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OMB FINAL SEQUESTRATION REPORT  
TO THE PRESIDENT AND CONGRESS  
FOR FISCAL YEAR 1994

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DECEMBER 10, 1993

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### GENERAL NOTES

1. All years referred to are fiscal years unless otherwise noted.
2. Details in the tables and text may not add to totals due to rounding.



THE DIRECTOR

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

December 10, 1993

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

Enclosed please find the OMB Final Sequestration Report to the President and Congress for Fiscal Year 1994. It has been prepared in accordance with the requirements of the Balanced Budget and Emergency Deficit Control Act of 1985 (Public Law 99-177), as amended by the Balanced Budget and Emergency Deficit Control Reaffirmation Act of 1987 (Public Law 100-119), the Budget Enforcement Act of 1990 (Public Law 101-508), and the Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66).

As required by law, the report includes:

- the final estimates of the discretionary spending limits;
- a summary of legislation enacted as of December 3, affecting direct spending and receipts;
- calculations of the maximum deficit amount; and
- comparisons with the estimates provided by the Director of the Congressional Budget Office in his report.

The report finds that no sequestration is required.

Sincerely,



Leon E. Panetta  
Director

Enclosure

Identical Letters Sent to Honorable Albert Gore, Jr.  
and Honorable Thomas S. Foley

## I. INTRODUCTION

The Budget Enforcement Act of 1990 (BEA) was enacted into law as part of the Omnibus Budget Reconciliation Act of 1990. Through fiscal year 1995, the Act established annual limits on discretionary spending, a pay-as-you-go requirement that subsequent legislation affecting direct spending or receipts not increase the deficit, and maximum deficit amounts. Compliance with these three constraints was enforced by across-the-board sequestration (reduction) of non-exempt spending.

The BEA requirements for discretionary spending and pay-as-you-go legislation were

extended through 1998 by the Omnibus Budget Reconciliation Act of 1993 (OBRA93), which became law on August 10, 1993. The BEA requires OMB to issue a final sequestration report within fifteen days of the end of the Congressional session. This report fulfills this requirement for legislation enacted during the first session of the 103rd Congress. The estimates in this report reflect legislation enacted and signed into law by the President through December 8, 1993. As required by the BEA, the estimates use the same economic and technical assumptions contained in the President's FY 1994 Budget, which was transmitted to Congress on April 8, 1993.

## II. DISCRETIONARY SEQUESTRATION REPORT

Discretionary programs are, in general, those that have their funding levels established annually through the appropriations process. The scorekeeping guidelines accompanying the BEA identify accounts with discretionary resources. The BEA limited budget authority and outlays available for three categories of discretionary programs from 1991 through 1993: defense, international, and domestic. Appropriations that caused either the budget authority or outlay limits—also known as caps—for any category to be exceeded would have triggered a sequester to eliminate any such breach in that category.

For 1994 through 1998, there are no separate categories for discretionary programs, and the caps apply to total discretionary budget authority and outlays. Table 1 is a summary of all changes to the 1991 through 1995 caps originally enacted in the BEA.

**Adjustments to the discretionary limits.**—Tables 2 and 3 show the impact on the discretionary limits of various adjustments permitted by section 251(b) of the BEA. Adjustments authorized under section 251(b)(1) include those for differences between

actual and projected inflation and for changes in concepts and definitions. These adjustments were included in the sequestration preview report included in the President's FY 1994 Budget.

Section 251(b)(2) of the BEA authorizes additional adjustments. Tables 2 and 3 include those adjustments that can be made now due to legislation enacted during the first session of the 103rd Congress. The section 251(b)(2) adjustments include:

- Internal Revenue Service (IRS) funding.—Funding for the IRS compliance initiative above the Congressional Budget Office (CBO) baseline levels estimated in June 1990. Adjustments are limited to the budget authority and outlay amounts specified in the law.
- Emergency appropriations.—Funding for amounts that the President designates as "emergency requirements" and that the Congress so designates in statute. Since the April 8th preview report, an additional \$5.4 billion has become available for "emergency requirements," (mostly to provide assistance in response to the Midwest flood).

Table 1. **SUMMARY OF CHANGES TO DISCRETIONARY SPENDING LIMITS**  
(In billions of dollars)

