

THE WHITE HOUSE
WASHINGTON

August 11, 1999

MEMORANDUM TO THE PRESIDENT

FROM: Jacob J. Lew
Larry Stein

SUBJECT: FY 2000 Appropriations Update -- INFORMATIONAL

While Congress made progress on some of the appropriations bills before the August recess, many of the bills severely underfund core government and Administration priorities. This memorandum provides a status report on congressional appropriations action and lays out possible endgame scenarios. Attached for further information is a bill-by-bill summary of the appropriations bills.

Status

Overall, the gap between the pending appropriations bills and your proposed funding levels is approximately \$33 billion. This is roughly equal to the amount of headroom we created under the caps through offsets and advanced appropriations. In addition, a number of the bills have had objectionable language provisions attached to them. We have made veto recommendations on six of the thirteen appropriations bills. The state of the overall budget deliberations will substantially influence our ability to shape the outcome of the final bills. This year, we face in both the House and Senate a bipartisan aversion to having the Administration participate directly in the appropriations negotiations.

Of the thirteen bills, the House has passed eleven and the Senate has passed nine. Three bills -- Military Construction, Legislative Branch, and District of Columbia -- have been through conference. Only Military Construction has been sent to you for signature. Six other bills -- Agriculture/Rural Development, Commerce/Justice/State, Defense, Energy/Water Development, Foreign Operations, and Treasury -- have passed the House and the Senate and await conference action when Congress returns September 8. In addition, the House passed the Interior and Transportation bills. Neither the House nor Senate has acted yet on the largest domestic bills -- VA/HUD and Labor/HHS/Education. In the House, VA/HUD has been approved by the House Appropriations Committee and will be taken to the Floor in September. No action has been taken on Labor/HHS/Education. The Senate Appropriations Committee has not yet taken up either VA/HUD or the Labor/HHS/Education appropriations.

The Republican leadership is enforcing an appropriations plan that provides aggregate funding below a freeze, while attempting to increase defense spending and selected non-defense programs such as the National Institutes of Health, veterans' medical care, and Special Education. These competing pressures have forced the Appropriations Committees to produce bills that inadequately fund core programs such as law enforcement (FBI and DEA), programs for the poor (Legal Services Corporation, WIC and Bureau of Indian Affairs), investments in our environment (Energy Conservation and Solar and Renewable), civil rights (EEOC and the Civil Rights Commissions) and foreign affairs (Wye River, debt reduction and arrears to international organizations). Important initiatives and programs that require significant increases, such as the COPS II and Millennium initiatives, have also been inadequately funded.

To make as much progress as possible, the Senate and the House have accepted our \$2.6 billion spectrum sale proposal. The Senate has also shifted \$3.1 billion of defense funds to the non-defense bills, resources provided in the FY 99 Kosovo supplemental that provide additional funding for the Department for FY 2000. While this has helped, a significant gap remains relative to the \$33 billion problem mentioned previously. Senators Stevens and Domenici signaled privately that they would need the cooperation of the Administration to work through the offsets and the possible use of the surplus necessary to reduce the FY 2000 appropriations.

The House and Senate have allocated sufficient resources to the less controversial bills (Transportation, Military Construction, Legislative Branch, Treasury/General Government and Agriculture) in order to move them along, creating the appearance of progress. However, they have left a large and growing funding gap for the largest non-defense bills -- Labor/HHS/Education and VA/HUD. House action has reduced the already low Labor/HHS/Education allocation by \$4 billion to increase funding for the VA/HUD bill, consistent with this approach.

Riders

While there are some objectionable riders in a number of bills (e.g., Senate Interior, the DC conference report, Senate Transportation, and Foreign Operations), the Congress has been somewhat more restrained than usual in adding them to appropriations bills. However, as long as the issues command sufficient support among Democrats to sustain a veto, we should be able to maintain our ability to insist that the provisions be fixed or dropped.

Summary of Veto Recommendations

Six bills currently have veto recommendations attached to either the House or Senate versions:

- **Commerce/Justice/State.** Senior advisers veto recommendation due to the lack of necessary funding to support high-priority domestic and international programs at acceptable levels (e.g., 21st Century Policing, anti-drug activities; terrorism/cybercrime, Brady handgun initiative, Lands Legacy Initiative and Pacific Salmon Treaty, ATP, SBA, and embassy security).
- **District of Columbia.** Umbrella senior advisers veto recommendation based on a number of objectionable provisions in the House and/or Senate versions of the bill that would undermine local control (e.g., abortion, domestic partners, limit on attorneys' fees in special education cases, needles, voting representation)
- **VA/HUD.** Senior advisers veto recommendation over the termination of National Service. Separate senior advisers veto recommendation on funding issues that "would adversely affect the environment and natural resources, undermine investments in our future through space science and technology, limit our ability to help families struggling to work their way out of poverty to find affordable housing, inadequately fund Corporation for National and Community Service, and adversely affect our ability to fund unforeseen disasters properly."
- **Interior.** Senior advisers veto recommendation over environmental and other objectionable riders in the bill and inadequate funding for major portions of your Lands Legacy Initiative, key tribal programs, and other programs
- **Foreign Operations:** Senior advisers veto recommendation over significant funding shortfalls for programs like the multilateral development banks, NIS, limitations on KEDO contributions, and funding to honor our Wye commitments. Presidential veto threat over "Mexico City" amendment.
- **Energy/Water.** Senior advisers veto recommendation over anti-environmental riders concerning wetlands that have never been subject to appropriate public review and debate before the authorizing committees with jurisdiction over the Clean Water Act.
- **Treasury/General Government.** A Secretarial (State and Attorney General) veto recommendation on section 118 provision concerning certain anti-terrorist judgments (i.e. the Flatow amendment).

Possible Outcomes

In general, it is unclear whether the Republican leadership will allow bills to be sent to you that you could veto (with the possible exception of the District of Columbia bill). From their perspective, vetoes are time consuming and contentious. In addition, they give us the opportunity to talk about our priorities, which they do not want to do.

In addition, while an omnibus negotiation similar to last year's is possible this fall, we should not count on it unless the cap issue is resolved earlier in the context of an overall budget negotiation. Chairmen Stevens and Young feel strongly about not having an omnibus that is dictated to them as the result of negotiations between the Administration and their leadership. Accordingly, the Chairmen are moving the bills off the floor expeditiously, with fewer riders than past years, despite significant political problems within their caucuses and low allocations.

We currently believe there are two possible end-game scenarios:

1. Congress could use scoring gimmicks and CBO's projected on-budget surplus of \$14 billion to help fix the funding limitations facing the remaining appropriations committees (i.e., the Domenici/Stevens approach). However, this approach would most likely require spending a significant amount of the Social Security surplus, since the non-Social Security surplus is unlikely to fund much more than Agriculture and other emergencies.
2. Congress could fix all of the bills except VA/HUD and/or Labor/HHS/Ed, attempting to put us in the position of having to bust the caps to ensure adequate domestic funding.

The end-game scenarios are not mutually exclusive and will obviously relate to the status of overall budget negotiations on Social Security, Medicare, and tax cuts. To resolve the 2000 appropriations bills, there will need to be either discretionary cap increases or agreements to approve mandatory, user fee, and other offsets to increase discretionary spending.

Defense and international affairs funding will also be critical to our negotiations. Currently, the House-passed Defense bill provides \$5.5 billion above our request. However, the House-passed Defense bill fails to provide funding for the F-22 and other priorities supported by the military. Therefore, the House bill, if adopted by the Congress, would further squeeze tight non-defense discretionary levels while undermining the Defense Department's readiness plan. In contrast, the international affairs budget has been severely underfunded (almost \$2.5 billion below the request in the House and \$2.8 billion in the Senate). In addition, there are several possible requests for international funding.

The key to our success this year will be staying synchronized with the Democrats, especially in House. It will be absolutely essential to maintain Democratic unity on several bills such as Labor/HHS/Education, VA/HUD and Commerce/Justice/ State. As Congress went into recess, it certainly seemed likely that such unity would remain strong in the House.

We will also need to work with the Congressional Democrats over the next month to identify key symbolic programs that we will need to "win" in order to declare victory publicly. In a recent meeting, Representative Obey underscored the importance of having a defining issue for the appropriations process to keep pressure on the Republican leadership, focus public attention, and unite Congressional Democrats. Moving school construction to the spending side might provide such a unifying theme.

Our appropriations negotiations will be very contentious and closely tied to the overall budget negotiations on Social Security, Medicare, and tax cuts. We will be meeting with you soon to further discuss overall economic strategy beyond appropriations. In general, we are less likely to have leverage in the appropriations process if overall budget discussions do not progress. We may well need to choose among our priorities since achieving all of our funding objectives would be unlikely in the absence of a broader budget agreement.



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

THE DIRECTOR

September 27, 1999

The Honorable C. W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter provides the Administration's views on the Commerce, Justice, and State, the Judiciary, and Related Agencies Appropriations Bill, FY 2000, as passed by the House and Senate. As the conferees develop a final version of the bill, your consideration of the Administration's views would be appreciated.

The Administration appreciates the Congress' efforts to accommodate the President's priorities within the 302(b) allocation. However, the inadequacy of the 302(b) allocation has forced the Congress to make choices that are simply unacceptable.

The President's FY 2000 Budget proposes levels of discretionary spending that meet important national needs while conforming to the Bipartisan Budget Agreement by making savings proposals in mandatory and other programs available to help finance vital spending needs. Congress has approved and the President has signed into law nearly \$29 billion of such offsets in appropriations legislation since 1995. The Administration appreciates the Senate's adoption of one such proposal, language clarifying the relationship of bankruptcy law with regard to spectrum licenses. This provision will also help to ensure the integrity of the spectrum auction process. The Administration urges the Congress to consider additional such proposals as the FY 2000 appropriations process moves forward.

The Administration has very serious concerns, discussed below, with the Congress' inadequate funding of a number of priority programs, as well as with several objectionable language provisions. If the bill presented to the President does not address these issues, the President's senior advisers would recommend that he veto the bill.

Public Safety, Crime Prevention and Health

21st Century Policing Initiative/Community Oriented Policing Services. Neither the House nor the Senate bill provides adequate funding for the President's 21st Century Policing Initiative, the logical successor to the highly effective Community Oriented Policing Services program. We urge the conferees to fully fund the 21st Century Policing Initiative at the requested level of \$1,275 million. This initiative would enable local police Departments to hire up to 50,000 additional community police officers, hire new community prosecutors, and expand community-based prevention efforts.

Federal Law Enforcement. The Administration urges the conferees to restore funds for high priority Federal law enforcement programs, including the Federal Bureau of Investigation (FBI), the United States Attorneys, and the Department of Justice's Legal Divisions. In the House bill, Federal law enforcement programs are funded virtually at the current services level. The reductions in the Senate-passed bill are more severe; in aggregate, the Senate's funding levels for these programs are below the FY 1999 enacted levels. When combined with various requirements and earmarks in the bill, the Senate level would force substantial reductions in the number of FBI agents and Federal prosecutors, significantly reducing the Department's ability to investigate and prosecute violent crime, including the more than 160 Safe Streets Task Forces that target violent gangs, fugitives, and major theft groups. These reductions would threaten the progress that has been made in reducing violent crime in the United States. In addition, the Administration also opposes language in the Senate Report that would limit U.S. Attorneys' new hires to two-year terms.

Indian Country Law Enforcement. The Administration appreciates Senate's inclusion of \$111 million of the \$124 million requested for the Department of Justice to enhance law enforcement in Indian Country. We are very disappointed that the House has not included any funding for this initiative, and urge the conferees to fully fund the President's request.

Anti-Drug Programs. The Administration urges the conferees to provide funding for the DEA at the requested level. The Senate level for DEA is more than \$60 million below the request and is below the FY 1999 enacted level. The Administration also urges the conferees to provide the requested \$100 million for the Drug Intervention Program, which is not funded in either bill. The program would help States and localities implement tough new systems to drug test, treat, and punish drug offenders. Finally, we object to Congress' proposed \$10 million reduction to the request for the Drug Courts program. Taken together, such actions would make it difficult to achieve the drug reduction targets in the annual drug strategy and in the Office of National Drug Control Policy Reauthorization Act of 1998.

Brady Handgun National Instant Check System. The Administration urges Congress to support the Brady Handgun National Instant-Check System by enacting the requested new fee. Such action would ensure that this critical system is fully funded and that the direct appropriations provided in the House and Senate bills could be used for other important law enforcement programs.

Tobacco Litigation. The Administration urges the conferees to provide an additional \$20 million for the Justice Department's litigation to recover the tobacco-related health costs borne by taxpayers. Smoking-related health costs cost taxpayers billions of dollars each year through Medicare, veterans' and military health, and other federal health programs, and American taxpayers should not have to bear the responsibility for these staggering costs. Given that the States settled their claims against the tobacco industry for more than \$200 billion and that Federal health care costs substantially exceed those of the States, the \$20 million requested by the Administration is small compared to potential recoveries. In addition, in light of the resources that will be spent to defend against this litigation, \$20 million is necessary for the Department to represent effectively the taxpayers' interest.

Decennial Census

Decennial Census. The Administration has proposed to fully fund the Decennial Census within the limitations of the budget caps -- including those increased activities made necessary by the January 25, 1999, U.S. Supreme Court ruling requiring a non-sampling census for purposes of congressional apportionment. The Senate level for the decennial census is clearly unacceptable and would not support the requirements of a non-sampling census. The Administration appreciates the House level, which recommends funding for all but \$15 million of the President's request. We urge the conferees to provide a funding level and mechanism that is consistent with the Administration's proposal.

Immigration Programs

Immigration and Naturalization Service. The Administration supports the House funding level for the Immigration and Naturalization Service (INS). The Senate's FY 2000 funding level for INS Salaries and Expenses is \$189 million below the level needed to maintain current services and would decimate INS activities. Within this very constrained funding level, the bill unreasonably directs INS to hire an additional 1,000 border patrol agents in FY 2000. The Senate funding level fails to provide the resources to support these additional agents and includes a position ceiling that would cut overall INS staffing by over 1,400 positions. Furthermore, insufficient funding is provided to meet the mandatory detention requirements, and the Senate bill would divert examination fee revenues, undermining the ability of INS to reduce the naturalization backlog.

State Criminal Alien Assistance Program/Detention Funding for Guam and Commonwealth of Northern Mariana Island. The Administration is disappointed with the Senate's decision to reduce substantially funding for the Department of Justice's State Criminal Alien Assistance program (SCAAP). In addition, neither version of the bill allocates \$19.4 million in SCAAP funding to reimburse Guam, the Commonwealth of the Northern Mariana Islands, and the Department of Justice for the costs of detaining and repatriating smuggled aliens, as requested by the President on July 19, 1999. This funding would be used to reimburse these Governments and the Department of Justice for their FY 1999 and FY 2000 detention housing costs. It is estimated that the use of SCAAP funds for this purpose will reduce reimbursement by one cent for every dollar claimed. We urge the conferees to provide SCAAP funds and direct their use as requested by the Administration.

Border Security Program. The Administration is pleased with the Congress' continued support of fee collections necessary to execute the President's Border Security Program in the Department of State. However, the House-passed bill limits the amount of fees that can be used in FY 2000, and could slow critically needed border security improvements. We urge the conferees to provide this fee authority without an artificial cap that would restrict FY 2000 resources available for this important program.

Protecting Civil Rights and Providing Legal Services

Legal Services Corporation. Notwithstanding the House amendment to increase funding above the House Committee level, the resulting House funding level for LSC remains unacceptable. The House version of the bill would fund LSC at \$250 million, \$50 million below the FY 1999 level and \$90 million below the President's request of \$340 million. The House level is 38 percent below the FY 1995 level of \$400 million and calls into question the Government's commitment to ensure that all Americans have access to the judicial system. The Administration urges the conferees to fully fund the President's request.

Civil Rights Enforcement. The Administration urges the Conferees to fully fund the request for the Department of Justice's Civil Rights Division. The House level would allow no program increases, and the Senate bill would fund the Division below the current services level and would require a significant reduction in civil rights enforcement. The President's requested level, \$82 million, would enable the Department to expand significantly its investigations and prosecutions of criminal civil cases (including hate crimes and police misconduct), fair housing and lending cases, and violations of the Americans with Disabilities Act.

Hate Crimes. The Administration strongly supports Senate language that would strengthen the Justice Department's ability to combat hate crimes by relaxing jurisdictional requirements for existing crimes and giving Federal prosecutors the ability to prosecute hate crimes based on sexual orientation, gender or disability, along with race, color, religion and national origin. We urge the Congress to join the Administration in taking action to protect all Americans against such crimes by including language that would include these two essential changes to current law.

