

TENTATIVE BUDGET SCHEDULE

Calendar	Discretionary	Entitlements/Tax
November 29 (Monday)		NEC Mtg. Taxes/Entitlements
December 3 (Fri.)		NEC Mtg Taxes/Entitlements (may be rescheduled)
December 6 (Mon.)	<ul style="list-style-type: none"> • Passback Memo to POTUS • Decision on VA/DOD/State • POTUS Mtg to Review Passback (1 hr) 	
December 7 (Tues.)		POTUS Mtg Entitlements/Tax (1 hr)
December 8 (Wed.) (A second hour with the President is possible – topic TBD)		POTUS Mtg Entitlements/Tax cont. (1 hr)
December 9-15	OMB/CoS Appeal Resolution	
December 16 (Thurs.)	POTUS Mtg Discretionary Initiative (1 hr)	
December 17 (Fri.)	POTUS Mtg Agency Appeals cont. (1 hr)	
December 20 (Mon.)	POTUS Mtg Agency Appeals (1 hr)	
December 21 (Tues.)		POTUS Mtg. Entitlements/Taxes (1 hr)

FY 2001 JDP Meeting Schedule

December 13, 1999 (10:23AM)

Week of December 13 early (Tuesday or Wednesday):

In order for OMB to settle appeals, important for OMB to have agencies meet with Mr. Podesta first:

- Energy
- HUD (preferably on Tuesday)

Week of December 13 late (Thursday or Friday):

- Judiciary - Deich to provide list of appropriate attendees.
- Transportation - Almost settled. Only issue is FAA fees.
- Commerce - Almost settled. Only issue is e-commerce.

DECEMBER

Sun	Mon	Tue	Wed	Thur	Fri	Sat
				9 EIML - Mandatory SOTU memos to POTUS	10 POTUS to ARK	11 POTUS in FL
12 SOTU Meeting	13 POTUS in TX JDP Appeals 1 st Drafts to Ricci SOTU Theme Memos to POTUS	14 JDP Appeals 1 st Drafts to Ricci SOTU meeting with POTUS	15 JDP Appeals 1 st Drafts to Ricci SOTU Outside thinkers due	16 POTUS Initiative meeting 1 st Drafts to Ricci Ricci edits for OMB review SOTU FLOTUS box meeting	17 POTUS Agency appeals 1 st Drafts to Ricci Ricci edits for OMB review SOTU structural outline to POTUS	18

19	<p>20 POTUS Agency Appeals</p> <p>Mandatory Baseline complete</p> <p>Ricci edits for OMB review</p> <p>Outside thinkers memos to POTUS</p>	<p>21 POTUS Mandatory /Tax Meeting</p> <p>Ricci edits for OMB review</p> <p>SOTU Prep</p>	<p>22 Ricci edits for OMB review</p>	<p>23 POTUS Family time</p>	<p>24 POTUS Family time</p> <p>Federal Holiday</p>	<p>25 POTUS Family time</p>
<p>26 POTUS Family time</p>	<p>27 POTUS Family time</p>	<p>28 POTUS Family time</p> <p>2nd Drafts to Ricci</p>	<p>29 POTUS Family time/ Travel</p> <p>2nd Drafts to Ricci</p>	<p>30 POTUS Family time/ Travel</p> <p>2nd Drafts to Ricci</p>	<p>31 POTUS Family time</p> <p>Federal Holiday</p>	

JANUARY

Sun	Mon	Tue	Wed	Thur	Fri	Sat
						1 POTUS Family time
2 POTUS Family time	3 POTUS Family time 2 nd Drafts to Ricci	4 POTUS Family time 2 nd Drafts to Ricci SOTU FLOTUS box meeting	5 POTUS Family time 2 nd Drafts to Ricci Draft SOTU speech to POTUS	6 POTUS Family time 2 nd Drafts to Ricci	7 POTUS Family time 2 nd Drafts to Ricci	8 POTUS Family time
9 POTUS Family time	10 Ricci drafts to WW	11 Ricci drafts to WW	12 Ricci drafts to WW Comments on 2 nd draft to Ricci	13 Ricci drafts to WW Comments on 2 nd draft to Ricci	14 Comments on 2 nd draft to Ricci	15
16	17 Federal Holiday Database locks	18 Chapter to BRCD for typesetting	19 Chapter to BRCD for typesetting	20 Chapter to BRCD for typesetting Final page proofs	21 Chapter to BRCD for typesetting Final page proofs	22
23	24 Final page proofs Ricci sign off	25 Ricci sign off	26 Ricci sign off	27 SOTU	28	29

30

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FEBRUARY

Sun	Mon	Tue	Wed	Thur	Fri	Sat
		1	2	3	4	5
6	7 FY 2001 Budget Release	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28					



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

November 25, 1998

THE DIRECTOR

MEMORANDUM FOR THE PRESIDENT

FROM:

Jacob J. Lew

A handwritten signature in black ink, appearing to be "J. Lew", written over the printed name.

SUBJECT: Preliminary FY 2000 Agency Funding Levels

Attached for your information are one-page summaries of OMB's preliminary FY 2000 funding levels that were transmitted to the agencies on Tuesday. As you recall, the 2000 discretionary spending caps represent a virtual freeze of the FY 1999 enacted levels, and total defense and non-defense requests would exceed the caps by almost \$80 billion in FY 2000. We worked within the tight FY 2000 funding constraints, and have aggressively taken advantage of offsets to permit higher spending levels. Our objective was to preserve core government activities and provide for targeted increases for your initiatives. The result is a difficult set of recommendations to the agencies which maintains fiscal discipline and preserves your commitment to save the surplus until Social Security is fixed.

OMB will begin discussing agency appeals for additional funding the week of November 30. Some Cabinet officials will no doubt want to discuss their FY 2000 Budget levels with you directly. We plan to discuss the overall budget picture and individual funding issues, as well as options for possible resolution of outstanding issues during economic team meetings scheduled with you on December 7th and 10th.

Attachment

PASSBACK SUMMARIES

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DEPARTMENT OF AGRICULTURE
(excluding Function 150 programs)
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback</u>
BA/Prog. Level*	13,863	14,611	14,847	14,716	16,186	15,128
Emergency funds	215	220	0	96	0	0
Total, Budgetary Resources:	14,078	14,831	14,847	14,812	16,816	15,128

Passback Decisions

- USDA request was \$1.5 billion (+10 percent) over enacted. Passback at guidance assumes re-proposal of full meat and poultry inspection user fees (-\$473 million), plus re-proposals of other fees, and discretionary reductions to mandatory research and rural development programs, whose FY 2000 level was doubled (to \$360 million) by FY 1999 appropriations action. Reductions to be restored in outyears.
- WIC remains a discretionary program, funded at \$4.1 billion in FY 2000. These resources would be sufficient to support the full participation level of 7.5 million participants. Outyear funding levels assume inflation adjustments for the program.
- Rural Development (Administration initiative since FY 94). Loans and grants for housing, community, and economic development total \$7.1 billion (+2.5 percent above enacted).
- USDA's share of the Food Safety Initiative funded at \$146 million (+27 percent above enacted). Civil rights-related programs funded at \$118 million (+49 percent above enacted). High priority research supported: National Research Initiative funded at \$200 million (+\$1 million from enacted), and human nutrition at \$90 million (+29 percent from enacted).
- Forest Service core government operating program. Funded at \$1.6 billion (+3 percent above enacted), emphasizing "saving the next great places" and "stewardship". Forest Legacy funded at \$27 million (+\$20 million over enacted) for States to protect non-federal forests and foster "smart growth".

Potential Issues

- Passback assumes major reductions in USDA field office salaries and expenses (-\$123 million; -6 percent from enacted), consistent with NPR streamlining goals. This mark will result in an appeal from USDA, based on its resistance to closing/consolidating more county-based offices.
- The Budget will include a mandatory proposal to enhance the farm income safety net. This issue is being addressed through an OMB/NEC process that will recommend a proposal shortly.

DEPARTMENT OF COMMERCE
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agv Request</u>	FY 2000 <u>Passback</u>
Program Level*	3,617	4,887	5,685	5,817	8,962	7,234
Emergency BA	0	0	0	80	0	0
Total, Budgetary Resources*	3,617	4,887	5,685	5,897	8,962	7,234

Passback Decisions

- The decennial census is funded at \$2,304 million -- \$117 million over last year's estimate for 2000. This will fund key activities for a census that eliminates the undercount.
- NOAA's environmental programs are funded at \$907 million, including a \$26 million increase to help protect Northwest salmon and a \$33 million increase to support Ocean Conference objectives. Weather and satellite programs are funded at \$1.2 billion to support the completion of Weather Service Modernization and the convergence of military and civilian satellite systems.
- The Advanced Technology Program is funded at \$238 million in new BA (a 16 percent increase over 1999 enacted funding). New awards will rise 10 percent, to \$73 million.
- Critical Infrastructure is funded at \$14 million, supporting the Critical Infrastructure Assurance Office and the lead-agency activities for the Information and Communications sector.

Potential Issues

- Passback for the decennial census is \$772 million less than DoC's request for \$3,076 million. Most elements of the denied request were not well justified. The remaining elements would have only a marginal effect on accuracy at the Congressional district level, though some impact at the level of census tracts.
- The Economic Development Administration (EDA) is funded at \$372 million (\$20 million below 1999 enacted), including flat funding for core activities, but continuing the planned ramp-down of defense adjustment activities.
- \$35 million is provided for a requested \$276 million Technology Communities Partnership Initiative intended to bridge the "digital divide" between the rich and poor. While aspects of the initiative may merit funding within base activities of EDA, as a whole it is inadequately developed and duplicates other Federal programs.
- Patent and Trademark Office (PTO) fees will be raised slightly to cover the indirect costs of current employees' post-retirement health and life insurance, estimated at \$20 million in 2000. Also recommended is a \$20 million rescission from surplus fees. Growth in applications will provide increased fee revenue that will be used to support a \$110 million expansion of PTO.

ARMY CORPS OF ENGINEERS
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Avy Request</u>	FY 2000 <u>Passback</u>
BA/Program Level	3,843	4,087	3,237	3,995	4,758	3,840
Emergency BA	---	105	---	102	---	---
Total, Budgetary Resources	3,843	4,192	3,237	4,097	4,758	3,840

Passback Decisions

- **Harbor Services Fund (HSF)**. Includes the proposal announced by the President at the Oceans Conference (June 1998) to create a new user fee and dedicated fund to pay for harbor services (both construction and operation and maintenance) to ensure the continued competitiveness of our ports and harbors. It would replace the Harbor Maintenance Tax, part of which the Supreme Court has declared unconstitutional, and the Harbor Maintenance Trust Fund. The new HSF proposal would create a new, separate BEA category that allows all the HSF receipts to be appropriated for harbor activities each year, an estimated \$945 million in FY 2000. The proposal is deficit-neutral, paid for through the proposed user fees and a reduction in the discretionary spending caps.
- **Corps Construction Program**. Total Corps construction funding would be \$1,192 million, which is a \$386 million (48 percent) increase over the very constrained level of funding proposed in the FY 1999 Budget. Of this total, \$258 million would be allocated to harbor construction projects, which would allow these projects to proceed on an optimum schedule. Most Administration priority projects (e.g., Everglades restoration) would also receive near-optimum funding. However, all other ongoing projects (about 150 projects) would be constrained, leading to average delays of several years in completing these projects compared to the ideal construction schedule requested by Army.
- **New construction starts**. Funds 15 new construction starts -- five new harbor projects from the HSF, nine projects considered prudent stewardship of existing infrastructure, and one Administration priority flood control project (Grand Forks, ND/East Grand Forks, MN). This is six more new starts than requested last year, primarily because of the additional funding provided by the HSF proposal.

Potential Issues

- Army will strongly appeal, arguing that total program funding of \$3.8 billion would delay and increase costs for most construction projects, increase the backlog of needed operation and maintenance work, and further damage relations with local cost-sharing partners who have come up with their share of funding on the expectation that Federal funds would be forthcoming.
- Even though requested construction funding is nearly 50 percent above last year's Budget, Congress is likely to criticize it as too low (it is \$273 million below FY 1999 enacted) and disproportionately allocated to harbor projects and Administration-priority projects, while severely cutting flood control and other ongoing projects. Congress might react to such a proposal by disproportionately cutting Presidential priorities (e.g., Everglades), as it did in FY 1999, to fund its own priority projects.
- Opponents of the HSF proposal will criticize the Budget request for being based on an unrealistic proposal.

**ARMY CORPS OF ENGINEERS FY 2000 BUDGET
NEW CONSTRUCTION STARTS
(BA, dollars in millions)**

<u>PROJECT</u>	<u>STATE</u>	<u>PROJECT PURPOSE</u>	<u>B/C RATIO</u>	<u>TOTAL FED COST</u>	<u>THRU FY99</u>	<u>FY00 TOTAL</u>	<u>CONGRESSIONAL INTERESTS</u>
PROJECTS FUNDED FROM CONSTRUCTION GENERAL							
1 BLUESTONE LAKE, WV (DAM SAFETY)	WV	DAM SAFET	N/A	107.3	0.0	4.2	Rahall
2 SUCCESS DAM, CA (DAM SAFETY)	CA	DAM SAFET	N/A	30.9	1.1	1.3	Dooley; Thomas; Boxer
3 LOCK AND DAM 24 PART 2, MISSISSIPPI RIVER, IL & MO (MAJOR REHAB)	IL, MO	NAV	1.3	45.9	0.0	2.4	IL-Shinkus; MO-Hulshof
4 LONDON LOCK AND DAM, KANAWHA RIVER, WV (MAJOR REHAB)	WV	NAV	19.3	20.2	0.8	1.7	Wise; Rahall
5 PATOKA LAKE, IN (MAJOR REHAB)	IN	FLOOD	1.5	7.2	0.0	3.6	Hostettler
6 WALTER F. GEORGE POWERHOUSE AND DAM, AL & GA (MAJOR REHAB)	AL, GA	MULTIPURP	3.5	37.0	0.0	1.0	AL-Evertt; GA-Bishop
7 LOCK AND DAM 12, MISSISSIPPI RIVER, IA (MAJOR REHAB)	IA	NAV	4.9	15.5	0.0	2.6	IA-Russell; IL-Manzullo
8 CAPE COD CANAL RAILROAD BRIDGE, MA (MAJOR REHAB)	MA	NAV	4.7	30.5	0.0	6.0	Delahunt
9 JOHN H KERR POWERHOUSE, VA & NC (MAJOR REHAB)	VA, NC	MULTI PURP	1.4	59.6	0.0	1.7	Goode
10 GRAND FORKS, ND - EAST GRAND FORKS, MN	MN	FLOOD	N/A	153.6	5.2	20.0	MN-Peterson; ND-Pomery
SUBTOTAL				507.7	7.1	44.5	
PROJECTS FUNDED FROM THE HARBOR SERVICES FUND							
11 PORT FOURCHON, LA	LA	NAV	1.8	2.6	0.4	2.2	Tauzin
12 BALTIMORE HARBOR AND CHANNELS, MD, BREWERTON CHANNEL	MD	NAV	18.0	10.5	1.0	9.6	Gilchrest; Ehrlich; Cardin
13 KIKIAOLA SMALL BOAT HARBOR, KAUAI, HI	HI	NAV	1.2	5.0	1.2	0.1	Mink; Inouye
14 LOWER SAVANNAH RIVER BASIN, GA & SC	GA, SC	NAV	N/A	3.2	0.5	0.2	Kingston; Spense; Cleland
15 SANTA BARBARA HARBOR, CA	CA	NAV	1.1	5.4	0.4	5.0	Capps
SUBTOTAL				26.6	3.5	17.0	
GRAND TOTAL				534.3	10.6	61.4	

DEPARTMENT OF DEFENSE - MILITARY (051)
(Discretionary Budget Authority in Billions of Dollars)

	FY 1993	FY 1998	FY 1999	FY 1999	FY 2000	FY2000
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Enacted</u>	<u>Agy Request</u>	<u>Passback</u>
BA/Program Level	262.6	259.4	258.4	258.7	287.7	266.1
Emergency BA				7.7		
Total, Budgetary Resources				266.4		

Passback Decisions

- **Bosnia.** Provide \$2 billion in FY 2000 Budget Authority (BA) outside of planning guidance levels to allow continuation of Bosnia operations for another year.
- **Overguidance Request.** Fund requested increases for military and civilian pay raises, critical readiness and White House Initiatives through various offsets such as lower fuel and inflation rates, efficiencies, and other adjustments.
- **Quadrennial Defense Review (QDR).** DoD should explore the potential for meeting the QDR mission/modernization requirements without meeting the QDR numeric funding targets for procurement (e.g. meet the QDR mission requirements at a procurement level lower than \$60 Billion in FY 2001).

