest request ever for SPED
After School	453.7	1,000.0	546.3	Provides universal after school and/or summer school for all failing schools
Charter Schools	145.0	175.0	30.0	
Additional ED programs		2.0	2.0	
Youth Opportunity Grants	250.0	450.0	200.0	Serve an additional 40,000 out-of-school youths
Total	8,273.9	9,867.1	1,613.2	
Preparing for College				
GEAR UP	200.0	325.0	125.0	Serves a total of 655,000 students
AP Online	0.0	10.0	10.0	Provides AP and other courses online
SAT/ACT Test Prep	0.0	10.0	10.0	Provides low income students access to commercial test prep services
Total	200.0	345.0	145.0	
College				
Dual Degree/MSIs	0.0	40.0	40.0	New initiative w/ HCBUs/MSIs/TCUs; may need authorization language
TRIO	645.0	725.0	80.0	Helps support college prep/retention programs
SEOG	631.0	691.0	60.0	Increases grant aid for the neediest students
HCBUs	148.8	169.0	20.3	Meets or exceeds request by CBC
HSIs	42.3	62.5	20.3	Meets or exceeds request by CHC
Total	1,467.0	1,687.5	220.5	
Supporting Working Families				
Working Families/Fatherhood	0.0	250.0	250.0	Replaces mandatory welfare-to-work program
Paid Leave	2.0	20.0	18.0	State grants to test leave policies
Total	2.0	270.0	268.0	
Lifelong Learning				
Community Based Technology	32.5	100.0	67.5	Threefold increase in the program
TOTAL	16,425.4	21,156.6	4,731.2	
Memorandum:				
	Opportunity Gap/Child Care		2,900.0	
	Agency Settlements		1,831.2	
	Total		4,731.2	

Open Issues: None

INTERNATIONAL AFFAIRS INITIATIVES

Current Status: At your December 20th meeting with Secretary Albright, we provided a \$924 million package to settle appeals by State, USAID and other international affairs agencies that funds priorities agreed upon by OMB and NSC. This settlement amount would provide additional funding for the following priorities:

(BA in millions of dollars)

	<u>FY 2001 Current Levels</u>
Overseas security for American personnel	200
State operating expenses	70
Economic Support Fund	110
USAID Development Assistance	140
Kosovo and Southeastern Europe	75
Russia and Independent States	50
Anti-terrorism Assistance	48
Eximbank financing	50
Other International Affairs programs	<u>181</u>
Total, Current Levels	924

Proposal: In addition to this settlement package, you could provide up to \$500 million for international initiatives. We recommend that you use the bulk of this package to provide FY 2001 funding for "Plan Colombia" anti-narcotics and economic assistance, with the rest of the package funding Enhanced Threat Reduction Initiative (ETRI) programs in the Energy Department, funding for Eximbank for the manufactured export initiative, a grant to a multilateral fund to purchase vaccines for use in developing countries, and additional cyberterrorism funding. If these initiatives are added together with our settlement package and a likely FY 2000 Kosovo supplemental, we will have satisfied 49 percent of the State Department's appeal.

International Proposal
(BA in millions of dollars)

\$285 million State

	FY 2001		
	<u>Current Levels</u>	<u>Proposed Initiative</u>	<u>Total</u>
Funding for the International Affairs portion of Plan Colombia.	0	+270	270
Department of Energy Enhanced Threat Reduction Initiative: Funding to help Russia to reduce stores of nuclear material that could be a proliferation risk.	265	+105	370
Eximbank: Funding to finance additional U.S. exports as part of the manufactured export initiative.	986	+50	1,036
Additional cyber- and counterterrorism funding: Increases research in a new institute, funds scholarships for IT personnel, and related security matters.	58	+50	108
Grant to the Global Alliance for Vaccines and Immunizations: Funding to purchase and deliver existing vaccines in poor developing countries.	0	+25	25
Total, Initiative Proposal	1,309	+500	1,809

Open Issues:

- **Colombia.** The Department of State has requested almost \$1 billion in FY 2001 funding to support Plan Colombia. State and ONDCP argue that this is the minimum amount needed for a comprehensive approach to the drug and political instability problem. However, DoD and State now admit the original State plan cannot be implemented within the three-year timeframe and a package at this level would not be spent. (State and other agencies are now looking for alternative ways to use additional funds.) For this reason, OMB would increase Colombia funding by the \$270 million proposed above, a lower level than requested by State/ONDCP. We are also developing for your consideration an accompanying request which frontloads funding for procurement and other costs into an FY 2000 supplemental; this FY 2000 amount could be as much as \$950 million.

Options: One alternative to providing additional funds for Colombia would be to use \$25 million of the Eximbank initiative funding. OMB believes that demand for Eximbank programs in Russia and the NIS will be lower than expected, and therefore Eximbank will not need additional funds to participate in the manufacturing initiative.

- Digital Divide. The NEC has requested a total of \$45 million to expand internet access in 22 developing countries. This builds on a small request already in the budget, funded at \$2 million. AID is concerned whether it could provide NEC's requested level of support overseas in FY 2001; we have, therefore, ~~added~~ no initiative money to this program.
- Vaccines. NSC/Treasury favor adding an additional \$25 million (over the \$25 million included above) to be administered through HHS for additional support for purchase and delivery of existing vaccines in developing countries. However, OMB notes that HHS has policy concerns with this initiative. ✓

ENVIRONMENTAL INITIATIVE

Current Status: The settlement includes \$36.8 billion in discretionary budget authority spread over 14 agencies for high-priority environmental and natural resource programs. This is a \$1.5 billion, or 4 percent, increase over FY 2000 enacted. It includes the following:

(BA in millions of dollars)

	<u>FY 2001 Current Levels</u>
FY 2000 Environmental Enacted	35,300
Lands Legacy	275
Climate Change	252
Clean Water Action Plan	270
Other	<u>803</u>
Total, Current Levels	36,800

Initiative Proposal:

Environmental Proposal
(BA in millions of dollars)

