

MEDICARE BASELINE CHANGES

BUDGET
FY97

| | Federal Spending: 1997 - 2002 | Federal Spending: 2002 | Per-Beneficiary Growth*: 1996-2002 |
|------------------------------------|----------------------------------|---------------------------|---------------------------------------|
| March 1995 Baseline | \$1,513 billion | \$315 billion | 8.2% |
| April 1996 Baseline | \$1,475 billion | \$301 billion | 7.5% |
| <i>Difference Since March 1995</i> | - \$38 billion | - \$14 billion | |
| Possible 1997 Baseline | \$1,466 to \$1,439 billion | \$300 to \$291 billion | 7.5% to 7.0% |
| <i>Difference Since March 1995</i> | -\$47 to - \$74 billion | - \$15 to -\$24 billion | |

Average for 1996 to 2002; Medicare is the gross spending per Part A enrollee
 Sources: The March 1995 and April 1996 estimates are based on CBO fact sheets. The "Possible 1997" baseline ranges were estimated: small change: August 1995 re-estimate of 1996 spending (CBO's August 1996 update) projected using April 1996 aggregate growth rates; larger change: reduces 1996 according to August 1996 update and assumes subsequent years' per-beneficiary growth is reduced by 0.5 percentage points in each year. THE POSSIBLE BASELINES ARE NOT FROM CBO; THEY ARE ONLY APPROXIMATIONS BASED ON THE INFORMATION AVAILABLE.

BUDGET PROPOSALS

| | Cumulative Savings Targets | | | Federal Savings: 2002 | Federal Spending: 2002 | Per-Beneficiary Growth: 1996-2002 |
|------------------------------|----------------------------|------------------------|-----------|--------------------------|------------------------------|--------------------------------------|
| | 5 Years | 6 Years | 7 Years | | | |
| Republican BBA (12/95 score) | - \$119 b | - \$169 b | - \$226 b | -\$58 b (7th yr) | \$246 b | 5.5% |
| Chafee-Breaux Plan (5/96) | - \$74 b | - \$106 b | - \$154 b | -\$32 b (6th yr) | \$269 b | na |
| Republican Plan (5/96) | - \$114 b | - \$168 b | - \$235 b | -\$54 b (6th yr) | \$248 b | 4.6% |
| Blue Dog Plan (5/96) | - \$95 b | - \$146 b | - \$198 b | -\$42 b (6th yr) | \$259 b | na |
| President's Plan (4/96) | - \$82 b | - \$116 b | - \$157 b | -\$34 b (6th yr) | \$267 b | 5.8% |
| | - \$116 b | More than - \$157 b | | | | |

Source: The unitalicized and bold numbers are from CBO estimates relative to the baseline in effect at the time; the italicized numbers were calculated by assuming that Federal spending in the subsequent year/s grows at the same rate as the last year of spending growth under the proposal scoring. 11/12/96

Shut down cut # of poor kids in half by 2000 who new programs (fill the gap, 6 things)

- 10m kids lack MC. 3m chg. for Medicaid but don't register. Get insurers to cover kids beyond college.
 Raines: Employees plus one de interim option. Get employer to offer kids coverage. Kids 1st. Gingrich dislates. Dislates myself/idea. 1998-2000 saving from prescription.

Sarkis
S&I funds

11/12/96

MEDICAID BASELINE CHANGES

| | Federal Spending: 1997- 2002 | Federal Spending: 2002 | Per-Beneficiary Growth*: 1996-2002 |
|------------------------------------|---------------------------------|--------------------------------|---------------------------------------|
| March 1995 Baseline | \$855 billion | \$178 billion | 7.0% |
| April 1996 Baseline | \$803 billion | \$166 billion | 6.8% |
| <i>Difference Since March 1995</i> | <i>- \$52 billion</i> | <i>- \$12 billion</i> | |
| Possible 1997 Baseline | \$766 to \$733 billion | \$158 to \$148 billion | 6.8% to 6.1% |
| <i>Difference Since March 1995</i> | <i>-\$89 to - \$122 billion</i> | <i>- \$20 to -\$30 billion</i> | |

* Average for 1996 to 2002; Federal benefits, administration and DSH spending per recipient

Sources: The March 1995 and April 1996 estimates are based on CBO fact sheets. The "Possible 1997" baseline ranges were estimated: small change: August 1996 re-estimate of 1996 spending (CBO's August 1996 update) projected using April 1996 aggregate growth rates; larger change: reduces 1996 according to August 1996 update and assumes subsequent years' per-beneficiary growth is reduced by 1 percentage points in each year. Also assumes lower recipient growth (average is 0.6 percentage points lower). THE POSSIBLE BASELINES ARE NOT FROM CBO; THEY ARE ONLY APPROXIMATIONS BASED ON THE INFORMATION AVAILABLE.

BUDGET PROPOSALS

| | Cumulative Savings Targets | | | Federal Savings: 2002 | Federal Spending: 2002 | Per-Beneficiary Growth: 1996-2002 |
|------------------------------|----------------------------|------------------------------|-----------|--------------------------|---------------------------|--------------------------------------|
| | 5 Years | 6 Years | 7 Years | | | |
| Republican BBA (12/95 score) | - \$53 b | - \$88 b | - \$133 b | -\$45 b (7th yr) | \$127 b | 1.7% |
| Chafee-Breaux Plan (5/96) | - \$26 b | - \$41 b | - \$62 b | -\$15 b (6th yr) | \$151 b | 5.1% |
| Republican Plan (5/96) | - \$42 b | - \$72 b | - \$110 b | -\$29 b (6th yr) | \$137 b | 3.4% |
| Blue Dog Plan (5/96) | - \$43 b | - \$70 b | - \$97 b | -\$22 b (6th yr) | \$145 b | 4.3% |
| President's Plan (4/96) | - \$32 b | - \$54 b | - \$82 b | -\$22 b (6th yr) | \$145 b | 4.3% |
| | - \$54 b | <i>More than -\$82 b</i> | | | | |

Source: The unitalicized and bold numbers are from CBO estimates relative to the baseline in effect at the time; the italicized numbers were calculated by assuming that Federal spending in the subsequent years grows at the same rate as the last year of spending growth under the proposal scoring. 11/12/96

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THE ERA OF BIG GOVT HAS TRIGGERED OFF.