Potential Issues

- **Overguidance Request/QDR.** Defense will claim that in order to maintain high levels of readiness and adequately fund required modernization programs, additional funding above current planning guidance levels for FY 2000-2004 is necessary. If such relief is not provided, the QDR's procurement targets will not be met, and DoD will argue that eventually forces must be cut, undermining our national military strategy.
- **Offsets.** To date the Department has agreed to only a few of the most easily acceptable offsets (e.g. lower inflation and fuel costs). Additional consideration must be given to possible weapons procurement cuts, including cuts to highly visible programs such as the F-22 aircraft and the CVX aircraft carrier. DoD asserts that it is unrealistic to fund requested increases through offsets.
- **Bosnia.** The possible creation of a new Budget Enforcement Act (BEA) category as a funding mechanism for Bosnia needs to be addressed. This would create a "firewall" type protection for contingency operations. It could, however, also set a precedent for the creation of a multitude of other firewall categories within the BEA.
- **Retirement.** DoD is seeking to restore retirement benefits to pre-1986 levels ("high-three") which would cost an additional \$7.5 billion over FY 2000-04. Our recommended DoD budget option does not include this retirement change. Defense will argue that the symbolic nature of this change is critical to ensuring the support of the military chiefs.
- **Defense Outlays.** DoD may seek additional outlay relief of up to \$20 billion over the five-year period to eliminate an imposed outlay shortfall and the migration of funds from slower spending investment programs to faster spending operations programs.

DEPARTMENT OF EDUCATION
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback</u>
Program Level*	23,638	29,559	31,155	31,820**	35,673	32,041**
Emergency BA	--	--	--	--	--	--
Total, Budgetary Resources	23,638	29,559	31,155	31,820	35,673	32,041

Passback Decisions

- Offsets of \$537 million in mandatory savings (enhanced student loan debt collection through use of the NDNH: \$489 million; Vocational Rehabilitation: \$48 million) and reductions in lower priority programs - such as Vocational Education, Impact Aid, and Title VI -- permit funding key programs and initiatives within Planning Guidance. The net new BA requested for FY00 would be \$31,154 million. OMB does not plan to inform Education of the use of the mandatory offsets in Passback at this time, pending decisions on overall mandatory offset strategy.
- \$1.3 billion for Class Size, but whether as discretionary or mandatory is unresolved.
- \$435 million available for the Hispanic Education Agenda, the Race Initiative response, and elementary/secondary education initiatives, pending outcome of NEC/DPC/OMB discussions.
- Work Study funding fulfills the President's commitment to reach 1 million students; GEAR UP/High Hopes, increased by \$80 million or 67 percent.
- Education Technology funding continues to make progress toward commitment of \$2 billion by 2001, and fully funds the Middle School Teacher Training and Software Development initiatives.
- Funds the National Board for Professional Teaching Standards.

Potential Issues

- Secretary requested \$3.75 billion over FY99, excluding Class Size, as the minimum necessary to maintain Administration leadership on education issues. He will reject the Passback as completely inadequate. Passback is well below prior Administration increases, but within constrained budget rules, still provides the increases noted above, and is defensible.
- Advocates for Title I would oppose Passback's level funding because this is the major K-12 program.
- Normally Title I does get an increase, but its absolute level is now \$7.7 billion, and marginal new spending under Passback will go for initiatives for race and policies intended to make this large investment more effective (e.g., accountability, teacher quality, no social promotion).

- Disability advocates would oppose the small (+\$81 million) increase for Special Education. However, Special Education is now \$5.4 billion, and any new funding by law lets LEAs cut their spending. Passback is a small increase and seeks a law change to maintain State spending -- without these changes, LEAs would be able to divert up to \$100 million of FY 1999 funds and up to 20 percent of any FY 2000 increase for purposes other than Special Education.
- States and many in Congress support Vocational Education, even though it has little evidence that Federal funds leverage change, and would oppose the \$141 million cut, to a level of \$890 million. However, despite reform efforts, vocational education is still focused mainly on traditional non-college paths for high school students and needs its resources shifted to higher paying careers and postsecondary education.
- Congress will oppose the cuts in Impact Aid programs (-\$233 million, to \$631 million), and the elimination of the Education Block Grant (i.e., Title VI), but these are cuts this Administration proposes every year in hopes of obtaining resources for high priority activities.

DEPARTMENT OF ENERGY
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback</u>
Budget Authority	19,262	16,710	18,035	17,308	19,370	17,275
Emergency BA	---	---	---	525	---	---
Total Budgetary Resources	19,262	16,710	18,035	17,833	19,370	17,275

Passback Decisions

- Improving Security Against Weapons of Mass Destruction (WMD). Provides \$843 million (about equal to FY 1999 enacted level) for plutonium disposition, Russian defense conversion, and related arms control programs. Also, provides increases for DOE antiterrorism and related security programs. Language will be included in the President's budget about a potential multi-agency (including DOE, DOD) Russian WMD security initiative, but without specific resources.
- Science. The FY 2000 level is \$57 million above FY99 enacted. This will allow funding for DOE's contribution to the multi-agency Information Technology Initiative and a slight increase in the operational hours of DOE's scientific user facilities. Passback funds construction of the Spallation Neutron Source.
- Environmental Cleanup. Fully funds DOE's contract "privatization" strategy for tank wastes at Hanford, Washington. Over \$5.83 billion is provided (same as FY 1999 enacted) to maintain progress towards meeting State and other regulatory compliance agreements.

Potential Issues

- Secretary Richardson seeks \$1 billion above enacted. The major increases are: \$798 million for environmental management; \$316 million for science; \$200 million for counter-proliferation activities in Russia; \$310 million for fossil energy and nuclear energy R&D and oil purchases for the Strategic Petroleum Reserve; \$100-300 million for tritium production for nuclear weapons depending upon his choice of technology expected by the end of December. These increases are not included in the OMB passback.
- DOE may raise an issue about inadequate funding in the outyears for its science programs. In addition, in order to fund higher priorities, the OMB passback for FY 2000 is below DOE's request for the following programs: nuclear energy R&D, counterintelligence, naval reactors development, fossil energy R&D; and nuclear waste disposal. The Secretary may object to these funding levels.

ENVIRONMENTAL PROTECTION AGENCY
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted	FY 2000 Agy. Request	FY 2000 Passback
Superfund	1,589	1,500	2,093	1,500	2,094	1,500
CWSRF	1,928	1,350	1,075	1,350	1,350	800
All Other EPA	3,406	4,511	4,598	4,740	4,716	4,631
Total, Budgetary Resources	6,923	7,361	7,766	7,590	8,160	6,931

Passback Decisions

- Operating program. Provides \$3.6 billion (+\$135 million, or 4 percent over enacted) for grants, research, regulation and enforcement; fully funds EPA's part of the Climate Change Technology Initiative (\$216 million) and the Clean Water Action Plan (\$631 million); and provides a \$22 million increase for children's environmental health activities.
- Superfund. Provides \$1.5 billion (same level as FY 1999 enacted); reaches 900 site Superfund cleanup goal in FY 2002, the same year as EPA request (\$2.1 billion).
- State Revolving Funds (SRF). Provides \$1,625 million and meets Administration goals for capitalizing the Clean Water SRF (provide \$2.0 billion in loans annually after capitalization ends) and the Drinking Water SRF (provide \$500 million in loans annually). Funds the Drinking Water SRF at \$825 million (+\$50 million, or 6 percent over FY 1999 enacted) and funds the Clean Water SRF at \$800 million (-\$550 million, or -41 percent below enacted).

Potential Issues

- EPA Budget Total. The Passback is \$659 million below enacted and \$835 million below the FY 1999 request, but is consistent with EPA's September with-in guidance request of \$6,913 million (amended in late October to \$8.2 billion). The environmental community may view such a level as inadequate.
- Superfund. Although at the enacted level, the Passback is \$593 million below the FY 1999 request. EPA will appeal because the President's two-year \$1.3 billion accelerated cleanup initiative was not enacted and the \$650 million FY 2000 advance appropriation creates an expectation of another \$2.1 billion request. However, failure to enact increased funding in FY 1999 means that the 900 site cleanup goal cannot be met earlier than FY 2002. Further, the 900 site goal will be achieved in FY 2002 at either the Passback or Agency request levels.
- Clean Water SRF. EPA will strongly appeal the \$550 million reduction from enacted (\$275 million from the FY 1999 request) in order to avoid criticism of the cut and to prevent Congress from appearing more "green" than the Administration. However, the Passback is consistent with stated Administration goals for adequately capitalizing the Clean Water SRF (i.e. sufficient to make \$2 billion in loans annually after capitalization ends) and phasing out Federal assistance.

FEDERAL DRUG CONTROL PROGRAMS
(in millions of dollars)

	FY 1993	FY 1998	FY 1999	FY 1999	FY 2000	FY 2000
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Enacted</u>	<u>Ag Request</u>	<u>Passback</u>
BA/ Program Level	12,265	15,903	17,009	16,878	19,343	16,674
Emergency BA				+ 869		
Total, Budgetary Resources	12,265	15,903	17,009	17,747	19,343	16,674

Passback Decisions

- Passback is \$204 million below the 1999 enacted base, which excludes \$869 million in drug emergency supplemental funding for planes and boats to bolster interdiction. This decrease reflects the completion of the COPS program in 2000 -- from \$1,430 million in 1999 to \$300 million in 2000.
- Higher funding for core Federal drug law enforcement (e.g., DEA, FBI, Customs, Border Patrol, and Prisons) is partially offset by reductions in DOJ grants to State and local governments, such as Byrne grants (see below) and Local Law Enforcement Block Grants.
- Increases are provided for ONDCP's top two priorities, ONDCP's Youth Media Campaign (+\$10 million) and DOJ's Prisoner Drug Treatment and Testing initiative (+\$50 million).

Potential Issues

- The Byrne grant program, which provides assistance to police departments, is cut from \$552 million in 1999 to \$471 million in passback. The savings are devoted to increases for DEA and FBI drug law enforcement.
- ONDCP's number three priority is the expansion of drug treatment. To increase funding for drug treatment activities, ONDCP recommends that drug-related programs at SAMHSA be increased \$285 million, from \$1,484 million in FY 1999 to \$1,769 million in FY 2000. Passback maintains funding for the largest component of this funding, the Substance Abuse Block Grant. However, total funding for drug treatment at HHS decreases under the passback level (-\$67 million) because it reduces several smaller categorical grant programs at HHS.

FEDERAL EMERGENCY MANAGEMENT AGENCY
(in millions of dollars)

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1998</u> <u>Actual</u>	<u>FY 1999</u> <u>Budget</u>	<u>FY 1999</u> <u>Enacted</u>	<u>FY 2000</u> <u>Agy Request</u>	<u>FY 2000</u> <u>Passback</u>
BA/Prog. Level *	3,509	5,688	1,970	4,135	4,500	2,331
Emerg. BA.	1,735	1,605	2,226	906	0	2,093
Total, Budgetary Resources	5,244	7,293	4,196	5,041	4,500	4,424

Passback Decisions

- **Disaster Relief.** Provides \$307 million in funding for the Disaster Relief Fund within the discretionary caps and requests an additional \$2.1 billion in contingent emergency appropriations.
- **Floodplain Mapping.** A new \$15 mortgage transaction fee provides \$107 million in FY 2000 to modernize FEMA's inventory of 100,000 flood maps.
- **Repetitive Losses.** \$40 million per year is provided to buyout/elevate 7,300 repetitive loss properties in the National Flood Insurance Program. This initiative is financed by redirecting the use of \$20 million in flood mitigation assistance and by raising the annual flood insurance surcharge by \$5 (roughly 1 percent of average subsidized premium).
- **Pre-Disaster Mitigation.** \$30 million is provided to fund 50 new disaster resistant communities.
- **Salaries & Expenses and Emergency Management, Planning, and Assistance.** \$391 million is provided for FEMA's operating accounts, including \$19 million for terrorism related planning and exercises at the Federal, regional, State, and local level and a phased upgrade of the Mobile Emergency Response System.

Potential Issues

- FEMA seeks \$2.5 billion for disaster assistance, all within the caps. However, Congress typically funds most FEMA disaster assistance through supplemental funding. FEMA will object to the use of a contingent emergency request because of expected criticism from Congress that the Administration lacks a "real" budget for disaster assistance.
- FEMA will appeal reductions in proposed mitigation initiatives. FEMA will also object to the \$5 increase in the Federal Policy Fee, claiming that the increase will actually reduce the flood insurance policy base and have an adverse effect on the program. FEMA has not provided evidence to back its claim.

GENERAL SERVICES ADMINISTRATION
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agv Request</u>	FY 2000 <u>Passback</u>
Budget Authority	602	65	114	439	1,196	121
FBF (NOA)*	4,478	5,028	5,158	5,302	5,340	5,310
Total, Budgetary Resources	5,080	5,093	5,272	5,741	6,536	5,431

Passback Decisions

- Property Act Reform. OMB will work with GSA and the affected agencies to develop legislation to reform the Property Act. The principal reform would allow agencies to retain a portion of the proceeds from property that they sell.
- Apportionment Controls on Revolving Funds. OMB will apportion GSA's revolving funds to limit spending on administrative expenses, including personnel costs, to a percentage of revenues, or some other factor.