	FY 2001		
	<u>Current Levels</u>	<u>Proposed Initiative</u>	<u>Total</u>
Lands Legacy: Includes funding for a new outer continental coastal impact program and a new non-game wildlife program.	926	+300	1,226
Clean Energy International for the 21st Century: Funding for new demonstration and export promotion measures to accelerate the development and deployment of clean energy technologies in developing countries.	25	+100	125
Global Forestry: Funding to promote forest conservation around the world.	67	+50	117

	FY 2001		
Great Lakes: Funding to expand current EPA program and fund pilot projects for addressing contaminated sediments and other pollution problems affecting the Great Lakes.	17	+50	+67
Total, Initiative Proposal	1,035	+500	1,535

Open Issues:

- **Lands Legacy Permanent Funding Source.**

Options: (1) Cap and fence as proposed during FY 2000 appropriation negotiation; (2) make a regular request and continue to work with Congress on a permanent source.

- **Plus-up for EPA.** At current levels, EPA's budget is \$2 million over the Administration's FY 2000 request. That request included \$200 million for the Clean Air Partnership Fund initiative that Congress did not fund. For FY 2001, there is \$10 million more proposed for EPA in the Native American Initiative.

Options to add \$50 million more to increase EPA's FY 2001 topline:

- 1) add \$50 million (\$100 million over enacted) to raise Superfund to the FY 2000 request level;
- 2) add \$50 million more to the new Great Lakes initiative;
- 3) add \$25 million to the Great Lakes initiative and \$25 million to EPA's new information technology initiative that will link state and Federal pollution data collection systems (funded at \$30 million within the base);
- 4) add \$10 million to the \$10 million in new EPA funding for the Native Americans Initiative (on top of the \$43 million base funding) and put \$40 million in EPA Great Lakes and intergovernmental information technology programs.

DIGITAL DIVIDE

Current Status: In addition to \$2.25 billion in subsidies provided through the e-rate, the Budget provides \$641 million, \$173 million over enacted, including:

(BA in millions of dollars)

	<u>FY 2001 Current Levels</u>
Technology Literacy Challenge	525
Community-Based Technology Centers	68
Technology Opportunity Program	16
Other	<u>32</u>
Total, Current Levels	641

Proposal:

Digital Divide Proposal
(BA in millions of dollars)

	<u>FY 2001</u>		
	<u>Current Levels</u>	<u>Proposed Initiative</u>	<u>Total</u>
Broadband Communities. Earmark Commerce/Economic Development Administration funding to promote build out of high-speed Internet access.	0	+50	50
Technology Opportunity Program. Provides small grants to develop replicable public-sector and low-income information technology applications.	20	+25	45
Universal Home Access. Federal/private-sector/family cost-sharing to provide computers and Internet access at home. Federal share estimated at \$120/family per year, assisting 200,000 families.	<u>0</u>	<u>+25</u>	<u>25</u>
Total, Initiative Proposal	20	+100	120

Open Issues:

- **Universal Home Access.** Alternative to home access for e-commerce and e-mail would be subsidies for computer hardware at libraries and schools, which currently benefit from the E-rate program. Equipment at schools and libraries would benefit students and would be used by multiple users, thereby leveraging Federal dollars.

775

Options: Home Access funding could be used for Community-based Technology Centers (CTCs), for other hardware programs, or as merit-based awards to needy students.

Recommendation: Use Home Access funds to promote access at libraries, schools, and CTCs.

- **Funding.** Additional \$75 million to reach goal of subsidizing 800,000 families.

NEW MARKETS INITIATIVE AND CDFI

Current Status: The FY 2001 budget provides \$291 million for New Markets and CDFI. The total \$136 million increase over FY 2000 enacted includes an increase of \$106 million for New Markets and a \$30 million increase for CDFI. Funding includes:

(BA in millions of dollars)

	<u>FY 2001 Current Levels</u>
CDFI.....	125
American Private Investment Corporation	37
New Markets Venture Capital	17
New Markets Technical Assistance	21
BusinessLINC	7
PRIME	15
Microloans	5
Other	<u>18</u>
Subtotal, Current Levels	246

Initiative Proposal:

New Markets Proposal
(BA in millions of dollars)

	<u>FY 2001</u>		
	<u>Current Levels</u>	<u>Proposed Initiative</u>	<u>Total</u>
First Accounts: Low-cost electronic account designed for the approximately 10 million unbanked households that do not receive federal benefits.	0	+15	15
Postal ATMs: Subsidize the purchase and installation in post offices over five years of one ATM in the 5,000 lowest income zip codes in the U.S.	0	+35	+35

FY 2001

University & Law School Partnerships: Funds a pilot project at 10 - 12 universities (business and law schools) around the country to foster business development in low and moderate income areas.	0	+5	5
Other: Various economic development programs targeted to Native Americans	<u>0</u>	<u>+45</u>	<u>45</u>
Total, Initiative Proposal	125	+100	225

Open Issues:

- **Rural Development:** Option to add \$3 million to the base to reach a total of \$40.5 million in USDA's Rural Business Development Grant program.

NATIVE AMERICANS

Current Status: Current levels fund Federal Native American programs and Native American set-asides at about \$9 billion, about \$800 million (or 10% over enacted). At least \$210 million worth of additional Native American add-backs (not included in this total) are being considered under the school construction, New Markets, Digital Divide, Closing the Opportunity Gap, and other initiatives. Other add-backs may still be under discussion through the regular settlement process.