		1991	1992	1993	1994	1995
<b>TOTAL DISCRETIONARY</b>						
Statutory Caps as Set in OBRA 1990 .....	BA	491.7	503.4	511.5	510.8	517.7
	OL	614.4	524.9	534.0	534.8	540.8
Adjustments for Allowances .....	BA		3.6	2.9	2.9	
	OL	2.6	3.1	2.7	3.4	1.3
Adjustments for IRS Funding, IMF, and Debt Forgiveness .....	BA	0.2	0.2	12.5	0.2	
	OL	0.3	0.3	0.3	0.4	0.2
Adjustments for Changes in Inflation .....	BA		-0.5	-5.1	-9.5	-9.8
	OL		-0.3	-0.5	-5.8	-7.9
Adjustments for Redefinition of Concepts (credit reform, etc.), and credit reestimates .....	BA		7.7	8.7	8.6	9.5
	OL		1.1	2.9	2.8	3.5
Adjustments for Emergency Requirements .....	BA	0.9	8.3	4.2	0.2	
	OL	1.1	1.8	5.1	4.2	1.5
Subtotal, Adjustments Excluding Desert Shield/Desert Storm .....	BA	1.1	19.3	23.1	2.4	-0.8
	OL	3.9	5.9	8.5	5.0	-1.4
Adjustments for Desert Shield/Desert Storm .....	BA	44.2	14.0	0.6	*	*
	OL	33.3	14.9	7.5	2.8	1.0
Final Sequestration Report Discretionary Spending Limits .....	BA	537.1	536.6	535.2	513.2	517.4
	OL	551.6	545.7	550.1	542.6	540.5

\* Less than \$50 million.

Table 2. **DISCRETIONARY SPENDING LIMITS**  
(In millions of dollars)

		1991	1992	1993	1994	1995
<b>DOMESTIC</b>						
Domestic limits, October 23, 1992 Final Sequestration Report .....	BA	182,935	209,169	206,325		
	OL	200,470	215,562	229,916		
Adjustments included in the April 1993 Preview Report:						
1992 Inflation .....	BA				-1,823	-1,881
	OL				-791	-1,515
Reestimates of credit reform subsidies .....	BA				-132	-135
	OL				-108	-120
Statutory and other shifts between categories .....	BA				-1,047	-206
	OL				-821	-23
Emergency appropriations (release of contingencies) .....	BA					
	OL				48	56
Subtotal, domestic adjustments for the Preview Report ..	BA				-3,002	-2,222
	OL				-1,872	-1,602
Preview Report domestic limits .....	BA	182,935	209,169	206,325		
	OL	200,470	215,562	229,916		
Adjustments for the August Update Report:						
Domestic emergencies:						
Supplemental Appropriations Act of 1993 (PL 103-50) .....	BA					
	OL			-14	8	2

Table 2. DISCRETIONARY SPENDING LIMITS—Continued  
(In millions of dollars)

		1991	1992	1993	1994	1995
Emergency Supplemental Appropriations for Relief From the Major, Widespread Flooding in the Midwest Act of 1993 (PL 103-75) (Discretionary programs) <sup>1</sup> .....	BA .....			3,788	100	
	OL .....			571	2,452	759
Emergency Supplemental Appropriations for Relief From the Major, Widespread Flooding in the Midwest Act of 1993 (PL 103-75) (Mandatory programs) <sup>1</sup> .....	BA .....				1,000	
	OL .....				1,000	
Statutory shift between categories (CCC) <sup>1</sup> .....	BA .....				-1,000	
	OL .....				-1,000	
Emergency appropriations (release of contingencies) .....	BA .....			402		
	OL .....			14	371	15
Special outlay allowance used .....	BA .....					
	OL .....			174		
Subtotal, domestic adjustments required for Update Report .....	BA .....			4,190	100	
	OL .....			745	2,831	776
Update Report domestic limits .....	BA	182,935	209,169	210,515		
	OL	200,470	215,562	230,661		
Adjustments for the Final Sequestration Report:						
IRS funding .....	BA .....				187	
	OL .....				183	4
Special allowances .....	BA .....				1,609	
	OL .....				853	499
Emergency appropriations (release of contingencies) .....	BA .....				90	
	OL .....				78	13
Subtotal, Final Sequestration Report domestic adjustments .....	BA .....				1,886	
	OL .....				1,114	515
Final Sequestration Report domestic limits .....	BA	182,935	209,169	210,515		
	OL	200,470	215,562	230,661		
<b>INTERNATIONAL</b>						
International limits, October 23, 1992 Final Sequestration Report .....	BA	21,245	22,191	35,081		
	OL	20,296	19,840	20,601		
Adjustments included in the April 1993 Preview Report:						
1992 Inflation .....	BA .....				-366	-375
	OL .....				-105	-151
Reestimates of credit reform subsidies .....	BA .....				2	2
	OL .....				36	32
Subtotal, international adjustments required for Preview Report .....	BA .....				-364	-373
	OL .....				-69	-119
Preview Report international limits .....	BA	21,245	22,191	35,081		
	OL	20,296	19,840	20,601		
Adjustments for the August Update Report .....	BA .....					
	OL .....					
Update Report international limits .....	BA	21,245	22,191	35,081		
	OL	20,296	19,840	20,601		
Adjustments for the Final Sequestration Report:						
Special allowances .....	BA .....				1,271	
	OL .....				585	254
Subtotal, Final Sequestration Report international adjustments .....	BA .....				1,271	

Table 2. DISCRETIONARY SPENDING LIMITS—Continued  
(In millions of dollars)