Potential Issues

- Courthouse Construction. The passback level does not include \$713 million requested for 18 courthouse construction projects on the Judiciary's 5-year Courthouse Construction Plan. The courthouse projects requested by GSA and the Judiciary are: Los Angeles, California; Seattle, Washington; Richmond, Virginia; Gulfport, Mississippi; Washington, D.C.; Eugene, Oregon; Buffalo, New York; Springfield, Massachusetts; Miami, Florida; El Paso, Texas; Mobile, Alabama; Norfolk, Virginia; Las Cruces, New Mexico; Salt Lake City, Utah; Rockford, Illinois; Cedar Rapids, Iowa; Nashville, Tennessee; and Erie, Pennsylvania.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
(in millions of dollars)

	FY 1993	FY 1998	FY 1999	FY 1999	FY 2000	FY 2000
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Enacted</u>	<u>Agy Request</u>	<u>Passback</u>
BA/Program Level*	29,696	36,776	38,678	39,981	44,929	41,056
Emergency BA**	---	160	300	706	300	300
Total, Budgetary Resources	29,696	36,936	38,978	40,687	45,229	41,356

Passback Decisions

- Total health programs are \$186 million above FY 1999; \$305 million above excluding Y2K costs. Health program cuts total over \$400 million, and include: Health Professions Grants, -\$105 million, protecting grants for minority and disadvantaged students and nursing training; and Substance Abuse, -\$83 million, reducing categorical and demo grants while maintaining funding for the Substance Abuse and Mental Health Block Grants. Health increases include: FDA, +\$98 million to meet NPR goal for pre-market approvals, product safety assurance, and expanded injury reporting system; and Indian Health Service, +\$175 million for health services, contracted health care, contract support costs, and facilities.
- HCFA, +\$250 million for Y2K, BBA, HIPAA, Medicare+ Choice, IT investments, and Nursing Home Quality. To address management problems and improve HCFA's accountability and flexibility, passback will include management reform options ranging from minor changes (e.g. contracting reform) to large-scale reforms (e.g. HCFA oversight board), and linking future funding to performance.
- NIH, +\$49 million (+0.3 percent), returning to FY 1999 Budget historic five-year growth path.
- Head Start, + \$337 million (+7.2 percent). Adds 21,000 children in FY 2000.
- Other health. HIV/AIDS: +\$72 million for Ryan White; maintain FY 1999 level for CDC HIV/AIDS prevention activities. Bioterrorism: -\$8 million to return to FY 1999 plan funding. CDC: +\$12 million for an infectious disease information technology initiative, polio eradication, state immunization grants, and infectious and environmental disease labs.
- Other ACF. TANF supplemental growth fund: -\$84 million--freeze at FY 1999 level, +\$2 million for IDAs, +\$5 million for transitional living grants: SSBG, +\$471 million, offset by capping TANF transfers at 4.25 percent. OMB does not plan to inform HHS of the decision on SSBG or the use of the TANF transfer cap or supplemental growth fund as mandatory offsets in Passback at this time, pending decisions on overall mandatory offset strategy.
- AOA, +\$50 million (+5.6 percent) for nutrition assistance and a new initiative to assist low-income families caring for elderly relatives.

Potential Issues

- HHS request included increases over FY 1999 for: FDA (+\$532 million), IHS (+\$380 million), CDC (+\$915 million), HCFA (+\$480 million), NIH (+\$651 million) and SAMHSA (+\$523 million). Request included \$38 million for Nursing Home Quality Initiative litigation; passback includes \$10 million. HHS is expected to appeal most of these items.

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

	<u>FY 1993</u> <u>Actual</u>	<u>FY 1998</u> <u>Actual</u>	<u>FY 1999</u> <u>Budget</u>	<u>FY 1999</u> <u>Enacted</u>	<u>FY 2000</u> <u>Agy Request</u>	<u>FY 2000</u> <u>Passback</u>
BA/Program Level	24,853	22,228	24,656	24,380	32,077	27,800
Emergency BA	671	250		130	0	0
Total, Budgetary Resources	25,524	22,478	24,656	24,510	32,077	27,800
[Subsidy Renewals]*	[7,232]	[8,180]	[10,840]	[10,903]	[13,483]	[13,535]

Passback Decisions

- **Elderly Housing.** Maintains funding at the 1999 level of \$660 million. With recommended policy changes, this amount would aid ten times the number of households helped in 1999 (from 6,600 households in 1999 to 66,000 in 2000).
- **Other Incremental Assistance/Welfare-to-Work Vouchers.** Funds all outstanding subsidies plus 25,000 incremental Welfare-to-Work Housing Vouchers. Funds additional incremental vouchers through a 'savings account' as administrative savings are achieved.
- **CDEG/HOME.** Maintains funding at 1999 level for the Community Development Block Grant (\$4.750 billion) and funds the HOME block grant at \$1.5 billion.
- **Homeless Assistance Grants.** Funds at \$1.020 billion; \$975 million in emergency shelter and competitive grants (same as 1999), plus \$45 million for a demonstration to test new ways to help the homeless with housing linked to mainstream services.
- **Urban Initiative.** Funds new initiative to challenge communities to create regional strategies to raise youth employment rates in high-poverty neighborhoods. Re proposes mandatory funds for 15 new Round II urban Empowerment Zones in FY 2000.

Potential Issues

- **Public Housing.** Passback reduces funding by 6 percent to \$6 billion in 2000. Provides funding for all accruing capital needs but not to reduce existing backlog, pending mandated rule-making to revise formulas. Local housing authorities will oppose.
- **FHA Multi-Family Loan Guarantees.** Preserves subsidies for all targeted development, but cuts credit subsidy for apartment development that is not targeted to low or moderate incomes.
- **Economic Development Initiative (EDI).** Passback provides no funding for Secretary's priority. Historically, Congress has heavily earmarked the program. HUD has indicated willingness to develop alternate proposal post-passback.

DEPARTMENT OF THE INTERIOR
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback</u>
BA	7,078	7,523*	7,909	7,711	8,593	8,099
Emergency	--	42	--	6	--	--
Total, Budgetary Resources	7,078	7,523	7,909	7,717	8,593	8,099

Passback Decisions

- Funds the second year of FY 1999 Administration initiatives including the Land and Facilities Restoration for national parks, refuges and other public lands (LFRI -- \$1,163 million, + 5 percent over FY 99 enacted); the Clean Water Action Plan (CWAP -- \$354 million, + 6 percent); and Endangered Species (ESA -- \$111 million, + 22 percent).
- Funds core government programs: \$1,395 million for National Park Service operations (+8 percent over enacted); \$724 million for Fish & Wildlife Service operations (+9 percent); and \$744 million for the Bureau of Land Management operations (+4 percent). Funds Millennium program at \$30 million, same as enacted (no state grants).
- Abandoned Mine Lands (AML) Fund. A \$25 million increase (+14 percent over enacted) for reclamation of coal mine lands. This would begin a four-year ramp-up increasing Fund appropriations by \$100 million in 2003, resulting in Fund spending equaling its coal tax receipts by that year. The tax expires in 2004.
- Bureau of Indian Affairs (BIA). Funds BIA at \$1,844 million (+6 percent over enacted), increasing tribes' highest priorities (education and other tribal programs). Fully funds the BIA portion of the Indian Law Enforcement Initiative, and construction of two new reservation schools (three new schools requested).
- Bay-Delta (CA) Ecosystem Restoration. Funds at \$85 million and proposes to extend program authorization until FY 2003. This is the first time the Administration will not request \$143 million, the full annual amount authorized. The lower level, however, makes programmatic sense, is supported by Interior and CEQ, and has a realistic chance of enactment. This program is part of the CWAP.

Potential Issues

- DOI "unofficially" proposed a \$3 billion, unoffset "Partnership for America's Resources" (PAR) initiative, which is \$2 billion over target. PAR would increase funding for a number of existing discretionary conservation programs and switch them to mandatory; create new mandatory state and local grants and programs to conserve farmlands, wetlands, and open spaces.
- Passback builds on core ideas in PAR to support well developed, sound and widely accepted programs and ideas within discretionary guidance. The passback emphasizes "saving the next great places," "stewardship," and technical assistance to states and localities to foster "smart growth," including the Community-Federal Information Partnership -- part of the VP's effort to help communities manage sprawl -- (+16 million). \$777 million of the PAR request is included in the Passback alternative -- (+6 percent over enacted).

DEPARTMENT OF JUSTICE
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agv Request</u>	FY 2000 <u>Passback</u>
Base BA	9,316	15,873	16,772	16,605	21,039	16,977
COPS	0	1,430	1,420	1,430	315	300
Emergencies	0	0	0	75	0	0
Total, Budgetary Resources	9,316	17,303	18,192	18,035	21,354	17,277

Passback Decisions

- Immigration. \$269 million above enacted to fund the naturalization initiative, additional border technology, and detention space construction. This technology will have a force multiplying effect equivalent to about 1,000 Border Patrol agents. No funds are included for new agents.
- Prisons. \$235 million above enacted to reduce overcrowding by activating new prisons, providing 4,000 additional contract beds for criminal aliens, funding a new penitentiary in the West, and funding site and planning for two additional prisons. DOJ's prison population increased by 10,000 in 1998.
- Counterterrorism and cyber crime. \$153 million above enacted to continue ongoing initiatives, including the National Infrastructure Protection Center, the information system for investigative and intelligence data, and equipping a new FBI forensic laboratory opening in 2000.
- Drug enforcement. \$26 million above enacted to complete deployment of DEA's office automation infrastructure, and for other costs.
- New technology. A new \$200 million analog spectrum fee provides \$100 million for State and local assistance for wireless communications and information integration; \$85 million for DOJ digital communications and interoperability; and \$15 million at Treasury for digital communications.

Potential Issues

- Includes several reductions in State and local grants to offset above increases: 1) State Criminal Alien Assistance Program (\$-140 million) to offset the INS increase, which should reduce the number of illegal aliens who enter the country and break State laws; 2) Prison Construction Grants Program (- \$289 million) to offset Bureau of Prisons increase. This program represents 3 percent of State prison costs. The grants have encouraged States to adopt stricter sentences, but there is little evidence that they will prompt significant additional changes; 3) Byrne Law Enforcement Assistance Grant program (- \$109 million) to offset the FBI and DEA increases.
- Communications Assistance and Law Enforcement Act (CALEA): The CALEA program will receive only \$15 million. DOJ requested \$150 million.

DEPARTMENT OF LABOR
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback</u>
BA/Program Level	9,920	10,709	11,120	10,984	13,039	11,086
Emergency BA	---	---	---	7	---	---
Total, Budgetary Resources	9,920	10,709	11,120	10,991	13,039	11,086

Passback finances a program level above FY 1999 enacted and includes several job training and workplace enforcement initiatives. Room was made for these initiatives by freezing several programs at the FY 1999 enacted level and proposing new user fees for certifying alien employment and job tax credits.

Passback Decisions

- Job Training. \$5.3 billion for the recently enacted Workforce Investment Act (WIA):
 - a straightline of youth, adult, and dislocated worker job training grants (the latter program at its \$1.4 billion level still fulfills Fast Track commitments);
 - a new \$100 million competitive grant for training to address national skill shortages;
 - \$20 million in the base to reward high academic achieving youth in high poverty areas with higher-paying, longer duration summer jobs.
- Labor Law Enforcement. \$1.1 billion, nearly \$100 million (9.5 percent) over FY 1999 for such agencies and programs as OSHA and Mine Safety, the Employment Standards Administration (e.g., minimum wage, Federal contractor EEO), and for pension oversight. Also provides a \$16 million increase (nearly 9 percent) over guidance for the National Labor Relations Board.
- Labor Statistics. \$418 million, including \$3 million to finish the CPI revision and \$7 million for improving service sector data and the Employment Cost Index (ECI).
- Other Programs. Includes \$3.3 billion for state grants for unemployment insurance administration and the employment service, which are straightlined, while other non-enforcement salaries and expenses agencies are increased above FY 1999 for information technology and related management initiatives. Older American employment grants are straightlined at \$440 million. Also proposes a small new H-2a electronic job matching program for agricultural workers and growers.

Potential Issues

- Job Training. DOL will want as much as \$1 billion for grants to serve youth, adults, and dislocated workers to support the new WIA. This isn't possible under current constraints, but Passback does include two initiatives that address skill training needs of adults and youth, and the H-1b fees recently enacted will finance regional skill alliances and other skill shortage training as well.
- Employment Service/One-Stop Centers. No increase for the electronic labor exchange (Job Bank, etc.). WIA state setaside, or WIA local grants can finance consumer report cards and related WIA requirements for one-stops and other improvements to this system.
- Job Corps. DOL believes Job Corps needs at least a 15 percent (\$28 million) raise for teachers to retain good staff and avoid labor strife. Passback is for 5 percent which can be targeted as needed. A last minute request of \$23 million to complete a 5-center expansion is not included. The original plan was for 4 low-cost centers; the fifth was added as a Fast Track commitment for Broward County. Broward did not apply for a center. Thus, by dropping the 5th center, reducing the size of the 4 remaining centers, and staging their opening, DOL should be able to meet its expansion plans without additional resources. (Note: The new sites have been selected, but not announced.)
- BRIDGE. Although not specifically requested by DOL, and not included in DOL's Passback, \$150 million for this program of local coordination grants proposed by the Task Force on the Employment of Adults with Disabilities probably will be housed in DOL. We are exploring whether this level is necessary and alternative ways to finance, which could include a carve out in Vocational Rehabilitation.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)
(in millions of dollars)

	FY 1993 Actual	FY 1998 Actual	FY 1999 Budget	FY 1999 Enacted*	FY 2000 Agy Request	FY 2000 Passback*
BA/Program Level	14,323	13,638	13,465	14,465	13,974	14,067

Passback Decisions:

- International Space Station. Provides \$1.1 billion of NASA's requested \$2.4 billion five-year cost increase for Station. The additional funds should keep Station on schedule in the near term and allow development of U.S. hardware that should eliminate, by FY 2003, NASA's dependence on Russian contributions. The additional \$1.1 billion is offset by deferring outyear Station hardware and research equipment. Also, lower priority NASA aeronautics research is reduced (e.g., supersonic commercial aircraft technology). *OMB is currently working with NASA to refine this proposal.*
- Technology Initiatives. Reallocates \$470 million over five years within Space and Earth Science for the Administration's IT initiative and other high-leverage technologies. These technologies will increase the return of NASA's science programs many fold through revolutionary capabilities in the areas of networking, intelligent systems, nanotechnology, communications, mobility, and propulsion for robotic spacecraft and rovers.
- Other Administration S&T Priorities. Protects priority programs in space and earth science, advanced space transportation technology (e.g., X-33), and aviation safety research.

Potential Issues

- Space Station Cost Growth. The passback provides only \$1.1 billion of the \$2.4 billion of extra budget NASA requested for Station. The \$1.1 billion in passback assumes tough offsets within NASA. For example, the aeronautics budget is reduced 18 percent over five years and is likely to require workforce reductions of about 500 FTEs over five-years (most at the 2,000 FTE NASA Lewis Research Center, renamed Glenn Research Center, unless other work transferred there). Funding the full \$2.4 billion within NASA would require deep reductions to priority earth and space science programs which Congress would strongly oppose (e.g., Sen. Mikulski).
- Payments to Russia. Passback does not provide NASA's requested \$450 million for potential payments to Russia through FY 2002 for critical Russian hardware. Passback assumes such payments would be offset within NASA's budget, which could delay outyear Station assembly. Congress will be concerned with any proposal that takes money from NASA to pay Russia.