The President's 1997 Budget Under OMB Assumptions -- Including Effects of "Fiscal Dividend"
(Uses OMB February economic assumptions, in billions of dollars)

| | 1993 Actual | 1994 Actual | 1995 Actual | 1996 Estimated | 1997 Proposed | 1998 Proposed | 1999 Proposed | 2000 Proposed | 2001 Proposed | 2002 Proposed |
|--------------------------|----------------|----------------|----------------|-------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Outlays: | | | | | | | | | | |
| Discretionary..... | 541 | 544 | 543 | 535 | 541 | 537 | 538 | 538 | 558 | 553 |
| Mandatory: | | | | | | | | | | |
| Medicare..... | 128 | 142 | 157 | 173 | 187 | 201 | 211 | 225 | 244 | 255 |
| Medicaid..... | 76 | 82 | 89 | 95 | 102 | 110 | 115 | 124 | 131 | 140 |
| Social security..... | 302 | 317 | 333 | 349 | 366 | 384 | 402 | 421 | 442 | 462 |
| Other..... | 163 | 173 | 160 | 171 | 191 | 196 | 204 | 213 | 208 | 201 |
| Subtotal, mandatory..... | 669 | 714 | 739 | 789 | 845 | 891 | 931 | 984 | 1,024 | 1,059 |
| Net interest..... | 199 | 203 | 232 | 241 | 240 | 238 | 237 | 234 | 230 | 225 |
| Total, outlays..... | 1,409 | 1,461 | 1,514 | 1,565 | 1,626 | 1,666 | 1,706 | 1,755 | 1,812 | 1,837 |
| Revenues..... | 1,154 | 1,258 | 1,351 | 1,417 | 1,480 | 1,553 | 1,626 | 1,704 | 1,786 | 1,877 |
| Deficit/surplus..... | -255 | -203 | -164 | -148 | -146 | -113 | -80 | -51 | -26 | 39 |

Discretionary Spending Summary
(in billions of dollars)

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| | FY 1993 | | FY 1994 | | FY 1995 | | FY 1996* | | FY 1997 | |
|--------------------------------|---------|-----|---------|-----|---------|-----|----------|-----|---------|-----|
| | BA | OL | BA | OL | BA | OL | BA | OL | BA | OL |
| Proposed | | | | | | | | | | |
| Non-Defense Discretionary..... | 246 | 248 | 250 | 262 | 236 | 273 | 234 | 271 | 249 | 282 |
| Defense Discretionary..... | 276 | 292 | 262 | 282 | 260 | 270 | 265 | 263 | 254 | 259 |
| Total..... | 522 | 541 | 512 | 544 | 496 | 543 | 499 | 535 | 503 | 541 |
| Resolution | | | | | | | | | | |
| Non-Defense Discretionary..... | -- | -- | -- | -- | -- | -- | 224 | 268 | -- | -- |
| Defense Discretionary..... | -- | -- | -- | -- | -- | -- | 265 | 264 | -- | -- |
| Total..... | -- | -- | -- | -- | -- | -- | 489 | 532 | -- | -- |

* Includes addbacks

Priorities in the 1997 Budget
(in billions of dollars)

| Priorities | 1995 Enacted | 1996 | | 1997 Budget | % Change, Budget to: | | |
|--------------------------------|-----------------|---------------------|------------------|----------------|----------------------|-----------------------|----------------------|
| | | Without Addbacks | With Addbacks | | '96 W/out Enacted | '96 W/out Addbacks | '96 With Addbacks |
| Education and children | | | | | | | |
| BA..... | 32.4 | 28.9 | 31.8 | 33.6 | 3.8 | 16.1 | 5.6 |
| O..... | 31.3 | 29.1 | 29.5 | 32.7 | 4.5 | 12.2 | 10.7 |
| Training | | | | | | | |
| BA..... | 3.6 | 2.8 | 4.0 | 4.3 | 21.5 | 52.3 | 8.6 |
| O..... | 4.1 | 3.6 | 4.0 | 4.2 | 0.9 | 16.4 | 3.4 |
| Crime | | | | | | | |
| BA..... | 2.2 | 4.1 | 4.1 | 4.9 | 123.6 | 19.4 | 19.3 |
| O..... | 0.7 | 1.8 | 1.8 | 3.2 | 379.1 | 77.4 | 77.3 |
| Technology and research | | | | | | | |
| BA..... | 17.8 | 18.2 | 18.6 | 19.6 | 10.4 | 7.8 | 5.6 |
| O..... | 15.4 | 17.6 | 17.6 | 19.0 | 23.7 | 8.0 | 7.6 |
| Environment | | | | | | | |
| BA..... | 15.6 | 14.4 | 15.5 | 17.0 | 8.8 | 18.3 | 9.7 |
| O..... | 15.0 | 15.0 | 15.3 | 16.0 | 6.9 | 6.7 | 4.8 |
| All other NDD | | | | | | | |
| BA..... | 164.2 | 157.7 | 160.0 | 164.6 | 0.4 | 3.5 | 1.5 |
| O..... | 206.6 | 201.4 | 203.0 | 207.0 | 0.4 | 2.8 | 1.3 |
| Total NDD | | | | | | | |
| BA..... | 235.8 | 226.1 | 234.0 | 244.0 | 4.3 | 7.9 | 3.5 |
| O..... | 273.1 | 268.5 | 271.2 | 282.1 | 4.0 | 5.0 | 3.3 |

Major Agencies Not Appealing

- **Agriculture.** The budget includes increases for food and nutrition, and for rural development, including water and wastewater grant and loan programs. It also protects the Forest Service and USDA's conservation programs. Budget authority for the Department is \$400 million over 1996 (+2.5%).
- **Commerce.** The Department increases 10% over 1996 with addbacks. The budget includes more funding for NOAA. ATP increases to \$345 million, or \$45 million above the 1996 level with add-backs (the budget supports \$120 million in new 1997 awards).
- **Corps of Engineers.** The budget includes \$100 million more than the 1996 level. The flood control policy has been revised to be less controversial.
- **Defense.** Defense spending is \$17 billion lower over 1997-2002 than in the June budget, due to lower inflation estimates, but we gave Defense some of those savings to account for higher outlays in 1997 (from the higher 1996 appropriation). Defense budget authority is higher in the out-years -- above inflation -- to finance recapitalization.
 - **Intelligence.** The intelligence budget was settled within the context of the defense budget, and intelligence absorbed its share of the downward inflation adjustment.
- **Energy.** Total funding is straightlined from 1996 levels, but the budget includes most of the increases that NSC and Defense sought for stockpile stewardship. Conservation, efficiency, and renewables activities are funded at the 1995 level, which restores a \$250 million cut in 1996.
- **EPA.** Total EPA funding is at an all-time high in the 1997 budget. The operating program is increased by \$300 million over 1996 with add-backs.
- **GSA.** The budget policy is to finance no new starts (with a few exceptions), and GSA agrees with the policy.
- **HHS.** Total HHS funding increases by about \$1.5 billion (5%) over 1996 levels with add-backs. Major increases are included for Head Start, Child Care and Development Block Grant, HIV/AIDS treatment, prevention and research, biomedical research (NIH), and Indian health services.
- **HUD.** The budget funds public housing, homeless programs, and demolition at 1996 add-back levels or higher. It includes 50,000 incremental vouchers. Total program budget is \$1 billion above the 1996 conference level.