Proposal:

Native American Proposal
(BA in millions of dollars)

	<u>FY 2001</u>		
	<u>Current Levels</u>	<u>Proposed Initiative</u>	<u>Total</u>
Department of Health and Human Services: Provide funding to the Indian Health Service to maintain access, upgrade information technology, and expand preventive medical services.	3,142	+50	3,192
Department of the Interior: Provide funding to the Bureau of Indian Affairs for Tribal Priority Allocation, early childhood development, pilot therapeutic boarding schools, and land records improvement.	2,292	+40	2,332
Department of Education 1/	1,560	[+206]	1,560
Department of Housing and Urban Dev.: Provides a total of \$22M for the Native American set-aside in the Community Development Block Grant and for the Native American block grant.	725	0	725
Department of Transportation: Provide funding for construction of new Indian Reservation Roads under the Highway Trust Fund.	358	0	358
Department of Justice: Provides funding for the Office of Tribal Justice and for human service programs.	279	0	279
Environmental Protection Agency: Funding for EPA's General Assistance program to build increased tribal capacity for addressing environmental problems on Indian reservations.	178	+10	188
Other agencies	433	0	433
Total	8,967	+100	9,267

1/ Best estimate of direct and indirect funding for Education programs. \$165 million is being considered as part of the "school construction" initiative, plus \$400 million in tax credits for BIA

funded schools (not included in discretionary funding). Under "closing the opportunity gap", \$38.5M for Indian education and \$3.5 million for special education.

Note: See the School Construction Initiative paper for proposed additional \$165 million in funding for Indian school construction, and an option to add \$135 million more to reach a total of \$300 million.

Open Issues:

- Add an additional \$25 million more for BIA operations.
- Add an additional \$25 million to the \$12.5 million increase already provided at DOC/EDA for Indian economic development grants.
- Add about \$500 million to Native American proposal. Major additional increases possible for IHS health care, BIA housing repair, BIA road maintenance, support of tribally-controlled community colleges, BIA school operations, DOJ/BIA law enforcement, and USDA targeted water/wastewater assistance.

OTHER INITIATIVES
(BA in millions of dollars)

FY 2001

<u>Current Levels</u>	<u>Proposed Initiative</u>	<u>Total</u>
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Social Services Block Grant: Additional funding for child and adult protective services, and support services for foster care and adoptive families.

1,700	+209	1,909
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Veterans's Education: This mandatory initiative would fund an expansion in the VA education benefit, and would focus on both the Montgomery GI bill benefits and the "kickers" that are offered to high skill military personnel.

1,100	+200	1,300
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Stay Clean/Stay Out: Intensive drug testing and treatment for ex-offenders, with increasing sanctions, including return to incarceration, for drug use.

25	+150	175
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X **Bioterrorism:** Additional funding for vaccines and other medicines to deal with bioterrorism and to enhance CDC lab facilities for bioterrorism research.

1,300	+142	1,442
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Re-Employment Services: Second-year of a multi-year initiative to provide job counseling services to all long-term unemployed workers by 2004 (1st year not funded by Congress in 2000).

53	+82	135
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X **Community Prosecutors:** Increase Community Prosecutors from \$10m in FY 2000 enacted to \$100m in FY 2001.

20	+80	100
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Manufacturing: Funding to enhance Federal efforts to promote U.S. manufacturing sector. *\$40*

36	+72	108
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Dowley X **Global AIDS Prevention:** Funding to prevent further spread of HIV/AIDS and care for those who are affected.

150	+50	200
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International Child Labor - School Works!: Additional funding to improve education in developing economies so that children stay in school and gain additional basic skills.

10	+45	55
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Trade Related Capacity Building: Program provides support for technical advisors to assist developing countries as they work to meet international trade-related standards. The current level fully funds AID's request.

	+25	35
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Hazardous Work Agriculture: New funding to provide education and training on the use of hazardous farm equipment to migrant and teenage farm workers to prevent accidents and injury.

0	+15	15
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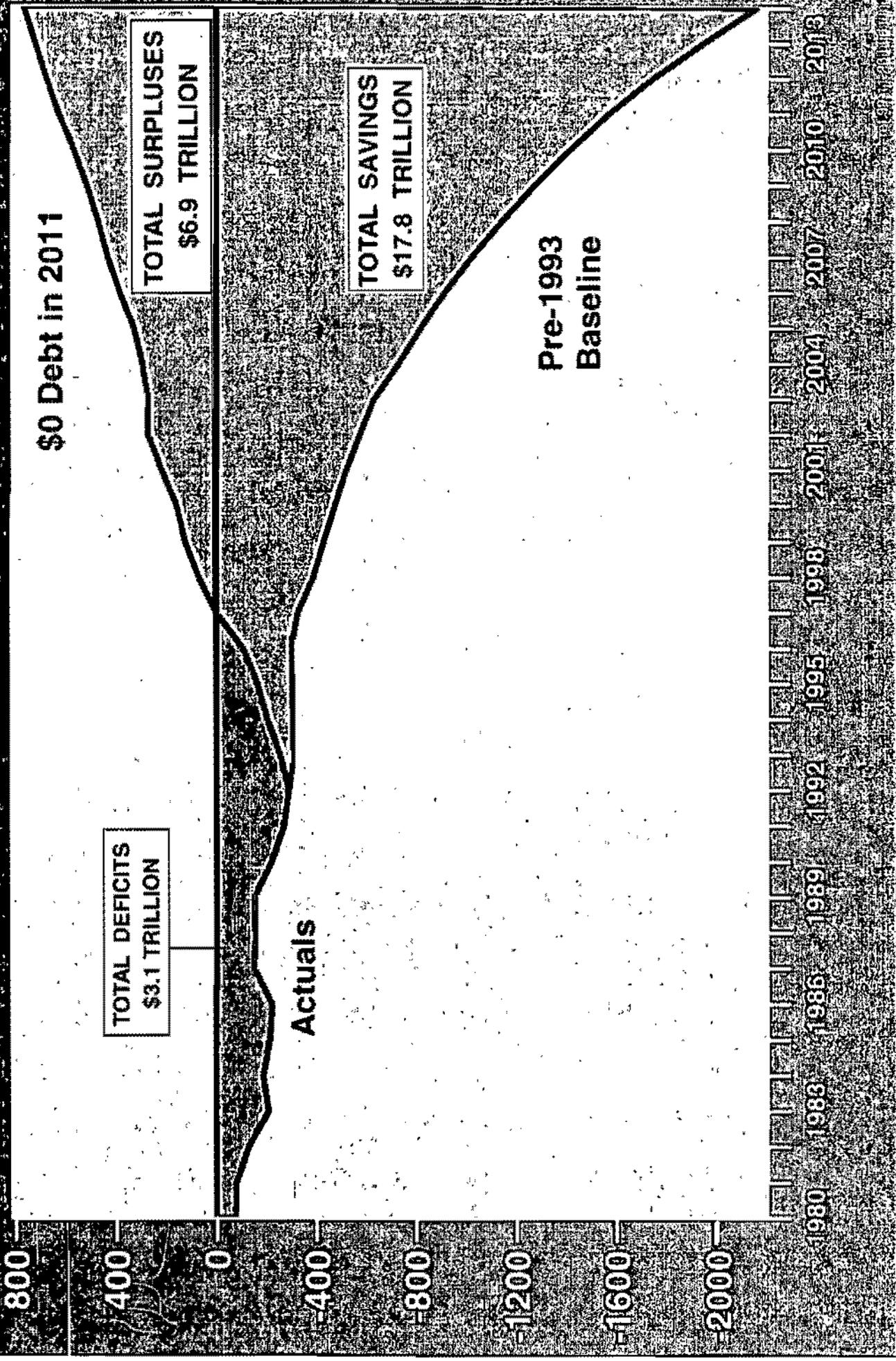