Equal Employment Opportunity Commission. The Administration urges the Congress to fully fund the request of \$312 million for the Equal Employment Opportunity Commission (EEOC). Both the House and Senate bills would freeze funding for the Commission at the FY 1999 enacted level of \$279 million. Funding EEOC at the requested level would allow the Commission to reduce significantly the backlog of employment discrimination complaints and strengthen the effective use of alternative dispute resolution techniques and fund the new Equal Pay Initiative to increase compliance with equal pay laws.

U.S. Commission on Civil Rights. The Administration urges the Congress to increase the funding level for the U.S. Commission on Civil Rights (the Commission) from the FY 1999 level of \$8.9 million. Funding the Commission at the requested level of \$11 million would help ensure an informed public debate about critical civil rights issues that deserve national attention.

Business and Technology Development

Department of Commerce -- Technology Administration Programs. The Administration appreciates the Senate funding the Advanced Technology Program (ATP) and strongly opposes the House's elimination of ATP funding. This program is producing significant economic benefits by promoting development of cutting-edge technologies. Independent studies forecast that economic benefits from just three early ATP projects could exceed the total program costs to date. In addition, the Administration is concerned with the freeze at the FY 1999 enacted level for in-house research and construction accounts of the National Institute of Standards and Technology (NIST) included in the House version of the bill. Such funding levels would impede NIST's standards leadership and delay construction of its Advanced Measurement Laboratory.

Small Business Administration -- New Markets. The Administration is very concerned that neither the House nor the Senate bill includes the requested funding for the Small Business Administration's (SBA's) new markets initiatives to invest in targeted rural and urban areas -- \$15 million for New Market Venture Capital, \$30 million for New Market Technical Assistance, \$37 million for targeted 7 (a) small loans, and \$3 million for BusinessLINC, a mentor/protege initiative to link large and small businesses.

Small Business Administration -- Administrative Expenses. We urge the conferees to provide the full request for SBA operations, including the business and disaster loan programs. The funding level in the House bill could require SBA to eliminate up to 2,400 staff positions, undermining SBA's ability to serve small businesses across the Nation. The Administration also strongly urges the conferees to strike House language that prohibits SBA from transferring \$45 million of its disaster loan appropriation to cover indirect costs associated with disaster assistance.

Small Business Administration -- Business and Disaster Loans. The Administration urges the House to provide funds to support the full \$10.5 billion requested for 7(a) business loan volume. We are also concerned that the SBA disaster loan program emergency contingent funding was not provided in either version of the bill.

National Oceanic and Atmospheric Administration Satellites. The Administration opposes the reduction to the National Polar-orbiting Operational Environmental Satellite System (NPOESS) in the House-passed bill. This reduction, particularly if combined with a reduction in the Department of Defense appropriations bill, would likely significantly delay the program and could result in a gap in satellite coverage. Finally, the Administration requests that the conferees fully fund the Advanced Weather Interactive Processing System (AWIPS) to allow the NWS to provide AWIPS coverage at all Weather Forecast Offices. Full funding of the AWIPS will help to continue modernization efforts to improve support of severe weather warnings and general forecasts.

Economic Development Administration. The Administration strongly objects to the Senate funding level for the Economic Development Administration (EDA), which is \$165 million below the requested level. The Senate's level is a reduction of over 40 percent from both the request and the FY 1999 enacted level. We recommend that the conferees provide at least the House level to support EDA's ability to create jobs and expand economic opportunity in hundreds of distressed communities around the country.

National Telecommunications and Information Administration. The Administration urges the conferees to provide full funding for the Public Telecommunications Facilities, Planning and Construction Program, including the requested advance appropriations. This would ensure that public broadcasters are able to meet the Federally-mandated May 2003 deadline for the transition to digital broadcasting. We also recommend full funding for Information Infrastructure Grants, a program with a proven track record of extending the reach of innovative technology to underserved communities.

Protecting Natural Resources

National Oceanic and Atmospheric Administration/Lands Legacy. The Administration urges the conferees to fully fund the \$183 million portion of the President's Lands Legacy Program included in the Department of Commerce's National Oceanic and Atmospheric Administration (NOAA). The Lands Legacy program is critical in helping restore and protect our coastal resources.

NOAA/Pacific Coast Salmon Recovery. The Administration is pleased that the Senate has included funding for the Pacific Coastal Salmon Recovery account, and notes that the House recognized the absence of funding for this program during the Floor debate. However, the Administration is concerned about Senate language which constrains funding to Tribes and may have the unintended effect of limiting the use of sound science in salmon recovery efforts. It is important that the conferees provide the full \$160 million as requested and allocated, especially the \$60 million needed to implement the recently signed U.S.-Canadian 1999 Pacific Salmon Agreement.

NOAA/Environmental Programs. The Administration appreciates the Senate's inclusion of an additional \$12 million for Endangered Species Act (ESA) implementation and urges that the Clean Water Action Plan be fully funded at \$22 million. Also, the Administration requests that the conferees provide \$52 million for a new state-of-the-art research vessel to conduct fisheries stock assessments and meet the increasing demands of the Magnuson-Stevens Act, as is included in the Senate-passed bill. Finally, we urge the conferees to fully fund the request for the Global Learning and Observations to Benefit the Environment (GLOBE) program, halved in the Senate bill and eliminated in the House bill, and include \$1 million for new education and outreach activities at Historically Black Colleges and Universities.

United States Leadership in International Affairs

Embassy Security. The Administration recognizes the Congress' strong support for improved embassy security. In particular, we appreciate the House's inclusion of funds for the ongoing costs of immediate improvements in the aftermath of the bombings in Nairobi and Dar es Salaam, as well full funding of the FY 2000 request for an accelerated construction program of new, secure facilities. We strongly urge the conferees to include full funding for the construction program and to add the requested advance appropriations necessary to support a multi-year capital improvement program. This multi-year construction program to protect all Americans serving abroad is a top priority of the President and his senior advisers. There is unanimity among security experts that a robust, multi-year program is a necessary component of a long-term solution to security threats.

Department of State Operating Expenses. The Administration opposes the significant reductions from the request for the Department of State's operating funds in both the House- and Senate-passed bills (four percent and nine percent from the request, respectively, with the Senate-passed bill also including significant earmarks and directives that would further exacerbate these reductions). The reductions proposed would make it impossible for the Department to maintain minimal diplomatic operations needed to advance our foreign policy in a rapidly changing world; integrate the U.S. Information Agency and Arms Control and Disarmament Agency into a reorganized Department of State; and, carry out core statutory functions such as passport and visa services. Such funding levels could require a hiring freeze, furlough of employees, and closure of overseas posts. In addition, the Administration cannot support reductions to the request in the House-passed bill for operation and maintenance of existing foreign buildings. These programs have significant backlogs and must be maintained to ensure full and safe operations of the Department's overseas facilities.

UN Arrears. Although the Administration appreciates the Congressional support for arrears payments, we will continue to seek our full request of \$446 million for UN arrears, and urge that these funds be provided in a separate account, as in the House bill. We are deeply concerned about delaying the availability of \$107 million of the arrears funding, and urge adopting of the Senate language making these funds available in line with the bipartisan arrears reform authorization legislation. Payment of arrears this year is vital to U.S. interests and to leverage UN reform. These funds are critical for maintaining our influence in the UN and its agencies, and to avoid losing our vote in the UN General Assembly next year. Without arrears, we will fail to win vital reforms such as a reduction in our assessment rates. U.S. leadership is needed, especially as the UN handles international crises such as Kosovo and East Timor.

International Organizations. Both the House- and Senate-passed bills significantly underfund the annual assessed Contributions to International Organizations and International Peacekeeping Activities. The proposed funding levels would increase arrears and further contribute to the possibility of the United States losing its vote in the UN General Assembly as of January 1, 2000. In addition, we oppose the House provision to withhold \$100 million from our UN assessments pending certifications on the UN budget. This withholding also jeopardizes our vote in the UN General Assembly.

The Administration opposes earmarks within the peacekeeping account in the Senate-passed bill, which would hinder the ability to adjust as priorities and situations on the ground can and do change rapidly. The Administration also opposes provisions in the Senate bill that eliminate or transfer funding for important international organizations. In addition, although delivered late in the budget process, we strongly urge the Congress to fully fund the amended peacekeeping request. These funds are urgently needed for new and expanded peacekeeping missions in Asia and Africa to capitalize on the emergent opportunities to redress the instability and suffering caused by these conflicts. We strongly urge the conferees to restore funds for these accounts, eliminate withholdings, and provide our request for international organizations.

Earmarking. The Administration opposes the House-passed bill's earmarking of funds for public diplomacy and international information programs. Mandating separate accounting within the Diplomatic and Consular Programs appropriation for public diplomacy would be counter-productive to the Department's streamlining efforts and would impede integrating this function effectively. The Administration's plan would fully integrate public diplomacy across several different bureaus, making such an earmark and administrative accounting burden. The proposed integration would provide a better mechanism to identify and act on priority public diplomacy issues and coordinate Washington resources with the needs of the field. We urge the conferees to delete the earmarks for public diplomacy.

Protection of Foreign Dignitaries. The Administration is concerned about the House and Senate's substantial reductions from the request for the Department of State appropriation to provide for extraordinary protection to foreign missions and officials in the United States. It is crucial that this account be fully funded at the requested level of \$9.4 million to cover anticipated protective costs, including those associated with the United Nations Women's Conference next June. Further significant demands on this account will be made as a result of the recently announced UN Millennium Summit in September 2000 that will be attended by various heads of state and Pope John Paul II.

International Broadcasting Operations. The Administration is very concerned that the levels in the Senate-passed bill for international broadcasting operations and capital improvements would make it impossible to maintain the current levels of non-military international broadcasting. By not including sufficient funds to cover the costs of establishing the Broadcasting Board of Governors as an independent agency, the Senate's mark would require significant reductions in Voice of America staff, broadcast services, and broadcast hours. House-passed levels raise similar concerns, although less severely. The Senate mark also specifically excludes funding for Radio Democracy for Africa, preventing the Administration from increasing broadcasts and broadcast journalist training to African nations. In addition, we urge the conferees not to rescind funds for broadcasting operations. The Administration has submitted a request to reprogram a portion of these funds to defray the cost of broadcasting to the Kosovo region and for other high priority needs.

International Exchange Programs. The Administration appreciates the Senate's substantial funding level for international exchange and training programs. The House level, unfortunately, would reverse the Administration and Congress' joint efforts over the past few years to build the capacity of the Fulbright academic exchange program, cut the number of future leaders who participate in the International Visitors Program, and hurt our ability to engage Americans directly in substantive international activities with their counterparts abroad. The Administration requests the conferees to adopt the Senate level and reallocate funds within that level to the Congress-Bundestag Youth Exchange and the Fulbright students, scholars, and teachers programs.

Anti-Ballistic Missile Treaty. The Administration strongly opposes the House provision that seeks to curtail funding for U.S. participation in the Anti-Ballistic Missile Treaty's Standing Consultative Commission (SCC). The Administration has made clear that the 1997 Memorandum of Understanding (MOU) referred to in the House language will be sent to the Senate for advice and consent as soon as Russia ratifies START II; while we will continue to meet with other states in the SCC to discuss Treaty-related issues, the MOU will not be implemented without Senate approval. (Twice-yearly meetings of the SCC are required under the Treaty, which was ratified by the Senate in 1972 by a vote of 88 to 2. The SCC deals with Treaty related issues and works to resolve disputes and ensure compliance.)

Foreign Policy Issues. A number of provisions regarding the conduct of foreign affairs raise serious constitutional concerns and are opposed by the Administration. In the Senate bill, provisions concerning Jerusalem are objectionable on constitutional, foreign policy, and operational grounds. The actions called for by these provisions would prejudice the outcome of the Israeli-Palestinian permanent status negotiations, which have recently begun and which the parties are committed to conclude within a year. Just as parties have undertaken to address these difficult decisions, it is critical that no steps are taken to undermine their efforts to promote peace in the Middle East. These provisions would intrude on the President's constitutional authority to conduct foreign affairs. Also, section 615 on Haiti could, in some circumstances, limit the President's unfettered constitutional authority to "receive ambassadors and other public ministers." Furthermore, two House provisions would unconstitutionally constrain the President's authority as Commander-in-Chief and authority with respect to the conduct of diplomacy: section 610, which relates to command and control of United Nations peacekeeping efforts; and, language in the Contributions for International Peacekeeping Activities that would require a report to Congress prior to voting for a UN Peacekeeping mission. Finally, both versions of the bill include section 609 regarding Vietnam, which the Administration strongly opposes. This provision would impair the ability of the President and the Secretary of State to conduct foreign policy and to pursue the full range of U.S. interests in Vietnam. Moreover, it is unnecessary and counterproductive to the accomplishment of U.S. objectives in Vietnam, including the fullest possible accounting for our POWs/MIAs.

The House bill includes a rider prohibiting implementation of the Kyoto Protocol. The Administration opposes the inclusion of this unnecessary provision because we do not intend to implement the Protocol before Senate advice and consent to ratification. Further, applying these restrictions to international negotiations and activities raises serious Constitutional concerns.

Anti-terrorism and Critical Infrastructure Protection

Assistance to State and Local Governments. The Administration is disappointed that the House has provided only \$100 million of the \$174 million requested to equip, train, and assist State and local first responders to chemical and biological attack. We strongly support the Senate's funding level for this initiative. In addition, we urge the conferees to adopt the Senate level of \$27 million for the Department of Justice's Counterterrorism Fund.

Department of Justice Critical Infrastructure Protection Programs. The Senate bill provides additional funds to the FBI for the fight against cybercrime through the reallocation of existing resources. However, given the significant earmarking of FBI resources, including absorption of \$10 million for the National Infrastructure Protection Center, it is unlikely that the Bureau would be able to implement the cybercrime program increases cited in the Senate Report. We urge the conferees to increase FBI resources for this effort. In addition, the Administration urges the conferees to fully fund the request for additional FBI computer crime squads.

Department of Commerce Critical Infrastructure Protection Programs. The Administration urges the conferees to fully fund the Department of Commerce's Critical Infrastructure programs and associated activities. These include the Critical Infrastructure Assurance Office (CIAO) and the National Telecommunications and Information Administration's lead agency function, Information Sharing and Assessment Center, and research activities for the telecommunications sector. The CIAO is crucial to implementing Presidential Decision Directive 63 and coordinating the Nation's critical infrastructure program. In addition, the Administration urges that full funding be provided for Chemical Weapons Convention, National Defense Authorization Act, and Export Control Automated Support System redesign activities in the Bureau of Export Administration.

On September 21, the President submitted a FY2000 budget amendment request to the Congress. The amendment includes \$39 million to help protect critical infrastructure. Of that sum, \$7 million would be provided to the Department of Commerce. While it is recognized that the request has been forwarded to Congress late in the appropriations cycle, we urge the conferees to provide this sum to upgrade our national and economic security. These funds will improve our ability to detect and prevent intrusion into Government computer systems.

Other Concerns

Federal Communications Commission. The Administration urges full funding of the Federal Communications Commission's (FCC's) request. The funding level in the House-passed bill could require an agency-wide furlough or reduction-in-force. The Administration also urges the conferees to adopt the Senate provision to clarify the relationship of bankruptcy law with regard to spectrum licenses, which would provide savings and help ensure the integrity of the spectrum auction process. Finally, we request that the conferees strike language added on both the House and Senate Floor that would force the FCC to discontinue the Uniform System of Accounts (USOA). The Administration pledges to work with Congress to eliminate any burdensome accounting requirements while ensuring that the FCC continues to collect information that helps protect consumers.

Securities and Exchange Commission. The Administration is concerned about the House bill's \$37 million reduction from the requested program level for the Securities and Exchange Commission (SEC). The House level would make it difficult for the agency to fulfill its core mission of protecting investors and providing oversight of securities markets. Such a reduction could require the SEC to cut staffing by 200 work-years, curtail expenditures for technology to fight internet fraud, and cut back support for litigation efforts. We urge the conferees to fully fund the request of \$361 million.

We look forward to working with the conferees to address our mutual concerns.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jacob J. Lew', written in a cursive style.