- **Interior.** The budget protects funding for the National Park Service (+ 7 percent over 1996 with addbacks), and the Bureau of Indian Affairs (+ 55 million over 1995, and + 7 percent over 1996 with addbacks). Total budget authority for the Department is \$300 million over 1996 with addbacks.
- **International Affairs.** The budget for international affairs increases by nearly \$1 billion over 1996 with add-backs. Increases provide for full U.S. contributions to the U.N. and U.N. peacekeeping, plus a first installment on arrears for those purposes. The full amount requested has been provided for Middle East peace and Bosnia.
- **Justice.** DOJ has a 13% increase over 1996, and is not appealing. The budget fully funds the crime bill, adds 700 border control agents (bringing the total to 6,500 by the end of fiscal 1997), and implements the President's Anti-Gang Strategy.
- **NASA.** Funding would be \$14.1 billion or 2% above the expected 1996 level. The budget includes \$365 million to repair existing wind tunnels.
- **NSF.** Funding would be at \$3.3 billion or inflationary growth over 1996.
- **OPM.** The budget level is slightly below 1996 levels, but the agency is satisfied with the dollar level.
- **SBA.** Program level for 7(a) loans will be maintained at the 1996 level, but fees will be increased by 25 basis points to compensate for a technical increase in the subsidy rate.
- **Transportation.** The formula highway budget is at the 1996 level, plus \$250 million for state infrastructure banks. The Department wants to be sure the President is aware of how rapidly the Highway Trust Fund surplus is increasing (see chart). The FAA budget is 6% over 1996, funding all safety positions requested by FAA (250 more air traffic controllers, 260 more safety inspectors, and 500 more maintenance technicians).
- **Treasury.** The budget includes money for the IRS both within and above the caps, and fully funds the Southwest Border Initiative (Customs).
- **Veterans.** The budget includes \$575 million for VA over 1996 conference levels, including an additional \$447 million for VA medical care (2.7% increase) and approximately \$117 million for major construction (plans include the Travis, California and Brevard, Florida hospitals, as well as projects in Honolulu, Wilkes-Barre (Pennsylvania) and Dallas (cemetery)).

Discretionary Funding by Agency
(in billions of dollars)

| | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996 with Addbacks</u> | <u>1997 Proposed</u> |
|--|-------------|-------------|-------------|-------------------------------|--------------------------|
| Cabinet Agencies | | | | | |
| Agriculture (excluding international) | | | | | |
| BA..... | 14.1 | 15.4 | 14.3 | 13.4 | 13.9 |
| O..... | 13.1 | 14.2 | 14.7 | 14.1 | 13.9 |
| Commerce | | | | | |
| BA..... | 3.2 | 3.9 | 4.1 | 3.9 | 6.3 |
| O..... | 2.9 | 3.0 | 3.7 | 3.9 | 4.9 |
| Education | | | | | |
| BA..... | 23.7 | 24.5 | 24.5 | 23.6 | 24.7 |
| O..... | 23.0 | 22.9 | 23.7 | 24.7 | 24.3 |
| Energy | | | | | |
| BA..... | 7.1 | 7.8 | 7.0 | 5.9 | 5.8 |
| O..... | 6.9 | 7.5 | 7.7 | 6.7 | 6.4 |
| Health and Human Services | | | | | |
| BA..... | 31.6 | 33.0 | 33.2 | 33.1 | 34.3 |
| O..... | 29.4 | 31.1 | 32.4 | 32.7 | 33.7 |
| Housing and Urban Development | | | | | |
| BA..... | 25.5 | 26.3 | 19.8 | 20.2 | 22.1 |
| O..... | 25.0 | 27.6 | 30.9 | 30.6 | 33.3 |
| Interior | | | | | |
| BA..... | 7.1 | 7.5 | 7.2 | 6.9 | 7.3 |
| O..... | 7.1 | 7.3 | 7.3 | 7.2 | 7.4 |
| International Programs | | | | | |
| BA..... | 33.3 | 20.9 | 20.1 | 18.4 | 19.1 |
| O..... | 21.6 | 20.8 | 20.1 | 20.2 | 19.8 |
| Justice | | | | | |
| BA..... | 9.0 | 9.4 | 11.9 | 14.4 | 16.0 |
| O..... | 9.0 | 9.3 | 10.9 | 11.8 | 14.8 |

| | 1993 | 1994 | 1995 | 1996 with Addbacks | 1997 Proposed |
|-------------------------|------|------|------|-----------------------|------------------|
| Labor | | | | | |
| BA..... | 9.9 | 10.6 | 9.4 | 9.8 | 10.5 |
| O..... | 9.5 | 9.8 | 10.0 | 9.9 | 10.3 |
| Transportation | | | | | |
| BA..... | 12.7 | 14.2 | 11.5 | 12.2 | 12.2 |
| O..... | 33.4 | 36.4 | 35.9 | 35.3 | 35.5 |
| Treasury | | | | | |
| BA..... | 10.1 | 10.3 | 10.6 | 10.5 | 11.1 |
| O..... | 9.9 | 10.1 | 10.8 | 10.5 | 10.9 |
| Veterans Affairs | | | | | |
| BA..... | 16.7 | 17.7 | 18.1 | 18.6 | 18.8 |
| O..... | 16.3 | 17.2 | 18.1 | 18.7 | 19.1 |

Major Agencies

| | | | | | |
|---|------|------|------|------|------|
| Corporation for National and Community Service | | | | | |
| BA..... | 0.2 | 0.6 | 0.7 | 0.7 | 0.8 |
| O..... | 0.2 | 0.3 | 0.5 | 0.6 | 0.6 |
| Environmental Protection Agency | | | | | |
| BA..... | 6.9 | 6.6 | 5.9 | 6.7 | 6.9 |
| O..... | 6.1 | 6.1 | 6.6 | 6.5 | 6.7 |
| The Judiciary | | | | | |
| BA..... | 2.4 | 2.5 | 2.7 | 2.8 | 3.2 |
| O..... | 2.4 | 2.5 | 2.7 | 2.8 | 3.2 |
| Legislative Branch | | | | | |
| BA..... | 2.3 | 2.3 | 2.4 | 2.2 | 2.2 |
| O..... | 2.3 | 2.3 | 2.5 | 2.2 | 2.2 |
| National Aeronautics and Space Administration | | | | | |
| BA..... | 14.3 | 14.6 | 13.9 | 13.8 | 18.2 |
| O..... | 14.3 | 13.7 | 13.4 | 14.1 | 13.7 |
| National Science Foundation | | | | | |
| BA..... | 2.7 | 3.0 | 3.2 | 3.2 | 3.3 |
| O..... | 2.4 | 2.6 | 2.7 | 3.0 | 3.2 |