FY 2001

Labor/Environmental Monitoring: 44 full-time domestic and overseas staff in DOL, EPA, and State to monitor labor and environmental conditions in developing countries.	10	+10	20
Encouraging Native Americans in Technology Fields: The Budget includes \$25 million to improve technology facilities <i>at all minority serving institutions</i> . This would add \$10 million <i>solely for tribal colleges</i> .	25	+10	35
Travel and Tourism: New funding to encourage visitation and improve visitor services at lesser known National Parks and Forests. Suggested split: \$7M Park Service (DOI) and \$3M Forest Service (USDA).	0	+10	10
Social Safety Net Technical Assistance	NA	+10	NA
H-1B Fraud: Additional funding to improve detection of fraudulent H-1B visa applications during INS review and State review prior to admission.	NA	+6	NA
Native American Business Development Centers: Enhance technology and expand training and outreach to Native American small businesses.	1.5	+3	4.5

The Budget is in Surplus after Years of Deficits

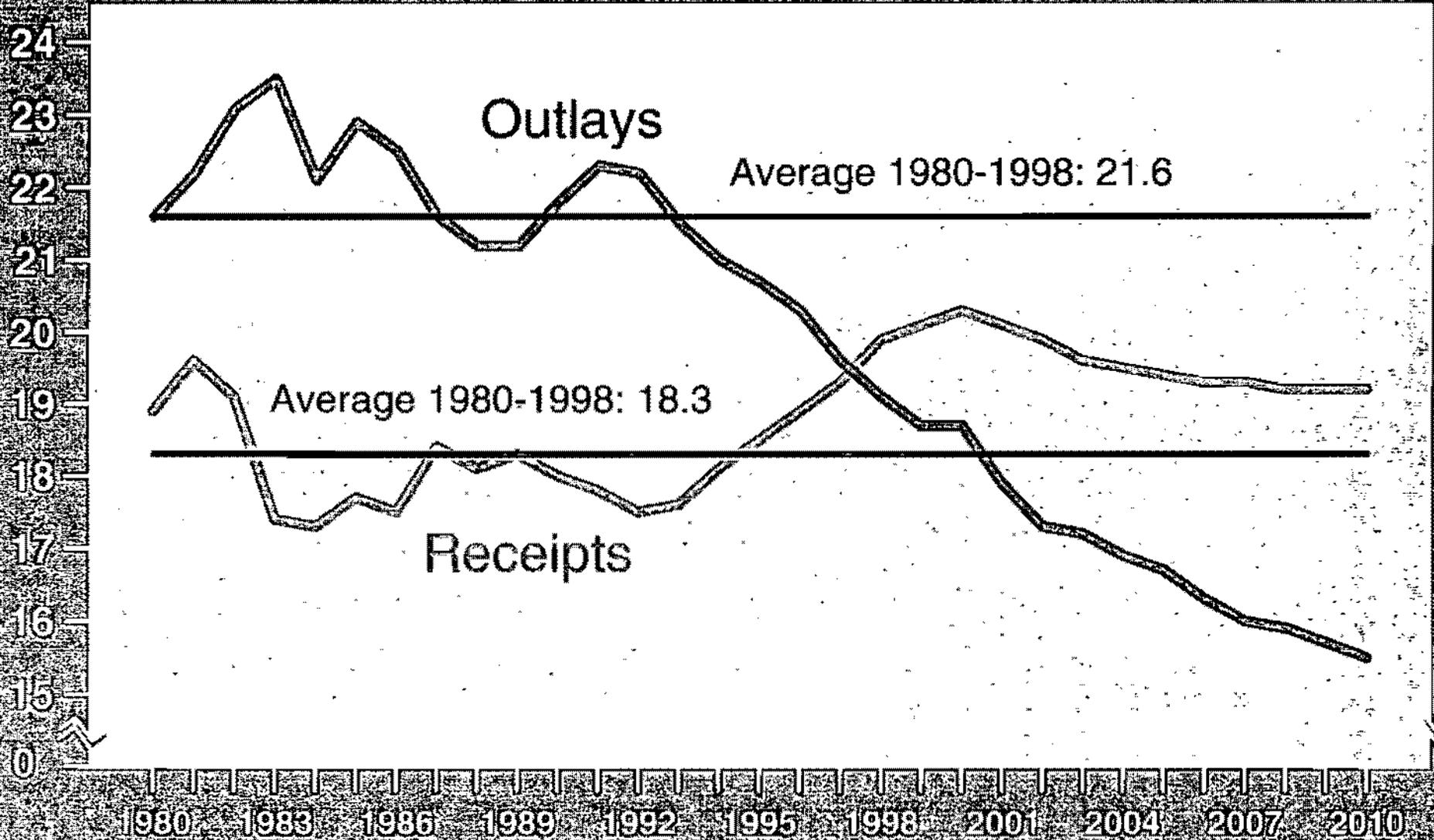