Jacob J. Lew
Director

Identical Letter Sent to The Honorable C. W. Bill Young,
The Honorable David R. Obey, The Honorable Harold Rogers,
The Honorable Jose E. Serrano, The Honorable Ted Stevens,
The Honorable Robert C. Byrd, The Honorable Judd Gregg,
and The Honorable Ernest F. Hollings

Enclosure

Enclosure
(Conference)

ADDITIONAL CONCERNS
DEPARTMENTS OF COMMERCE, JUSTICE, AND STATE,
THE JUDICIARY, AND RELATED AGENCIES APPROPRIATIONS BILL, FY 2000
(AS PASSED BY THE HOUSE AND BY THE SENATE)

Department of Justice

- Youth Prevention Block Grant. The Administration appreciates the Congress' support of juvenile prevention programs. However, in place of the youth prevention block grant included in the House bill, which could support a wide range of unfocused activities, the Administration urges the House to appropriate the funding through the At-Risk Children's program. This will ensure that continued support is provided for the Safe Schools/Healthy Students initiative and for Indian Country.
- Bureau of Prisons/Abortion. The Administration urges the conferees to strike language included in both versions of the bill that would prohibit the Bureau of Prisons from funding abortions except in cases of rape or where the life of the mother is endangered. The Department of Justice believes that there is a great likelihood that this provision would be held unconstitutional.
- Penalties for Department of Justice Employees. The Administration urges the conferees not to adopt section 114 of the Senate bill, which would direct the Attorney General to establish penalties for engaging in certain prohibited conduct. There exist well-established constitutional and other legal constraints which already cover the types of conduct addressed by this section, and it is unnecessary and unwise to impose requirements on law enforcement personnel that may cause confusion with existing constraints.
- INS Technology. The Administration requests that the conferees provide \$50 million for the force-multiplying Integrated Surveillance Intelligence System (ISIS), which allows for day and night real time monitoring of the border. The first phase of ISIS has been deployed in Arizona, New Mexico, and Texas and the impact on border control and officer safety is dramatic -- agents now respond to actual incursions knowing in advance what awaits them at the border. Border Patrol agents and local ranchers have praised ISIS as an effective means of border management.
- United States Parole Commission. The Administration urges the conferees to provide the \$8 million requested for the U.S. Parole Commission. An increase from the FY 1999 enacted level is necessary for the Parole Commission to assume its new responsibilities for D.C. Code Parolees, as required by the D.C. Revitalization Act.

Department of Commerce

- International Trade Administration. The Administration requests that the conferees to strike unnecessary earmarks for International Trade Administration (ITA). For example, in the Senate-passed bill, ITA would receive \$3 million more than the President's request. However, the Senate's imposition of unrequested projects would actually result in a \$13 million reduction in existing ITA activities, including regional U.S. Export Assistance Centers.
- National Technical Information Service. The Administration urges the conferees to provide the \$2 million requested for the National Technical Information Service (NTIS) to facilitate the long-term resolution of NTIS's financial problems in FY 2000. We anticipate working closely with the Congress in resolving these problems.
- Non-decennial Economic and Statistical Analysis. In addition to concerns about the decennial census, the Administration urges that full funding be provided for the high-priority American Community Survey. This Survey will provide timely and reliable housing, social, and economic information for the Nation as well as States and localities. It will also eliminate the need for the "long form" in the 2010 census. The Administration also urges the conferees to provide the requested level for Census Bureau and Economics and Statistics Administration's Salaries and Expenses accounts. The House funding level would significantly undermine these Bureaus' ability to provide reliable and timely information that supports public and private sector economic decision-making.

Finally, given the positive review by the National Research Council, we request that conferees strike House Report language that would prohibit the Bureau of Economic Analysis from using base funds for Integrated Environmental-Economic Accounting.

- Additional Concerns, Decennial Census. In addition, we are concerned that in the House version of the bill funding for decennial census activities is appropriated by "framework." This would impose potentially harmful restrictions on the Census Bureau's ability to manage the program and respond to a changing environment.
- Patent and Trademark Office. In the House bill, the Patent and Trademark Office's (PTO's) new spending authority is reduced by \$51 million from the request. We urge the conferees to enable PTO to utilize the requested amount from earned fees, as is provided for in the Senate version of the bill. Excessive constraints on fee-funded staffing and technology investments when patent and trademark applications are at record levels would make it difficult for PTO to process applications in a timely manner.

- General Administration. The Administration appreciates the Senate's funding level for General Administration, but remains concerned about the impact the House funding level would have on the Department's ability to oversee key Commerce programs.

International Programs

- Other International Accounts. The Administration requests restoration of the full funding for the grant to the Asia Foundation, which works to advance the mutual interests of the United States and the Asia Pacific region. In addition, we are concerned about reductions below the FY 2000 request for the American Institute in Taiwan in the House bill and reductions to the International Commissions in both versions of the bill. Such reductions would place a disproportionate burden on the operating budgets of these small agencies and important programs. Finally, the Administration opposes the House's decision to eliminate funding for the East-West Center and North-South Center. We request that the conferees restore funding for these programs.
- Foreign Policy Restrictions. The Administration strongly opposes section 619 of the Senate bill, which would prohibit the use of funds to detail or otherwise fund employees assigned to the National Security Council (NSC). This provision would adversely affect the NSC's ability to review foreign policy issues that affect national security. In addition, the Administration cannot support report language that recommends reallocation of U.S. Government communications assets of the Diplomatic Telecommunications Service (DTS). The Administration does not support action by the Congress in regard to the DTS because it would prejudice the Administration's own deliberations on how best to meet the communications needs of the U.S. Government.

Office of the United States Trade Representative

- The Administration urges the conferees to fully fund the Office of the United States Trade Representative (USTR). The requested level will allow USTR to carry out its extensive and expanding negotiating mandate and will support an expansion of efforts in key and emerging regional areas, including Japan, China, and Africa, as well as on agricultural trade.

Presidential Advisory Commission on Holocaust Assets

- The Administration appreciates House's inclusion of a \$1.162 million transfer from the Department of State for the Presidential Advisory Commission on Holocaust Assets in the United States. However, we remain concerned that without funding from both the Departments of Justice and State, the Commission will be unable to fulfill its important mandate to research and report on the collection and disposition of Holocaust-era assets in the United States.

Visa Restrictions

- The Administration opposes language in the House bill that is duplicative of, and less flexible than, existing authority in section 243(d) of the Immigration and Nationality Act. The provision is too broad and could result in the denial of visas to persons who should reasonably be granted the right to enter the United States, such as the immediate family of U.S. citizens. The Administration is currently working to resolve this complicated issue.

Federal Maritime Commission

- The Administration urges full funding of the \$15.3 million request for the Federal Maritime Commission. Both the House and Senate propose a funding level of \$14.150 million, same as FY 1999. This level would likely require a reduction-in-force and would prevent computer upgrades necessary for Y2K compliance.

Inspectors General

- The Administration objects to the \$22 million reduction to the requests for the Inspectors General of the Departments of Justice, State, and Commerce included in the Senate bill. If adopted, the FY 2000 budgets for the Inspectors General would be \$11 million (13 percent) below the FY 1999 enacted level. These reductions would jeopardize careful oversight of Departmental programs, including such critical activities as the decennial census and the State Department's worldwide security upgrade program, and would seriously weaken the Departments' ability to conduct financial audits in compliance with Federal law. We urge the conferees to restore funds at least to the level included in the House bill, \$5.5 million below the President's request.

World Heritage Sites

- The Administration opposes the House language that would limit U.S. participation in maintaining World Heritage Sites.

Federal Trade Commission.

- The House bill freezes the Federal Trade Commission at its 1999 funding level (\$117 million), which would undermine the FTC's efforts to protect consumers from anticompetitive and deceptive business practices. The Administration urges the conferees to adopt the level provided in the Senate bill (\$133 million), which fully funds the Administration's request.



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

THE DIRECTOR

September 19, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: FY 2000 Appropriations Update -- INFORMATIONAL

This memorandum provides a status report on congressional appropriations action to date and prospects for endgame negotiations. With less than ten days left in Fiscal Year (FY) 1999, many of the appropriations bills continue to severely underfund core government and Administration priorities.

As we prepare for the endgame, we will need to reorient ourselves strategically from last year. Last year, we were direct participants in final negotiations and, as a result, we were able to guide the debate and secure a large number of your priorities. This year, we face a bipartisan aversion in both the House and the Senate to having the Administration participate directly in the appropriations negotiations which is likely to raise the bar for resolving issues. Rather than guiding the negotiations, we may find ourselves reacting to the Republican strategy, laying out issues that must be resolved for bills to be signed.

Status

Last year was considered a very successful appropriations season for Democrats and this year we have proposed significant increases over the 1999 levels with offsets. Overall, the gap between the pending appropriations bills and your proposed funding level is approximately \$32 billion. This is roughly equal to the additional room for spending we created under the caps through offsets and advanced appropriations. In addition, the Appropriations Committees have systematically underfunded your priorities throughout the thirteen bills and overfunded other programs (particularly in defense), making the real gap between the congressional levels and your request even larger. Further, a number of the bills have objectionable language provisions attached to them. There are veto recommendations pending on seven bills.

In addition to the base appropriations bills, there are a number of additional funding needs that must be addressed, such as Kosovo and Agriculture disaster assistance, and other funding issues, such as Medicare BBA fixes and tax extenders. Overall, resolving these issues could require approximately \$40 billion over current congressional levels. The impact under conventional budgetary treatment, in the context of the \$14.4 billion CBO non-Social Security surplus, could mean spending over \$13 billion of the Social Security surplus to finish the year's work.

To date, only the Military Construction bill has been signed into law. Of the remaining twelve bills, six may be presented to you in a signable form: Agriculture/Rural Development, Defense, Energy/Water Development, Transportation, Legislative Branch, and Treasury/General Government. The remaining bills – Interior, VA/HUD, Labor/HHS/Education, Commerce/Justice/State, District of Columbia, and Foreign Operations – will require significant work and may warrant vetoes. Below is a summary of the remaining bills:

Bills Likely to be Signable:

- Agriculture/Rural Development. Conference action is expected on September 21 on a \$14 billion bill, roughly \$500 million below the request and a freeze at FY 1999 levels. The bill is tight, with cuts below the request expected for the Food Safety initiative, the youth tobacco initiative, disadvantaged farmers, and the climate change initiative. Both the House and the Senate are above the 1999 level (but below your request) for WIC and the constituent groups have indicated that these would be acceptable levels. The House-passed bill contains the unacceptable FDA RU-486 prohibition. The Senate bill includes an objectionable provision requiring congressional approval of agricultural and medical sanctions against foreign countries. The Senate bill contains the \$7.4 billion emergency agriculture disaster payment. As you know, we have provided Congress with specifications for a package similar in size that also provides drought and other assistance and uses a different allocation method than AMTA payments. The conference is expected to include about \$8 billion for Agriculture disaster assistance with USDA directed to spend much of it prior to the end of FY 1999 so that the Republicans can assert that the outlays do not count against the FY 2000 on-budget surplus estimate. It is likely that other language and funding issues will be resolved so that our remaining differences would make a veto difficult to sustain.
- Defense. Conference action is possible late the week of September 20. We strongly oppose the House bill that is \$5.5 billion over the request and does not fund the F-22. Conferees are expected to approve a bill that is about \$5 billion above the request and funds the F-22, although Chairman Lewis continues to resist Speaker Hastert's direction to fund it. The additional \$5 billion for Defense above your request will create additional pressure on non-defense discretionary spending levels. The bill will provide a 4.8 percent military pay raise and includes numerous unrequested R&D and procurement projects. It is not expected to provide direct funding for the FY 2000 costs of the Kosovo mission.

- Energy and Water. Conference action is expected September 22 and 23 on a bill that totals \$21.5 billion, slightly below the request and roughly at the FY 1999 level. There is a senior advisers veto recommendation over anti-environmental riders in the House bill that undermines the Corps of Engineers wetlands permit review process. Funding is expected to be at roughly 1999 levels for the climate changes technology initiative and solar and renewable energy. The House has a large cut for the Spallation Neutron Source and there is no funding for the Next Generation Internet. The Senate funding levels are much closer to being acceptable.
- Transportation. Conference action is expected the week of September 20 on a bill that is expected to fully fund the significant increase for highways and mass transit contained in TEA-21. However, funding levels for FAA and the Coast Guard are expected to be only modestly above FY 1999, well below the request. A senior advisers veto recommendation was made on a mass transit formula provision that would have cut assistance to New York and California, but the provision was dropped on the Senate floor. The conference report is expected to include a provision extending the current restriction on changing CAFÉ standards.
- Treasury/General Government. Congress has completed action and the enrolled bill is expected to arrive on September 21. It fully funds the request for the IRS and the White House accounts. Customs and BATF are almost fully funded at your requested level. The Secret Service and ONDCP are slightly above the request. We will work with the Congress to fund in another bill the recently identified additional Secret Service requirements.

The bill provides a 4.8 percent January 2000 pay raise for General Schedule employees and does not include any restrictive language on Member pay, thus allowing a 3.4 percent January pay raise for Members, judges, the Vice President, Cabinet Members, and other senior executives. There is also a provision that increases the pay of the next President to \$400,000. The bill also includes new authority to support childcare centers for Federal employees and for the second year, provides FEHBP coverage of contraceptives. The Flatow language concerning the holding of foreign assets and claims against foreign governments was dropped in conference, although it could be added to another bill.

- Legislative Branch. Congress has completed action and the enrolled bill is expected to arrive on September 21. The bill provides a 4 percent increase over FY 1999. Funding for the offices of the Majority and Minority Leaders and Whips are increased by 16 percent in the House and 15 percent in the Senate.

Bills Where Vetoes are More Likely:

- Interior. The Senate is expected to complete debate the week of September 20. There is a senior advisers veto recommendation on the Senate bill over environmental and other objectionable riders and inadequate funding for major portions of the Lands Legacy Initiative, Energy Conservation, key tribal programs such in the Indian Health Service, and there is no funding for the millennium project. The House bill does not have the objectionable riders but underfunds all of the same programs.
- VA/HUD/Independent Agencies. The Senate is expected to complete action on the bill the week of September 20 and the bill is likely to go to conference the week of September 27. You have indicated that you would veto the House version of the bill because it would terminate National Service. There is a senior advisers veto recommendation over inadequate funding for National Service; the environment and natural resources (EPA Operations, climate change, the Montreal Protocol); science and technology (NASA is cut by almost \$1 billion below FY 1999 and NSF is frozen); impoverished families (no new housing vouchers and no funding for the new markets initiative and a cut in CDFI); and FEMA Disaster Relief. The House bill contains a \$1.7 billion increase over your February request for VA Medical Care. We have supported at least \$1 billion in additional funding.

The Senate version of the bill contains a number of improvements over the House bill, but also has significant problems. While NASA and NSF are funded at the request and National Service is funded slightly below FY 1999, there are cuts similar to the House for EPA operations, climate change, the Montreal Protocol, housing vouchers, the new markets initiative, CDFI, and FEMA Disaster Relief. The Senate bill contains a \$1.1 billion increase for VA Medical Care.

- Labor/HHS/Education. Neither the House nor the Senate has marked up this bill in Subcommittee. The House mark up has been scheduled and canceled five times. In the meantime, the Republican leadership has reduced the allocation to the Subcommittee to increase funding for the other bills. The current House and Senate allocations are 17 percent below FY 1999 and 20 percent below the request. The Class Size initiative is not expected to be funded.

- Commerce/Justice/State. Conference action is possible the week of September 27th. There are senior advisers veto recommendations on both the House and Senate versions of the bill due to inadequate funding for high-priority programs including law enforcement (very little new funding for 21st Century Policing, and cuts below the request for FBI, DEA, anti-terrorism/ cybercrime, and the Brady handgun initiative); the environment (almost no funding over FY 1999 for the Lands Legacy Initiative, deep cuts in the Pacific Salmon Treaty and the House terminates the GLOBE program); economic development (the House has no funding for ATP, the House and Senate under fund SBA disaster funding and do not fund the new markets initiative); civil rights (EEOC and the Civil Rights Commission are frozen, the Civil Rights Division is cut below the request and LSC is cut by 17 percent below FY 1999 in the House and the Senate freezes it); and international (the Senate does not fully fund the embassy security effort and international peacekeeping efforts are underfunded by both the House and Senate). Conferees are expected to fully fund the decennial census, but it is not clear whether they will take the House approach of funding it as an emergency.
- District of Columbia. Congress has completed action and the enrolled bill may arrive late the week of September 20. Your senior advisers have recommended you veto the bill based on a number of objectionable provisions that would undermine home rule (e.g., restrictions on Federal and DC funding of abortion, domestic partners, limit on attorney's fees in special education cases, needle exchange programs, voting representation). There are enough votes in the House and Senate to sustain a veto.
- Foreign Operations. Conference is scheduled for September 22. Conferees are expected to produce a \$12.7 billion bill that is \$700 million below FY 1999 and \$1.9 billion below your request. It is not expected to have more than \$100 million of the outstanding \$1.3 billion Wye funding request or any of the additional Kosovo funding that we have been consulting with Congress on. We have senior advisers veto recommendations on both versions of the bill over significant funding shortfalls for key programs, including the multinational development banks, NIS, limitations on KEDO contributions, and funding to honor our Wye commitments. The Senate also has a number of language provisions that restrict your foreign policy flexibility, particularly regarding Russia, Serbia, and Kosovo. You have indicated you would veto the House version over Mexico City language.