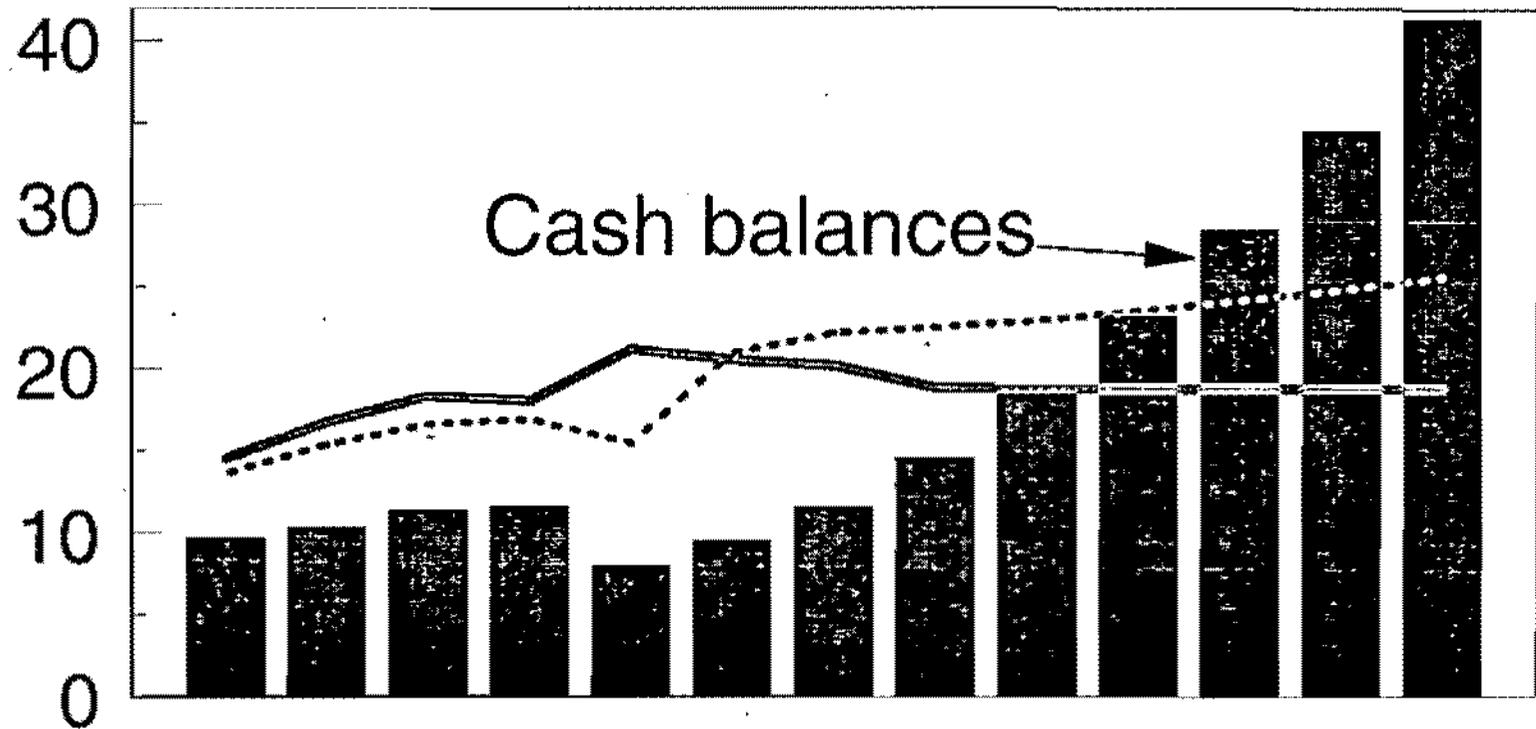
| | <u>1993</u> | <u>1994</u> | <u>1995</u> | <u>1996 with Addbacks</u> | <u>1997 Proposed</u> |
|---|-------------|-------------|-------------|-------------------------------|--------------------------|
| Small Business Administration | | | | | |
| BA..... | 0.9 | 1.9 | 0.8 | 0.6 | 0.7 |
| O..... | 1.1 | 1.3 | 1.5 | 0.9 | 0.7 |
| Social Security Administration | | | | | |
| BA..... | 0.0 | 1.8 | 2.4 | 2.0 | 2.1 |
| O..... | 2.6 | 4.4 | 4.8 | 5.1 | 5.3 |
| Total, Non-Defense Discretionary | | | | | |
| BA..... | 245.6 | 249.8 | 235.8 | 234.1 | 248.5 |
| O..... | 248.0 | 262.0 | 273.0 | 271.0 | 282.4 |
| Defense (Function 050) | | | | | |
| BA..... | 276.0 | 262.0 | 260.3 | 264.8 | 254.4 |
| O..... | 292.0 | 282.0 | 270.0 | 263.2 | 259.2 |



Highway Account of Highway Trust Fund

Cash Balance Projection

Scenario: Assumes 1997 level is continued indefinitely
\$ in billions



| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Cash Balance ■ | 10 | 10 | 11 | 12 | 8 | 9 | 11 | 15 | 19 | 23 | 29 | 35 | 41 |
| Obligations — | 14 | 17 | 18 | 18 | 21 | 21 | 20 | 19 | 19 | 19 | 19 | 19 | 19 |
| Income ··· | 14 | 15 | 17 | 17 | 15 | 21 | 22 | 23 | 23 | 24 | 24 | 25 | 26 |

National Defense Function (050) Funding Levels

- Funding for the National Defense Function (050) was reduced between 1997-2002 by \$14 billion in budget authority and \$17 billion in outlays from the President's June budget to reflect a portion of the savings from Defense for lower expected inflation. (The Department of Defense retained 1997 inflation savings to help solve the outlay problem caused by the increase in 1996 appropriations.)
- The additional funds support the Administration's commitments to passage of the Comprehensive Test Ban Treaty through increased funding for the Atomic Energy Defense Activities (053), and environmental cleanup activities in the Ukraine and Hanford.
- Some of the 1998-2002 inflation savings were added back to Defense to maintain the Administration's commitment to recapitalize the nation's military forces at the turn of the century.
- Starting in 1998, the defense budget is designed to reverse the real decline in defense spending that has occurred since the end of the Cold War in order to provide funds to recapitalize the force.
- Defense funding is projected to keep pace with the rate of inflation beginning in 1999, and then increase slightly faster than the rate of inflation through 2002.