NATIONAL SCIENCE FOUNDATION (NSF)
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted*</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback*</u>
BA/Program Level	2,734	3,429	3,773	3,707	4,358	3,872

Passback Decisions

- Overall. Provides for an overall NSF increase of 5 percent over FY 1999 enacted.
- Research. Provides \$209 million or a 8 percent increase over FY 1999. This allows for an increase of 1,000 researchers receiving grants.
- Information Technology Research Initiative. Provides \$110 million for NSF's contribution to a multi-agency Administration IT research initiative (\$705 million over five-years). The IT initiative also includes participation of DOE (\$20 million in FY 2000) and NASA (\$20 million in FY 2000) for a total multi-agency effort of \$156 million (\$905 million over five-years). The initiative responds to the President's Information Technology Advisory Committee's recommendation for budget increases in fundamental long-term IT research and would allow for incremental improvements in civilian supercomputers as is already planned.
- Education. Provides \$668 million for education activities. Supports activities that will impact 107,000 K-12 teachers and 12,000 K-12 students in science and mathematics education. In addition, NSF will receive \$27 million from H-1B immigrant fees for education activities.
- Network for Earthquake Engineering Simulation. Provides \$8 million to initiate a \$82 million multi-year effort to connect and integrate a distributed collection of earthquake engineering facilities, thereby allowing more efficient simulation of earthquake impacts on structures.

Potential Issues

- Research Budget Distribution. NSF is sensitive to a balanced investment across all its research areas. They are likely to be concerned about relative reductions to non-IT research, education, and new research equipment to make room for the IT initiative. For example, the passback
 - Provides 4 percent increase over FY 1999 for non-IT research--which is equal to average increases this decade--but NSF requested a higher 6 percent increase.
 - Provides \$5 million increase for education activities; \$39 million less than NSF requested within guidance.
 - Defers decision to build a new research aircraft with improved capabilities.

OFFICE OF PERSONNEL MANAGEMENT
(in millions of dollars)

	FY 1993	FY 1998	FY 1999	FY 1999	FY 2000	FY 2000
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Enacted</u>	<u>Agy Request</u>	<u>Passback</u>
BA.....	242	188	187	187	231	196

Passback Decisions

- Provides an increase of \$9 million, or 5 percent, above enacted, to help OPM meet increased fixed costs, and allow OPM to continue and/or improve mission critical activities. Passback includes \$3 million for new NARA fees for storage and retrieval of governmentwide personnel files of former Federal employees, and \$10 million to continue development of governmentwide electronic personnel recordkeeping, expand oversight of Federal agencies' adherence to merit system principles, and continue modernization of retirement program processes and infrastructure. After five years of reductions, Passback represents the first increase requested for OPM administrative expenses since 1993.

Potential Issues

- If OPM appeals this relatively generous passback, they will likely argue that it funds certain program enhancements, but does not hold OPM harmless for pay, non-pay inflation, and rent increases. They may argue further that in order to absorb those costs, and support potential new initiatives such as a proposed Federal Long Term Care Insurance program, OPM will have to further reduce staffing levels below the 50 percent reduction already achieved since 1993. We believe the Passback provides sufficient funding to continue OPM's current level of service, with identified expansions and improvements, and without staffing reductions. We would note further that the increases above guidance granted to OPM are atypical in this budget, and that this was a conscious decision made in appreciation of OPM's eager support of presidential health initiatives.

SMALL BUSINESS ADMINISTRATION
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agcy Request</u>	FY 2000 <u>Passback</u>
BA Program						
Level	924	715	724	719	1,132	696
Emergency						
Funding	70	0	0	101	0	232
Total, Budgetary Resources	994	715	724	820	1,132	928

Passback Decisions

- Disaster Loans. \$355 million total provided to support a \$934 million loan volume, the 10-year average. Of this amount, the historical average funding of 33 percent, or \$123 million, is provided under the discretionary caps. The remainder is provided through contingent emergency appropriations.
- Business Loans. \$272 million provided for business loan programs, including funding for 7(a) Business Loan subsidy supporting a \$10 billion volume, equal to the FY 1999 enacted level.
- Access to credit. Passback provides support for investment in distressed/underserved areas: \$17 million for a New Market Venture Capital initiative, \$29 million to increase 7(a) lending in underserved markets, \$28 million for Microloan technical assistance (47 percent above FY 1999 enacted), and \$10 million for One-Stop Capital Shops (223 percent above FY 1999 enacted).

Potential Issues

- SBA's request is 60 percent above guidance (\$400 million). This reflects full funding for disaster loans within the discretionary caps plus several expansions and initiatives.
- The passback funds most of SBA's core programs at or above FY 1999 requested levels, but provides only limited funding for a few of SBA's many proposed new initiatives. The agency is likely to appeal the levels for both core programs and new initiatives.
- SBA will object to contingent emergency appropriations for the disaster program, because SBA does not perceive this as "firm" funding.

SOCIAL SECURITY ADMINISTRATION
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted*</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback*</u>
BA/Program Level	4,823	6,467	6,523	6,512	6,997	6,899

Passback Decisions

- **Ongoing Operations.** Provides sufficient funding to maintain FY 1999 levels of service in all areas of SSA activity, i.e., no deterioration of service.
- **Additional Continuing Disability Reviews.** Provides funds at \$50 million more than FY 1999 level for fifth year of 7-year effort to eliminate backlog of CDRs, saving program dollars by ensuring that benefits are paid only to people who continue to be disabled. Funds are subject to existing discretionary cap adjustment authority.
- **Additional Non-Disability Redeterminations of Eligibility.** Provides funds at the FY 1999 level of \$50 million to continue effort to ensure that only individuals who are financially eligible for Supplemental Security Income (SSI) benefits are receiving benefits and in the proper amount. Budget would propose making these funds subject to discretionary cap adjustment authority.
- **Attorneys Users Fees.** As proposed in the FY 1999 Budget, but not enacted, establish a users fee on representatives of Disability Insurance (DI) and SSI claimants to cover cost to SSA of (a) the representative fee approval process in SSI and DI cases and (b) direct payment of that fee to the representative by SSA in DI cases. SSA would collect \$19 million in FY 2000.
- **Automation Investment Fund.** The AIF is a multi-year computer infrastructure investment fund. Between FY 1994 and FY 1998, \$900 million was appropriated to this fund. In addition, SSA has for the last three years had authority to transfer unobligated one-year funds originally appropriated for ongoing operations to the AIF. SSA has transferred \$150 million to the AIF under this authority. Passback rescinds this amount.

Potential Issues

- **Automation Investment Fund.** SSA will likely appeal the rescission. The Passback recognizes the constraints of the discretionary spending caps and opts for slowing SSA's technological improvement efforts in order to prevent deterioration of current service delivery.
- **Capital Investment Fund.** Passback does not provide any funds for agency request to establish a capital investment fund at \$50 million per year, with no plans to spend until FY 2003.

DEPARTMENT OF STATE/INTERNATIONAL AFFAIRS
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback</u>
BA/Program	20,937	19,494	20,498	20,021*	25,388	20,111*
Emerg BA	--	--	--	1,528**	--	350**
Total, Budgetary Resources	20,937	19,494	20,498	21,549	25,388	20,461

Passback Decisions

- Africa and New Independent States. Increases funding for Africa from \$780 million in bilateral assistance to \$800 million. Increases funding for the NIS from \$801 million (non-emergency) to \$807 million, and fully funds requested programs to combat the proliferation of weapons of mass destruction.
- Kosovo. Funds full second year costs of Kosovo Verification Mission (\$43 million) and provides \$25 million as a U.S. contribution to the European led effort on reconstruction.
- Non-proliferation. Fully funds key nonproliferation and related priorities, including the International Atomic Energy Agency, Korean Peninsular Energy Development Organization and Comprehensive Test Ban Treaty preparatory commission.
- Multilateral Development Banks. Fully funds scheduled payments, including all banks that affect Africa, with \$50 million increase for the International Development Association. Funds Global Environment Facility scheduled payment (\$107.5 million), with three year plan to pay off current arrears (also \$107.5 million).
- United Nations. Funds ongoing annual assessments to the United Nations and other international organizations and provides third year funding for the UN arrears payments.
- State Department operations. Funds an increase, and modifies the mix of activities funded in the \$1.4 billion FY 99 emergency appropriation for overseas security, thereby insuring that related recurring costs are covered in FY 2000.

Potential Issues

- Embassy Construction. Does not include State's \$1.4 billion request for construction of new embassies and consulates. Asks that State Department first provide an implementation plan for \$1.4 billion emergency security funding and then the report of security panel called for in the FY 99 legislation. OMB will work with State to develop a capital construction program plan to be included in the outyear budget estimates.
- Bilateral Assistance. Does not provide substantial across the board increases for bilateral assistance programs in Central America, Asia, NIS or Eastern Europe.

TENNESSEE VALLEY AUTHORITY
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agy Request</u>	FY 2000 <u>Passback</u>
BA	135	70	77	50	70	7

Passback Decisions

- TVA's Non-Power Programs. Finance these programs (such as commercial navigation and dam safety activities) through proceeds from the agency's \$6.5 billion per year electric power program rather than through annual appropriations. This change is consistent with provisions in the FY 1999 Omnibus Appropriations Act that reduce TVA's debt by \$1.2 billion and, in return, ask the Federal power agency to pay for these programs out of power program proceeds.
- Land Between The Lakes (LBL) National Recreation Area. Propose an appropriation of \$7 million, the FY 1999 enacted level. The FY 1999 Omnibus Appropriation Act specifies responsibility for LBL is to transfer from TVA to the U.S. Forest Service in any year that Congress appropriates less than \$6 million for TVA to manage LBL. This funding proposal avoids triggering this transfer provision.

Potential Issues

- TVA has indicated its satisfaction with no further appropriations except the \$7 million for LBL, unless the Vice-President objects. The Office of the Vice President (OVP) is checking on this. The OVP has suggested that TVA explore an administrative solution (e.g., a memorandum of understanding with the Forest Service), under which LBL funding would be provided through the Forest Service but TVA would retain management responsibility for all or a part of LBL notwithstanding the statutory trigger.
- TVA advocates and TVA critics are both likely to see funding at \$7 million to be a reasonable proposal that resolves much of the controversy that funding for these programs has raised for the past two years. It is unclear how they would view an arrangement that allows TVA to continue LBL management responsibility.

DEPARTMENT OF TRANSPORTATION
(in millions of dollars)

	FY 1993 <u>Actual</u>	FY 1998 <u>Actual</u>	FY 1999 <u>Budget</u>	FY 1999 <u>Enacted</u>	FY 2000 <u>Agv. Request</u>	FY 2000 <u>Passback</u>
BA/Prog. Level	34,002	40,728	45,395	45,632	48,704	47,657
Emergency BA	0	0	0	581	0	0
Total, Budgetary Resources	34,002	40,728	45,395	46,214	48,704	47,657

Passback Decisions

- Aviation. Provides \$10.1 billion, with significant increases in Operations (+\$443 million or 8 percent) and Capital/Research (+\$257 million or 11 percent) offset by reductions to Airport Grants (-\$350 million or 18 percent). Meets Gore Commission safety, security and modernization recommendations and addresses projected aviation traffic growth. Increases fees to make FAA self-supporting.
- Coast Guard. Provides \$3.3 billion, an increase of \$162 million or 5 percent over 1999 enacted. (Coast Guard also received \$357 million in 1999 emergency supplemental funding for readiness and drug interdiction.) This maintains Coast Guard services, including higher drug interdiction levels initiated with 1999 supplemental funds, and continues fleet modernization efforts.
- Highways/transit. Provides the full guarantee level of \$32.9 billion, an increase of \$1.6 billion or 5 percent over 1999 enacted. Highway safety operations and research would be funded within the highway guarantee category, rather than within the NDD cap. \$539 million of the \$1.6 billion guarantee increase would be allocated to transit and environmental programs.
- Railroads. The Amtrak request of \$571 million is fully funded, a modest increase in safety inspectors is provided, and high speed rail and maglev research is continued.

Potential Issues

- Aviation. Aviation user fees would increase by \$1.5 billion (16 percent) which may impede efforts to convert to cost-based user fees. However, these fees permit a more viable FAA funding level which is needed to even begin fee discussions with Congress and industry. Regarding Airport Grants, Congress will criticize the cut to this popular program, but small and medium airports are protected and large airports have easy access to private capital markets.
- Coast Guard. The Passback would close several small boat and air stations which are supported by Congress but are not needed to meet Coast Guard safety standards.
- Highways/transit. The proposal reopens TEA-21, to increase funding for safety, transit and environment. Appropriators could make such a change.
- Railroads. High priority research is continued, but funding for \$1 billion in high speed rail and maglev construction is not provided. This will encourage State and private investment in these systems.

DEPARTMENT OF THE TREASURY

(in millions of dollars)

	FY 1993	FY 1998	FY 1999	FY 1999	FY 2000	FY 2000
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Enacted*</u>	<u>Agy Request</u>	<u>Passback*</u>
BA/Program Level	10,302	11,525	12,319	11,793	13,545	11,959
Emergency BA				889		
Total, Budgetary Resources	10,302	11,525	12,319	12,682	13,545	11,959

Passback Decisions

- Treasury requests \$1.750 billion (or 15 percent) over base 1999 enacted. More than half of this is for improvements in IRS' information systems and to fund compliance with the IRS Restructuring and Reform Act (RRA). The remainder funds a series of initiatives, including Secret Service financial fraud investigations, Brady Act follow-up investigations, a Customs trade processing system, enhanced Departmental Office functions and costs to maintain program levels. Treasury proposes no user fees or Forfeiture Fund offsets.
- Internal Revenue Service: Passback provides funding of \$7.9 billion (\$7.8 billion in discretionary funds, \$105 million from rescinded information technology balances). Includes full funding of 24 hour, 7 day a week taxpayer assistance; funding for Y2K needs in FY 2000 (\$190 million); and start-up funding for RRA implementation (\$25 million).
- Customs Service: Passback funding of \$1.8 billion (\$1.5 billion in discretionary funds, \$252 million in new user fees, and \$41 million in Treasury Forfeiture Funds) slightly less than FY 1999 base enacted and would require some cuts in drug interdiction to sustain current services in trade inspection.
- Law Enforcement: Passback funding of \$1.5 billion (\$1.4 billion in discretionary funds; \$100 million in Forfeiture Funds) for ATF, Secret Service, and Federal Law Enforcement Training Center functions. Provides limited enhancements for Secret Service candidate/nominee work, and an enhanced Youth Crime Gun Interdiction Initiative. Funding provided for a new ATF headquarters through advanced appropriations for FY 2001.
- Other Treasury: \$700 million to fund Departmental Offices, Treasury Fiscal bureaus, and the Community Development Financial Institutions Fund (\$100 million). This fully funds request for grants, loans and technical assistance to community development financial institutions.