Republican Strategy

The Republicans would clearly like to finish the appropriations bills by the end of October and close this congressional session. Their strategy is to provide more acceptable levels of funding and complete action on the appropriations bills has been fluid, but it appears to consist of:

- Basing budget strategy on CBO's estimated \$14.4 billion non-Social Security surplus and allocating it to discretionary spending;

- Moving some FY 2000 emergency funding requirements, like Agriculture disaster assistance, into FY 1999 and using directed scoring to cause the outlays not to count against the FY 2000 surplus; and
- Directing the use of the lower OMB scoring of the appropriations bills, rather than CBO scoring, without acknowledging that this would normally count against the CBO baseline surplus (the effect will show up in CBO's revised estimates that will be released in January).

Using this strategy, the Republicans believe they will be able to provide adequate funding for most of the bills. In fact, the spending levels would be quite tight compared to our FY 2000 budget, but would be increases compared to the FY 1999 levels which were viewed as a big win for Democrats. The exception is Foreign Operations, which would continue to be funded below FY 1999 levels. This appears to be a deliberate strategy to force us to demand more international spending, creating a situation where Republicans will argue that we are proposing to spend the Social Security surplus to fund foreign aid. In addition, this strategy would leave no funds for Medicare BBA fixes or tax extenders, meaning that they would need additional offsets or they would spend the Social Security surplus.

Where We Are

Currently, we have the high ground regarding spending the non-Social Security surplus. We have a coherent plan that uses accepted practices, such as offsets and advanced appropriations, to live within the spending caps. Some have suggested that support for our offsets among Congressional Democrats is eroding. However, Democrats in Congress are only beginning to realize that finishing this year's work at acceptable spending levels will require insulation from charges of spending the Social Security surplus. The combination of offsets and accepted scoring practices included in our plan provides such a context. While there is little enthusiasm for offsets in principle, they should get a second look as an alternative to spending the Social Security surplus. At a minimum, we need to insist on offsets (i.e., the tobacco tax or a youth tobacco penalty) to avoid assuming responsibility for spending the Social Security surplus and we may achieve at least partial success. Similarly, we will not be sending up proposals that we are not able to offset (i.e., Veterans Medical Care and Agriculture disaster relief).

At times, the Republican strategy appears somewhat disjointed and they have been criticized for some of their proposals (such as the "thirteen month" appropriation year). However, the Republican leadership prefers this to being accused of spending the Social Security surplus. While we have criticized the Republican strategy, we have been careful not to shut doors to approaches we may need to embrace as part of a year-end deal.

Looking Ahead

Despite the Republican leadership decision to allocate the CBO non-Social Security surplus to discretionary spending, the FY 2000 appropriations bills will not be completed by September 30. The Congress is expected to introduce a "clean" (i.e., free of extraneous riders), short-term continuing resolution (CR) that will operate programs at current rates and under current terms and conditions. The Republican leadership has not made a decision on the duration of the CR, but it is expected to extend through October 15, 20, or 29. Over the coming days, we will publicly urge the Congress to "get on with the business of governance" by sending you acceptable appropriations bills for signature as soon as possible. We will also make it known that we will not accept a longer-term CR (i.e., lasting through the spring) for any bills for which agreement cannot be reached. In fact, we will urge them to keep the duration of the CRs as short as possible to keep the pressure on them to produce acceptable bills. You may recall that we had six CRs last year between October 1 and October 21. We have indicated to the appropriations committees that we would support a two week CR but would oppose, and possibly recommend vetoing, a four week CR.

We will need to decide whether the Republican bills that spend the full CBO non-Social Security surplus should be signed or vetoed. This issue will need to be considered in the context of achieving priorities in the bills, maintaining Democratic unity, and avoiding the Republican strategy of isolating Foreign Operations. We will not be able to decide until we see the details of where each bill is going. VA/HUD in the Senate is probably indicative. The major problem, as noted above, is funding for HUD and your housing initiatives. At some point, we will have to decide whether to fix the bill in Conference. We have an offset we could use with Senators Mikulski and Bond if we press hard and commit to signing the bill. Unlike past years where in the end we always did better with bigger "wins," this year it also increases the amount of spending of the Social Security surplus unless we can agree on offsets or scoring conventions.

Even with the additional \$14.4 billion that the Republican leadership has decided to allocate to discretionary spending, the final bills will be very tight, particularly for foreign affairs, human services, and environmental programs. This situation would be made even worse if the Republican leadership later decides to allocate some of the \$14.4 billion CBO estimated on-budget surplus to tax extenders or Medicare BBA fixes. It will be very important in the coming weeks to work closely with the Congressional Democratic leadership to ensure that the modest increase in discretionary spending does not result in bills like Commerce/Justice/State and VA/HUD passing with large margins. **This would leave Labors/HHS/Education and Foreign Operations exposed as the last bills and Republicans would assert that Administration efforts to increase funding for these bills is spending the Social Security surplus.**

THE WHITE HOUSE

WASHINGTON

October 4, 1999

MEETING WITH THE DEMOCRATIC CONGRESSIONAL LEADERSHIP

DATE: October 5, 1999
LOCATION: Yellow Oval
TIME: 6:00 pm – 7:00 pm
FROM: Larry Stein
Jack Lew
Chris Jennings

I. PURPOSE

To meet with Members of the Democratic Congressional Leadership and discuss the status of the FY 2000 appropriations process and Patient's Bill of Rights.

II. BACKGROUND

Though most members now believe that little of magnitude is going to be legislated in the last phase of the year, the Democratic Leadership group will understand that you have to keep up the pressure for serious achievements in Social Security, Medicare, tax cuts, and, within the appropriated accounts, education, health, community policing, national security, and the environment. The leaders will also be looking to you, however, for focus on the Appropriations end-game, a clear plan for vetoing unacceptable bills, and a strong education message strategy. You might frame the issues along these lines:

“The Republicans may have given up for the year, but I don't think we should let them off easily. The American people want to see us doing our jobs, not abandoning opportunities to do things they want done. We need to make it clear that we're still here pushing while the Republicans rush to get out of town. For that reason, I intend to continue to call publicly for a lock-box that extends the life of the Social Security Trust Fund, for comprehensive Medicare reform that includes an affordable prescription drug benefit, extended solvency, and restoration of some cuts for providers, for a tax cut targeted at the middle class and for investments in our children, health, cops, national security, and the environment.

Our insistence on dealing with the things people care about enhances our ability to win the battle over the more particular priorities we share in the budget. Beneath the broader frame, we have to stick together on the appropriations bills and fight for the continuation of 100,000 teachers plus accountability, the next

phase of the community policing program, and against the Republican attacks on the environment."

The Appropriations Bills and Patients Bill of Rights are dealt with in this memo. The other two most pressing issues -- BBA add-backs and the tax extenders -- are covered in the memo for the meeting with Senators Roth and Moynihan.

APPROPRIATIONS

To date, only four bills have been signed into law. The Republicans would clearly like to finish the appropriations bills as quickly as possible and end this congressional session. Their strategy is to provide acceptable levels of funding, complete action on the appropriations bills, and accuse the Administration of spending the Social Security surplus when we do not sign bills because of unacceptable levels of funding. The Republicans are attempting to pass bills by:

- Allocating CBO's estimated \$14.4 billion non-Social Security surplus to discretionary spending;
- Directing the use of the lower OMB scoring of the appropriations bills, rather than CBO scoring, without acknowledging that this would normally count against the CBO baseline surplus (the effect will show up in CBO's revised estimates that will be released in January); and
- Declaring Census, LIHEAP, and other spending as emergency and hoping that no one notices that this spends the Social Security surplus.

This would allow the Republicans to provide spending levels that would be tight compared to our FY 2000 budget, but would be increases compared to the FY 1999 levels which were viewed as a big win for Democrats. The exception is Foreign Operations, which would continue to be funded below FY 1999 levels. This creates a situation where Republicans will argue that we are proposing to spend the Social Security surplus to fund foreign aid. We have sought to create a situation where Foreign Operations is not isolated by leaving open issues on other bills, like Labor/HHS/Education, Commerce/Justice/State, and Interior. Over the coming weeks, for the bills where we believe we can maximize our ability to fix issues by negotiating (e.g., get housing vouchers), we will pay for our adds without leaving Foreign Operations isolated.

Currently, Republicans insist that they will not spend the Social Security surplus even as CBO projects over \$18 billion of such spending in the pending bills. Moreover, there is very little enthusiasm among Democrats to use transparently any portion of the Social Security surplus to offset other priorities, like discretionary spending, tax extenders, or Medicare BBA fixes (Last week, Senator Daschle announced that he would offset his BBA proposal and not use the Social Security surplus).

While there is little enthusiasm for offsets in principle, they should get a second look as an alternative to spending the Social Security surplus. Over the last two weeks, both Senator Daschle and Representative Gephardt have spoken very forcefully in favor of offsets as the preferred approach. At a minimum, we need to insist on offsets (i.e., the tobacco tax or a youth tobacco penalty) to avoid assuming responsibility for spending the Social Security surplus and we may achieve at least partial success.

To date, four bills -- Military Construction, Energy/Water Development, Treasury/General Government, and Legislative Branch -- have been signed into law. To ensure the continuation of funding for the rest of the Federal government, last week you signed a three-week continuing resolution that is free of extraneous riders and operates programs at current rates, terms, and conditions. Over the last week, we have publicly urged the Congress to "get on with the business of governance" by sending you acceptable appropriations bills for signature as soon as possible.

It is likely that the Agriculture/Rural Development and Transportation bills will be coming to you soon in a signable form. It is also possible that Congress may produce signable VA/HUD and Defense bills. After your veto of the District of Columbia bill, the Congressional majority has been threatening to cut District funding. We hope to work out a compromise on revised bill that is signable. The remaining bills -- Foreign Operations, Labors/HHS/Education, Commerce/Justice/State, and Interior -- will require significant work and are likely to warrant vetoes. In the final bills, we will need to identify several high profile issues that define the fight (e.g., Class Size, COPS II, environmental riders, and national security). A significant issue in this process will be teachers and teaching accountability.

We should send a strong signal that we intend to stand firm on our education funding request and on the class size reduction program. We have threatened to veto both House and Senate versions of Labor/HHS/Education over inadequate funding levels (teachers, after-school, education technology) as well as over block granting the class size program and subjecting it to authorization. At the same time, we should make clear that it's not enough to invest more in education, we need to demand more results in return. Both the House and Senate versions fail to fund our \$200 million Title I accountability fund to turn around failing schools; we should insist on including it.

A summary of the remaining bills is attached below:

Signable Bills:

- Agriculture/Rural Development: The \$14 billion bill passed by Congress (roughly \$500 million below the request and a freeze at FY 1999 levels) is tight, but signable. The bill includes \$8.7 billion for agricultural disaster assistance. Unfortunately, much of it is allocated based on the AMTA payment structure contained in the Freedom to Farm Act. Last week, we sent a letter strongly urging the House to adopt a motion to recommit the conference report so that funding could be included to fully meet the needs of that nation's farmers affected by Hurricane Floyd (we supported an additional \$500 million) and a targeting mechanism for disaster payments could be added to address some of the fundamental problems with the Freedom to Farm Act. RU 486 limitations were dropped.
- Transportation. Last week, Congress passed a Transportation bill that fully funds the significant increase for highways and mass transit contained in TEA-21. In addition, a mass transit formula provision that would have cut assistance to New York and California was dropped on the Senate floor. However, the conference report includes a provision extending the current restriction on changing CAFÉ standards and funding levels for FAA are only modestly above FY 1999, well below the request. The NEC is currently coordinating a strategy to address the long-term issues of safety and modernization through the FAA authorization and we will use the signing of the bill to highlight the Republicans under funding of the FAA that could lead to delays.

Bills Where Acceptable Conference Action is Possible:

- Defense. We have expressed our strong opposition to funding levels for defense expected to be \$5 billion above the request. It is unclear how we will deal with these funding levels, as the additional \$5 billion for Defense above your request will create additional pressure on non-defense discretionary spending levels. The Senate has been planning to designate the funds as an emergency, but the House appears to be resisting. We are also insisting that the F-22 be in the bill. We will need to evaluate the final bill and whether a veto would be tenable.
- VA/HUD/Independent Agencies. The House bill is totally unacceptable. For example, the National Service terminated, NASA is cut by \$900 million, and there are no housing vouchers. The Senate bill is significantly better (restoring funds for National Service and NASA), but there are still problems. We are in conversations with the House and Senate committees to address some of the problems with offsets. If they are willing to address our priorities like housing vouchers, community builders, EZs, and APIC; maintain last year's levels for Americorps and CDFI; and get \$2.5 billion in FEMA contingency funds that could be used for Floyd, we may sign.

- District of Columbia. Last week, you vetoed the District of Columbia bill based on a number of objectionable provisions that would undermine home rule (e.g., restrictions on Federal and DC funding of abortion, domestic partners, limit on attorney's fees in special education cases, needle exchange programs, voting representation). We have been working with Delegate Norton on an offer to improve the riders. We would prefer to complete this bill to avoid the risk that the Congress will take punitive action in terms of D.C. funding, where we have no objections with the original conference report.

Bills Where Vetoes are More Likely:

- Interior. There is a senior advisers veto recommendation over environmental and other objectionable riders and inadequate funding for major portions of the Lands Legacy Initiative, Energy Conservation, key tribal programs such in the Indian Health Service, and there is no funding for the millennium project. It is likely that at a minimum, the oil royalty provision will remain in the bill even if other environmental riders are removed and that we will recommend you veto the bill.
- Labor/HHS/Education. The Labor/HHS/Education bill is currently pending on the Senate floor and awaiting House floor action. The Senate bill fixes many of our concerns, however we have issued a veto threat over Class Size being subject to authorization and funding levels, Afterschool funding, and education technology funding. Should each House pass its bill, the prospects for conference are unclear at best. The bill was temporarily funded in the Senate with about \$8 billion from the Defense bill (which will have to be restored if the Defense conference is to move) and in the House with the objectionable EITC timing shift (which appears to have fallen apart).
- Commerce/Justice/State. There is a senior advisers veto recommendation due to inadequate funding for high-priority programs including law enforcement; the environment; economic development; small business; civil rights; and UN payments and other international programs. Conferees on the Commerce/Justice/State bill will have difficulty producing a signable bill unless additional funding is provided in key areas. For example, they would need about \$1.0 billion over the House and Senate bills to fully fund our highest profile request, COPS II (the House provides no funding for the COPS II initiative, only the \$268 million authorized for the old program). In addition, Commerce/Justice/State is the vehicle for UN arrears (which under the 1997 budget agreement are funded outside the caps through FY 2000). As you know, UN funding has in the past fallen apart on the shoals of the Mexico City policy dispute. Conferees are expected to fully fund the decennial census, but it is not clear whether they will take the House approach of funding it as an emergency.

- Foreign Operations. Last week you advised Congress that you would veto the bill as approved by Congress. The bill is \$2 billion (14 percent) below FY 1999 your request and underfunds Threat Reduction, the Wye Agreement, debt relief, Africa, and the Multilateral Development Bank.

As we discussed last week, there will be a number of bills left at the end and we will most likely offer offsets to pay for the increases as long as the amount stays manageable.

PATIENTS BILL OF RIGHTS

The Democratic Party has been remarkably unified behind its support for a strong, enforceable Patients Bill of Rights. Unlike the normal tendency of maverick Democrats to attempt to negotiate a substandard compromise that weakens our negotiating ability with the Republicans, the Democratic leadership has succeeded in encouraging centrist Democrats to vote against attempts by the Republicans to pass a weak version of a Patients Bill of Rights. They are very proud of this achievement and it would be advisable of you to commend them for it.

The Senate Republican leadership made it easier for Democrats to oppose their version of the Patients Bill of Rights because of its numerous shortcomings, including the fact that it leaves more than 100 million Americans without the guarantee of any basic protections and oversees less than 10 percent of HMOs nationwide; fails to provide access to specialists, such as oncologists and cardiologists; fails to guarantee continuity of care protections; fails to provide effective protection to assure patients access to emergency room care when and where the need arises; has a weak, watered-down appeals process that is biased against patients; and has a meaningless set of enforcement provisions.

The House Republican leadership, on the other hand, has been forced to consider more comprehensive approaches, primarily because over 20 Republicans, led by Congressman Norwood, have already indicated their support for the Norwood-Dingell Patients' Bill of Rights. Ever since this occurred in early August, the leadership has attempted to develop policy and parliamentary gimmicks to defeat the Norwood-Dingell bill.

On Friday, Republicans filed a series of amendments designed to thwart the ability of Congressmen Norwood and Dingell to have a free-standing up or down vote on their bill. Some Republicans are trying load the bill up with controversial poison pill provisions (such as MSAs and multi-employer welfare associations that policy analysts fear would do more to segregate the healthy from the unhealthy than to cover uninsured) to diminish the bill's strong support.