Function 050
(\$ in Billions)

2/12/96

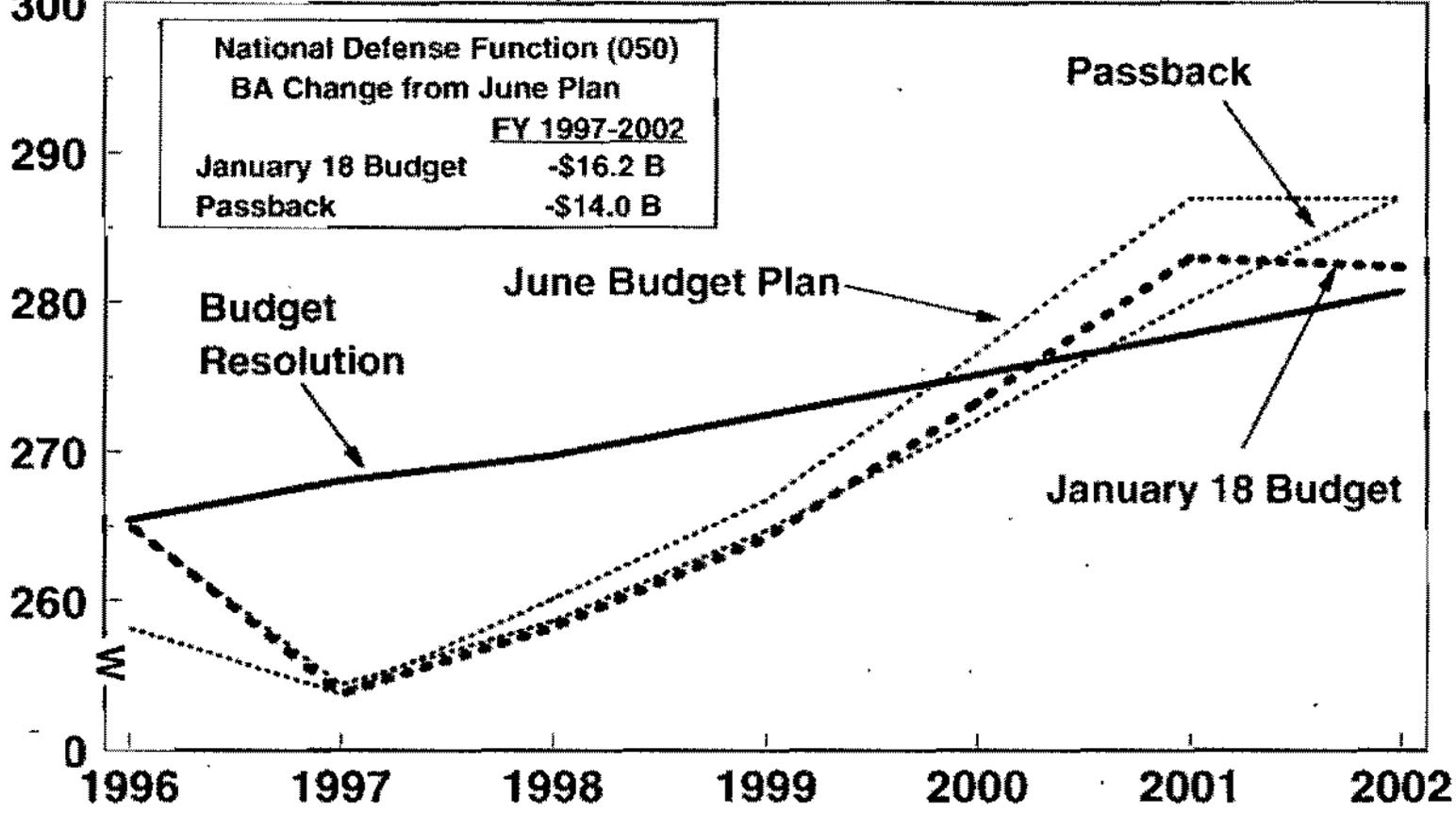
| | FY1996 | FY1997 | FY1998 | FY1999 | FY2000 | FY2001 | FY2002 | TOTAL FY1997-02 |
|--|--------|--------|--------|--------|--------|--------|--------|--------------------|
| June Budget | | | | | | | | |
| BA | 258.2 | 253.8 | 260.1 | 266.7 | 276.5 | 286.9 | 286.9 | 1,630.9 |
| OL | 261.5 | 257.1 | 254.8 | 260.1 | 268.3 | 275.7 | 281.1 | 1,597.2 |
| January 18th Budget | | | | | | | | |
| BA | 265.1 | 253.8 | 258.2 | 264.2 | 273.3 | 282.9 | 282.3 | 1,614.7 |
| OL | 263.2 | 259.1 | 255.1 | 259.2 | 266.2 | 272.7 | 277.3 | 1,589.5 |
| Difference: January 18th Budget to June Budget | | | | | | | | |
| BA | 6.9 | 0.0 | -1.9 | -2.5 | -3.2 | -4.0 | -4.6 | -16.2 |
| OL | 1.7 | 1.9 | 0.3 | -0.9 | -2.1 | -3.0 | -3.8 | -7.6 |
| Passback | | | | | | | | |
| BA | 265.1 | 254.4 | 258.6 | 264.7 | 272.1 | 280.0 | 287.0 | 1,616.9 |
| OL | 263.4 | 259.3 | 254.7 | 257.6 | 264.2 | 269.2 | 275.3 | 1,580.2 |
| Difference: Passback to June Budget | | | | | | | | |
| BA | 6.9 | 0.6 | -1.5 | -2.0 | -4.4 | -6.9 | 0.1 | -14.0 |
| OL | 1.9 | 2.1 | -0.2 | -2.6 | -4.1 | -6.5 | -5.7 | -17.0 |
| Budget Resolution | | | | | | | | |
| BA | 265.4 | 268.0 | 269.7 | 272.4 | 275.1 | 277.8 | 280.7 | 1,643.7 |
| OL | 264.0 | 265.7 | 264.5 | 267.9 | 271.6 | 270.8 | 270.8 | 1,611.3 |
| Difference: Passback to Budget Resolution | | | | | | | | |
| BA | -0.3 | -13.6 | -11.1 | -7.7 | -3.0 | 2.2 | 6.3 | -26.8 |
| OL | -0.6 | -6.4 | -9.8 | -10.3 | -7.4 | -1.6 | 4.5 | -31.1 |

COMPARISON OF ALTERNATIVE NATIONAL DEFENSE FUNCTION (050) TOPLINES

Discretionary Budget Authority (Current Dollars)

\$ Billions
300

| National Defense Function (050) BA Change from June Plan | |
|---|-----------|
| <u>FY 1997-2002</u> | |
| January 18 Budget | -\$16.2 B |
| Passback | -\$14.0 B |