Surplus (+) / Deficits (-) in Billions



Trends in Receipts and Outlays

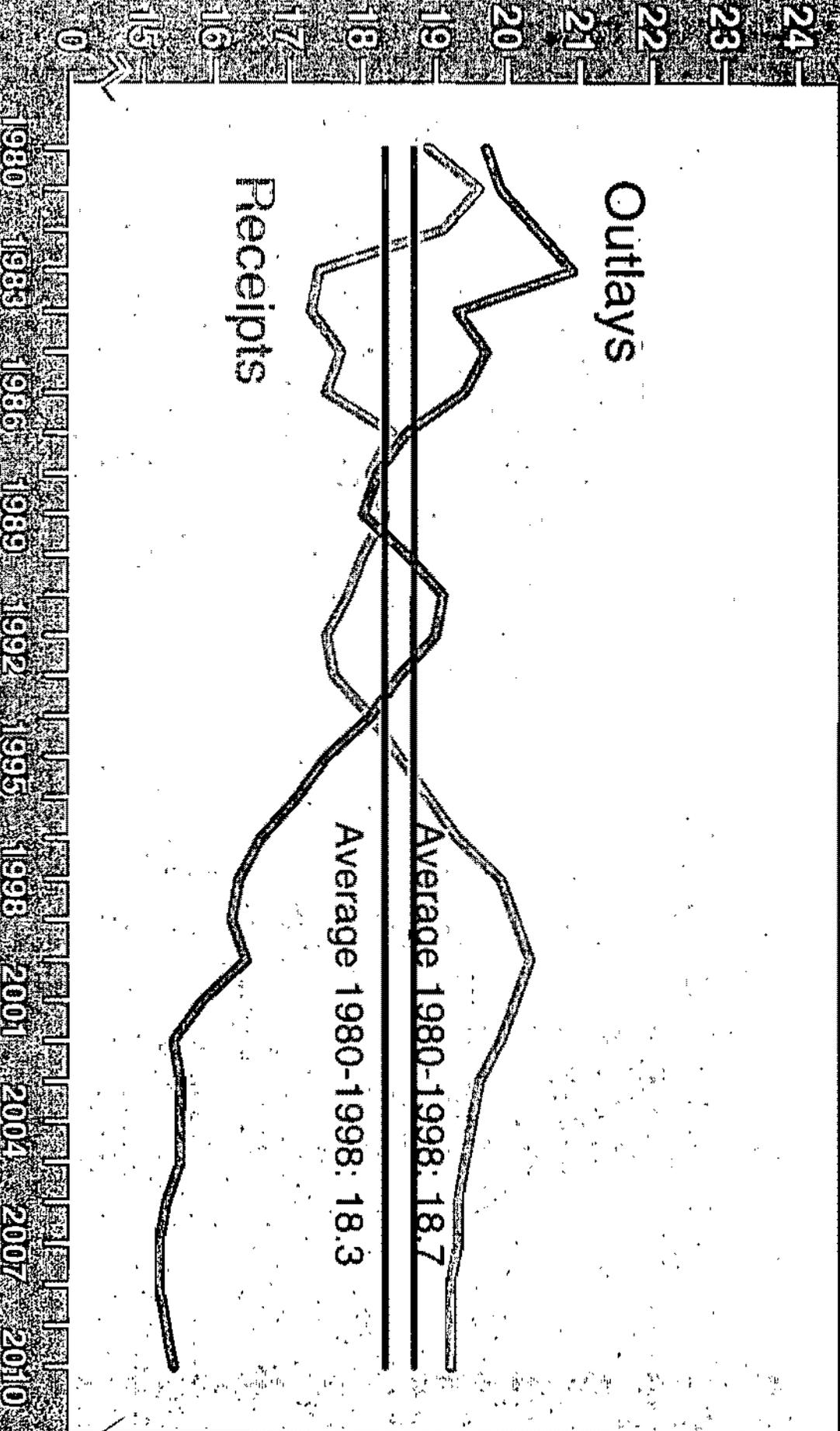
(Including Interest Payments)

Percent of GDP



Trends in Receipts and Outlays (Without Interest Payments)

Percent of GDP



POTENTIAL 2001 ON-BUDGET SURPLUS FUNDING REQUIREMENT
(in billions of dollars)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	Total '01-'10
Nondiscretionary proposals included in the Administration FY2000 framework:												
Universal Savings Accounts.....	—	-1	-1	-3	-22	-28	-48	-48	-48	-52	-56	-307
Medicare:												
Lock box transfer.....	—	-0	-12	-5	-7	-10	-30	-60	-84	-114	-141	-463
Prescription drug outlays.....	—	-1	-5	-8	-7	-6	-6	-5	-4	-4	-5	-51
Related debt service.....	—	-0	-0	-1	-2	-3	-6	-9	-12	-16	-19	-68
Total.....	—	-2	-17	-17	-38	-48	-90	-121	-149	-186	-221	-889
Other mandatory and revenue initiatives												
Revenues.....												
Health care.....												
Child care, early learning and other.....	—	-2	-3	-4	-4	-5	-6	-6	-7	-8	-9	-54
Fund emergencies.....	—	-9	-11	-12	-14	-15	-16	-17	-18	-19	-20	-149