Potential Issues

- Passback will require a partial hiring freeze affecting portions of Treasury (less than one to one replacement of departing personnel).
- Passback does not fund continuation of activities begun with drug supplemental funds.
- Passback delays Customs modernization until FY 2001 and reduces drug interdiction activities.

DEPARTMENT OF VETERANS AFFAIRS

(in millions of dollars)

	FY 1993	FY 1998	FY 1999	FY 1999*	FY 2000	FY 2000*
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Enacted</u>	<u>Agv Request</u>	<u>Passback</u>
BA/Prog. Level	16,700	18,928	18,895	19,246	20,623	20,015
<u>Medical Care</u>						
BA	14,646	17,057	17,028	17,306	18,527	17,028
BA + Collections	14,646	17,697	17,704	17,931	19,276	17,777
With Prior Yr. Carryover	19,276	18,898*

Passback Decisions

- **Medical Care.** \$17.0 billion to treat increasing numbers of high-priority (poor and disabled) patients, and improve services for populations with special needs, such as spinal cord injured and homeless veterans. Would continue to treat limited numbers of lower-priority veterans on a space-available basis.

The Medical Care recommendation is consistent with the budget agreement with the VA two years ago (the agreement) which gave VA new authority to retain increasing levels of medical collections while maintaining a flat Medical Care appropriation through FY 2002. VA used this authority to carry forward \$500 million in unneeded funds from FY 1998 to FY 1999, and could carry up to \$1.1 billion to supplement appropriated funding into FY 2000.

- **Other.** \$1.9 billion to improve administration of veterans compensation, pension, education, insurance and burial benefits, and for other VA programs.

Potential Issues

- VA seeks \$1.5 billion in new B.A. over the budget agreement to: 1) expand its health care mission by enrolling 800,000 lower-priority (i.e., higher-income, non-disabled) veterans, and 2) provide new health benefits unrelated to military service. Instead of treating more disabled and poor veterans, VA's plan would bring large numbers of higher-income veterans with other health care options into the system, diluting its traditional public health mission, and locking the Administration into increased funding next year or risking massive "disenrollment" in an election year.
- VA's request and likely appeal would take them down a path of increasing costs by expanding its health care mission to include all higher-income, non-disabled veterans that enroll. OMB's recommendation would allow VA to improve services and treat more poor and disabled veterans, while sticking to "the agreement." *Before a decision is made to increase funding above guidance, we will need a broader discussion of VA's mission.*

Agriculture

*Net includes mandatory reductions of \$240 million in FY 1999 Enacted and \$180 million in FY 2000 Passback, and user fees of \$520 million in FY 1999 Budget amount, \$9 million in the Agency Request and \$567m in FY 2000 Passback amount.

Commerce

*Figures include spending from PTO fees.

Education

*Excludes class size.

**There is a cumulative "surplus" of Pell BA. That is, the enacted BA for Pell in FY99 and prior years exceeds the amount needed to finance the program level in those years. Under the unique provisions of this program, the excess or surplus BA becomes available for use in FY00. Therefore, Education's program level for FY99 is \$99 million below the enacted level, and Education can finance \$350 million of the FY00 program level with this Pell surplus, and thus reduce needed new BA by \$350 million.

FEMA

* Data on this line includes large year-to-year carryover balances, including \$1.4 billion that is expected to be spent in FY 2000.

GSA

*Federal Buildings Fund (New Obligational Authority)

HHS

*FY99 includes \$651million in user fees/collections, FY00: includes \$930 million in user fees/collections.

**FY99 enacted includes \$217 million for bio-terrorism, CBC AIDS and CDC base activities, \$189 million for Y2K, and \$300 million for LIHEAP. All other columns show LIHEAP contingent emergency funding only.

HUD

* Within total, BA needed to renew expiring contracts for existing low-income subsidies.

Interior

* Agency total does not include \$532 million in one-time Land & Water Conservation (LWCF) funds in FY 1998.

Labor

*This amount is offset by \$95 million in user fees for processing alien labor certifications and the Work Opportunity Tax Credit.

NASA

*Includes carryover of \$ 800 million in FY 1999 and an estimated \$750 million in FY 2000.

NSE

*Includes carryover of \$35 million in FY 1999 and an estimated \$22 million in FY 2000.

SSA

* FY 1999 total includes \$75 million in user fees. FY 2000 total includes \$99 million in user fees and does not reflect the proposed rescission of \$150 million in the Automation Investment Fund.

State/IA

- * FY 99 Enacted includes fee revenue of \$360 million and FY 2000 Passback includes fee revenue of \$392 million.
- ** Emergency BA for Overseas Security is divided between FY 1999 and FY 2000.

Treasury

- *2000 Passback assumes \$252 million in Customs EXCEL fee, \$141 million in offsets from Treasury Forfeiture Fund, and rescission of ITIA balances to provide another \$105 million in resources.

VA

- * Medical Care carried an unneeded \$0.5 billion into FY 1999, and will have carry over of \$1.1 billion into FY 2000.



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

THE DIRECTOR

December 4, 1999

MEMORANDUM FOR THE PRESIDENT

FROM:

Jacob J. Lew

SUBJECT:

FY 2001 Budget Passback to Agencies

On Monday, we will be passing back to agencies initial OMB funding recommendations for FY 2001. As we discussed at the November 29th budget meeting, the total level of funding that we passed back to the agencies was a freeze at the FY 2000 appropriations level. The objective of our meeting on Monday, December 6th is to walk you through our Passback, discuss where we are with the agencies, and to get your feedback. We may also want to discuss discretionary spending caps. Summaries of passback funding levels by department are attached.

The guidance that we provided to the agencies asked them to propose a budget at a level that would continue current policies. For most agencies, this holds overall funding to a freeze level. Although this freeze is generous due to the levels provided in the final negotiations, modifications to the freeze level were made for three reasons: to correct for technical adjustments such as emergency spending and delayed obligations made in the FY 2000 spending bills; to fund prior commitments for specific programs such as Defense and NASA; and to fund multi-year construction projects, such as the embassy security efforts.

The agencies' requests came in significantly above this level, \$59.3 billion above the guidance level (see the attached table for a break-down by agency).

In Passback, we have had to make a number of tough choices. We have moved money between accounts and used previously proposed offsets to attempt to fund a number of your priorities. For example, we have moved money from USDA's request for salaries and expenses in its county offices to the Women, Infants, and Children (WIC) program to reach the goal of full participation. Also, we have moved money from selected health programs to support your goal of expanding Head Start to reach one million children. Examples of the proposed offsets include the Army Corps of Engineers Harbor Services fee, USDA's meat and poultry inspection user fee, and increasing FHA loan limits, which will be used to fund additional housing vouchers.

We expect to receive appeals for a wide range of agency concerns. Some agencies will have concerns about their core programs being funded at an adequate level. Others will be concerned about obtaining increases for selected programs. Major increases, such as the \$2.2 billion per year, or 8.4 percent per year, that the Education Department has averaged recently, would require additional funding.

FY 2001 BUDGET: AGENCY ABOVE-GUIDANCE REQUESTS

(Budget authority, in billions of dollars)

AGENCY

Agriculture.....	1.8
Commerce.....	1.4
Defense.....	4.8
Education.....	5.8
Energy.....	2.9
Health and Human Services.....	4.8
Housing and Urban Development.....	4.8
Interior.....	4.7
Justice.....	4.1
Labor.....	2.1
State/International Affairs.....	6.9
Transportation.....	2.4
Treasury.....	1.2
Veterans Affairs.....	2.9
Corps of Engineers.....	0.4
Environmental Protection Agency.....	1.8
Federal Emergency Management Agency.....	2.9
General Services Administration.....	1.5
National Aeronautics and Space Administration.....	0.5
National Science Foundation.....	0.6
Office of Personnel Management.....	—
Small Business Administration.....	0.3
Social Security Administration.....	0.7
Total.....	59.3

DEPARTMENT OF AGRICULTURE
(Excluding International Programs and Emergency Funds)
(budget authority, in millions of dollars)

	FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Agency Request</u>	FY 2001 Budget	
				<u>BA</u>	<u>OL</u>
Passback	14,842	15,179	16,820	15,928	16,013

Agency Over-Guidance Request

- The Department of Agriculture (USDA) requested a total of \$16.8 billion, \$1.0 billion over guidance with user fees, including +\$600 million for county office salaries and expenses (S&E), +\$200 million for the Women, Infants, and Children (WIC) program, +\$150 million to increase animal and plant protection programs, and +\$140 million for Forest Service recreation and infrastructure initiatives.

Passback Summary

- User fees. Assumes re-proposal of \$560 million in previously-rejected user fees for meat and poultry and other inspection programs, to offset proposed increases.
- WIC program. \$4.1 billion (+3%) to fund full (7.5 million) participation.
- Rural development. \$8.3 billion (+5%) in loans and grants for rural housing, communities, and businesses. \$10 million additional loans and grants earmarked for Mississippi Delta Region (plus \$554 million in other USDA rural development assistance to the region).
- County office salaries and expenses (S&E). \$2.2 billion (FY 2000 enacted level) for S&E of USDA county offices that administer farm, conservation, and rural development programs.
- Food safety. Increase funds for USDA's share of Food Safety Initiative by \$26 million (+19%). Program level for Food Safety Inspection Service includes +\$530 million in re-proposed meat/poultry inspection fees, as requested by USDA.
- Forest Service operating program. \$1.8 billion (+7%), particularly for revising forest plans to be consistent with pending forest planning rule, and for implementation of the Clean Water Action Plan. \$238 million (+10%) for USDA Lands Legacy funding.
- Clean Water Action Plan. \$772 million (+52%) across USDA agencies (including +\$126 million in mandatory funds).
- Mandatory funding. Increase mandatory funding for the Conservation Reserve program (CRP), Wetlands Reserve Program (WRP), and the Environmental Quality Incentives Programs (EQIP).

Potential Issues

- County office S&E. USDA requested \$3 billion (+23 percent) to increase staff by 1,700 (+5%) and computer expenditures by \$195 million.
- Farm "Safety Net" Proposal. USDA did not submit a reform proposal but is rumored to be working on one, and may object to offsetting its PAYGO costs within USDA, such as through potential deep cuts in AMTA payments. USDA will be asked to submit its safety net proposal with its other appeals, and there will be an interagency process to work through a potential proposal for the Budget. John Podesta is leading the effort with Secretary Glickman to think through a farm safety net proposal.

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

	FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Agency Request</u>	FY 2001 Budget	
				<u>BA</u>	<u>OL</u>
Passback	5,056	8,751	6,281	4,791	5,351

- Sharp decrease is due to the decennial census where there is a reduction of \$4.1 billion. Passback provides \$391million to complete a non-sampling census.

Agency Over-Guidance Request

- DOC requested \$6.3B, \$1.4B over guidance. DOC proposed major initiatives for electronic commerce and departmental information technology (\$302M), support for minority serving institutions (\$100M), environmental programs (\$358M), unconventional threats (\$136M), and statistical programs (\$230M).

Passback Summary

- Environmental Stewardship. Passback provides \$2.5B for the National Oceanic and Atmospheric Administration, \$153M over 2000 enacted. Passback includes full funding for the Pacific Salmon Treaty and Recovery Fund, and funding at the 2000 enacted level or higher for endangered species protection, clean water, Lands Legacy activities, and the Weather Service.
- Advanced Technology Program. Passback provides for \$55M in new awards, up from \$51M in 2000 enacted.
- Public Television's Digital Transition. Passback maintains the Administration's commitment to fund public TV's transition to digital broadcasting to meet the Federally-mandated 2003 deadline. Funding within DOC is \$110M in 2001, as agreed upon last year with DOC and the Corporation for Public Broadcasting. Passback also increases outyear funding to restore funds lost in the appropriations process and maintain the initiative's overall funding of \$450M over 1999-2003.
- E-commerce. Passback provides \$36M to promote and better measure e-commerce, to increase information technology research, and to boost grants for new non-profit applications. Passback provides Economic Development Administration set-asides of \$10M for the Mississippi Delta and \$12.5M for Native American communities that can be targeted to e-commerce pilot programs.
- Unconventional Threats. Passback funding (\$42.5M) would double critical infrastructure protection funding from 2000 enacted. Passback funds the Critical Infrastructure Assurance Office at the requested level (\$6M) and provides an \$8.5M increase for Chemical Weapons Convention activities.

Potential Issues

- Environmental Programs. Passback funds Lands Legacy at \$108M -- \$3M above 2000 enacted, but \$80M below DOC's 2001 request and \$75M below the President's 2000 Budget.
- Minority Serving Institutions (MSIs). Passback does not provide most of DOC's requested \$100M MSI initiative, but proposes using a portion of DOC's existing \$269M of higher education funds to promote diversity. OMB also encourages DOC to work with the Department of Education and National Science Foundation to leverage over \$700M of existing Federal support for MSIs and educational opportunities for minorities in the sciences.

DEPARTMENT OF DEFENSE
(budget authority, in billions of dollars)

	FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Agency Request</u>	FY 2001 Budget	
				<u>BA</u>	<u>OL</u>
Passback	273.9	277.9	292.2	291.7	282.4

Agency Over-Guidance Request

- The Department of Defense requested a total of \$ 4.8 billion over guidance, to cover Balkans operations costs, higher fuel costs (\$1.6 billion), and funding for several initiatives important to the White House (science and technology programs, counter-drug programs, the CoG master plan, and CALEA).

We are not passing back to the Department of Defense, but instead engaged in a discussion to work through the following funding issues:

- Contingency Operations. \$2.5 billion in budget authority (BA) and \$1.9 billion in outlays above defense guidance to fund continuation of Kosovo and Bosnia operations for another year.
- Intelligence Program. \$0.1 billion in additional FY 2001 BA for Presidential priorities and other programs.
- Initiatives. \$0.6 billion of BA for the National Missile Defense (NMD) program, the Russia Missile Defense Cooperation program, and the Global Positioning Satellite (GPS) program.
- Fuel. \$1.6 billion more in FY 2001 to cover increased fuel costs.
- Initiatives. DoD will seek roughly \$0.5 billion of BA in FY 2001 for initiatives such as the CoG master plan, science and technology programs, counter-drug programs, and CALEA, that the Department believes are of lower priority compared to other military needs.
- Offsets. We are working with the department on a number of proposed offsets, including the reallocation of military construction funding previously carried as an FY 2001 advance appropriations in last year's DoD topline.

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

	<u>FY 1999</u> <u>Enacted</u>	<u>FY 2000</u> <u>Enacted</u>	<u>FY 2001</u> <u>Agency Request</u>	<u>FY 2001 Budget</u> <u>BA</u>	<u>OL</u>
Passback	33,520	35,703	41,489	35,703	34,241

Agency Over-Guidance Request

- The Department of Education requested a total of \$41.5 billion, \$5.8 billion over guidance, and proposed no student loan offsets. About two thirds of the Department's increases over guidance are in K-12 programs, the majority of which are part of the Elementary and Secondary Education Act (ESEA) reauthorization. The Department requested substantial increases to nearly all of its programs. In the Department of Education's request, most programs receive at least a 10-15 percent increase; in several cases, funding for base programs is more than doubled.