Other Republicans, sanctioned by the Republican leadership are apparently developing comprehensive approaches designed solely to undermine the enforcement provisions in Norwood-Dingell by throwing up numerous roadblocks to prevent patients who have been harmed by plan decisions from being able to sue HMOs. This Republican alternative would require patients to go through a separate certification process to affirm that they have actually been harmed prior to allowing any court proceeding (which may well be unconstitutional) and require a separate arbitration process be completed prior to any lawsuit. Fortunately, Republicans who support the Norwood-Dingell bill are reportedly continuing to back the stronger bill even in the face of these amendments.

The latest report is that the Rules Committee will issue a rule that only permits debate on the Patients Bill of Rights if the Republican access legislation can be added on to the Norwood-Dingell Patients Bill of Rights legislation at the end of the debate. The Republican leadership is clearly attempting to get Republican supporters of the Norwood-Dingell bill to support this condition. However, because they oppose any attempt to weigh down the chances of the bill for passage in a form that you will sign into law, most of these Republicans are resisting appeals for support from their leadership. Congressman Dingell and Norwood are contemplating parliamentary and other approaches designed to secure an up or down vote on their underlying legislation.

In the interim, they are preparing their supporters to vote against any amendment to the Norwood-Dingell bill regardless of whether they would support it under normal circumstances. We will have more updated information immediately prior to your meeting with the Democratic leadership on the status of this debate.

TALKING POINTS ON PATIENTS BILL OF RIGHTS

- First, I want to commend all of you for your impressive achievement in maintaining Democratic unity behind strong patient protection legislation. Your efforts in this regard have enhanced the likelihood that we will either get a strong bill signed into law or ensure that a Republican-only Patients Bill of Rights will be viewed by the public as not being worth the paper it is written on.
- This issue is a great example of what we can accomplish working together and I can assure you that I will continue to do everything possible to create the kind of environment that pressures the Republicans to act responsibly and validates our opposition to meaningless reform.
- I have done everything I can do administratively in this area, and have used this office to continue to underscore the importance of this issue. As you know, I did a radio address to promote this issue this weekend and will hold another event tomorrow. Beyond continuing the technical assistance we are providing to your staff, is there anything else we can do to assist you on this issue?

III. PARTICIPANTS

Pre-brief

The President

John Podesta

Secretary Summers

Jack Lew

Larry Stein

Gene Sperling

Steve Ricchetti

Maria Echaveste

Joel Johnson

Sylvia Mathews

Chris Jennings

Chuck Brain

Meeting

Administration:

The President

John Podesta

Secretary Summers

Jack Lew

Larry Stein

Gene Sperling

Steve Ricchetti

Maria Echaveste

Joel Johnson

Sylvia Mathews

Chris Jennings

Chuck Brain

Members Confirmed:

Senator Tom Daschle (D-SD)

Senator John Breaux (D-LA)

Senator Byron Dorgan (D-ND)

Senator Bob Kerrey (D-NE)

Senator Patty Murray (D-WA)

Senator Harry Reid (D-NV)

Senator Robert Torricelli (D-NJ)

Senator Jay Rockefeller (D-WV)

Representative Richard Gephardt (D-MO)
Representative David Bonior (D-MI)
Representative Rosa DeLauro (D-CT)
Representative Chet Edwards (D-TX)
Representative Steny Hoyer (D-MD)
Representative John Lewis (D-GA)
Representative Patrick Kennedy (D-RI)
Representative Bob Menendez (D-NJ)
Representative Maxine Waters (D-CA)

Members Pending:

Senator Dick Durbin (D-IL)
Senator John Kerry (D-MA)
Senator Barbara Mikulski (D-MD)

Representative Martin Frost (D-TX)
Representative Ed Pastor (D-AZ)

IV. PRESS PLAN

None.

V. SEQUENCE OF EVENTS

As usual.

VI. REMARKS

None.



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

THE DIRECTOR

October 5, 1999

The Honorable C.W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

The purpose of this letter is to provide the Administration's views on H.R. 2466, the Department of the Interior and Related Agencies Appropriations Bill, FY 2000, as passed by the House and by the Senate. As the conferees develop a final version of the bill, your consideration of the Administration's views would be appreciated.

The allocation of discretionary resources available to the House and Senate under the Congressional Budget Resolution is insufficient to make the necessary investments that our citizens need and expect. The President's FY 2000 Budget proposes levels of discretionary spending that meet such needs while conforming to the Bipartisan Budget Agreement by making savings proposals in mandatory and other programs available to help finance this spending. Congress has approved and the President has signed into law nearly \$29 billion of such offsets in appropriations legislation since 1995. As the FY 2000 appropriations process moves forward, the President urges the conferees to consider including acceptable offsets and reducing unrequested funds for programs and projects in this bill.

The President appreciates efforts by the House and Senate to accommodate certain of the President's priorities within the 302(b) allocations. However, both the House and Senate would make major reductions to critical requests for the President's Lands Legacy Initiative and other key programs. In addition, the Senate version, in particular, includes legislative provisions that are highly objectionable to the Administration. If the Congress were to pass a bill that does not resolve the problems in the House and Senate versions of the bill described below, the President's senior advisers would recommend that he veto the bill.

Objectionable Legislative Riders

The Administration strongly opposes the many environmental and other authorization provisions contained in the Senate version of the bill, which are inappropriate for inclusion in an appropriations act. While the House has a few such provisions, the Administration appreciates the House's restraint regarding the inclusion of such anti-environmental legislative riders. Such riders rarely receive the level of congressional and public review required of authorization language, and they often override existing environmental and natural resource protections, limit tribal sovereignty, or impose unjustified micro-management restrictions on agency activities.

For example, these riders would let major oil companies, at taxpayer expense, pay below-market royalties on oil produced from Federal lands and waters; unnecessarily ease restrictions on the dumping of mining wastes on public lands; authorize indefinite extensions to grazing permit holders on public lands; waive requirements for Federal land management agencies to conduct wildlife surveys before beginning timber sales and other activities affecting the national forests and other public lands; and continue the objectionable moratorium on tribal contracting of Federal programs, contrary to the long-standing policy of promoting tribal self-determination.

The Administration urges the conferees to report a clean bill that does not attempt to roll back environmental protections, benefit special interests, or circumvent authorization or administrative procedures by attaching riders to appropriation bills. (See enclosure for a list of the most objectionable riders.)

Lands Legacy Initiative/Land and Water Conservation Fund (LWCF)

The Administration strongly opposes the House and Senate decisions not to fund major portions of the President's Lands Legacy Initiative. The House and Senate bills would cut this initiative by 69 percent and 64 percent, respectively, falling unacceptably short in support of these important environmental programs and even well below the comparable FY 1999 enacted level. In particular, both bills would cut by more than half requested funding for land acquisitions to protect parks, forests, refuges, public lands, and to give States the tools to protect open spaces, working forests, and natural resources. The bills also remove funds previously appropriated to initiate acquisition of the majestic Baca Ranch in New Mexico, just when an agreement has been negotiated to protect this national treasure for future generations. The House and Senate bills also deny funding needed for Everglades restoration, California Desert protection, and preservation of Civil War battlefields. It would be short-sighted not to provide adequate support to the important Lands Legacy Initiative, given the growing bipartisan recognition of the need for the Federal Government, the States, and the private sector to protect open spaces and preserve America's great places.

Land Management Operations and Clean Water Action Plan

The Administration commends the Congress, and the House in particular, for taking action to address many of the operational and maintenance needs of land management agencies in the Department of the Interior and the Forest Service in the Department of Agriculture. However, both bills make major reductions to key conservation programs, such as the Administration's Clean Water Action Plan (CWAP). The Administration is especially concerned with the lack of additional funding under the CWAP for abandoned mine lands reclamation, which would make significant progress in addressing acid mine drainage and watershed problems in the Appalachian region. The Administration is concerned with reductions to the President's request for Forest Service wildlife and fisheries management, ecosystem planning, and monitoring programs. The Forest Service increases could be offset with reductions in unrequested and excessive funding for timber sale preparation, and land use fee reform for concessions and specialty forest products.

Native American Programs

The Administration urges the conferees to fully fund the request for Indian trust management improvements that are essential to enable the Department of the Interior to continue making progress in this multi-faceted reform effort. The Administration is disappointed that neither the House nor Senate bill funds the \$30 million increase requested for Bureau of Indian Affairs (BIA) school construction for replacement or repair of BIA-funded elementary and secondary schools. The Administration would welcome the opportunity to work with the conferees on the best approach to funding school construction, but at least \$30 million in added funding is needed to support critical school construction. In addition, we urge the conferees to increase the amounts provided in the House and Senate bills for law enforcement, Indian school operations, and tribal colleges.

Indian Health Service -- Department of Health and Human Services

While the Administration is pleased that the House and the Senate have provided an increase over FY 1999 for the Indian Health Service, we are disappointed that the Senate increase is less than half of the \$170 million increase the Administration has requested and that the House increase is slightly below the request. The Administration is pleased that the House has provided the full \$35 million increase requested for Contract Support Costs and urges the Senate to do the same. We are particularly concerned with the proposed extension of the moratorium on contracting first imposed by last year's Omnibus Appropriations Act. This moratorium is troubling because it strikes to the heart of a critical goal: the furtherance of Indian Self-Determination.

Millennium Initiative to Save America's Treasures

The Administration strongly objects to the lack of funding for the \$30 million Presidential initiative to commemorate the Millennium by preserving the Nation's historic sites and cultural artifacts that are America's treasures, and urges the conferees to address the needs of this important program. Funds provided by Congress in FY 1999 have already been used with matching State, local, and private funds to preserve such important national symbols as the Star Spangled Banner, the 1905 Wright III (the world's first practical airplane), and the Louis Armstrong House and Archives.

Putting America's Treasures Online--The Digital Library for Education

The Administration also objects to the elimination of the \$10 million of funding for digitizing collections in the Smithsonian Institution (\$5 million) and the National Park Service (\$5 million) as part of the digital library for education, denying school children around the nation the opportunity to explore the many dimensions of the American legacy through the unique materials available in these two agencies.

National Endowment for the Arts, National Endowment for the Humanities, and Institute for Museum and Library Services

The House's proposed funding levels for the National Endowment for the Arts (NEA) and the National Endowment for the Humanities (NEH) are clearly inadequate. The Senate increases for both endowments over the FY1999 enacted levels are a step in the right direction. However, the Administration strongly objects to the funding levels provided by both the House and Senate for the two endowments and the Institute for Museum and Library Services (IMLS), Office of Museum Services. The proposed House and Senate reductions from the request would preclude NEA from moving forward with its Challenge America initiative, which emphasizes arts education and access to under-served communities across America. NEH would be unable to expand its summer seminar series, which provides professional development opportunities to our nation's teachers, and be limited in broadening the outreach of its humanities programs. IMLS would not be able to move forward on the digital library for education, its expansion of after-school programs in museums, and Museums On-line to improve community and school access to museums. The Administration urges the conferees to approve funding for these agencies at the requested levels.

Department of Energy

The Administration opposes several reductions in the House and Senate bills to high priority Energy Conservation programs. These reductions, for example, would seriously hamper the progress that is being made in the Partnership for a New Generation of Vehicles to promote the development of 80-mpg family sedans. Such reductions would also prevent the Partnership for Advancing Technologies in Housing from achieving dramatic savings in the energy operating costs of new homes. The reductions to the request for the Weatherization Assistance Program would mean that 9,000 to 11,000 fewer low-income homes will be weatherized than requested.

The Administration opposes the House requirement for 25-percent State matching of weatherization funds and the House effort to switch the funding for gas turbines and black-liquor gasification between the Energy Conservation and Fossil Energy R&D programs. The Administration appreciates the House support for funding the second-year payment to the California State Teacher's Retirement Fund, which was part of the privatization of the Elk Hills Naval Petroleum Reserve, and recommends that those funds be included in the conference bill. Finally, the Administration does not support the reduction in Fossil Energy R&D below the budget request (\$50 million) and the reduction in the Strategic Petroleum Reserve (\$13 million) taken as a result of Floor action in the House.

Smithsonian Institution and Other Cultural Agencies

Although the Administration appreciates the funding levels provided by the House and Senate for the National Gallery of Art, the Woodrow Wilson Center for International Scholars, and the U.S. Holocaust Memorial Museum, we would hope that the conferees could provide additional funds for the Smithsonian Institution and accept the Senate funding level for the Kennedy Center.

We look forward to working with you to address our mutual concerns. Additional Administration comments are provided in the enclosure.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew". The signature is fluid and cursive, with a large initial "J" and "L".

Jacob J. Lew
Director

Identical Letter sent to The Honorable C.W. Bill Young,
The Honorable David R. Obey, The Honorable Ralph Regula,
The Honorable Norman D. Dicks, The Honorable Ted Stevens,
The Honorable Robert C. Byrd, and The Honorable Slade Gorton

Enclosure
(Conference Committee)

ADDITIONAL CONCERNS
H.R. 2466 and S. 1292 -- DEPARTMENT OF THE INTERIOR AND RELATED
AGENCIES APPROPRIATIONS BILL, FY 2000

(AS PASSED BY THE HOUSE AND BY THE SENATE)

The Administration strongly objects to the inclusion of legislative provisions that would:

- give the mining industry a lucrative but environmentally damaging loophole by allowing companies to claim as much public land as they deem necessary for millsite operations, including waste piles, tailing ponds, and leaching pads (Senate);
- provide the oil industry a windfall by placing another moratorium on Interior's pending oil valuation regulations, thereby preventing the public and tribes from receiving a fair return in royalties from oil leases on Federal and Indian lands (Senate);
- authorize automatic extensions to grazing permit holders on BLM public lands until BLM completes its NEPA analysis, without regard to possible overgrazing or other management concerns that would argue against long-term extensions (Senate);
- waive requirements for land management agencies to conduct wildlife surveys before beginning projects or planning activities, which could lead to poor decisions that would negatively affect the environment, and lead to litigation and project delays without a clear benefit to the public or the land (Senate);
- prohibit revisions to nearly all forest plans until final Forest Service planning rules are published, preventing new science and public priorities from being incorporated in existing forest plans (House and Senate);
- force Forest Service land acquisitions in the Columbia River Gorge (OR/WA) to follow a new process of arbitration that would set an adverse precedent and could undermine efforts to expedite the land acquisition process and ensure a fair market value for taxpayers (Senate);
- continue the objectionable moratorium that does not allow tribes to enter into new or expanded P.L. 93-638 contracts, grants, and compacts with the Bureau of Indian Affairs or Indian Health Service, contrary to the Federal policy of promoting tribal self-determination (Senate);
- place an unwarranted moratorium on implementation of the Interior Department's final Class III Indian gaming rule (Senate);

- unnecessarily restrict implementation of the Kyoto Protocol -- the Administration has stated that it will not implement the Kyoto Protocol prior to Senate ratification (House);
- require binding agreements between Federal and non-Federal partners before Everglades land acquisition funds may be spent, effectively giving non-Federal partners control over the release of Federal acquisition funds (House);
- unnecessarily delay deployment of the Bureau of Indian Affairs replacement trust management system for a 45-day period (Senate);
- require a report on Interior's Columbia Basin Ecosystem Management Project (WA/OR/MT/ID/UT) that is nearly impossible to create and would delay completion of this important project (House and Senate);
- override the Secretary of the Interior's authority to withdraw public lands in the Mark Twain National forest from mining to protect the Ozark National Scenic Riverways in Missouri (Senate);
- disrupt the American Heritage initiative by restricting funding for headquarters or departmental office functions that would support the initiative (House);
- prohibit the reintroduction of grizzly bears on Federal lands in the Selway-Bitterfoot Wilderness Area of Idaho and Montana (Senate);
- authorize the Secretary of the Interior to redistribute up to 10 percent of any tribe's Tribal Priority Allocation funding, which should be a tribal responsibility (Senate);
- stop the Interior Department from taking land into trust for the Shoalwater Bay Indian Tribe in Washington, unnecessarily restricting the Secretary's authority (Senate);
- potentially delay implementation of pending FAA rules to reduce noise from commercial air tours over the Grand Canyon National Park in Arizona (Senate); and
- renew grazing permits within the Lake Roosevelt National Recreation Area in Washington, even though grazing was found to be incompatible with the purposes of this national park unit and the permits are set to expire in 1999 (House and Senate).

The Administration also has concerns over these additional funding issues:

- Priority Construction and Maintenance Needs. The Administration urges the conferees to fund construction and maintenance needs that have been identified in the five-year priority lists prepared by bureaus in the Department of the Interior and Forest Service. These bureaus have made a concerted effort to improve the management of construction and maintenance programs by targeting resources at their top-priority needs, with the greatest emphasis given to critical health and safety and resource protection projects. The Administration is concerned that funding dozens of unrequested projects would undermine management efforts to address backlog needs in an orderly manner. Allocating funds for unscheduled projects would also increase net project costs.
- Everglades Restoration. The Administration urges the conferees to provide funding for matching grants to the State of Florida for land acquisitions in support of Everglades restoration. The Administration shares the commitment expressed in the House bill to ensure adequate fresh water supplies for the Everglades, but believes that this issue should be considered as part of the authorization of the comprehensive plan for restoring the Everglades.
- Interior Solicitor. The Administration urges the conferees to fund the Office of the Solicitor at the requested level to support activities vital to Interior programs.
- Forest Service Research. The Administration urges the conferees to provide adequate funding for the multiple-use needs of Forest Service research. The Senate both reduces funding by \$10 million below the FY 1999 enacted level and redirects an additional \$10 million toward timber producing-related research, eliminating the necessary balance in funding for multiple-use purposes.
- Guam Assistance. The Administration urges the conferees to provide additional funding to reimburse Guam for economic and social costs due to migration from the freely associated states of Micronesia authorized by the Federal compacts with those nations.