		1991	1992	1993	1994	1995
	OL				585	254
Final Sequestration Report international limits	BA	21,245	22,191	35,061		
	OL	20,296	19,840	20,601		
<b>DEFENSE</b>						
Defense limits, October 23, 1992 Final Sequestration Report	BA	332,918	305,288	289,651		
	OL	330,802	310,299	298,861		
Adjustments included in the April 1993 Preview Report:						
1992 Inflation	BA				-2,026	-2,078
	OL				-861	-1,512
Desert Shield/Desert Storm outlay reestimates	BA					
	OL				-1	-100
Subtotal, defense adjustments required for Preview Report	BA				-2,026	-2,078
	OL				-862	-1,512
Preview Report defense limits	BA	332,918	305,288	289,651		
	OL	330,802	310,299	298,861		
Adjustments for the August Update Report	BA					
	OL					
Update Report defense limits	BA	332,918	305,288	289,651		
	OL	330,802	310,299	298,861		
Adjustments for the Final Sequestration Report	BA					
	OL					
Final Sequestration Report defense limits	BA	332,918	305,288	289,651		
	OL	330,802	310,299	298,861		
<b>TOTAL DISCRETIONARY</b>						
Total discretionary limits, October 23, 1992 Final Sequestration Report	BA	537,098	536,648	531,056	515,312	522,071
	OL	551,568	545,701	549,378	539,877	542,285
Adjustments included in the April 1993 Preview Report	BA				-5,392	-4,673
	OL				-2,623	-3,333
Preview Report total discretionary limits <sup>1</sup>	BA	537,098	536,648	531,056	509,920	517,398
	OL	551,568	545,701	549,378	537,254	538,952
Adjustments for the August Update Report	BA			4,190	100	
	OL			745	2,831	776
Update Report total discretionary limits <sup>1</sup>	BA	537,098	536,648	535,247	510,020	517,398
	OL	551,568	545,701	550,123	540,085	539,728
Adjustments for the Final Sequestration Report:						
Total of adjustments shown above	BA				3,157	
	OL				1,699	770
Special outlay allowance for technical estimating differences	BA					
	OL				822	
Final Sequestration Report total discretionary limits	BA	537,098	536,648	535,247	513,177	517,398
	OL	551,568	545,701	550,123	542,606	540,498

<sup>1</sup> The August 20, 1993 OMB Sequestration Update Report double-counted Emergency Commodity Credit Corporation outlays. This report corrects the double-count.

**Table 3. EXTENSION OF DISCRETIONARY SPENDING LIMITS**  
**As Set by the Omnibus Budget Reconciliation Act of 1993**  
(In millions of dollars)

		1994	1995	1996	1997	1998
Preview Report Discretionary Limits (as of April 1993)	BA	509,920	517,398			
	OL	537,254	538,952			
Discretionary limits set by the Omnibus Budget Reconciliation Act of 1993	BA			519,142	528,079	530,639
	OL			547,263	547,346	547,875
Adjustments:						
Emergency Supplemental Appropriations: Supplemental Appropriations Act of 1993 (Public Law 103-50)	BA					
	OL	8	2			
Relief from the Major, Widespread Flooding in the Midwest Act of 1993 (Public Law 103-75)	BA	100				
	OL	2,452	759	73	22	5
Emergency appropriations (release of contingencies)	BA	90				
	OL	449	28	1		
IRS compliance initiatives	BA	187				
	OL	183	4			
Special allowance for discretionary new budget authority	BA	2,890				
	OL	1,436	753	396	134	
Special outlay allowance for technical estimating differences	BA					
	OL	822				
Final Sequestration Report Discretionary Spending Limits	BA	513,177	517,398	519,142	528,079	530,639
	OL	542,606	540,498	547,733	547,502	547,875

The BEA also provides special allowances for budget authority and outlays. Two separate budget authority allowances may be provided for 1994 and 1995, together with an adjustment for outlays associated with one of the allowances, calculated using spendout rates contained in the BEA. For 1994 through 1998, the BEA also provides for an additional budget authority allowance equal to 0.1 percent of the adjusted limit on total discretionary budget authority for the budget year.

Another adjustment is the special outlay allowance. The dollar amounts of the special outlay allowance for 1991 through 1995 are specified in the BEA. The annual allowances for 1991 through 1993 are \$2.5 billion for defense, \$1.5 billion for international, and \$2.5 billion for domestic. The allowances for 1994 and 1995, are \$6.5 billion for total discretionary. The outlay allowances through 1995 are reduced by the outlays associated with the budget authority allowances. For 1996 through 1998, the outlay allowances are equal to 0.5 percent of the adjusted discretionary outlay limit.

**Status of 1993 discretionary appropriations.**—Table 4 summarizes the status of enacted 1993 discretionary appropriations relative to the discretionary caps. In the domestic, international, and defense categories, enacted budget authority and outlays are within the caps.