-50

11/24/1999
06:16 PM

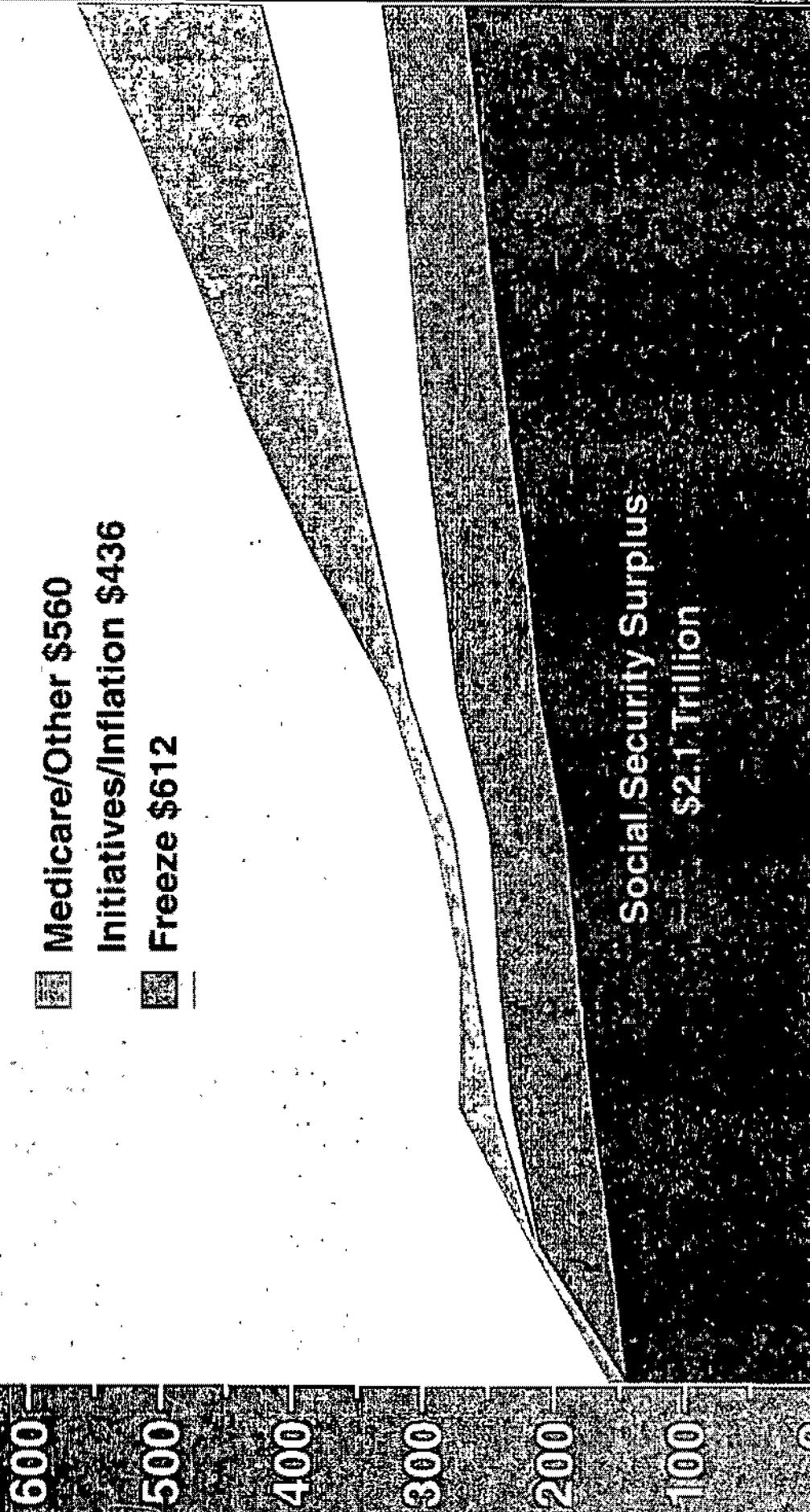
*532 billion short
over B*

*899
203
1092
560
532*

Uses of the Budget Surplus

Dollars in Billions

-  Medicare/Other \$560
-  Initiatives/Inflation \$436
-  Freeze \$612



Social Security Surplus
\$2.1 Trillion

2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010

CURRENT STATUS OF 2001 ON-BUDGET SURPLUS
(in billions of dollars)

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	Total '01-'10
Mid-session baseline on-budget surplus	6	24	65	58	78	93	141	174	203	241	279	1,357
Impact of economics (incl debt service)	25	38	37	25	16	14	12	13	11	7	4	176
Legislation and potential reestimates:												
Medicare.....	10	10	10	10	10	10	10	10	10	10	10	100
Other.....	-27	-11	-11	-3	-3	-2	-0	0	1	2	3	-24
Revised on-budget baseline surplus.....	13	61	101	90	100	115	163	197	225	260	296	1,608
Fund FY 2001 discretionary at freeze with technical adjustments.....	--	-32	-37	-38	-32	-35	-34	-30	-24	-21	-19	-301
Fund defense topline.....	--	-22	-19	-14	-15	-15	-15	-15	-15	-15	-15	-161
Additional funding for veterans.....	--	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-12
Fund initiatives/inflation.....	--	--	-9	-16	-24	-31	-39	-47	-55	-63	-71	-356
Related debt service	--	-1	-5	-8	-12	-17	-22	-28	-34	-41	-49	-218
Revised on-budget surplus/deficit(-).....	13	5	29	11	16	16	52	76	96	119	141	560
Repropose selected offsets (including debt service):												
Continue Federal Reserve Policy.....	--	4	0	0	0	0	0	0	0	0	0	6
Continue obligation delay.....	--	2	0	0	0	0	0	0	0	0	0	3
Superfund and other.....	--	2	2	2	2	2	2	2	2	3	3	22
Tobacco Taxes.....	--	6	7	7	8	8	9	9	9	10	10	85
Fund emergencies (including debt service).....	--	-9	-11	-12	-14	-15	-16	-17	-18	-19	-20	-149