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

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THE DIRECTOR

October 13, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Jacob J. Lew

SUBJECT: FY 2000 Appropriations Update -- INFORMATIONAL

This memorandum provides a status report on how your priorities are being funded in the various appropriations bills. Last year, we secured large increases in many key programs, making it difficult to maintain funding levels, secure additional increases, and stay within the caps this year. Last year's negotiations have led to an aversion in both the House and the Senate to our direct participation in comprehensive endgame negotiations. Appropriations Chairmen Stevens and Young feel strongly about not having an omnibus bill produced in negotiations between the White House and their leadership and then dictated to them. Accordingly, the Chairmen are attempting to move bills expeditiously despite significant political problems within their caucuses and insufficient resources in their low original allocations.

In addition, our ability to secure large increases for appropriations has been constrained by the broadly embraced pledge not to spend the Social Security surplus. As you know, we proposed offsets in order to propose spending levels considerably above those produced in last year's very successful appropriations season. Originally, the gap between the pending appropriations bills and your proposed funding level was approximately \$32 billion, roughly equal to the additional room for spending we created under the caps through offsets and advanced appropriations. Although Congress has closed this gap considerably through the use of gimmicks and emergency designations, a significant funding shortfall remains. While it is not likely that all of our offsets will be accepted, there is a good chance that we will be able to use offsets to fund our increases over congressional levels, as we did in VA/HUD last week.

As Congress proceeds to complete appropriations bills, many of the priorities in your budget are being funded at levels that represent victories. In some cases, there are substantial increases over FY 1999 enacted. In others, there is level funding in programs that Congress has tried to cut or eliminate. The definition of "success" on any given program varies based on funding history and the strength of congressional support or opposition.

Status Report

To date, five bills -- Military Construction, Energy/Water Development, Treasury/General Government, Legislative Branch, and Transportation -- have been signed into law. It is likely that the Agriculture/Rural Development and VA/HUD bills will be coming to you soon in a signable form. After your veto of the District of Columbia bill, the congressional majority has been threatening to cut District funding. We hope to work out a compromise on a revised bill that is signable. Several remaining bills -- including Labor/HHS/Education, Commerce/Justice/State, Foreign Operations, and Interior -- will require significant work and are likely to warrant vetoes. In the final bills, we will have identified several high profile issues that define the fight (e.g., Class Size, COPS II, environmental riders, and national security).

Status reports on your priorities from the bills that have been signed or are in a signable form follow below.

Signed Bills:

- Energy/Water Development. Total funding for the bill is \$21.2 billion, roughly \$400 million below your request. Highlights include \$315 million for Solar and Renewable Energy, \$21 million above FY 1999, and \$116 million for Everglades restoration, \$70 million above FY 1999. We were also able to secure \$118 million for the spallation neutron source project (\$12 million below the FY 1999 level, but \$50 million above the House level). Congress did not provide funding for your Next Generation Internet project. DoE's portion of the Climate Change Initiative receives \$353 million, only \$3 million over the FY 1999 level and the Columbia River Fish Mitigation project was funded at \$67 million, \$28 million below FY 1999.

In addition, we were able to get two controversial wetland riders, which were the subject of veto recommendations, significantly modified. The first rider would have designated the results of a new appeals process for wetlands jurisdictional determinations as "final agency action" appealable directly to the Federal courts prior to a final permit decision by the Corps of Engineers. In this case, we were able to negotiate language that will produce an agency level appeal without creating new opportunities for premature or dilatory litigation in the courts. The second rider would have delayed a major reform of wetlands permits proposed by the Administration by requiring a prior study of the workload and cost effects of the proposal. In this case, we were able to negotiate language that would permit the reforms to be implemented as planned.

- Treasury/General Government. Overall funding for the bill is \$13.8 billion, \$400 million above the FY 1999 level. Highlights include full funding for IRS restructuring; full funding for your Youth Crime Gun Interdiction Initiative and the Integrated Violence Reduction Strategy; and compensation parity between Federal civilian and military pay increases.

As proposed, the bill includes language continuing current law requiring coverage of prescription contraceptives by health plans participating in the Federal Employees Health Benefits Program. We were also able to remove objectionable foreign asset language (Flatow) that would have made foreign property and assets held by the U.S. Government available for attachment and execution of private judgements.

- Transportation. The Transportation bill fully funds the significant increase for highways and mass transit contained in TEA-21. Highlights include \$35 million (an increase of \$21 million over FY 1999) for the Transportation and Community and System Preservation Pilot Program, a component of the livability initiative. It provides grants to State and local governments and planning agencies to coordinate transportation and land use planning, and "smart growth." In addition, we were able to remove a mass transit formula provision that would have cut assistance to New York and California.

The conference report includes a provision extending the current restriction on changing CAFÉ standards. FAA Operations is funded at \$5.945 billion, \$144 million below the request and about six percent above FY 1999. Congress did not provide any of the \$75 million you requested in discretionary funding for the Job Access program, but the program will still receive mandatory funding of \$75 million this year.

Bills Likely to be Signed:

- Agriculture/Rural Development. The conference report passed the House on October 1, but was held up in the Senate (largely over Northeastern Members' concerns about dairy program issues). A cloture motion on the bill's consideration easily passed on October 12, and the Senate is expected to pass the conference report today. The Conference bill does not include the objectionable House RU-486 provision or Senate sanctions language. It provides WIC funding to support 7.4 million participants, funds \$49 million for the Food Safety Initiative, and provides \$7.3 billion in rural development and housing loans and grants. The bill's emergency title authorizes mandatory price reporting for meat packers, as we requested.

The conference bill includes \$8.7 billion in emergency farm aid (an increase from the Senate bill's \$7.5 billion), including \$1.5 billion for crop and livestock losses, and \$6 billion in income assistance largely provided through supplemental AMTA payments (the 1996 Farm Bill income support program).

The bill does not include needed funds for additional farm loans or emergency conservation programs that are needed as a result of damages from Hurricane Floyd, but we are continuing to insist that the Congress fund \$508 million more for Floyd even if you sign the Agriculture/Rural Development bill.

- VA/HUD/Independent Agencies. In total, we received almost \$72 billion, almost \$2 billion more than in FY 1999. Highlights include \$347 million to fund 60,000 new housing vouchers; \$44 million for Fair Housing; \$439 million for National Service (equal to the FY 1999 level), ensuring that the program would not be cut or eliminated as proposed by the Congress; \$2.5 billion in contingent emergency funds for FEMA, which will fund our response to Hurricane Floyd; \$2.2 billion for Space Science, \$52 million above FY 1999; \$232 million for HOPWA, \$17 million above FY 1999; \$24 million for Selective Service; \$12 for Montreal Protocol; \$95 million for CDFI, ensuring that the program would not be cut as proposed by Congress; \$70 million for urban/rural EZ/ECs with no authorization contingency, \$25 million above last year's level; \$3.9 billion for NSF, \$241 million over FY 1999; and, \$20 million for the American Private Investment Companies (subject to authorization with funds shifting to CDFI if not authorized by June 30, 2000). Your new IT2 initiative was funded at a total of \$179 million in this bill and in the Energy/Water Development bill, more than what originally passed in the House (\$55 million) or the Senate (\$146 million).

The bill contains a \$1.7 billion increase over your February request for VA Medical Care. We have supported at least \$1 billion in additional funding. The bill also provides \$7.3 billion for EPA, an increase of \$115 million over your request. However, this increase is somewhat misleading as the level includes a \$197 million for 123 projects that you did not request.

- District of Columbia. You vetoed the District of Columbia bill based on a number of objectionable provisions that would undermine home rule (e.g., restrictions on Federal and DC funding of abortion, domestic partners, limit on attorney's fees in special education cases, needle exchange programs, voting representation). We hope to engage in negotiations to try and work out a more acceptable DC bill.

Currently, all of our funding needs in this bill have been addressed. Funding for the bill is \$428 million, \$51 million above FY 1999 (excluding one-time investments). This level includes \$17 million for the D.C. resident tuition support program.

- Defense. The conference report passed the House on October 13 and is still awaiting Senate passage. The conference bill provides \$267.6 billion, \$4.6 billion above your request. The allocation includes \$7.2 billion of operations funds as emergency spending to free up room beneath the discretionary spending caps for increased spending on other appropriations bills. The bill fully funds your request for training, spare parts, and maintenance, all critical items to maintain military readiness. The bill uses a variety of funding gimmicks and other devices to meet at least nominally the subcommittee allocation while funding a substantial number of low-priority, unrequested projects. Overall, with the combined effect of the emergency spending and other gimmicks (such as slipping contract payments so that outlays do not occur until the next fiscal year), this bill is the most egregious example of spending the surplus and concealing it.

Other Remaining Bills

As you know, in the remaining bills there are several major public fights. In the Labor/HHS/Education bill, we will need to increase the pressure for priorities such as Class Size, Education Technology, and After School, and redirect the funding for agricultural disaster relief. It is noteworthy that the Senate has provided funding levels close to, or exceeding, your request for a number of key initiatives, including America Reads, Charter Schools, Work Study, Labor law enforcement programs (including OSHA), Dislocated Workers, Youth Opportunity Grants, and the National Labor Relations Board. Our largest fight in this bill will likely be over Class Size. We believe that sufficient funding will be appropriated, but there will likely be a fight over authorization.

In the Interior bill, we will be pushing to increase funding for the Lands Legacy initiative (including the Baca Ranch in New Mexico), and to have objectionable riders removed. In the Commerce/Justice/State bill, we will be seeking increased funding for COPS II; emergency SBA money that would enable us to respond to Hurricane Floyd; and International funding, including State operations, peacekeeping, and UN arrears.

With the exception of Foreign Operations, roughly \$2 billion would be needed to satisfy most of your major funding priorities in the remaining bills. Foreign Operations is \$700 million below FY 1999 and \$2.2 billion below your request. Factoring in additional needs for Wye and Kosovo, and just to maintain a freeze on other international spending, we would need an additional \$2 billion. It would require \$3 billion to truly address all of your international priorities. This means that it would require roughly \$4-5 billion of additional resources to achieve a significant victory in the remaining appropriations bills. In presenting our needs, we plan to propose offsets with our demands to avoid spending the surplus. If we succeed with the remaining bills, like we did with VA/HUD, the Congress will be responsible for spending the surplus and we will be paying for our priorities.

In order to avoid isolating Foreign Operations, we are continuing to work with the Democratic leadership in the House and Senate to maintain veto sustaining margins on all of these remaining bills. We have also indicated that you will withhold judgement on whether to sign the bill or not until we know more about how these other bills are being resolved.



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

THE DEPUTY DIRECTOR

October 22, 1999

MEMORANDUM FOR THE PRESIDENT

FROM: Sylvia M. Mathews *SM*

SUBJECT: FY 2000 Appropriations Negotiations -- INFORMATIONAL

Steve Ricchetti informed us this afternoon that you wanted to know the areas for negotiation on the Commerce/Justice/State, Interior, Foreign Operations, and Labor/HHS/Education appropriations bills. Attached for your information is a table illustrating some of the programs and initiatives for which we are trying to add funding. We are also trying to get an additional \$500 million in agricultural relief funds for North Carolina and other States in the aftermath of Hurricane Floyd. We know that we will not be able to get everything that we ask for in the negotiations, but we are attempting to add around \$4-6 billion over the current congressional levels.

In addition to our funding problems, there are a substantial number of objectionable riders that we need to try to fix or have removed. There are at least twenty riders in the Interior bill alone, including riders that would block the Interior Department from collecting fair-market royalties for oil production on the public's lands and that would allow mining companies to dump even more toxic waste on public lands. There is also language in the Commerce/Justice/State bill that would make UN arrears subject to authorization, tying our UN vote to the unrelated Mexico City policy. A few examples of objectionable language currently in the appropriations bills include a prohibition on the implementation of the organ transplant rule in the Labor/HHS/Education bill; a provision in the Commerce/Justice/State bill that would intrude on your authority to conduct foreign affairs and interferes with the Middle-East peace process by directing U.S. policy to recognize Jerusalem as the capital of Israel; a prohibition on implementing the Kyoto protocol in the Foreign Operations bill; and KEDO restrictions, also in the Foreign Operations bill.

I hope this gives you a sense of where we are. Although we have not distributed the sensitive list attached, we went over the entire negotiating list with Podesta, Sperling, Reed, Frampton, Beier, and Rudman and incorporated their comments. Please let us know if you need additional information.

ATTACHMENT

SELECTED EXAMPLES OF FY 2000 FUNDING ISSUES

COMMERCE/JUSTICE/STATE

(BA in millions of dollars)

<u>Agency/Program</u>	<u>FY 2000 Proposed</u>	<u>Conference Action</u>
NOAA: Lands Legacy.....	183	85
NOAA: Pacific Coast Salmon Initiative.....	160	60
NOAA: Environ. Prog..... (includes Globe, Clean Water Action Plan, Endangered Species Act)	82	50
COPS/21st Century Policing Initiative.....	1,275	575
Civil Rights Division.....	82	72
Tobacco Litigation.....	20	0
New Markets Initiative.....	85	0
Hurricane Floyd/Disaster.....	262	201
SBA (Potential 800-1,000-person RIF).....	408	363
Equal Employment Opportunity Commission.....	312	279
Legal Services Corporation	340	300
Holocaust Commission.....	2.3	2.1
Peacekeeping.....	485	200
Kosovo Funding.....	230	0

**SELECTED EXAMPLES OF FY 2000 FUNDING ISSUES
INTERIOR AND RELATED AGENCIES**

(BA in millions of dollars)

<u>Agency/Program</u>	<u>FY 2000 Proposed</u>	<u>Conference Action</u>
DOI and USDA: Lands Legacy.....	797	326
Indian Programs (BIA Con. & Operations).....	1,802	1,719
Clean Water Action Plan.....	570	486
Assistance to Guam.....	10	5
Forest Service Climate Change Research.....	235	203
Energy Conservationm (CCTI).....	838	689
Music Museum.....	3	0
National Endowment for the Arts.....	150	98
Office of Museum Services (Digital Library).....	34	24
Indian Health Services.....	2,412	2,373

SELECTED EXAMPLES OF FY 2000 FUNDING ISSUES
LABOR/HHS/EDUCATION
 (BA in millions of dollars)

	<u>FY 2000 Proposed</u>	<u>Conference Action</u>
<u>EDUCATION:</u>		
Class Size.....	1,400	1,200
Title I, Grants to LEAs.....	7,996	7,807
Hispanic Ed Action Plan / HCBU..... (including Bilingual Education, CAMP, etc.)	2,222	2,046
GEAR UP.....	240	180
After School.....	600	300
National Tests	16	0
Education Technology Including Community Centers.....	65	10
Troops to Teachers and Teacher Recruitment.....	20	0
<u>LABOR:</u>		
Worker Protection.....	1,130	1,097
One Stop Career Centers.....	149	140
International Labor Standards.....	76	50
National Labor Relations Board.....	210	200
<u>HEALTH AND HUMAN SERVICES:</u>		
Family Caregiver.....	125	0
Social Services Block Grant.....	2,380	1,700
CDC, Immunizations.....	526	482
CDC, Domestic HIV.....	667	662
CDC, Infectious Diseases (West Nile fever-type issues).....	182	146
CDC, Race/Health Demos.....	35	30
Mental Health Block Grant.....	359	300
Substance Abuse Block Grant.....	1,615	1,585
CBC AIDS.....	50	35
Community Health Centers.....	25	0
Family Planning.....	240	215
Nursing Home Quality.....	2016	1977
Children's Hospital GME.....	40	20
Bioterrorism (Steckpile/FDA).....	65	20

SELECTED EXAMPLES OF FY 2000 FUNDING ISSUES
FOREIGN OPERATIONS
(BA in millions of dollars)

<u>Agency/Program</u>	<u>FY 2000 Proposed BA</u>	<u>Conference Action BA</u>
International Development Association	803	625
Economic Support Fund	2,393	2,197
Assistance to New Independent States (Threat Reduction)	1,032	735
Inter-American Investment Corp.....	25	---
Treasury Debt Reduction.....	370	33
Peace Corps.....	270	235
Non-prolif., Anti-terrorism, Demining and Related	231	182
Includes KEDO	55	35
Peacekeeping Operations	130	78
Global Environmental Facility	143	36
Inter-American Foundation.....	22	5
African Development Fund	127	77
African Development Bank	5	1
Asian Development Fund	177	77
International Narcotics and Law Enforcement	295	285
Development Assistance.....	1,278	1,206
AID Operating Expenses.....	523	495
International Disaster Assistance.....	220	176
Ex/Im Bank (Program).....	839	759
Ex/Im Bank (Administration).....	57	55
International Organizations & Programs.....	293	280
Migration and Refugee Assistance.....	660	625
Kosovo/SEI Foreign Operations Components.....	550	0



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

THE DIRECTOR

October 18, 1999

The Honorable C. W. Bill Young
Chairman
Committee on Appropriations
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This letter provides the Administration's view on the Labor, Health and Human Services, and Education, and Related Agencies Appropriation Bill, FY 2000, H.R. 3037, as reported by the House Appropriations Committee, and S. 1650, as passed by the Senate. Your consideration of the Administration's views would be appreciated.