**Status of 1994 discretionary appropriations.**—Table 5 shows OMB scoring of 1994 appropriations bills. Total discretionary outlays exceed the cap for 1994 by \$822 million. However, the excess is less than the available special outlay allowance of \$3.9 billion.

**Comparison between OMB and CBO discretionary limits.**—Section 254(d)(5) of the BEA requires an explanation of differences between OMB and CBO estimates for the discretionary spending limits. CBO uses the discretionary limits from OMB's August 20th sequestration update report as a starting point for the adjustments made in its final sequestration report. There are no differences between OMB and CBO limits for 1993. Table 6 compares OMB and CBO limits for 1994 through 1998.

Emergency funding that is contingent on the President designating the funds as "emergency requirements" is reported differently by OMB and CBO. CBO scores budget authority for contingent appropriations in the fiscal year for which it is appropriated. In its final sequestration report, CBO adjusts the

1994 budget authority caps by \$755 million for three contingent emergency appropriations contained in 1994 appropriations bills. OMB scores budget authority for only those contingent appropriations officially requested for release by the President and designated by the President as emergency requirements.

Table 4. STATUS OF 1993 DISCRETIONARY APPROPRIATIONS  
(In millions of dollars)

	BA	Outlays
<b>DOMESTIC</b>		
Adjusted discretionary spending limits <sup>1</sup> .....	210,515	230,661
Total enacted .....	210,292	230,661
Appropriations over/under (-) spending limits .....	-223	.....
<b>INTERNATIONAL</b>		
Adjusted discretionary spending limits <sup>1</sup> .....	35,061	20,601
Total enacted .....	33,820	20,235
Appropriations over/under (-) spending limits .....	-1,261	-366
<b>DEFENSE</b>		
Adjusted discretionary spending limits <sup>1</sup> .....	289,651	296,861
Total enacted .....	276,966	290,423
Appropriations over/under (-) spending limits .....	-12,685	-8,438
<b>TOTAL DISCRETIONARY</b>		
Adjusted discretionary spending <sup>1</sup> .....	535,247	550,123
Total enacted .....	521,078	541,319
Appropriations over/under (-) spending limits .....	-14,169	-8,804

<sup>1</sup> Spending limits adjusted pursuant to section 251 of the BEA, including \$1,837 million for the use of the special outlay allowance under domestic discretionary.

Table 5. STATUS OF 1994 APPROPRIATIONS  
(In millions of dollars)

	BA	Outlays
<b>TOTAL DISCRETIONARY</b>		
Agriculture, Rural Development <sup>1</sup> .....	14,652	15,863
Commerce, Justice, State and the Judiciary .....	22,843	23,025
Defense .....	240,721	254,173
District of Columbia .....	700	698
Energy and Water Development .....	22,033	21,996
Foreign Operations .....	12,939	13,770
Interior and Related Agencies .....	13,718	13,829
Labor, HHS, Education <sup>2</sup> .....	67,425	68,542
Legislative Branch .....	2,270	2,304
Military Construction .....	10,065	8,874
Transportation .....	13,278	35,339
Treasury, Postal Service and General Government <sup>3</sup> .....	11,626	11,998
Veterans Affairs, HUD, Independent Agencies <sup>4</sup> .....	68,535	72,197
<b>Total discretionary</b> .....	<b>500,805</b>	<b>542,606</b>
<b>Adjusted discretionary spending limits before special outlay allowance</b> .....	<b>513,177</b>	<b>541,784</b>
Enacted appropriations over/under (-) limits before special outlay allowance .....	-12,372	-822
Special outlay allowance for technical estimating differences used .....		822
<b>Enacted appropriations over/under (-) limits after special outlay allowance</b> .....	<b>-12,372</b>	

<sup>1</sup>Includes \$25 million in budget authority and \$12.5 million in outlays for Soil Conservation Service contingent appropriations released on November 17, 1993.

<sup>2</sup>Includes \$65 million in budget authority and outlays for Public Health and Social Services Emergency Fund contingent appropriations released on October 12, 1993.

<sup>3</sup>Includes \$187 million in budget authority and \$183 million in outlays for IRS funding.

<sup>4</sup>Outlays estimated for the VA/HUD bill are \$28 million less than estimated in the November 1, 1993 five-day-after report for this bill. The change corrects an error in computing the total for the bill.