Passback Summary

- Elementary and Secondary Education. Passback provides \$1.5 billion for Class Size (+\$200 million), \$525 million for After School programs (+\$71 million), \$8.1 billion for Title I Grants to LEAs (+\$200 million), and \$286 million for America Reads (+\$26 million). In addition, the Passback level includes \$165 million for three new programs authorized under the Administration's ESEA reauthorization proposal, including \$125 million for High School Reform (includes Rep. Obey's Small Schools program), \$20 million for Early Childhood Professional Development, and \$20 million for OPTIONS.
- Higher Education. Passback includes \$8,180 million for Pell Grants, which could support a very small increase in the Pell maximum award. The Passback also provides \$1.0 billion for Work Study (+\$77 million), \$240 million for GEAR UP (+\$40 million), and \$40 million for Leveraging Educational Assistance Partnerships (LEAP), the same as the FY 2000 enacted level. In Passback, OMB also notes that it is exploring a proposal to "front-load" Pell Grants by providing additional grant aid in the first two years of college for the poorest students.
- Other Education Programs. Passback includes \$10 million for the Troops to Teachers initiative, \$525 million for the Technology Literacy Challenge Fund (+\$100 million), and \$39 million for Adult Education National Activities (+\$25 million) for the ESL/Civics initiative. Special Education, Safe and Drug Free Schools, Hispanic Serving Institutions, Adult Education State Grants, TRIO, Indian Education and Education Research are all straightlined at the FY 2000 enacted level.

- Major Reductions in Passback. Vocational Education State Grants are reduced to \$883 million (- \$173 million). Impact Aid is reduced to \$730 million (-\$181 million). A total of \$503 million is included for Teaching to High Standards, which is a consolidation of Title VI, Goals 2000, and Eisenhower Professional Development, resulting in a decrease of \$703 million from the FY 2000 levels for these three programs. Passback also provides no funds for the 226 member projects in the FY 2000 bill, for a total decrease of \$186 million.
- School Construction. In Passback OMB notes that it is exploring a new discretionary School Construction Loan initiative that could complement the tax credit proposal. This proposal may be revisited during appeals.

Potential Issues

- Base Elementary and Secondary Education Programs. The Secretary will argue that large increases to ESEA base programs are necessary to support the Administration's reauthorization proposal.
- Vocational Education and Teacher Professional Development. States and many in Congress support Vocational Education and would oppose the \$173 million cut. The Department of Education strongly supports teacher professional development programs and will likely appeal for more Teaching to High Standards funding. Restoring these cuts may be the Secretary's highest priorities.
- Pell Grants. A \$50 maximum award increase, as assumed in Passback; would be the smallest increase ever proposed by this Administration.
- Special Education. Disability advocates will strongly object to providing no increase to Special Education, but Congress always provides significantly more funding for special education.
- Mandatory Offsets. Previous budgets, including the FY 2000 Budget, have proposed mandatory student loan offsets to finance both discretionary and mandatory spending; most of these proposed offsets were not enacted. Passback assumes no student loan offsets, though this decision may change during the appeals process. The Department of Education may object to using student loan offsets to finance increases in education programs. Though the higher education community opposes these offsets, they promote efficiency in the student loan programs.

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

	<u>FY 1999</u> <u>Enacted</u>	<u>FY 2000</u> <u>Enacted</u>	<u>FY 2001</u> <u>Agency Request</u>	<u>FY 2001 Budget</u> <u>BA</u>	<u>OL</u>
Passback	17,338	17,344	21,168	18,317	17,874

Agency Request

- DOE requested \$21.2 billion, almost \$2.9 billion above the guidance level, including \$450 million more Stockpile Stewardship and \$300 million for a new Russian non-proliferation initiative.

Passback Summary

- Weapons Activities. \$4.5 billion for Stockpile Stewardship, equal to the FY President's 2000 Request.
- Safeguards and Security. \$60 million (14 percent increase over FY 2000 enacted) for physical, cyber and other security activities. The Expanded Threat Reduction Initiative is funded at the FY 2000 President's request, \$25 million above enacted.
- Environmental Management. \$6.3 billion (\$426 million above FY 2000 enacted) for cleaning up nuclear weapons-related sites including agency-requested increases for cleanup at Paducah and Portsmouth gaseous diffusion plants.
- Science. \$3.0 billion for fundamental research in the physical sciences, the largest portfolio of its kind in any Federal agency. Total includes \$281 million for the Spallation Neutron Source (SNS) and \$182 million for Information Technology R&D.
- Climate Change Technology Initiative. \$1.096 billion (\$112 million above FY 2000 enacted and only \$17 million below the CCTI 5 year plan) for R&D in Solar and Renewable Energy, Conservation, Fossil Energy, and Science accounts.

Potential Issues

- Stockpile Stewardship, Security & Nonproliferation. DOE will request over \$1 billion more for Stockpile cyber-security personnel and programs, new Russian nonproliferation activities.
- Science. DOE will want \$24 million to restore Fusion Energy Sciences to the FY 2000 enacted and an additional \$100 million for information technology, nanotechnology, robotics, and a proposed Life Sciences initiative.
- Portsmouth and Paducah. DOE will press for more cleanup and worker support resources for these two DOE sites.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
(program level, in millions of dollars)

	FY 1999	FY 2000	FY 2001	FY 2001 Budget	
	<u>Enacted</u>	<u>Enacted</u>	<u>Agency Request</u>	<u>PL</u>	<u>OL</u>
Passback	41,329	45,574	49,769	46,419	43,667

Agency Over-Guidance Request

- HHS requested a total of \$49.8 billion, \$4.8 billion over guidance levels. HHS requests significant increases in most programs including: FDA (+42%), IHS (+24%), CDC (+22%), SAMHSA (+28%), and HCFA (+18%).

Passback Summary

- Health programs. FY 2001 funding for health programs in passback is roughly flat at FY 2000 enacted levels. To provide funding for initiatives, we reduced base funding by \$625 million, including the elimination of \$141 million in congressional earmarks and \$96 million for health professions funding (proposed in FY 2000 but not enacted).
- Disease focused initiatives. Passback provides for a number of priority disease focused initiatives, including +\$80 million for mental health; +\$30 million for substance abuse prevention and treatment; and +\$50 million for Ryan White. We have also proposed +\$16.5 million for initiation of a new domestic HIV prevention initiative. Syphilis elimination and immunization are also funded through a total increase of +\$86 million to the CDC.
- Health information technology. Passback includes +\$60 million for new health information technology initiatives, which would focus on improving clinical outcomes, reducing medical errors through support of medical computing, creating responsive electronic public health systems to detect and deter new emerging infections, and research to improve healthcare quality.
- Indian Health/FDA. Passback focuses resources on two of HHS' more vulnerable programs; +\$100 million for Indian health, and +\$105 million for FDA, including increased funding for pre-market reviews, post-market surveillance and food safety activities.
- HCFA. HCFA program level increases by +\$87 million, financed by \$220 million in new user fees, and includes +\$11 million for recurring Nursing Home Initiative activities.
- Head Start. +\$634 million. Adds 40,000 children in FY 2001, which would keep us on the path to achieve the President's goal of one million children by FY 2002.

- Other ACF. Increases funding for Individual Development accounts (+\$15 million); runaway and homeless youth (+\$10 million); domestic violence programs (+\$16 million); grants to Native Americans (+\$9-million); and refugee assistance programs (+\$4 million). Reduces TANF Supplemental Grants to States to FY 1998 level -- a savings of \$238 million.
- AoA. +146 million. Reproposes the \$125 million Family Caregiver initiative and funds increases in home-delivered meals (+\$10 million); Native American grants (+\$5 million); and a new mental health initiative (+\$5 million).

Potential Issues

- NIH is flat funded at FY 2000 levels. While we could defend this as ahead of the President's FY 1999 5-year goal of a 48% increase in NIH funding, it would be criticized as a real cut in resources. FY 2000 enacted was +\$2.3 billion, and FY 1999 was +\$2 billion.
- The Children's GME program is flat funded at FY 2000 levels. Advocates may request an increase of +\$245 million to meet the authorization level.
- Healthcare Access for the Uninsured. Last year's Healthcare Access for the Uninsured initiative is funded at \$50 million, \$200 million short of the path articulated in the FY 2000 budget.

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

	<u>FY 1999</u> <u>Enacted</u>	<u>FY 2000</u> <u>Enacted</u>	<u>FY 2001</u> <u>Agency Request</u>	<u>FY 2001 Budget</u> <u>BA</u>	<u>OL</u>
Passback	25,698	26,366	36,367	32,655	36,619

Agency Over-Guidance Request

- The Department of Housing and Urban Development requested a total of \$36.4 billion in gross budget authority, \$4.8 billion over Guidance. Increases over Guidance were sought for all major programs, including \$1 billion for 172,000 incremental vouchers, \$1.6 billion for community and economic development programs, \$600 million for public housing, and \$150 million for a new low-income housing construction program. The Department proposes to offset \$4 billion of these costs by creating a Community Housing and Investment Fund (CHIF) in Ginnie Mae, using funds borrowed from the U.S. Treasury to purchase its own mortgage-backed securities.

Passback Summary

- Low-income Rental Assistance. Renews all expiring contracts to continue assistance to 4.7 million low-income households.
- Incremental Vouchers. Passback provides funds for 100,000 new vouchers, including 18,000 targeted to the homeless, and 32,000 Welfare-to-Work housing vouchers.
- Homeless Programs. The funding for 18,000 vouchers increases homeless programs by \$105 million or 10 percent from FY 2000.
- CDBG/HOME. Maintains 2000 funding level of \$4.8 billion for Community Development Block Grants; increases formula funds by \$224 million by reducing low priority set-asides. Youthbuild is increased by \$33 million to \$75 million. Provides \$1,610 million, \$10 million above enacted, for the HOME Block Grant.
- Urban Initiatives. Provides \$25 million for Regional Connections (\$25 million above enacted for this livability initiative), \$50 million for Brownfields (\$25 million above enacted), and \$37 million for APIC-New Markets (\$17 million above enacted). Reproposes mandatory funds for urban Empowerment Zones.
- Housing Opportunities for Persons with AIDS. Provides \$250 million for HOPWA, \$18 million above the 2000 level.

- Severely Distressed Public Housing/HOPE VI. Passback includes \$625 million, a \$50 million increase over 2000, for accelerated demolition of the worst public housing units to be replaced with a mix of rebuilding/vouchers.
- Fair Housing. Provides \$48 million (9 percent over 2000 enacted), including \$7.5 million for HUD's testing initiative to measure discrimination nationwide.
- Lead Hazard Reduction. Passback provides \$120 million, \$40 million above enacted, as part of a new Administration strategy to eliminate lead poisoning of poor children by 2010.
- Indian Housing Block Grant. Provides \$10 million increase for Indian housing. Supports new homeownership intermediary.
- Ginnie Mae. Passback does not include HUD's request to create CHIF.

Potential Issues

- Community Renewal Fund. Passback does not fund HUD's request to build 20,000 units of subsidized housing. However, it provides \$50 million in new funding to improve voucher performance in difficult markets.
- Economic Development Initiative/Community Empowerment Fund. No funds are provided for this HUD priority. Historically, EDI has been heavily earmarked by Congress, and the results of the program are mixed at best.

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

	FY 1999	FY 2000	FY 2001	FY 2001 Budget	
	<u>Enacted</u>	<u>Enacted</u>	<u>Agency Request</u>	<u>BA</u>	<u>OL</u>
Passback	7,876	8,146	12,675	8,506	8,398

Agency Over-Guidance Request

- DOI requested a total of \$12.7B, \$4.7B over guidance, including an increase of \$3.1B for a new \$5B Native American Initiative. Lands Legacy was requested at the FY 2000 Request level.

Passback Summary

- Lands Legacy Initiative. \$579M, the same as the FY 2000 Request.
- Bureau of Indian Affairs. \$1.9B, an increase of 4 percent over enacted, for school construction and operations, law enforcement activities, housing, road repair, and new claim settlements -- programs addressing high-priority needs that have the greatest potential for achievable impacts.
- Land Management Operations. \$2.9B for the National Park Service, Fish and Wildlife Service, and the Bureau of Land Management, increases of 3-7 percent over enacted, to meet current and new responsibilities.
- Bureau of Reclamation and Central Utah Project. \$773M -- Reclamation totals \$741M, the same as enacted funding (gross), but \$78M below the FY 2000 Budget. Passback gives priority to funding management and efficient care of existing investments, as opposed to new work.

Potential Issues

- Lands Legacy. CEQ and environmental groups expect funding at last year's request level of \$579M, but will likely also want mandatory or dedicated funding for the initiative. There is widespread support of mandatory funding of \$1-\$3B, but no one has proposed offsets.
- Bureau of Indian Affairs. Interior requested \$5B -- \$3.1B over enacted for virtually all BIA programs under its "Promises Kept" initiative.
- Construction Accounts. \$221M, or \$70M (24 percent) below enacted, due to DOI submitting inadequate budget justifications with no 5-year priority lists, as well as the large (\$70M) congressional increases in FY 2000 for 50 unrequested, low-priority projects.

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

	<u>FY 1999 Enacted</u>	<u>FY 2000 Enacted</u>	<u>FY 2001 Agency Request</u>	<u>FY 2001 Budget BA</u>	<u>OL</u>
Passback	18,227	18,442	23,118	19,941	21,363

Agency Over-Guidance Request

- The Department of Justice requested a total of \$23.1 billion, \$4.1 billion over guidance. Increases over guidance were sought, in particular, for law enforcement (\$1.6 billion over enacted), prisons (\$1 billion over enacted), and immigration (\$.9 billion over enacted).

Passback Summary

- Prisons. \$701 million above enacted to reduce overcrowding and increase inmate enrollment in literacy programs. To achieve Bureau of Prison's minimum crowding standards, funding is provided to activate five prisons, add over 6,000 contract beds, and construct sixteen additional prisons. Funding for this construction program is spread over three years through the use of advanced appropriations in 2002 and 2003. Reducing prison overcrowding is among the Attorney General's highest priorities. Prison overcrowding has resulted from increases in law enforcement personnel and stricter sentencing.
- Immigration. \$223 million above enacted to fund 430 new Border Patrol Agents, increased border control technology, and added detention bed space. In addition, the recommended level establishes an immigration service fund to support benefit infrastructure and backlog reduction initiatives. INS has made considerable progress in 1999 towards reducing citizen benefit backlogs. 2000 will continue the second year of this "one-time, two-year" fix and result in a 6-month completion and the virtual eliminate of the citizenship backlog.
- Law Enforcement. \$543 million above enacted for the FBI; DEA, U.S. Attorneys, U.S. Marshals Service, Interagency Crime and Drug Enforcement, and narrowband communications. This amount maintains current services, enhances capital investments, and funds new positions.
- Communications Assistance and Law Enforcement Act (CALEA). \$240 million to implement digital wiretapping requirements.
- COPs/21st Century Policing Initiative. \$1,275 million to fully fund the COPs/21st Century Policing Initiative.
- Counterterrorism. \$62 million above enacted to enhance ongoing initiatives, including the National Domestic Preparedness Office; Nunn/Lugar State and local first responder training program; and the Counterterrorism Fund.