The Administration appreciates the Congress' efforts to accommodate the President's priorities within the 302(b) allocations. However, the inadequacy of the 302(b) allocations has forced the Congress to make choices that are simply unacceptable.

The allocation of discretionary resources available to the House and the Senate under the Congressional Budget Resolution is simply inadequate to make the necessary investments that our citizens need and expect. The President's FY 2000 Budget proposes levels of discretionary spending that meet important national needs while conforming to the Bipartisan Budget Agreement by making savings proposals in mandatory and other programs available to help finance vital spending needs. Congress has approved and the President has signed into law nearly \$29 billion of such offsets in appropriations legislation since 1995. The Administration urges the Congress to consider acceptable savings proposals.

The Administration's proposed increase in the tobacco tax is both sound fiscal and health policy. Increasing the price of cigarettes will reduce youth smoking and save lives. In addition, this policy would provide funds to strengthen health care and other important priorities.

The House Committee bill would pay Earned Income Tax Credit (EITC) refunds to low and middle income persons on a monthly basis rather than as a lump sum. This would delay EITC refunds and is the equivalent of a tax increase on those least able to afford it: working families who rely on EITC payments to meet basic expenses. EITC refunds belong to working families, not to the Government, and should be paid promptly to the up to 20 million families who are entitled to them. The conferees should reject this provision.

The Senate-passed bill includes a Sense of the Senate resolution that all programs in the bill should be subject to an across the board cut to avoid an on-budget deficit. Such an action would harm millions of individuals by arbitrarily cutting hundreds of programs and activities. The President's request provided for the investments in programs for vulnerable populations that the Nation needs, and was fully paid for. The conferees should report a bill that is responsive to these needs and is paid for, without resorting to such arbitrary and harmful cuts.

The Administration has very serious concerns, discussed below, with the Congress' inadequate funding of a number of priority programs, as well as with several objectionable language provisions. If the bill presented to the President does not address these issues, the President would veto the bill.

Department of Education

While the Senate bill is a significant improvement over the House Committee bill, both bills undermine our national commitment to improve our schools by not guaranteeing funds specifically for Class Size Reduction in the early grades and by underfunding other priority education programs that raise student achievement, including after school programs and the Hispanic Education Agenda. Both bills fail to support improving accountability in Title I to help turn around our lowest-performing schools. The most significant problems with the House and Senate bills include the items below.

Teacher Quality Enhancement Grants. The President's budget requests \$115 million for this activity. This program, begun with FY 1999 funds, is playing an important role in recruiting and training teachers to serve in high-poverty, high need school districts and to ensure that all the Nation's children learn to high standards. The House Committee bill cuts \$40 million and the Senate bill cuts \$35 million from the request. The conferees should provide the President's budget level.

Class Size Reduction. Both the House Committee and the full Senate have failed to carry out last year's bipartisan commitment to raise student achievement by helping States reduce class size to an average of 18 in the primary grades. Research demonstrates that lowering class-sizes in the early grades has a lasting effect on raising student achievement through high school. Neither bill specifically provides funds for Class Size Reduction and thus neither bill guarantees funding for the 29,000 teachers hired last year or the additional 8,000 teachers that would be hired under the President's FY 2000 proposal. This program has been extremely popular – every State applied for and received funding in FY 1999, and preliminary State reports show that 1.7 million children will benefit from last year's funds. The conferees should provide the level and the authorization language in the President's budget.

Title I - Grants to LEAs. The House Committee bill cuts \$264 million from the President's request for Title I Education for the Disadvantaged, which would mean 400,000 fewer children in low-income communities would receive much-needed educational services. The conferees should adopt the Senate funding level. Both the House and the Senate bill fail to improve accountability through the establishment of a 2.5 percent set-aside in Title I to help States turn around the lowest-performing schools, and fail to provide any funds for the Targeted Grants portion of the funding formula, which directs funding where there is greatest need. The accountability language from the President's budget should be included in the Conference bill.

GEAR UP. The budget requests \$240 million for GEAR UP, to help disadvantaged students prepare for college. The House Committee bill would terminate GEAR UP, denying continued services to over 260,000 low-income middle school students who received services in FY 1999, and failing to expand the program to any additional students. The Senate bill provides \$180 million for this program, a level which would support services to 130,000 fewer students than the President's budget. The conferees should fully fund the request.

After School Programs. The President's budget requests \$600 million for 21st Century Community Learning Centers, the after school program, to provide extra learning time for 1.8 million students to help them raise their achievement levels. The House Committee bill provides \$300 million, denying services to nearly 900,000 students. The Senate bill provides \$400 million for after school programs, denying services to nearly 600,000 students. In addition, neither the House Committee nor the Senate include matching requirement language for local grant recipients, needed to ensure the broadest reach for the program. The National need for after-school programs already far exceeds the Administration's funding level -- in FY 1999, the Administration would have needed \$900 million to fund all the quality applications received by the Department of Education. The conferees should provide the President's budget level and the matching requirement language.

Hispanic Education Agenda. The President's budget requests a nearly \$600 million increase to support programs targeted to improve the educational outcomes of Hispanic Americans. The House Committee bill cuts \$554 million and the Senate bill cuts \$120 million from the request. These cuts will deny indispensable services to this underserved population, seriously hampering the progress of Hispanic Americans in reaching the high academic standards expected of all students. The conferees should fully fund the request.

Eisenhower Professional Development and Goals 2000. The budget requests \$491 million for Goals 2000 and \$335 million for Eisenhower Professional Development. The House Committee bill eliminates funding for both programs in favor of a pending House proposal for a new Elementary and Secondary Education Act Reauthorization. Resources for these activities are integral parts of State education reform and teacher training strategies. They should be provided under current law, with provision made in any subsequent reauthorization for a transition to the new law, if necessary. The Senate provided the President's request for both programs. The conferees should adopt the Senate level.

Adult Education ESL/Civics Initiative. The President's budget requests \$70 million for this initiative to help adult English language learners acquire English language skills and civic knowledge necessary to become successful participants in American society. Neither the Senate or the House Committee provide this funding. The conferees should provide the President's budget level.

Reading Excellence. The President's budget requests \$286 million for Reading Excellence, a program helping over one million children learn to read by the end of the third grade. The House Committee cuts \$86 million from the request, which would deny assistance to 330,000 students. The Senate includes virtually the same amount as the budget. The conferees should provide the requested level.

Safe and Drug-Free Schools and Communities. The budget requested \$591 million for these programs. The House Committee bill cuts \$15 million from the request for the Coordinator Initiative, a key component of the National Drug Control Strategy that would provide coordinators to plan, implement, and evaluate successful drug prevention and school safety programs in middle schools. Both the House and Senate bills fail to fund Project SERV, a \$12 million initiative to provide emergency assistance, such as crisis counseling and increased security, to school districts that experience a violent and traumatic crisis. The conferees should allow at least the President's budget level in total and restore these cuts to important component programs.

Education Research. The President's budget requests \$109 million for education research. The House Committee and the Senate bills cut nearly \$50 million from the request, eliminating funding for large-scale, joint research with the National Science Foundation and the National Institutes of Health on early learning in reading and mathematics, teacher preparation, and technology applications. These cuts would occur at a time when teachers and policy-makers are demanding reforms proven by sound research, and would block research critical for understanding how to most effectively use the computers and communication technologies for teaching our nation's children. The House and Senate bills also fail to include language allowing research funds to be strategically directed toward nationally significant problems. The conferees should provide the President's budget level and language for education research.

Education Technology. The budget requests \$801 million for education technology programs. The House Committee cuts this funding by almost \$300 million. The Senate cuts funding by almost \$100 million. Neither the House Committee nor the Senate provide funding for Community-Based Technology Centers in 300 additional low-income urban and rural communities. Despite the clear need for training teachers to use technology, neither the House nor the Senate provide funding for the Middle School Teacher Training program. The House Committee cuts \$75 million from the Technology Literacy Challenge Fund, making it increasingly difficult for States to meet school children's education technology needs. The House Committee provides no funding for Teacher Training in Technology. Finally, while the President requested \$20 million for Learn Anytime Anywhere Partnerships, which increase access to post-secondary education to underserved populations by using technology, the House Committee provides no funding and the Senate provides \$10 million less than the President's request. The conferees should provide the President's budget level for all the technology programs.

Troops to Teachers. The President's budget requests \$18 million to expand this program, which has already helped over 3,000 former military personnel become teachers in high-need subject areas and districts. Neither the House Committee nor the Senate bill provide sufficient funding to guarantee the continuation and expansion of this program. The conferees should provide the requested level for this program.

American Indian Teacher Corps. The President's budget requests \$10 million to train 1,000 Native American teachers. The House Committee bill fails to provide any funding for this purpose. The conferees should provide the requested level as in the Senate bill.

Office for Civil Rights (OCR). The budget requests \$73 million to increase the Department of Education's ability to enforce civil rights laws and resolve discrimination complaints in a timely manner. The House Committee bill cuts \$7 million and the Senate cuts \$2 million from the request. OCR has improved access to education and education-related activities by addressing such issues as discrimination against minorities in advanced placement courses, discrimination in the use of assessments, access to education for students who are disabled, and discrimination in college admissions. The conferees should provide the requested level.

Livable Communities Initiative. The President's budget requests \$10 million for Schools as Centers of Community, a component of the President's Livable Communities Initiative. This program would support grants to school districts, working through partnerships with parents, teachers, students, and others, to design new kinds of school buildings that enhance learning. The House Committee bill and the Senate-passed bill fail to provide any funding for this activity. The conferees should provide the President's budget level.

Work Study. The budget requests \$934 million to provide one million students the opportunity to work their way through college. The House Committee bill cuts the request by \$54 million, eliminating opportunities for about 60,000 students. The Senate provided the President's request. The conferees should adopt the Senate level.

Voluntary National Tests. The President's budget requests \$16 million for further development of these tests. The House Committee bill and Senate bill fail to provide funding or language needed for continued development of the voluntary national tests. These tests would help those who use them determine how well children and schools are performing against challenging standards in reading and math. The conferees should provide the requested funding and language.

Internet Access in Schools and Libraries. The House Committee bill contains language that would deny Federal funds to schools and libraries that have not installed software on their computers to block Internet access to indecent materials to minors. While the Administration strongly supports efforts to ensure that schools and libraries protect minors from indecent materials, the House language is overly prescriptive. Most local educational agencies already have developed their own acceptable-use policies, many of which are not based on software. The Administration favors less burdensome, more flexible language that would require that schools and libraries develop their own acceptable-use plans at the local level, and certify to their implementation.

Special Education -- Primary Education Intervention. The budget requests \$50 million for competitive grants for schools to develop, demonstrate, and evaluate research-based model interventions for children with developmental delays. Both the House and the Senate fail to provide any funds for this new activity. The conferees should fully fund the request for this program.

Loan Administration. The House Committee cuts funding for student loan administration under section 458 of the Higher Education Act by \$118 million from the mandatory spending level of \$735 million set only last year in the Higher Education Amendments of 1998. This cut would hurt service quality for student and parent borrowers in both direct and guaranteed loan programs, and substantially compromise the modernization efforts of the government's first-ever Performance-Based Organization. The conferees should restore the full mandatory funding level.

Direct Loan Origination Fee Discount. A House Committee rider would eliminate the one percentage point origination fee discount implemented by regulation under the Higher Education Amendments and negotiated rule-making agreements. The proposed change would increase borrowing costs for more than 1.8 million Direct Loan students by over \$100 million per year. Further, the difference in fee rates available to students in the two programs could, over time, expand loan volume in the significantly more expensive guaranteed loan program, FFEL, raising Government costs by \$1.5 billion over the next ten years. The conferees should reject this language.

Federal Family Education Loans (FFEL). We understand that the House Committee bill may include language modifying the index used to calculate lender interest payments. This proposal significantly increasing lender profits without increasing benefits to students or reducing the rates they pay; and undermines the bipartisan agreement on appropriate lender returns established in last year's Higher Education Amendments.

Department of Labor

The House Committee bill cuts the Labor Department by \$1.5 billion (14 percent) below the request and \$875 million below the FY 1999 level. The House bill would eliminate critical programs that help at-risk youth achieve economic self-sufficiency and make deep cuts in worker training programs aimed at closing the skills gap and preparing workers for the 21st Century. These cuts are directly contrary to the bipartisan reforms enacted last year in the Workforce Investment Act. The bill also would make deep cuts in programs that ensure safe workplaces, enforce domestic child labor laws, and promote equal pay. In addition, the House Committee has included unacceptable bill and report language that would block several important worker protection standards.

The Senate provides virtually all the resources requested for the Department's employment and training programs and programs protecting working Americans at their jobs. The areas where the Senate fell short of the request was in not fully funding a proposal for the Department to work with other agencies to address violence among out of school youth, not providing increases for two statistical initiatives in the Bureau of Labor Statistics (BLS), and in not fully funding the costs of administering the unemployment insurance program in the states.

Dislocated Worker Assistance. The budget requests \$1.6 billion for dislocated worker assistance. The House Committee bill cuts the program \$335 million below the request and \$140 million below FY 1999, denying training, job search, and re-employment services to over 176,000 dislocated workers. The conferees should provide the requested level as in the Senate bill.

Re-employment Services Grants. The budget requests \$53 million to provide job finding assistance to 241,000 unemployment insurance claimants. The House Committee bill eliminates the \$53 million request. The Senate provides \$40 million. The conferees should provide the President's budget level.

One-Stop Career Centers. The President's budget requests \$149 million to expand services to job seekers at One-stop service centers as recently authorized in the bipartisan Workforce Investment Act. The House Committee bill cuts the request by \$49 million. The Senate provides the requested level. The budget also requests \$50 million in One-Stop Centers to help the 30 million working age adults with disabilities find and keep jobs. The House provides no funding for the disabled. The Senate provides \$27 million. The conferees should provide the President's request level for both activities.

America's Agricultural Labor Network (AgNet). The President's budget requests \$10 million for an internet-based labor exchange for the agricultural industry. The House committee failed to finance this critical initiative, while the Senate included report language that supports AgNet in concept. The Administration strongly urges the conferees to provide the President's request for this vital tool for linking domestic farm workers and agricultural employment.

Youth Opportunities Initiative and Youth Formula Grants, including Summer Jobs. The President's budget requests \$250 million for the scheduled second year of services to 58,000 of some of the most disadvantaged youth in 25-30 communities. The House Committee bill eliminates all funding for this initiative. The Senate provides the request. The budget also requests \$1 billion for youth formula grants, including summer jobs. The House cuts the request by \$100 million. The Senate provides the request. The conferees should provide the Senate level, as requested, for both activities.

School-to-Work (Labor and Education). The President's budget requests \$55 million in each agency for the orderly phase down in 25 States and 60 urban and rural areas of grants supporting local partnerships to improve opportunities for youth to obtain jobs and higher education. The House Committee bill prematurely terminates School-to-Work in both Labor and Education. The Senate provides the request. The conferees should provide the Senate level in both agencies.

Right Track Partnerships. The President's budget requests \$75 million for a special focus on out of school youth, which would complement the multi-agency youth violence initiative, Safe Schools/Healthy Students. The House Committee fails to fund Right Track Partnerships. The Senate provides \$15 million in demonstration grants. The conferees should provide the requested level.

State Grants to Administer the Unemployment Insurance System. The budget requests \$2.5 billion for this purpose. The House Committee bill cuts \$239 million from the request (\$74 million below FY 1999), while the Senate cuts \$140 million from the request. Neither bill provides the levels necessary to administer the Unemployment Insurance program, even under continuing favorable economic conditions.

Trade Adjustment Assistance (TAA) Benefits. The House Committee bill reflects a phase-out of the NAFTA-TAA program because no action has yet been taken by the Ways and Means Committee to extend both the TAA and NAFTA-TAA programs. The Administration supports legislation to reauthorize and reform the trade programs, and the FY 2000 Budget requests funds to cover the extension and expansion of the program. If these programs are not reauthorized before completion of the appropriations process, the conferees should fund benefits at \$415 million to avoid any disruption in services.