Table 6. COMPARISON OF OMB AND CBO  
DISCRETIONARY SPENDING LIMITS  
(In millions of dollars)

	1994	1995	1996	1997	1998
<b>CBO limits:</b>					
Budget authority .....	513,932	517,398	519,142	528,079	530,639
Outlays .....	542,798	540,653	547,771	547,513	547,875
<b>OMB limits:</b>					
Budget authority .....	513,177	517,398	519,142	528,079	530,639
Outlays .....	542,606	540,498	547,733	547,502	547,875
<b>Difference:</b>					
Budget authority .....	755	—	—	—	—
Outlays .....	192	155	36	11	—

### III. PAY-AS-YOU-GO SEQUESTRATION REPORT

Pay-as-you-go enforcement procedures apply to direct spending and receipts legislation. Direct spending is defined as entitlement authority, the food stamp program, and budget authority provided by laws other than appropriations acts. The BEA enforcement procedures specify that receipts or direct spending legislation should not increase the deficit. If it does, it will trigger a sequester if not fully offset. Sequestration of direct spending programs would occur 15 days after Congress adjourns to end a session. Social Security, the Postal Service, legislation specifically designated as "emergency requirements" according to 252(e) of the BEA, and legislation providing full funding of the Government's deposit insurance guarantee commitment, are not subject to pay-as-you-go enforcement.

Within five days after the enactment of direct spending or receipts legislation, OMB is required to submit a report to Congress estimating the change in outlays or receipts resulting from that legislation. The estimates must use the same economic and technical assumptions contained in the most recent

President's budget. Each year in its final sequestration report, OMB adds the estimates in all pay-as-you-go reports together to determine the need for a sequester. If, in total, the combined deficits for the budget year and the preceding fiscal year have been increased by pay-as-you-go legislation, that increase must be offset by sequestration.

#### Pay-as-you-go estimates for FY 1994.—

As Table 7 shows, pay-as-you-go legislation enacted in calendar years 1991 and 1992 reduced the combined 1993 and 1994 deficits by \$3.6 billion. The Omnibus Budget Reconciliation Act of 1993 reduced the deficit by \$46.8 billion in 1994 and by over a half a trillion dollars for 1994–1998. However the Act also specified that none of the savings would be included in the pay-as-you-go scorecard. The net impact of pay-as-you-go legislation enacted in calendar year 1993 was to increase the deficit for 1993 and 1994 by a total of \$0.8 billion, and to decrease the deficits by a total of \$0.7 billion for 1993–1998.

**Table 7. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED AS OF DECEMBER 3, 1993**

(In millions of dollars)

Report Number	Act title	Change in the fiscal year baseline deficit						
		1993	1994	1995	1996	1997	1998	1993–1998
<b>LEGISLATION ENACTED IN 1991 AND 1992</b>								
1 to 140	Total impact of all bills:							
	OMB estimate .....	-2,676	-910	-803	NA	NA	NA	NA
	CBO estimate .....	-2,676	-910	-803	NA	NA	NA	NA
<b>LEGISLATION ENACTED IN CALENDAR YEAR 1993</b>								
141	Family and Medical Leave Act of 1993 (Public Law 103-3; HR 1):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
142	Emergency Unemployment Compensation Amendments of 1993 (Public Law 103-6; HR 920):							
	OMB estimate .....	0	-2	-3	NA	NA	NA	NA
	CBO estimate .....	0	-2	-3	NA	NA	NA	NA
143	Export Administration Act Extension (Public Law 103-10; HR 750):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA

Table 7. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED  
AS OF DECEMBER 3, 1993—Continued  
(In millions of dollars)

Report Number	Act title	Change in the fiscal year baseline deficit						
		1993	1994	1995	1996	1997	1998	1993- 1998
144	Food Stamp Act of Amendments (Public Law 103-11; S 284):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
145	Making Technical Corrections in the Veterans Health Care Act of 1992 (Public Law 103-18; S 662):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
146	Rehabitate Certain Historic Structures in the Gateway National Recreation Area (Public Law 103-26; S 328):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
147	National Voter Registration Act of 1993 (Public Law 103-31; HR 2):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
148	World War II Memorial (Public Law 103-32; S. 214):							
	OMB estimate .....	0	2	4	NA	NA	NA	NA
	CBO estimate .....	0	1	2	NA	NA	NA	NA
149	Government Printing Office Electronic Access Enhance- ment Act of 1993 (Public Law 103-40; S 564):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
150	National Institute of Health Revitalization Act of 1993 (Public Law 103-43; S 1):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
151	Forest Resources Conservation and Shortage Relief Amendments of 1993 (Public Law 103-45; HR 2343):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
152	Big Thicket National Preserve Addition Act of 1993 (Pub- lic Law 103-46; S 80):							
	OMB estimate .....	*	*	*	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
153	Resolve Status of Certain Lands Relinquished to the United States (Public Law 103-48; HR 765):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
154	Extension of Fast Track Procedures for the Uruguay Trade Agreement (Public Law 103-49; HR 1896):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA
155	Naval Vessels Transfer Act (Public Law 103-54; HR2561):							
	OMB estimate .....	-8	-3	-3	NA	NA	NA	NA
	CBO estimate .....	-8	-3	-3	NA	NA	NA	NA
156	Cave Creek Canyon Protection Act of 1993 (Public Law 103-56; HR 843):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate .....	0	0	0	NA	NA	NA	NA