Environmental/Natural Resources Investments and Other High Priority Programs
(Non-Defense Discretionary BA in millions of dollars)
2/13/96

| | FY | FY | FY 1996 | | FY 1997 |
|------------------------|--------|-------------------|---------|---------------------|------------------------|
| | 1993 | 1995 | | | |
| | Actual | Enact Post-Res | Conf. | Conf. + Addbacks | Appeal 2/12 Resolution |
| EPA Operating Program | 2,767 | 2,853 | 2,819 | 3,095 | 3,400 |
| Investment (Other) | 7,483 | 7,337 | 7,363 | 7,981 | 8,525 |
| Non-Investment (Other) | 4,909 | 5,653 | 4,372 | 4,529 | 5,031 |
| Total | 15,159 | 15,843 | 14,554 | 15,605 | 16,956 |

- The FY 1997 Budget would fulfill the President's commitment to preserve and protect the environment while balancing the budget in seven years. OMB has identified a set of environmental programs, including all of the President's environmental and natural resource program investments from previous budgets as well as a subset of several other high-priority environmental programs, that would be protected in the out years.
- Spending in FY 1997 on environment and natural resource programs identified in the table above total almost \$17.0 billion. This is an increase of \$1.1 billion (7 percent) over the FY 1995 enacted and \$2.4 billion (17 percent) over the conference level.
- Included in the total is approximately \$7.0 billion for the EPA, an increase of almost \$0.4 billion over the FY 1996 Conference level plus add-backs. EPA's operating program, which includes most of EPA's research, regulatory, partnership grant, and enforcement activities, is funded at almost \$3.4 billion, an increase of approximately \$0.6 billion over the conference level and \$0.3 billion over the FY 1996 Conference level with add-backs. EPA's operating program is the environmental community's highest priority. Consistent with the President's commitments in the State of the Union, EPA enforcement funding increases significantly to \$0.4 billion (32 percent over the FY 1996 Conference level), and a new EPA "brownfields" initiative is also included at \$25 million (in addition to a related brownfields tax incentive being developed by Treasury, EPA, and OMB).
- The FY 1997 budget provides increases over FY 1996 for the operating programs of the three land management agencies at Interior (National Park Service, Fish and Wildlife Service, and Bureau of Land Management) and Agriculture's Forest Service. In addition, the budget provides a \$0.2 billion increase (37 percent over the FY 1996 Conference level) for USDA's rural water and wastewater program, and a \$100 million discretionary increase in our commitment to restoring the Everglades (not including spending from a new 1¢ per pound assessment on Florida-grown sugar).
- The budget also increases funding for several international environmental programs that support U.S. international treaty obligations (Climate Change, Montreal Protocol, and NAFTA), and for several U.N. organizations that address a wide range of international environmental activities. GLOBE is funded at the FY 1996 request level (\$15 million).

**Environmentally Protective 7-Year Budget Level
Environmental/Natural Resources Investments and Other High Priority Programs
(Non-Defense Discretionary BA in millions of dollars)**

| | 1993 | 1995 | 1996 | | 1997 |
|---|--------|-------------------------------|------------|---------------------------------|---------------------------|
| | Actual | Enacted Post Rescission | Conference | Conference with Add-backs | Appeal 2/12 Resolution |
| EPA: | | | | | |
| Operating Program..... | 2,767 | 2,853 | 2,819 | 3,095 | 3,400 |
| Other (SRFs, Superfund, & Other)..... | 4,156 | 3,093 | 2,892 | 3,582 | 3,627 |
| Total, EPA..... | 6,923 | 5,946 | 5,711 | 6,677 | 7,027 |
| DOI: | | | | | |
| National Parks Operating Program..... | 984 | 1,078 | 1,083 | 1,083 | 1,165 |
| BLM Operating Program..... | 638 | 695 | 661 | 661 | 676 |
| FWS Operating Program..... | 531 | 511 | 498 | 498 | 534 |
| Investment Non-Operating Program (Nat. Biological Service)..... | 26 | 195 | 182 | 182 | 201 |
| Total, DOI (Select programs)..... | 2,179 | 2,479 | 2,424 | 2,424 | 2,576 |
| USDA: | | | | | |
| Forest Service Operating Program..... | 1,319 | 1,338 | 1,256 | 1,256 | 1,276 |
| Investment Non-Operating Program..... | 276 | 234 | 172 | 172 | 199 |
| Rural Water & Wastewater..... | 508 | 627 | 488 | 488 | 669 |
| Wetlands (Discretionary)..... | 115 | 212 | 139 | 139 | 216 |
| Total, USDA (Select programs)..... | 2,218 | 2,411 | 2,055 | 2,055 | 2,360 |
| Land & Water Con. Fund (DOI/USDA)..... | 285 | 217 | 140 | 140 | 240 |
| DOE: | | | | | |
| Energy Conservation and Efficiency..... | 592 | 736 | 553 | 628 | 736 |
| Cleanup (Env. Mgmt; non-defense only)..... | 692 | 738 | 622 | 622 | 654 |
| Solar and Renewable Energy R&D..... | 257 | 363 | 275 | 275 | 365 |
| Total, DOE (Select programs)..... | 1,541 | 1,837 | 1,450 | 1,525 | 1,755 |
| NOAA: | | | | | |
| Fisheries and Protected Species..... | 232 | 269 | 282 | 282 | 313 |
| Ocean and Coastal Management..... | 121 | 130 | 119 | 119 | 134 |
| Ocean and Atmospheric Research..... | 138 | 160 | 156 | 156 | 160 |
| Total, NOAA..... | 491 | 559 | 557 | 557 | 607 |
| Climate Change Research (NASA, et al)..... | 1,317 | 1,877 | 1,822 | 1,825 | 1,874 |
| GLOBE (NOAA, NASA, EPA, NSF)..... | N/A | 15 | 7 | 14 | 15 |
| Clean Car (DOE, DOC, NSF, NASA, DOT)..... | N/A | 244 | 189 | 214 | 253 |
| International Assistance (State, Treasury)..... | 15 | 146 | 82 | 82 | 147 |
| Multi/Bilateral Assistance (State, AID)..... | 272 | 320 | 255 | 255 | 265 |

**Environmentally Protective 7-Year Budget Level
Environmental/Natural Resources Investments and Other High Priority Programs
(Non-Defense Discretionary BA in millions of dollars)**

| | 1993 | 1995 | 1996 | | 1997 |
|---|---------------|-------------------------------|---------------|---------------------------------|---------------------------|
| | Actual | Enacted Post Rescission | Conference | Conference with Add-backs | Appeal 2/12 Resolution |
| EDA Investments (Forest Plan)..... | N/A | 3 | 3 | 3 | 3 |
| USACE Investments..... | 86 | 102 | 101 | 101 | 112 |
| DOL Investments (Forest Plan)..... | N/A | 12 | 12 | 12 | 12 |
| Double Counts & Adjustments..... | -168 | -325 | -254 | -279 | -290 |
| Grand Total..... | 15,159 | 15,843 | 14,554 | 15,605 | 16,956 |

N/A Not applicable to FY 1993.