412

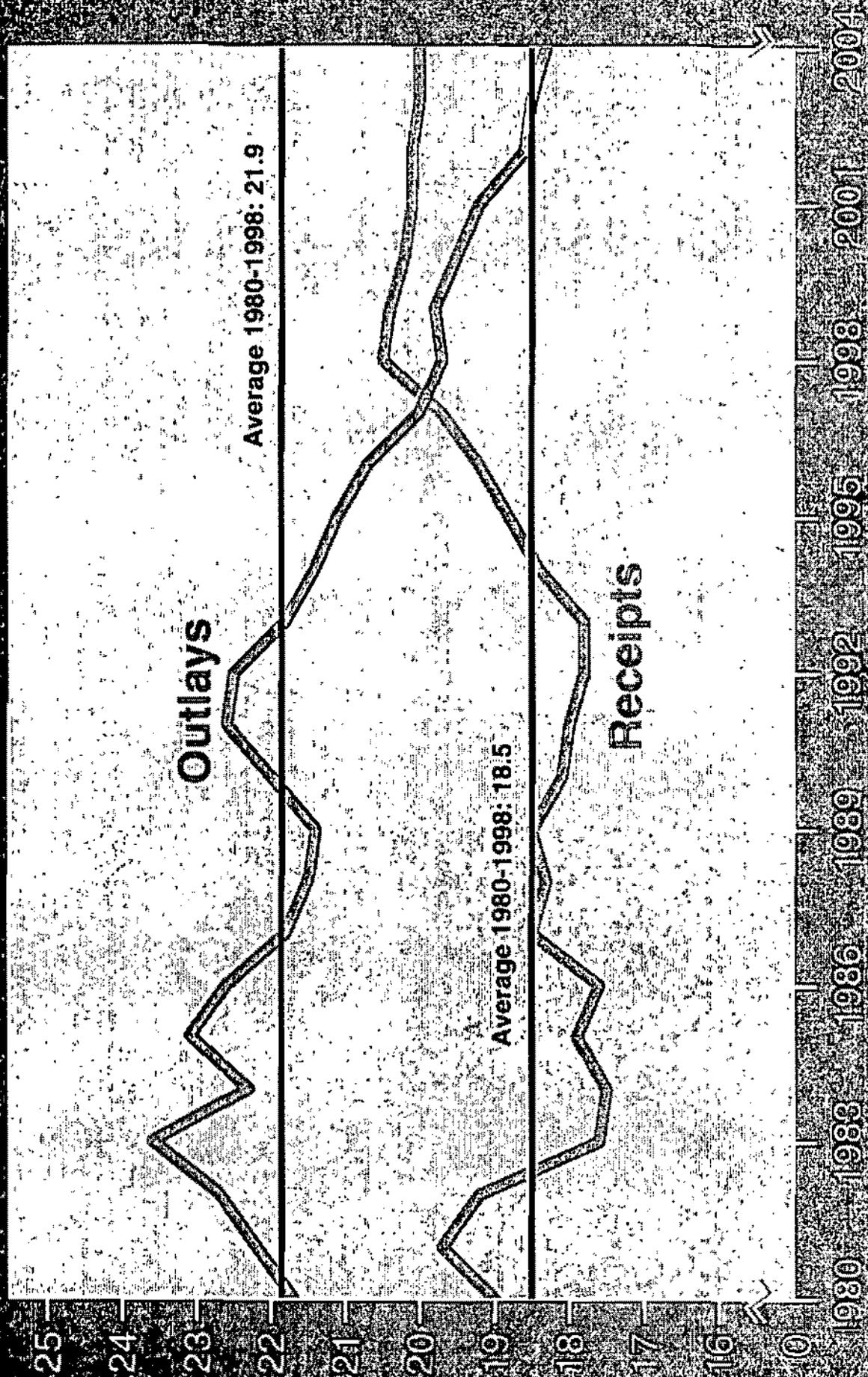
918

6
3
22
85

The Era of Big Government is Over

Surpluses Grow in Large Part because Spending Shrinks

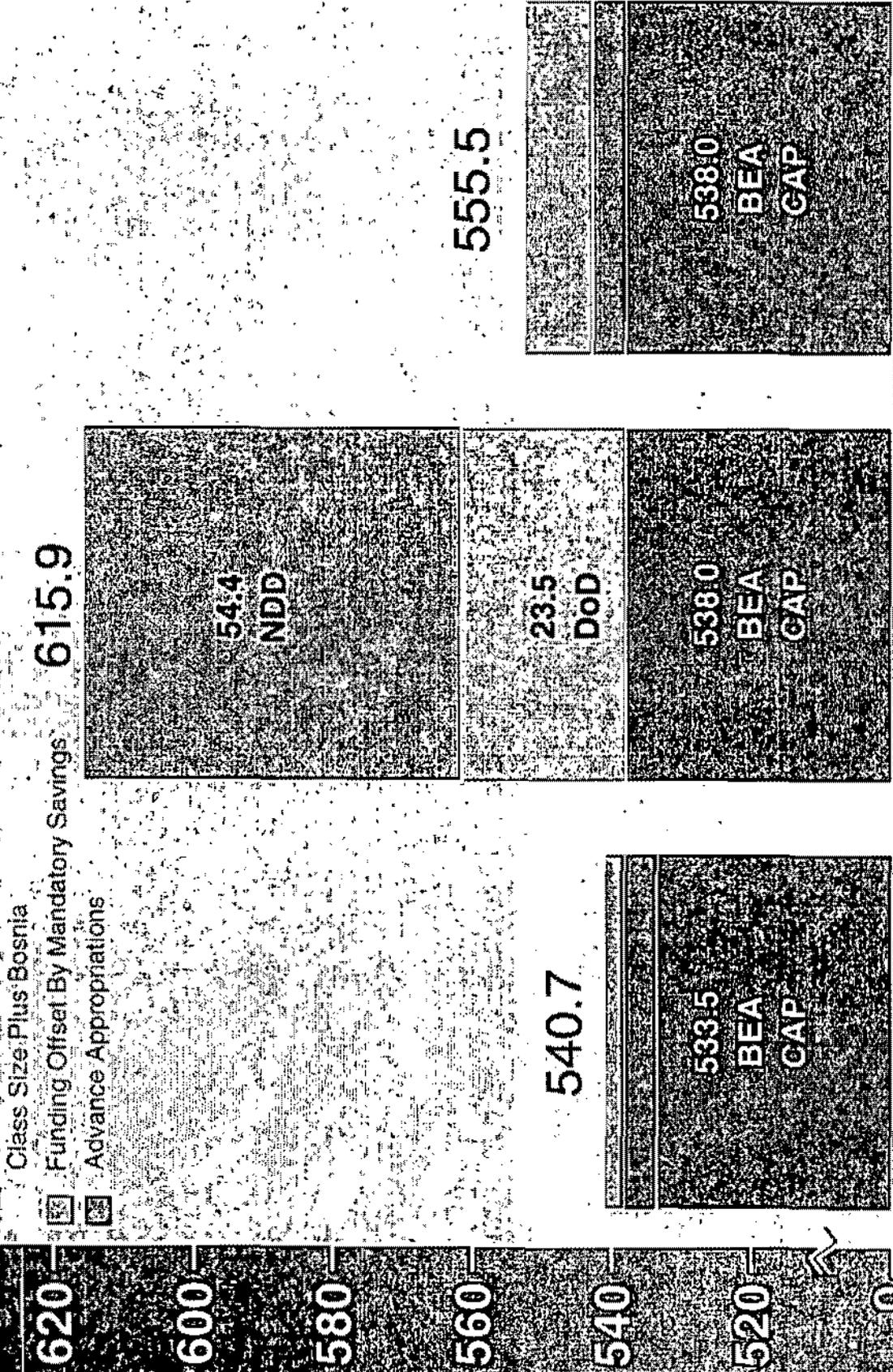
Percent of GDP



THE BUREAU OF ECONOMIC ANALYSIS

Even if we had all of last year's offsets, we are essentially in the third year of a budget