**Table 7. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED  
AS OF DECEMBER 3, 1993—Continued**  
(In millions of dollars)

Report Number	Act title	Change in the fiscal year baseline deficit						
		1993	1994	1995	1996	1997	1998	1993- 1998
157	Spring Mountains National Recreation Area Act (Public Law 103-63; HR 63):							
	OMB estimate .....	0	0	0	NA	NA	NA	NA
	CBO estimate (CBO did not classify this bill as PAYGO).							
158	Family Farmer Bankruptcy Extension Act of 1993 (Public Law 103-65; HR 416):							
	OMB estimate .....	0	2	2	NA	NA	NA	NA
	CBO estimate .....	0	1	1	NA	NA	NA	NA
159	Omnibus Budget Reconciliation Act of 1993 (Public Law 103-66; HR 2264): <sup>1</sup>							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
160	Rehabilitation Act Amendments of 1993 (Public Law 103-73; S 1296):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
161	Colorado Wilderness Act of 1993 (Public Law 103-77; HR 631):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
162	Veterans' Compensation Rates Codification and Housing Program Technical Correction Act of 1993 (Public Law 103-78; HR 796):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
163	Veterans' Medical Facility Projects and Leases Authorization (Public Law 103-79; HR 2034):							
	OMB estimate .....	0	-*	-*	-*	-*	-*	-2
	CBO estimate .....	0	0	0	0	0	0	0
164	Small Business Guaranteed Credit Enhancement (Public Law 103-81; S 1274):							
	OMB estimate .....	-12	0	0	0	0	0	-12
	CBO estimate .....	-12	0	0	0	0	0	-12
165	National and Community Service Trust Act of 1993 (Public Law 103-82; HR 2010):							
	OMB estimate .....	0	12	7	1	0	0	21
	CBO estimate .....	0	12	8	0	0	0	20
166	Gallatin Range Consolidation and Protection of 1993 (Public Law 103-91; HR 873):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
167	Utah Schools and Lands Improvement Act of 1993 (Public Law 103-93; S 184):							
	OMB estimate .....	0	0	0	25	25	0	50
	CBO estimate .....	0	0	0	25	25	0	50
168	Hatch Act Reform Amendments of 1993 (Public Law 103-94; HR 20):							
	OMB estimate .....	0	*	*	*	*	*	*
	CBO estimate .....	0	0	0	0	0	0	0

Table 7. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED  
AS OF DECEMBER 3, 1993—Continued  
(In millions of dollars)

Report Number	Act title	Change in the fiscal year baseline deficit						
		1993	1994	1995	1996	1997	1998	1993- 1998
169	Jemez National Recreation Area (Public Law 103-104; HR 38):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
170	Catawba Indian Tribe of South Carolina Land Claims Settlement Act of 1993 (Public Law 103-116; HR 2399):							
	OMB estimate .....	0	0	8	8	8	8	32
	CBO estimate .....	0	0	0	0	0	0	0
171	Phase out of the Department of Agriculture Programs for Wool and Mohair (Public Law 103-130; S 1584):							
	OMB estimate .....	0	0	-47	-103	-183	-181	-514
	CBO estimate .....	0	0	-57	-103	-176	-169	-505
172	Most Favored Nation Tariff Treatment for Romania (Public Law 103-133; HJR 228):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	9	0	0	0	0	9
173	Veterans' Compensation Rates Amendments of 1993 (Public Law 103-140; S 616):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
174	Religious Freedom Restoration Act of 1993 (Public Law 103-141; HR 1308):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
175	South African Democratic Transition Support Act of 1993 (Public Law 103-149; HR 3225):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
176	Unemployment Compensation Amendments of 1993 (Public Law 103-152; HR 3167):							
	OMB estimate .....	0	853	-164	-429	-286	-383	-409
	CBO estimate .....	0	1,070	-137	-285	-270	-372	6
177	United States Grain Standards Act Amendments of 1993 (Public Law 103-156; S 1490):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
178	Brady Handgun Violence Prevention Act (Public Law 103-159; HR 1025):							
	OMB estimate .....	0	-2	-1	-2	-3	-3	-11
	CBO estimate .....	0	-2	-1	-1	-2	-2	-8
179	National Defense Authorization Act for Fiscal Year 1994 (Public Law 103-160; HR 2401):							
	OMB estimate .....	0	52	47	43	41	45	228
	CBO estimate .....	0	13	3	5	6	8	35
180	Veterans' Pension Increase for Congressional Medal of Honor Recipients (Public Law 103-161; HR 3341):							
	OMB estimate .....	•	•	•	•	•	•	2
	CBO estimate .....	0	0	0	0	0	0	0
181	Air Force Memorial Foundation (Public Law 103-163; HR 898):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0

**Table 7. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION ENACTED  
AS OF DECEMBER 3, 1993—Continued**  
(In millions of dollars)