The following programs are funded within the above totals:

| | | | | | |
|--|-----|-----|-----|-----|-----|
| Climate Change Action Plan..... | N/A | 218 | 199 | 224 | 305 |
| Northwest Forest Plan..... | N/A | 359 | 318 | 318 | 387 |
| Enhanced Everglades Restoration (Multi-agency; most funding included above)..... | 99 | 103 | 104 | 107 | 231 |
| Montreal Protocol..... | 25 | 38 | 34 | 34 | 41 |
| U.N. Population Fund..... | 0 | 35 | 25 | 25 | 25 |
| Global Environment Facility (GEF)..... | N/A | 90 | 35 | 35 | 100 |

Office of National Drug Control Policy (ONDCP)
Drug Abuse Agenda

- All of ONDCP's top funding priorities are being met in the 1997 budget, including **drug treatment** (HHS Substance Abuse and Mental Health Services Administration), which will receive a \$200 million increase in funding over 1996.
- Total anti-drug abuse funding will increase by over \$1 billion in 1997. Among the most significant increase are:
 - drug courts (+\$100 million)
 - the Drug Enforcement Agency (+\$150 million)
 - incarcerating drug offenders in federal prisons (+\$200 million)
 - State Department efforts to reduce drug cultivation abroad (final numbers pending).
- Included in the Department of Education's overall appeal is a request to increase the **Safe and Drug-Free Schools and Communities (SDFSC)** program by \$84 million, to \$550 million (discussed separately in Education's appeal).

(See attached table for additional detail)

Attachment

CURRENT CONGRESSIONAL ACTION ON SELECT HIGH VISIBILITY DRUG PROGRAMS

(\$ in millions)

| | FY 1995 Enacted | FY 1996 Request | FY 1996 Enacted Conf. w/o add-backs | Conf. less '95 Enacted | FY 1997 Mark |
|---|--------------------|--------------------|--|---------------------------|-----------------|
| Substance Abuse and Mental Health Service/HHS..... | \$1,372 | \$1,405 | \$1,081 * | (\$291) | \$1,316 |
| SDFSC (Drug Free Schools)/ED..... | \$466 | \$500 | \$200 * | (\$266) | \$500 **** |
| International Narcotics/STATE..... | \$105 | \$213 | \$115 | \$10 | \$180 **** |
| Drug Courts/DOJ..... | \$12 | \$150 | \$0 | (\$12) | \$100 |
| Customs/TREASURY..... | \$518 | \$500 | \$494 | (\$24) | \$542 |
| Coast Guard/DOT..... | \$306 | \$320 | \$315 | \$9 | \$335 |
| DEA/DOJ..... | \$757 | \$810 | \$806 | \$49 | \$952 ** |
| Organized Crime Drugs/DOJ..... | \$375 | \$378 | \$360 | (\$15) | \$372 ** |
| FBI/DOJ..... | \$540 | \$644 | \$664 | \$124 | \$667 ** |
| Supply Reduction/DOD..... | \$852 | \$814 | \$814 | (\$38) | \$814 *** |
| Drug Elimination Grants/HUD..... | \$290 | \$290 | \$290 | \$0 | \$290 |
| TOTAL..... | \$5,593 | \$6,024 | \$5,139 * | (\$454) | \$6,068 |

* Average of House/Senate where no conference level exists.

** Current estimate; exact sum to be determined.

*** Preliminary DOID estimate; passback does not provide level of detail to be definitive in this drug account.

**** These sums at least, or higher, pending final resolution.

EDUCATION AND TRAINING -- FY 1997 BUDGET

(BA in billions)

| Programs | FY 1993 Actual | FY 1994 Actual | FY 1995 | | FY 1996 | | | FY 1997 | | | | |
|--------------------------------|-------------------|-------------------|-------------|-------------|----------------|-------------|------------------------|-------------|-------------|-------------|-------------|-------------|
| | | | Pre-Rescsn | Post-Rescsn | June Budget | Con. Res. | Con. Res. Plus Adds | June Budget | Passback | Appeal | OMB Rec | Pos. Comp. |
| | | | | | | | | | | | | |
| Education Department Total | 23.7 | 24.6 | 25.1 | 24.5 | 26.0 | 21.5 | 23.7 | 26.9 | 24.7 | 25.9 | 25.1 | 25.5 |
| Pell Grants | 6.5 | 6.6 | 6.2 | 6.2 | 6.6 | 5.6 | 5.7 | 7.4 | 5.9 | 5.9 | 5.9 | 5.9 |
| Education Dept. excluding Pell | 17.2 | 18.0 | 18.9 | 18.3 | 19.4 | 15.9 | 18.0 | 19.5 | 18.8 | 20.0 | 19.1 | 19.5 |
| Department of Labor-Training | 5.3 | 6.0 | 6.4 | 5.7 | 7.1 | 4.8 | 5.4 | 7.2 | 5.8 | 6.2 | 5.8 | 6.0 |
| National Service | 0.3 | 0.6 | 0.8 | 0.7 | 1.1 | 0.6 | 0.7 | 1.1 | 0.7 | 0.8 | 0.8 | 0.8 |
| Head Start | 2.8 | 3.3 | 3.5 | 3.5 | 3.9 | 3.4 | 3.6 | 4.1 | 3.9 | 3.9 | 3.9 | 3.9 |
| Total without Pell | 25.7 | 27.9 | 29.6 | 28.2 | 31.4 | 24.7 | 27.7 | 31.9 | 29.2 | 30.9 | 29.6 | 30.2 |
| Total with Pell | 32.1 | 34.5 | 35.8 | 34.4 | 38.1 | 30.3 | 33.4 | 39.3 | 35.1 | 36.8 | 35.6 | 36.2 |

Education Department.

[NOTE: Pell grants are fully funded in FY 97 at current Administration policy of \$2,700 maximum award (FY96: Congress, \$2,440; Administration \$2,620). Lower projected spending on Pell grants results from a decline in the technical assumption of participation rates and not from policy changes.]

Passback provided an increase over FY 1996 policy ("Continuing Resolution Plus Addbacks") of \$0.8 billion (4.5%), still \$0.7 billion below the June Budget level.

ED appealed for \$20 billion, \$0.5 billion above the June Budget level. In effect, the State of the Union initiatives would be funded on top of the June level, regardless of the 1996 base.

The OMB recommended level is \$0.4 billion below the levels in the June Budget to reflect, in part, lower levels of funding expected in FY 96. The State of the Union initiatives are included in the total. This level would be an increase over the 1996 Continuing Resolution plus Addbacks of \$1.1 billion (6%).