Worker Safety and Health Protections. The President's budget requests \$388 million for the Occupational Safety and Health Administration (OSHA). The House Committee bill cuts OSHA funding by \$51 million below the request (\$16 million below the FY 1999 level). The majority of the cut is targeted at OSHA's Federal enforcement program, which the Committee cuts by \$19 million, or 14 percent, below the request. This would result in 5,000 fewer inspections nation-wide at high-hazard workplaces and undermine OSHA's efforts to provide coverage for the U.S. Postal Service, as mandated by Congress last year. The conferees should provide the Senate level, as requested.

Overall Worker Protection Initiatives. Overall, the President's budget requests \$1.16 billion for worker protections. The House Committee bill reduces the request for critical programs that protect workers' safety, pensions, and wages by \$112 million (including OSHA), resulting in funding that is below the FY 1999 level. The bill eliminates Presidential initiatives to address sweatshops in the garment industry and domestic child labor abuses, to encourage equal pay, to expand public education and outreach on pension and health care plans, to address the problems of coal dust in mines, and to promote family leave. The Senate provided nearly the request level. The conferees should provide the request level.

International Labor Standards Initiative. The President's budget requests \$35 million for an initiative to raise core labor standards globally, an essential step toward leveling the playing field for American workers. The House Committee bill cuts all funding for the initiative. This would be a step backwards from the unanimous vote by the International Labor Organization this summer during its child labor convention to raise the visibility internationally of the need for core labor standards. The Senate provided the requested level. The conferees should provide the Senate level.

Bureau of Labor Statistics (BLS). The budget requests \$421 million for BLS. The House Committee cuts the BLS request by \$26 million. The Senate cuts BLS by \$11 million. Both marks would eliminate increased funding for improvements in two key national economic indicators: the Producer Price Index and the Employment Cost Index. The conferees should provide the request level.

Patients' Bill of Rights. Section 104 of the Title I General Provisions in the House bill would prohibit the Labor Department from using any funds to implement a regulation that would require employer-sponsored ERISA health and pension plans to provide workers adequate notice and an opportunity for a full and fair review when benefits are denied. By prohibiting the Department from issuing this regulation, this bill would block the extension of important and long overdue patient protections to millions of Americans.

Davis-Bacon Helpers. Section 103 of the Title I General Provisions in the House bill would prohibit the Labor Department from using funds to implement, administer, or enforce the proposed regulation on helpers. This provision would stall a 20-year effort in the construction industry to recognize a prevailing practice and to reduce confusion surrounding the definition of a helper.

Report Language. The House bill report contains numerous objectionable attempts to delay various regulations under development by the Department of Labor. The most objectionable are the attempts to block the OSHA from moving forward on its TB standard by requiring a duplicative and unnecessary National Academy of Sciences study; its urging OSHA to delay moving forward with its Safety and Health Program regulation by requiring an unnecessary \$2 million, two-year pilot study; its requirement that OSHA report to the Committee on comments submitted to DOL on risk assessment for any OSHA metalworking fluids rule; delaying the Mine Safety and Health Administration's (MSHA) diesel exhaust rule by requiring it take into account an ongoing NIOSH study that will not be completed for several years; and, suggesting MSHA review its record and do additional research before promulgating a conveyor belt rule.

Department of Health and Human Services

The Senate-passed and House Committee bills underfund public health priorities, including preventive health and health care access for the poor. The Administration is very concerned about the following cuts to key health and social services programs:

Social Services Block Grant (SSBG). The President's budget proposed maintaining the fully authorized mandatory spending level of \$2,380 million for this program. Both the House Committee and Senate bills would cut SSBG: the House bill by \$471 million; the Senate bill by \$1,330 million in FY 2000. The Senate then advance appropriates this same amount in FY 2001. While the advance appropriation is an improvement, it still provides less than half the level that Congress authorized for FY 2000 and 45 percent less than the FY 1999 enacted level. This reduction undermines programs serving some of the most vulnerable families, and threatens the provision of such critical services as child protection and child welfare which ensure the care and safety of millions of children each year. The conferees should fund SSBG at the fully-authorized level of \$2,380 million.

National Family Caregiver Support Program. The budget requests \$125 million to establish an urgently needed new program to assist approximately 250,000 families caring for an older relative. Neither the House nor Senate funds this activity. The conferees should provide the funding requested.

Head Start. The President's budget requests \$5,267 million to provide comprehensive educational and developmental services for nearly 880,000 low-income children, an increase of 44,000 over the 1999 level, and to support important investments in program quality improvement. The House cuts the request by \$507 million. The Senate provides the full request. The conferees should provide the Senate level. The Administration raises concern, however, over the possible impact of an advance appropriation at the Senate level.

Child Care. The Administration opposes the House's failure to provide advance appropriations for the Child Care and Development Block Grant and urges the conferees to adopt the Senate's advance appropriation of \$2 billion.

Mental Health and Substance Abuse. The House Committee bill reduces the President's request for Mental Health services by \$69 million. This reduction would diminish States' capacity to serve the mentally ill and would threaten to undermine an unprecedented collaborative effort between the Departments of Health and Human Services, Justice, Education to address recent outbreaks of violence in America's schools. The \$139 million cut below the request for substance abuse prevention and treatment would seriously undercut the Federal Government's ability to meet the National Drug Control strategy performance targets to reduce the treatment gap by 50 percent by 2007, and would deprive an additional 31,000 individuals from receiving substance abuse treatment. The Administration is pleased that the Senate provided the requested funding level and urges the conferees to fully fund the request.

Center for Disease Control and Prevention (CDC). The Administration strongly urges the conferees to fully fund the President's request for the Centers for Disease Control and Prevention. The House bill underfunds the request by \$158 million and fails to fully fund preventive health activities that help improve the health and safety of children and adults, in areas such as investigating disease outbreaks, reducing racial health disparities, addressing the spread of HIV/AIDS globally, immunizing children, improving food safety, and preventing tobacco use. With the reductions in infectious diseases, CDC will not be able to provide appropriate surveillance nor investigate outbreaks such as West Nile Encephalitis in New York, and e-coli in New York and Illinois. Also, at the House level, approximately 500,000 children served by CDC's immunizations program would not be provided with the full complement of recommended vaccines. The Senate does not provide the full request for infectious disease surveillance and investigations, childhood immunizations, chronic and environmental disease prevention, and domestic HIV/AIDS prevention. These cuts would impair CDC's ability to carry out these key public health activities, particularly in the areas of research, laboratory work, and technical assistance.

Health Care Access. Both the House and Senate fail to fund adequately programs that will improve health care access for many Americans, including a portion of the 43 million uninsured. No funding is provided in either bill for the Health Care Access for the Uninsured initiative, which would enable the development of integrated systems of care and address service gaps within these systems. In addition, both the House and Senate fail to include the full \$25 million increase requested for Family Planning services. The President's request would provide family planning services to an additional 500,000 clients who are neither Medicaid-eligible nor insured. We urge the conferees to fully fund the request.

Health Care Financing Administration (HCFA). The Administration urges the conferees to fully fund the HCFA program management account at the requested program level of \$2,211 million. The House cut HCFA's program level by \$399 million from the request and the Medicare Integrity Program by \$70 million. These reductions would severely impede the management and oversight of the Medicaid and Medicare programs, threaten priority activities, including implementation of the Balanced Budget Act and Health Insurance Portability and Accountability Act, and important new initiatives, including the Nursing Home Initiative. The Administration appreciates the Senate's action to fund the request for HCFA Program Management. However, we encourage the conferees to enact the full amount of already-authorized Medicare+Choice user fees as well as the President's requested increase in Medicare+Choice user fees. We also encourage the conferees to enact the President's proposed program management user fees totaling \$194.5 million, which could free up resources under the discretionary caps for education and other priorities. Finally, the conferees are urged to adopt the Senate bill language for Grants to States under Medicaid.

Graduate Medical Education at Children's Hospitals. The Labor-HHS bill does not fund the Administration's proposal to provide \$40 million for graduate medical education at Children's Hospitals. The children's hospitals play an essential role in the education of the nation's physicians, training 25 percent of pediatricians and over half of many pediatric subspecialists.

Delayed Obligations for HHS. The Administration is concerned about the level of delayed obligations for NIH, CDC and other HHS operating divisions. We are currently analyzing the potential impact of such a provision.

Bioterrorism and other Disaster Response. Both the House and Senate cut funding to combat bioterrorism activities. The House Committee bill provides only \$17 million of the requested \$52 million for the national pharmaceutical stockpile in CDC, which would limit the amount of vaccines, antibiotics, and other medical supplies that can be stockpiled to deploy in the event of a chemical or biological attack. In addition, the House reduces by \$20 million the President's request for CDC electronic surveillance of potential bioterrorist agents. Finally, the bioterrorism funding provided by the House and Senate does not include the requested \$13 million for critical FDA expedited regulatory review and approval of new vaccines and drugs to combat biological and chemical agents used for terrorist purposes. We urge the conferees to fully fund this request.

Organ Transplants. The House Committee bill includes a provision that would delay implementation of HHS' final Organ Procurement and Transplantation Network rule for another year. The Secretary's approach, which was strongly validated by an Institute of Medicine report, provides a more equitable system of treatment for over 63,000 Americans waiting for organ transplants. We are currently revising this rule extensively on the basis of copious public comments received over the past year, and the Institute of Medicine recommendations. We must be allowed to move forward on this issue and implement the rule without further delay.

Medicare+Choice Competitive Pricing Demonstrations. The Senate-passed bill includes a provision that would prevent funds from being used to administer the Medicare+Choice Competitive Pricing Demonstration Project. These demonstrations were passed by the Congress as part of the Balanced Budget Act in order to provide valuable information regarding the use of competitive pricing methodologies in Medicare. The information that we could learn from these demonstrations is particularly relevant as we consider the important task of reforming Medicare. We urge the conferees to remove this provision and to allow HCFA to implement the demonstrations. A possible compromise would allow the demonstration to go forward, but with premium rebates for beneficiaries enrolling in participating plans.

Abortion. The Administration urges the conferees to strike sections 508 and 509 of the House Committee and Senate-passed bills, which would prohibit the use of funds for abortion. The President believes that abortion should be safe, legal, and rare. These provisions would continue to limit the range of conditions under which a woman's health would permit access to abortion services. Furthermore, section 509 requires a physician to make a legal determination that these conditions have been met.

Social Security Administration (SSA)

The President's budget requests \$6,789 million for administration of Social Security programs. The House cuts \$235 million from the request. Funding at the House level would result in a deterioration in service to elderly, disabled and other program recipients. SSA would be forced to impose an immediate and complete hiring freeze, leaving 3000 positions vacant by the end of the year. This would result in disability applicants waiting twice as long for a decision on their initial claims and longer waiting times for the millions of individuals who visit SSA district offices. The Senate cut the request by \$32 million. The conferees should provide the requested level.

Related Agencies

National Labor Relations Board (NLRB). The President's budget requests \$210 million for the NLRB. The House Committee bill cuts the NLRB \$35 million below the request and \$10 million below the FY 1999 level. The Senate provides the request. Title VIII of the House Committee bill would increase the NLRB's jurisdictional thresholds. This provision would decrease protection for small business, subject employers to investigation of confidential business records to determine coverage, and divert scarce NLRB resources from investigating labor law violations to investigating jurisdictional issues. The conferees should provide the request level and should not include the change to jurisdictional thresholds.

Corporation for National and Community Service (CNCS). The President's budget requests \$299 million in this bill for CNCS. The House bill freezes most programs, and cuts the Corporation by \$24 million below the request. The Senate provides \$293 million, funding most of the Administration's initiatives. The conferees should provide the requested level.

Corporation for Public Broadcasting. The Administration urges the conferees to provide the full funding for the Corporation for Public Broadcasting's FY 2000 digital conversion request, which will help ensure that the public broadcasting system can meet the federally-mandated May 2003 deadline for digital broadcasting.

Agricultural Disaster Relief

The Administration supports the House Committee bill's addition of \$508 million in emergency assistance to crop and livestock producers who suffered severe losses from recent hurricanes and associated flooding in August and September 1999. However, we recommend that the provision specify that the additional crop and livestock funds are to be combined with the \$1.2 billion in similar assistance being provided through the Agriculture/Rural Development appropriations bill, to improve administration of the funds and speed assistance to producers. In addition, the Administration urges the House to make the use of these funds more flexible so that a portion of the funds could be used to meet critical but currently unmet needs, such as clearing farm fields and streams of debris, and financing emergency farm repairs and operations.

We look forward to working with the conferees to address our mutual concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Jacob J. Lew". The signature is fluid and cursive, with a large initial "J" and "L".

Jacob J. Lew
Director

Identical Letter Sent to The Honorable C. W. Bill Young,
The Honorable David R. Obey, The Honorable John E. Porter,
The Honorable Ted Stevens, The Honorable Robert C. Byrd,
The Honorable Arlen Specter, and The Honorable Tom Harkin



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

THE DIRECTOR

November 1, 1999

The Honorable Kay Bailey Hutchison
Chairwoman
Subcommittee on the District of Columbia
Committee on Appropriations
United States Senate
Washington, DC 20510

Dear Madam Chairwoman:

I am writing to thank you for your dedicated efforts in working with the Congress and the Administration on the District of Columbia Appropriations Bill. The House and the Senate have passed the District of Columbia Appropriations Bill in a form that the President would sign if presented to him separately.

The bill provides important funding for the District of Columbia. It includes essential funding for District Courts and Corrections and the D.C. Offender Supervision Agency, and provides requested funds for a new tuition assistance plan for District of Columbia residents. It provides resources to promote the adoption of children in the District's foster care system, to support the Children's National Medical Center, and to assist the Metropolitan Police Department in eliminating open-air drug trafficking in the District, among other programs. Some of the most objectionable provisions that would have intruded upon local citizens' right to make decisions about local matters have been modified from previous versions of the bill.

Regrettably, Congress has merged the District of Columbia bill which you worked so hard to develop with a deeply flawed Labor/HHS/Education bill which fails to fund the President's class size initiative and contains an unacceptable government wide across-the-board cut. This across-the-board cut would apply equally government wide, damaging vital areas including education, the environment, law enforcement, military personnel and funding that the District of Columbia needs and deserves.

However, Congress has produced acceptable District of Columbia funding legislation, which should be passed on its own merits. While the overall package to which the DC bill is attached is unacceptable, if Congress sends the President the current D.C. spending bill as a stand-alone identical bill, or as part of legislation that is free from attachments to other objectionable bills, the President would sign it.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Lew', written in a cursive style.

Jacob J. Lew
Director

Identical Letter Sent to The Honorable Kay Bailey Hutchison,
The Honorable Richard J. Durbin, The Honorable Ernest I. Istook, Jr.,
and the Honorable James P. Moran



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

November 4, 1999

THE DIRECTOR

The Honorable Richard A. Gephardt
Minority Leader
House of Representatives
Washington, D.C. 20515

Dear Mr. Leader:

I am writing to express the Administration's deep concerns with H.R. 3196, the revised Foreign Operations, Export Financing, and Related Programs Appropriations Act, 2000. If presented to the President in its current form, he would veto the bill.

The central lesson of this century is that we cannot protect American interests at home without active engagement abroad. Both common sense and hard experience have taught us we must lead in the world, working with other nations to promote democracy, repel dangers, promote more open economic and political systems and strengthen the rule of law. These guiding principles have served American foreign policy for generations.

This bill rejects those principles. It puts at risk a 50-year tradition of American leadership for a safer, more prosperous and democratic world.

If amended on the House floor, the revised bill would include funding to support the Wye River Agreement, which is critical to fulfilling our obligation to Israel and its neighbors as they advance the Middle East peace process. This is a positive step. But America's national security interests are not confined to one region of the world. The amended bill still would suffer virtually all of the shortcomings expressed in the President's October 18 veto message on the original Foreign Operations funding bill. The bill dramatically underfunds debt relief, Multilateral Development Bank financing, development programs and the Economic Support Fund. These funding levels will decimate efforts to promote economic development in Africa, Latin America and Asia. The bill also fails to provide funds to meet immediate needs in Kosovo and the region.

The bill retains the same fundamental flaw as the vetoed bill: it is an abandonment of the principles of American foreign policy that have served the American people well, and greatly helped advance the cause of peace and freedom around the world. The President will not sign a bill that does not fund the Wye River commitments and other critical national security interests.

The Administration stands ready to work with Congress to fashion a bill that properly addresses our shared goal of an America that is strong at home and abroad, respected not only for our leadership, but for the vision and commitment that real leadership entails.

Sincerely,



Jacob J. Lew
Director

Identical Letter Sent to The Honorable Trent Lott,
The Honorable Tom Daschle, and The Honorable Dennis Hastert