Report Number	Act title	Change in the fiscal year baseline deficit						1993- 1998
		1993	1994	1995	1996	1997	1998	
182	Lechiguilla Cave Protection Act of 1993 (Public Law 103-169; HR 698):							
	OMB estimate .....	0	*	*	*	*	*	*
	CBO estimate .....	0	0	0	0	0	0	0
183	International Parental Kidnapping Crime Act of 1993 (Public Law 103-173; HR 3378):							
	OMB estimate .....	0	*	*	*	*	*	*
	CBO estimate .....	0	0	0	0	0	0	0
184	Naval Vessels Transfer Act (Public Law 103-174; HR 3471):							
	OMB estimate .....	0	-27	-17	-16	-11	-6	-75
	CBO estimate .....	0	-27	-15	-15	-11	-6	-74
185	Cameron Parish, Louisiana, Land Conveyance (Public Law 103-175; S 433):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
186	American Indian Agricultural Resource Management Act (Public Law 103-177; HR 1425):							
	OMB estimate .....	0	0	0	0	0	0	0
	CBO estimate .....	0	0	0	0	0	0	0
186	Intelligence Authorization Act (Public Law 103-176; HR 2330):							
	OMB estimate .....	0	0	4	4	5	5	18
	CBO estimate .....	0	0	4	4	5	5	18
187	Patent and Trademark Office Authorization Act of 1993 (Public Law 103-179; HR 2632):							
	OMB estimate .....	0	-2	-5	-5	-6	-6	-24
	CBO estimate .....	0	0	0	0	0	0	0
188	Negotiated Rates Act of 1993 (Public Law 103-180; S 412):							
	OMB estimate .....	*	*	*	*	*	*	*
	CBO estimate .....	0	0	0	0	0	0	0
	<b>Subtotal, enacted in 1993:</b>							
	OMB estimate .....	-20	884	-168	-473	-410	-521	-707
	CBO estimate .....	-20	1,072	-198	-370	-423	-536	-475
	<b>Total, enacted as of December 3, 1993:</b>							
	OMB estimate .....	-2,696	-26	-971	-473	-410	-521	-5,097
	CBO estimate .....	-2,696	162	-1,001	-370	-423	-536	-4,664

\* \$500,000 or less.

NA--The Budget Enforcement Act of 1990 (BEA) required estimates through 1995 only. P.L. 103-66 (OBRA93), enacted in August 1993, requires paygo estimates through 1998.

<sup>1</sup> The Omnibus Reconciliation Act of 1993 specified that none of the savings should be included in the totals of the pay-as-you-go scorecard.

	1994	1995	1996	1997	1998	1994- 1998
The OMB estimates (in millions of dollars) for this Act are:	-46,752	-82,713	-100,554	-128,898	-145,846	-504,763

**Pay-as-you-go estimates enacted to date.**—In total, pay-as-you-go legislation enacted to date has decreased the combined 1993 and 1994 deficits by \$2.7 billion. Therefore no sequestration of direct spending programs is required for fiscal year 1994.

**Pending legislation.**—Several pay-as-you-go bills were cleared for the President in the just completed session, but had not been presented to the President by December 3, 1993, for signature. Because these bills are not yet law, their impact on the deficit cannot be taken into account in this report. Current OMB estimates of bills pending Presidential action are shown in Table 8.

**Comparison with CBO estimates.**—CBO estimates that pay-as-you-go legislation enacted this year increased the deficits for 1993 and 1994 by a total of \$1.1 billion, while OMB estimates an increase of \$0.9 billion. Most of this difference is due to a \$0.2 billion difference for Public Law 103-152, the Unemployment Compensation Amendments. OMB and CBO had slightly different assumptions about the number of beneficiaries for unemployment compensation and other benefit programs affected by this law. Additional detail on estimating differences between OMB and CBO is available in the separate reports issued subsequent to enactment of each bill.

**Table 8. DEFICIT IMPACT OF PAY-AS-YOU-GO LEGISLATION AWAITING PRESIDENTIAL ACTION**  
(OMB estimates, in millions of dollars)

Bill Number	Act Title	Change in the fiscal year baseline deficit						
		1993	1994	1995	1996	1997	1998	1993-1998
HR 2150	Coast Guard Authorizations, FY 1994 .....	( <sup>1</sup> )						
HR 2535	Persian Gulf War Veterans Health Care Act of 1993 .....	0	*	*	*	*	*	*
HR 2840	Copyright Royalty Tribunal Reform Act of 1993 .....	0	0	0	0	0	0	0
HR 3000	Friendship Act .....	0	0	0	0	0	0	0
HR 3216	Domestic Chemical Diversion Control Act of 1993 .....	0	0	-6	-6	-6	-6	-24
HR 3450	North American Free Trade Agreement Implementation Act .....	0	41	11	26	-56	-590	-568
HR 3616	Jefferson Commemorative Coin Act .....	0	0	0	0	0	0	0
S 422	Government Securities Act Amendments of 1993 .....	0	-1	-1	-1	-1	-1	-5
S 714	Resolution Trust Corporation Completion Act .....	( <sup>1</sup> )						
S 944	Fresh Cut Flowers and Fresh Cut and Fresh Cut Greens Promotion and Information Act of 1993 .....	0	0	0	0	0	0	0
S 1507	Higher Education Technical Amendments of 1993 .....	( <sup>1</sup> )						
S 1777	Food Stamps Amendments .....	0	0	0	0	0	0	0
	Subtotal .....	0	40	44	23	-44	-660	-597