A possible compromise would be to fund ED in total at the June Budget level with the adjusted Pell estimate (\$25.5 billion). This level would be an increase over the 1996 Continuing Resolution plus addbacks of \$1.5 billion (9%).

Department of Labor.

Passback is \$0.4 billion (7%) over FY 1996 Policy. DOL appealed for \$400 million for a new program for out-of-school youth in low-income areas.

The OMB Recommendation did not include the new initiative, but OMB supports the program concept and would support funding at some level. This would be the only significant new item in the Budget for the most severely disadvantaged -- the Education initiatives have some low income elements but address a broader population.

An interagency group is currently developing alternative program designs for this initiative if additional youth training funding is provided in the budget. One possible compromise would be to provide partial funding of \$200 million for out-of-school youth.

National Service.

The Passback of \$741 million continues the 1996 goal of 25,000 AmeriCorps participants. The Appeal (\$792 million) would go up to 33,000, the pre-rescission goal in FY 1995. The OMB Recommended level of \$772 million would fund 30,000 participants and include sufficient funds to attain the 33,000 level the next year.

Head Start.

Passback provided sufficient funding to add 15 to 20,000 new slots, to continue the Administration's goal of 50,000 new slots by 2000. There was no appeal.

DEPARTMENT OF EDUCATION
(dollars in millions)

| | FY 1994 Enacted | FY 1995 Post-resc. | FY 1996 CR #9 | FY 1996 Policy | FY 1997 Planning Guidance | FY 1997 Passback | Dept. Appeal vs. Passback | OMB Rec. vs. 1/ Passback | Possible Compromise |
|---|--------------------|-----------------------|------------------|-------------------|---------------------------------|---------------------|---------------------------------|--------------------------------|------------------------|
| <i>State of the Union Initiatives</i> | | | | | | | | | |
| Public Charter Schools..... | 0 | 6 | N/A | 20 | 20 | 40 | 0 | 0 | 0 |
| Education Technology..... | 0 | 31 | N/A | 52 | 92 | 302 | 45 | 0 | 0 |
| Merit Awards..... | 0 | 0 | N/A | 0 | 0 | 130 | 0 | 0 | 0 |
| Work Study..... | 617 | 617 | N/A | 617 | 617 | 679 | 21 | 0 | 0 |
| <i>Major Programs</i> | | | | | | | | | |
| Goals 2000..... | 97 | 372 | 312 | 446 | 773 | 491 | 0 | 0 | 0 |
| School to Work..... | 50 | 123 | 103 | 186 | 200 | 200 | 0 | 0 | 0 |
| Title I..... | 6,912 | 7,228 | 6,014 | 7,328 | 7,770 | 7,548 | 176 | 117 | 176 |
| Safe and Drug Free..... | 472 | 466 | 349 | 466 | 500 | 466 | 84 | 34 | 34 |
| Impact Aid..... | 913 | 728 | 660 | 660 | 592 | 592 | 48 | 0 | 0 |
| Bilingual/Immigrant Ed..... | 227 | 207 | 155 | 188 | 257 | 191 | 75 | 66 | 66 |
| Special Ed..... | 3,109 | 3,253 | 3,092 | 3,246 | 3,359 | 3,343 | 252 | 37 | 108 |
| Voc and Adult..... | 1,560 | 1,383 | 1,163 | 1,268 | 1,527 | 1,308 | 188 | 77 | 121 |
| Other Student Financial Aid (Perkins (SEOG, SSIG)) | 849 | 822 | 1,438 2/ | 777 | 698 | 668 | 103 | 0 | 103 |
| Subtotal, SOU and Major programs.... | 14,805 | 15,235 | 13,286 | 15,254 | 16,405 | 15,956 | 992 | 331 | 608 |
| <i>Other</i> | 3,169 | 3,075 | 2,593 | 2,715 | 3,086 | 2,827 | 220 | 25 | 100 |
| Subtotal, minus Pell | 17,974 | 18,310 | 15,879 | 17,969 | 19,491 | 18,783 | 1,212 | 356 | 708 |
| Pell Grants..... | BA 6,637 | 6,147 | 5,663 | 5,707 | 7,386 | 5,919 | 0 | 0 | 0 |
| | OL --- | 5,570 | 5,578 | 5,670 | 6,497 | 6,204 | 0 | 0 | 0 |
| Total ED, with Pell | BA 24,611 | 24,457 | 21,542 | 23,676 | 26,877 | 24,702 | 1,212 | 356 | 708 |
| | OL 22,875 | 23,735 | 24,268 | 24,766 | 26,510 | 24,307 | 158 | 43 | 85 |

1/ Note: Where increases over Passback are recommended, the specific distributions are illustrative. The Secretary would have substantial discretion.

2/ Includes Work Study under the CR.

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DEPARTMENT OF LABOR
New Initiatives

Loan Guarantees for Incumbent Worker Training:

This is a 5-year, \$3.3 billion (total, 1997-2001) capped entitlement to create State-level programs of loans and guarantees for small and mid-size firms to invest in training non-managerial workers. After Federal funding ends, States would continue operations on a self-sustaining basis.

This idea was rejected last year by an interagency working group on education and training largely because it was not clear there was a need: most firms seemed to have money for training. The decision on whether or not to do training is driven by other considerations. Low cost Federal funds could, however, be an incentive to train.

DOL would finance the initiative by extending the Federal unemployment tax (FUTA) surtax, which expires in FY 1999. The extension of the FUTA tax is already part of the Administration's 7-year balanced budget plan for deficit reduction. If the FUTA surtax is used as an offset here, an additional \$2 to \$3 billion would be required in other savings over 1997-2001 (\$1.2 billion in FY 2002 if the program is extended). In addition, if the Administration uses FUTA in this manner, we will be proposing a tax increase to finance a new entitlement program, rather than using the revenues for deficit reduction.

Opportunity Areas for Out-of-School Youth:

DOL proposes \$400 million annually in new discretionary funding, in part because of the more than \$450 million that has been cut from youth programs in 1994 and 1995. An alternative is to fund the program at \$200 million, though higher amounts would be acceptable. Within the total, up to \$50 million per year could be devoted to the new second round Empowerment Zone sites.

An interagency group is currently developing alternative program designs for this initiative if additional youth training funding is provided in the budget. All designs envision a sharply focused program to boost employment rates for out-of-school youth, especially males, in target areas such as Empowerment Zones. The goal would be achieved by mainstreaming youth into the private sector with immediate job placement and work-based learning opportunities. Success hinges on a strong commitment from States and localities to help finance the endeavor. Approximately 80,000 youth would be expected to be served in the first full year under the proposal.

1,000,000,000
30,000