- Offender Re-entry. The passback fully funds the Department's request for a \$40 million initiative for States and localities to assist prison inmates as they re-enter society. It includes \$25 million for drug treatment and \$15 million for a variety of other activities to assist offenders' transition back into the community. This complements an initiative included in the Labor Department's budget.

Potential Issues

- State and local grants. To offset the increases noted above, passback repropose the reductions to State and local grants that were included in the President's FY 2000 Budget: 1) State Criminal Alien Assistance Program (-\$85 million); 2) Prison Construction Grants Program (- \$447 million); and 3) Byrne Law Enforcement Assistance Grant program (- \$92 million).
- Crime Victims Fund. Passback also includes a delay in obligations from the Crime Victims Fund as was enacted in FY 2000.

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

	<u>FY 1999</u> <u>Enacted</u>	<u>FY 2000</u> <u>Enacted</u>	<u>FY 2001</u> <u>Agency Request</u>	<u>FY 2001 Budget</u>	
				<u>BA</u>	<u>OL</u>
Passback	10,998	11,256	13,361	11,321	11,475

Agency Over-Guidance Request

- The Department of Labor requested a total of \$13.4 billion, \$2.1 billion (18.6 percent) over guidance, seeking some 250 large and small requests.

Passback Summary

- Job Training. \$5.5 billion for the 1998 Workforce Investment Act (WIA), including:
 - \$2.6 billion for adult training programs including \$1.721 billion for dislocated workers, an increase of \$125 million to continue building up the "Universal Reemployment Initiative" started in FY 2000.
 - \$2.7 billion for youth programs including new initiatives of:
 - \$30 million to reintegrate youthful and first-time offenders into society. This complements a DOJ initiative to provide drug counseling to such offenders as they re-enter the community.
 - \$40 million to address youth violence through safe schools/healthy students.
- One Stop Career Centers/Employment Service. Provides nearly \$900 million for labor exchange functions, including \$35 million to re-start this part of the Universal Reemployment initiative to counsel UI recipients which was not financed by Congress.
- Labor Law Enforcement. Nearly \$1.2 billion is provided for enforcing various workplace safety and employment laws, a net \$70 million (6 percent) increase over 2000. This includes \$409 million for OSHA (a \$27 million, 7 percent increase) and \$362 million for the Employment Standards Administration (a \$23 million 7 percent increase).
- International Labor. Adds a \$4 million HIV/AIDS education carried out via unions in developing economies to child labor and core labor standards initiatives already funded.

Potential Issues

- • Job Training. Not increasing base job training formula grant funds which are part of the new WIA program. Passback also does not fund the Universal Reemployment initiative at the second-year level planned in the 2000. Budget.
- Labor Law Enforcement. Many proposals to expand current workplace safety and protection initiatives advanced by the DOL were not able to be funded.
- Disability Initiative. Substitutes a new \$140 million Office of Disability Policy to coordinate disability employment policy and award demonstration grants to test and integrate the disabled into the Department's programs with a proposal to increase funding the President's Task Force for the Employment of Adults with Disabilities and the creation of an office like the Women's Bureau at Labor.

STATE/INTERNATIONAL AFFAIRS
(budget authority, in millions of dollars)

	FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Agency Request</u>	FY 2001 Budget	
				<u>BA</u>	<u>OL</u>
Passback	23,383	22,406	28,132	22,243	22,331

Agency Over-Guidance Request

- State and Treasury have requested \$6.9 billion over guidance, including funding for an anti-narcotics initiative in Colombia, \$1.5 billion over guidance for new embassy and consulate construction, \$600 million over guidance for State operating expenses and debt forgiveness.

Passback Summary

- Debt forgiveness. \$200 million to continue the Cologne Summit initiative to forgive the debt of highly indebted poor countries (HIPC).
- UN Peacekeeping. \$739 million to fund US contributions to UN peacekeeping in Kosovo, East Timor, Sierra Leone, Eritrea/Ethiopia and other regions.
- Overseas Security. \$450 million to fund the construction of new, secure embassies and consulates in Damascus, Yerevan, Sofia, Capetown, Rio de Janeiro and Sao Paulo, and \$50 million for new AID missions in Nairobi and Kampala.
- Eastern Europe/Independent States. \$535 million for Eastern Europe, of which \$150 million is for Kosovo and the remainder for the Southeastern Europe Initiative. \$775 million for the Independent States, with an amount to be determined for expanded threat reduction..
- 'Plan Colombia.' Funding for this plan is still under discussion, but will include both an FY 2000 supplemental and some amount in FY 2001. An OMB-led, interagency process will continue over the next several weeks to provide recommendations on funding levels.
- Export Promotion. \$971 million for Eximbank, \$47 million for the Overseas Private Investment Corporation, and \$48 million for the Trade and Development Agency.
- Middle East. Full request of \$4,990 for Israel, Egypt and Jordan for Foreign Military Finance and Economic Support Funds accounts.

Potential Issues

- Debt forgiveness. Treasury had requested \$1.1 billion for debt forgiveness over an unspecified period of time.

- Embassy security. State had requested \$1.8 billion for new embassy construction. In addition, a recommendation is under consideration that would provide White House (Chief of Staff's Office, NSC, OMB) leadership of a process to examine related overseas presence issues. State is likely to object strongly to this.
- Additional funding. State will want more funding for 'Plan Colombia', assistance to the Independent States, Eastern Europe, AID development assistance, and Economic Support Funds.

DEPARTMENT OF TRANSPORTATION
(budgetary resources, in millions of dollars)

FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Agency Request</u>	FY 2001 Budget	
			<u>BA</u>	<u>OL</u>
46,475	48,448	51,245	51,165	45,640

Agency Over-Guidance Request

- The Department of transportation requested a total of \$51.2 billion in budgetary resources, \$2.4 billion over guidance. Increases over guidance were sought, in particular, for the Federal Aviation Administration (\$969 million), the Coast Guard (\$418 million), and a new Amtrak High Speed Rail program (\$331 million).

Passback Summary

- Aviation: Provides \$10.7 billion, an increase of \$704 million or 7 percent above FY 2000 enacted. Significant increases provided for Operations (+\$649 million or 11 percent) and Capital/Research (+\$314 million or 14 percent), offset by reductions to Airport Grants (-\$260 million or 13 percent). Meets Gore Commission safety, security and modernization recommendations, and addresses projected aviation growth.
- Highways/transit: Provides the full guarantee level of \$37 billion, an increase of \$3.1 billion or 9 percent above FY 2000 enacted. A Highway Emergency Relief Reserve Fund would be created within the highway guarantee to fund disaster response.
- Railroads: The requests of \$521 million for Amtrak capital, \$25 million for Maglev pre-construction planning, and \$22 million for high speed rail research are fully funded, and a modest increase in safety inspectors is provided.
- Coast Guard: Provides \$3.7 billion in program level, an increase of \$228 million or 7 percent above FY 2000 enacted. This expands Coast Guard services, including higher drug interdiction levels, and continues fleet modernization efforts. A new cost-based user fee for navigation services is proposed (-\$160 million).

Potential Issues

- Aviation: Aviation user fees would increase by \$1.5 billion (+16%) in order to increase FAA spending and eliminate the General Fund subsidy. DOT will argue that higher fees may undermine efforts to convert to cost-based fees. Regarding Airport Grants, Congress will criticize the cut to this popular program, but small and medium airports are protected and large airports have easy access to private capital markets.

- Amtrak High Speed Rail Program. No funding is provided because of the program's limited public benefits and the low priority given it in terms of supporting Amtrak's near-term capital needs by GAO and the DOT IG.
- Coast Guard. Congress and users will object to the new cost-based navigational assistance fee. Coast Guard will strongly appeal for more drug interdiction even though Passback (+\$40M over FY 2000) is sufficient to meet their FY 2001 performance goals.

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

	FY 1999	FY 2000	FY 2001	FY 2001 Budget	
	<u>Enacted</u>	<u>Enacted</u>	<u>Agency Request</u>	<u>BA</u>	<u>OL</u>
Passback	12,865	12,559	14,495	13,318	13,145

Agency Over-Guidance Request

- The Department of the Treasury requested a total of \$14,495 million, \$1,177 million over guidance. Increases over guidance include; \$720 million for enhanced IRS compliance, customer service and technology investments, \$387 million for increased law enforcement activities, and \$69 million for other Treasury operations.

Passback Summary

- Internal Revenue Service. \$8,643 million to fund information technology modernization, organizational restructuring, and pay and non-pay inflation costs. This is a 4.8% increase above FY 2000 enacted.
- United States Customs Service. \$2,106 million to fund trade modernization efforts (the Automated Commercial Environment) and maintain current services in passenger and outbound processing. This is an 8.3% increase above FY 2000 enacted.
- Bureau of Alcohol, Tobacco, and Firearms. \$693 million to fund increased youth crime firearms enforcement and hiring of additional 115 agents and 170 inspectors. The funding is a 7.9% increase above FY 2000 enacted.
- United States Secret Service. \$743 million, 4.6% above current services and 2.2% above 2000 enacted (less one-time campaign funding) will enhance security for the President and Vice President, increase agent retention and maintain current services in the financial fraud program.
- Other Treasury. \$1,133 million, \$175 million above enacted, to fund current services for remaining enforcement accounts, fiscal bureaus, Departmental management.

Potential Issues

- IRS. Treasury will argue for up to \$300 million more to improve levels of customer service, increase audit rates, and increase technology investments.
- Customs. As was proposed in last year's budget, the Customs trade modernization program costs are offset, in part, by a trade processing user fee of \$210 million. Treasury also will seek additional funds for narcotics interdiction and salaries and expenses.

DEPARTMENT OF VETERANS AFFAIRS
(budget authority, in millions of dollars)

	<u>FY 1999</u> <u>Enacted</u>	<u>FY 2000</u> <u>Enacted</u>	<u>FY 2001</u> <u>Agency Request</u>
Passback	19,208	20,938	23,794

We will be discussing the FY 2001 funding level for the Veterans Administration with you shortly.

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

	<u>FY 1999 Enacted</u>	<u>FY 2000 Enacted</u>	<u>FY 2001 Agency Request</u>	<u>FY 2001 Budget BA</u>	<u>OL</u>
<u>Passback:</u>					
Gross Funding	3,995	4,113	5,090	3,930	3,850
User Fee Offsets	-	-	-532	-468	-468
Total Net	3,995	4,113	4,558	3,462	3,382

Agency Over-Guidance Request

- Army's request of \$4,558 million, which is \$445 million over guidance, includes increased funding for all programs. It includes optimum funding for ongoing projects and for all new projects ready to begin planning or construction, and initiatives for watershed planning and recreation facility upgrades.

Passback Summary

Passback funding is very similar to the funding requested in the FY 2000 Budget for all Corps programs.

- Harbor Services Fund and User Fee. Reproposal at about the same levels in the FY 2000 Budget. The recommendation provides a total of \$950 million for ports and harbors: \$250 million for port development and \$700 for operations and maintenance. This user fee provides an offset of \$461 million in FY 2001. (Passback also includes a \$7 million offset for proposed regulatory user fees).
- Construction Activities. A total of \$1.2 billion, which is \$166 million below FY 2000 enacted funding. This would fund all priority projects (e.g., Everglades restoration) on an optimum schedule but provide about 56 percent of the requested optimum funding for roughly 200 other ongoing projects. Passback includes funding for five new construction starts -- three "prudent stewardship" investments in existing infrastructure and two Administration-priority projects (an Everglades project and the "Challenge 21" program for environmentally friendly flood-control projects).
- Operation and Maintenance. A total of \$1.8 billion, slightly above the FY 2000 Budget and equal to FY 2000 enacted funding, and a substantial increase over recent past funding levels.
- Mississippi River and Tributaries. \$309 million, the FY 2000 enacted level and a \$29 million increase over the FY 2000 Budget, for flood protection and other projects in the Mississippi River delta.
- Planning Activities. \$135 million, the same level as the FY 2000 Budget but a \$26 million reduction from the FY 2000 enacted level. The purpose of this reduction is to reduce the flow of new studies, in order to reduce the pressure for future construction projects.

Potential Issues

- Army will strongly appeal, arguing that funding of \$3.9 billion would delay and increase costs for most ongoing construction projects, delay planning efforts for new investments, and allow the backlog of maintenance work to increase. Army will also object that passback does not fund its initiatives for comprehensive watershed planning and recreation facility modernization.

ENVIRONMENTAL PROTECTION AGENCY
(budget authority, in millions of dollars)

	FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Agency Request</u>	FY 2001 Budget	
				<u>BA</u>	<u>OL</u>
Agency Total	7,589	7,592	8,921	7,077	7,591
(CWSRF)	1,350	1,350	2,400	800	1,257
(Superfund)	1,500	1,400	1,492	1,400	1,383

Agency Over-Guidance Request

- EPA requested \$1.75B over the guidance level, of which \$1.6B was for the Clean Water State Revolving Fund, \$100M for an environmental information initiative, and \$25M for anti-terrorism activities.

Passback Summary

- Operating Programs. \$ 3,775M (+\$ 235M, or +7 % to enacted) for grants, research, regulations and enforcement. Fully funds EPA's part of the Climate Change Technology Initiative (\$227M, +\$124M to enacted) and Clean Water Action Plan (\$706M, +\$76M to enacted). Provides \$20M for initiative to improve EPA state environmental information.
- State Revolving Funds (SRF). \$1,625M. Meets Administration goal of providing \$2.0 billion in loans annually after Federal Clean Water SRF capitalization ends. Funds Clean Water SRF at \$800 M (-\$550 M, or 41% below enacted) and Drinking Water SRF at \$825M (+\$5M to enacted).
- Superfund. \$1.4B (same as enacted). Reaches goal of 900 Superfund site cleanups in FY 2002, the same year as the EPA request (\$1.5B).

Potential Issues

- EPA Budget Total. Passback is \$515M below enacted (which included \$.45B in earmarks) and \$1,844M below EPA's total request.
- Clean Water SRF. The Passback is \$550M below enacted. However, it is consistent with the FY 2000 Budget and the Administration's goal of providing \$2B in annual loans after Federal funding ends.
- Superfund. The Passback is \$92M below the Agency request. Several fewer cleanups may be started at this level; but the Administration will still meet its 900 cleanup goal by 2002.
- Environmental Information. EPA's requested a \$110M over-guidance initiative to improve environmental information collection standards, practices and design. Passback provides \$20M to develop these necessary specifications before further funding is considered.

FEDERAL EMERGENCY MANAGEMENT AGENCY
(budget authority, in millions of dollars)

	<u>FY 1999</u> <u>Enacted</u>	<u>FY 2000</u> <u>Enacted</u>	<u>FY 2001</u> <u>Agency Request</u>	<u>FY 2001 Budget</u> <u>BA</u>	<u>OL</u>
Passback	2,887	871	3,850	916	2,891

Agency Over-Guidance Request

- FEMA has requested a total of \$3.9 billion, including increases over guidance for disaster relief (\$2.9 billion over guidance) and headquarters relocation and expansion (\$29 million over guidance).