freeze, putting increasing pressure on the budget.

BUDGET AUTHORITY IN BILLIONS



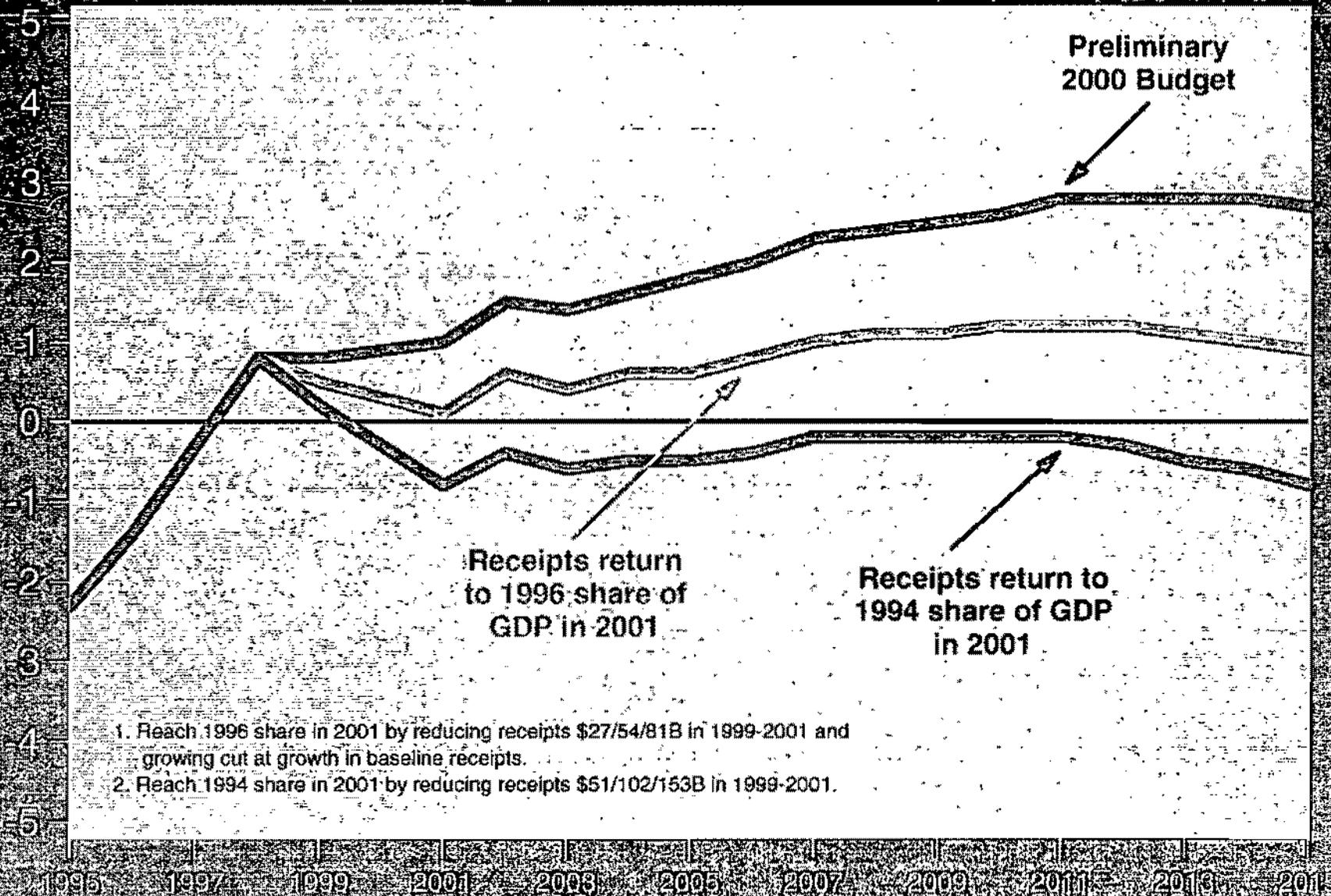
1999 Enacted

2000 Agency Request

2000 Passback

Reverse Revenue "Surprise" Would Endanger Surplus

Surplus(+)/Deficit(-) As A Percent of GDP



NDD Discretionary Outyear Options

BUDGET AUTHORITY IN BILLIONS