Passback Summary

- Disaster Relief. Supports a \$3.2 billion program level for FEMA disaster relief, including \$297 million in regular appropriations, \$285 million in carryover balances, and \$2.6 billion in contingent emergency appropriations, which would be available for release if needed.
- Pre-Disaster Mitigation. \$30 million for Project Impact to promote mitigation activities in selected communities across the country.
- Flood Map Modernization. \$134 million to undertake modernization of outdated flood maps, with \$100 million derived from a new \$12 fee for flood determinations made at the time of property sale and \$34 million funded through the Disaster Relief Fund.
- Repetitive Loss Buyouts. \$70 million to fund buyouts of repeatedly flooded properties, of which \$50 million is funded through the Disaster Relief Fund and \$20 million through the Federal flood insurance program.
- Emergency Food and Shelter. \$134 million matches the highest appropriation level in recent years. Grants typically go to local social service organizations, both private and governmental, to help people in need of emergency food and housing assistance.

Potential Issues

- Disaster Relief Funding. As in the past, FEMA likely will argue for obtaining full funding of its request as non-emergency funding, which would require an additional \$2.6 billion in regular appropriations.
- Headquarters Relocation. FEMA seeks \$29 million for relocating its headquarters and expanding its emergency operations center. OMB is working with FEMA and GSA to identify alternatives including FEMA's assumption of the space currently occupied by the Y2K Information Coordination Center.

GENERAL SERVICES ADMINISTRATION
(budget authority, in millions of dollars)

	FY 1999	FY 2000	FY 2001	FY 2001	
	<u>Enacted</u>	<u>Enacted</u>	<u>Agency Request</u>	<u>BA</u>	<u>OL</u>
Passback (Net BA)	539	113	1,808	383	427
FBF (Obligational Authority)	5,692	5,541	6,697	5,708	5,795

Agency Over-Guidance Request

- GSA requested a total of \$1.8 billion in net budget authority, \$1.5 billion above the guidance level. Increases include \$775 million for 19 courthouse construction projects, \$500 million to capitalize the Information Technology Fund, and \$33 million for critical infrastructure protection.

Passback Summary

- Federal Buildings Fund (FBF). Passback provides \$1.1 billion for the FBF's capital program. This funding level supports 27 major repair and alteration projects (\$419 million); construction of the second phase of the Food and Drug Administration's consolidation project in White Oak, MD (\$101 million); construction of the Alcohol, Tobacco and Firearms headquarters (\$83 million); design and/or construction of 7 border stations (\$19 million); and design of a new FBI field office in Houston, Texas (\$6 million).
- Southeast Federal Center. Passback proposes that GSA will transfer 35 acres of the Southeast Federal Center at no cost to D.C. by October 2000. In addition, \$6 million in appropriations is provided – \$5 million for site remediation and \$1 million for GSA to provide economic planning support to the National Capital Revitalization Corporation for the development of this site.
- Critical Infrastructure Protection (CIP). Passback includes \$15.4 million for CIP enhancements, including the Federal Intrusion Detection Network initiative (\$10 million).
- Presidential Transition. Passback includes \$7.1 million for activities associated with the transition of the incoming and outgoing Presidential Administrations – \$6.1 million as authorized by current law and an additional \$1 million to fund proposed legislation that would support training for incoming department heads and other key appointees.

Potential Issues

- Courthouse Construction. A decision on whether to include funds for courthouse construction is still open. GSA requested \$775 million for 19 courthouse construction projects on the Judiciary's 5-year Courthouse Construction Plan. Six potential courthouses that could be funded are: Los Angeles, California; Seattle, Washington; Gulfport, Mississippi; Washington, D.C.; Miami, Florida; and Erie, Pennsylvania.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION
(budget authority, in millions of dollars)

	FY 1999	FY 2000	FY 2001	FY 2001 Budget	
	<u>Enacted</u>	<u>Enacted</u>	<u>Agency Request</u>	<u>BA</u>	<u>OL</u>
Passback	13,665	13,601	14,224	13,746	13,505

Agency Over-Guidance Request

- NASA's request is \$14.2 billion, \$478 million over the guidance level. Request includes \$2.2 billion for Space Station, \$3.1 billion for Space Shuttle, \$2.4 billion for Space Science, \$1.4 billion for Earth Science, and \$421 million in new and augmented science and technology programs including space launch and aviation.

Passback Summary

- Overall Budget. Provides \$13.8 billion, a \$145 million or 1.1 percent increase above FY 2000 enacted. Last year we granted NASA an exception to the outyear freeze at the FY 2000 level to enable NASA to plan their numerous multi-year development programs, including Space Station. The passback is consistent with this excepted level.
- Space Launch R&D. Provides \$280 million, a \$82 million or 41 percent increase above FY 2000 for an aggressive \$3 billion five-year technology program. This new program will enable a competition in FY 2005 for a new, lower-cost commercial launch vehicle that could replace the Space Shuttle by end of the next decade.
- Human Space Flight. Provides \$2.1 billion to maintain NASA's plans to assemble the Space Station. This funding is \$209 million below FY 2000 to reflect the planned decrease in development. Also provides \$3.1 billion for Space Shuttle, a \$78 million or 2.6 percent increase over FY 2000. The funding includes new Shuttle safety upgrades.
- Science. For Space Science, provides \$2.3 billion, a \$132 million or 6 percent increase. The funding will continue priority efforts in planetary exploration, Hubble Space Telescope operations, and development of new space observatories. For Earth Science, provides \$1.4 billion, a \$35 million or 2 percent decrease from FY 2000 to reflect a planned decrease in major spacecraft development. Also provides \$143 million for research, a \$15 million or 12 percent increase. Passback fully funds GLOBE and Triana.
- Aeronautics Research. Provides \$100 million for aviation safety research, a 10 percent increase over FY 2000. Also provides \$15 million for aircraft noise reduction research.

Potential Issues

- Human Space Flight (HSF) Cost Growth. NASA's HSF budget was \$51 million over guidance in FY 2001 and nearly \$1 billion over five years. In keeping with Administration policy of containing HSF cost growth within its own budget, passback includes offsets to fix this problem.

NATIONAL SCIENCE FOUNDATION (NSF)
(budget authority, in millions of dollars)

	FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Agency Request</u>	FY 2001 Budget <u>BA</u>	FY 2001 Budget <u>OL</u>
Passback	3,671	3,897	4,547	3,916	3,838

Agency Over-Guidance Request

- The National Science Foundation's (NSF's) request is \$4.547 billion, a \$650 million increase (+16.7 percent) above FY 2000 enacted. Request includes a \$711 million increase (+208 percent) for four priority initiatives: Information Technology R&D, Biocomplexity in the Environment, 21st Century Workforce, and Nanoscale Science and Engineering. Request also includes funds to initiate three major facilities: an Earthquake monitoring effort called Earthscope, the National Ecological Observatory Network (NEON) for ecological research, and a research aircraft known as the High-Performance Instrumented Airborne Platform for Environmental Research (HIAPER).

Passback Summary

- Overall Budget. Provides \$3.9 billion, a \$19 million increase above FY 2000 enacted. This level would provide a 42 percent increase since FY 1993.
- Priority Initiatives. Provides \$156 million increase (+46 percent) for the four priority initiatives: IT R&D (+32 percent), Biocomplexity (+47 percent), Workforce (+72 percent), and Nanoscale Science (+47 percent).
- Major Facilities. Provides \$14 million increase for major facilities to continue ongoing projects as planned, including completion of South Pole Station modernization.

Potential Issues

- Overall Budget. Passback level is \$631 million below the agency request. This essentially flat budget is below the 5.1 percent average annual increase for NSF during this Administration through FY 2000.
- Priority Initiatives. Passback levels for four priority initiatives are well below levels recommended by the National Science and Technology Council (NSTC) and requested by NSF. IT R&D is \$201 million below, Nanoscale Science is \$75 million below, Biocomplexity is \$190 million below, and 21st Century Workforce is \$100 million below.

OFFICE OF PERSONNEL MANAGEMENT
(budget authority, in millions of dollars)

	<u>FY 1999 Enacted</u>	<u>FY 2000 Enacted</u>	<u>FY 2001 Agency Request</u>	<u>FY 2001 Budget BA</u>	<u>OL</u>
Passback	187	196	247	212	210

Agency Over-Guidance Request

- OPM requested a total of \$247 million, an increase of \$50 million, or 25 percent, over Guidance. This included 1) \$22 million for what OPM considers to be "uncontrollable" – pay, inflation, and improvements to its headquarters building, technology, and financial systems; 2) \$17 million in new funding for costs associated with OPM's Retirement Systems Modernization effort; and 3) \$18 million to expand OPM's oversight of Federal personnel systems, and to improve the Federal workforce. The request proposed partial offsets of \$7 million in reductions from the base.

Passback Summary

- Mission Critical Activities. Provides an increase of \$16 million, or 8 percent, above enacted, to allow OPM to continue and/or improve mission critical activities. Passback specifically includes funds to continue Federal Cyber Services activities (\$5 million); address staffing and system deficiencies in the Office of the Chief Financial Officer (\$2 million); expand oversight of Federal agencies' adherence to merit systems principles (\$1 million); and continue modernization of retirement program processes and infrastructure (\$11 million).

Federal Employee Health Benefit Program (FEHBP). Passback also directs OPM to develop a legislative proposal to amend the Federal Employee Health Benefit Program to permit targeting contracting for dental benefits, effective for the 2000 benefits year. Savings associated with this proposal will be reflected in the FY 2001 budget.

Potential Issues

Does not hold OPM harmless for pay and non-pay inflation.

OPM may take issue with the decision to include a specific FEHBP savings proposal in the FY 2001 budget; OPM had argued for a broad legislative platform, with no savings realized until at least FY 2003.

SMALL BUSINESS ADMINISTRATION
(budget authority, in millions of dollars)

	FY 1999	FY 2000	FY 2001	FY 2001 Budget	
	<u>Enacted</u>	<u>Enacted</u>	<u>Agency Request</u>	<u>BA</u>	<u>OL</u>
Passback	840	877	1167	834	836

Agency Over-Guidance Request

- The Small Business Administration requested a total of \$1.1 billion, \$290 million over guidance, including \$156 million for the New Markets Venture Capital initiative, \$23 million for the disaster loan program and \$23 million for the Small Business Development Center program.

Passback Summary

- Summary. \$1,088 million in discretionary and emergency contingent funding is provided for SBA, which represents a 24 percent increase over the FY 2000 enacted level.
- Disaster Loan Assistance. Fully funds the Disaster Loan Assistance program by repeating last year's proposal to fund two thirds of the five-year average with emergency contingent appropriations.
- New Markets Venture Capital. \$63.5 million to expand the New Markets Venture Capital initiative, which is \$47 million above the enacted level and includes funding for the recently authorized PRIME program. The NMVC initiative is designed to provide capital access to underserved rural and urban low income areas.
- 7(a) General Business Loan program. Provides for \$10.8 billion in loans for the 7(a) loan program, which is \$880 million over the enacted level.
- Administrative Expenses. Provides \$300 million, which fully funds the agency's administrative expenses request.
- Non-credit Business Assistance programs. Funds non-credit business assistance programs at \$165 million. This \$53 million increase over FY 2000 includes increased funds for Small Business Innovation and Research, Small Business Development Centers (provides the full request), Women's and Veterans programs.

Potential Issues

- Non-Credit Programs. SBA may seek even greater increases for PRIME (+\$8 million), Electronic Commerce (+\$5 million), Veterans Business Development (+\$5 million), and Women's Business Centers (+\$5 million).
- 7(a) General Business Loan Volume. SBA may seek \$11.5 billion in loan volume for the 7(a) general business loan program.

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

	FY 1999 <u>Enacted</u>	FY 2000 <u>Enacted</u>	FY 2001 <u>Agency Request</u>	FY 2001 Budget	
				<u>BA</u>	<u>OL</u>
Passback	6,512	6,656	7,459	7,083	7,150

Agency Over-Guidance Request

- The Social Security Administration requested a total of \$7.5 billion, an increase of \$672 million over guidance. Increases over guidance were sought primarily to fund SSA's base operations at a level marginally above anticipated FY 2000 levels that would allow SSA to process all of its incoming workloads and reduce some backlogs.

Passback Summary

- Ongoing Operations. Provides \$6,449 million (net of user fees) for ongoing operations, an increase of \$362 million above the FY 2000 enacted level. This increase should ensure no deterioration in key service measures from expected FY 2000 levels.
- Additional Continuing Disability Reviews. Provides \$450 million in funding for additional continuing disability reviews. This funding represents an increase of \$45 million from the FY 2000 funding level.
- Return-to-Work. Provides \$43 million in funding for SSA to implement the recently-enacted Ticket-to-Work legislation.
- Hearings Process Improvement Initiative. Provides \$7 million in funding for SSA to pay salary and relocation costs associated with a management restructuring that should improve the productivity of the Office of Hearings and Appeals.

Potential Issues

- Ongoing Operations. SSA requested \$6,866 million for ongoing operations. The passback level of funding is \$326 million below this request.
- Capital Investment Fund. Did not provide \$40 million in funding for a Capital Investment Fund. SSA was unable to provide specific examples of how this funding would be used.

THE WHITE HOUSE
WASHINGTON

December 19, 1999

FY 2001 BUDGET - AGENCY APPEAL MEETING

DATE: December 20, 1999
TIME: 11:30 AM -12:40 PM
LOCATION: Cabinet Room
FROM: Jack Lew
Gene Sperling

I. PURPOSE

The objective of our meeting on Monday, December 20 is to resolve outstanding base FY 2001 funding issues with the State Department, the Education Department, and HHS.

II. BACKGROUND

On December 6, OMB passed back to agencies initial funding recommendations for FY 2001. Since that time, we have worked with the agencies to resolve issues within the total funding levels we have discussed with you. We have successfully addressed most agencies' base funding concerns, with the exception of the State Department, the Education Department, and HHS. On Monday, you will meet with the Secretaries of these three agencies to hear their appeals for additional FY 2001 funding. Attached you will find a summary of these appeals and our recommendation for resolving them. On Tuesday, you will meet with your economic team to discuss overall FY 2001 funding issues, including initiatives above base funding.

III. PARTICIPANTS

Noted below for each appeal session.

IV. SEQUENCE OF EVENTS

11:30 AM - 12:00 PM: State Department Appeal

Attendees: YOU
John Podesta
Secretary Albright
Jack Lew
Gene Sperling
Sandy Berger
Sylvia Mathews
Bob Kyle
Charles Burson/David Beier

12:00 AM - 12:20 PM: HHS Appeal

Attendees: YOU
John Podesta
Secretary Shalala
Jack Lew
Gene Sperling
Bruce Reed
Sylvia Mathews
Dan Mendelson
Barbara Chow
Charles Burson/David Beier
Chris Jennings

12:20 AM - 12:40 PM: Education Department Appeal

Attendees: YOU
John Podesta
Secretary Riley
Jack Lew
Gene Sperling
Bruce Reed
Sylvia Mathews
Barbara Chow
Charles Burson/David Beier

V. PRESS COVERAGE

Closed.

VI. REMARKS