Note: The listing and all estimates in the table are preliminary and subject to change. As required by the BEA, OMB will issue final estimates within five days of enactment of all bills determined to be pay-as-you-go.

\* \$500,000 or less.

<sup>1</sup> NA—Not yet available.

## IV. DEFICIT SEQUESTRATION REPORT

The BEA specifies maximum deficit amounts through 1995. These deficit amounts reflect economic and technical assumptions as of the time the BEA was enacted. The BEA required the maximum deficit amounts to be adjusted in the 1992 and 1993 budgets to reflect up-to-date economic and technical assumptions. It provides the President with

the option of adjusting the maximum deficit amounts in the 1994 and 1995 budgets. The President exercised this option for the 1994 budget.

As specified in the BEA, the maximum deficit amounts reflect the "on-budget" current law levels for direct spending and receipts,

and the spending limits for discretionary programs. They do not include "off-budget" mandatory programs, such as Social Security and Postal Service. Table 9 shows the current maximum deficit amounts and the current estimated deficits calculated using BEA rules. The current estimated deficits are below the maximum deficit amounts (adjusted for pay-as-you-go emergencies) in both years. There is no excess deficit, and thus no sequester is required for 1994.

The BEA requires a comparison of the OMB and CBO estimates of the maximum deficit amount for the budget year to be included in the OMB final sequestration re-

port. In its final sequestration report issued on December 6, 1993, CBO estimated the maximum deficit amount for 1994 to be \$312 billion, \$13 billion below the OMB estimate. Table 10 shows the major differences between OMB and CBO maximum deficit amounts. Deposit insurance, medicare, medicaid, net interest, and receipts account for most of the difference. The BEA requires OMB to use the economic and technical assumptions contained in the President's April Budget. However, CBO is allowed to update its estimates for recent information. If OMB were allowed to update its economic and technical assumptions, then many of these differences would be reduced.

Table 9. MAXIMUM DEFICIT AMOUNTS  
(In billions of dollars)

	1994	1995
Current Estimated Deficit .....	327.5	286.6
Less: PAYGO emergencies enacted .....	2.5	0.4
Current Estimated Deficit (excluding emergencies) .....	324.9	286.3
Less: Maximum Deficit .....	325.6	288.0
Subtotal .....	-0.7	-1.8
Excess deficit .....	0.0	0.0

Table 10. DIFFERENCES BETWEEN OMB AND  
CBO MAXIMUM DEFICIT AMOUNTS  
(In billions of dollars)

	1994
OMB maximum deficit amount .....	326
Receipts (deficit impact) .....	-2
Outlays:	
Discretionary .....	0
Deposit insurance .....	7
Medicaid .....	-4
Medicare .....	-3
Other mandatory .....	-3
On-budget net interest .....	-8
Total outlays .....	-12
Total differences .....	-13
CBO maximum deficit amount .....	312

# **FY 1995 BUDGET: FINAL DECISIONS**

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# I. Status of Recommendations by Agency – FY 1995

(in billions of dollars)

	FY 1993 Actual		FY 1994 Enacted		FY 1995 Recommended Level		FY 1995 Rec Level Less FY 1994 Enacted	
	BA	OL	BA	OL	BA	OL	BA	OL
Agriculture (excluding International).....	15.7	13.7	14.6	15.8	13.6	13.7	-0.997	-2.099
Commerce.....	3.2	3.2	3.6	3.3	3.6	3.5	-0.040	0.203
Defense.....	262.1	280.2	250.6	262.9	250.5	260.3	-0.088	-2.588
Education.....	23.7	23.4	24.4	24.7	26.2	24.1	1.775	-0.515
Energy.....	18.8	18.6	18.7	18.7	17.2	18.0	-1.487	-0.664
Health and Human Services.....	31.5	32.9	34.4	35.7	35.0	36.6	0.612	0.924
Housing and Urban Development.....	25.5	24.5	25.4	27.8	24.8	29.9	-0.581	2.111
Interior.....	7.1	7.3	7.5	7.5	7.1	7.4	-0.369	-0.097
International programs (function 150).....	33.6	21.6	19.8	20.7	20.3	20.4	0.556	-0.368
Justice.....	9.2	9.4	9.3	9.4	9.7	10.0	0.346	0.538
Violent Crime Reduction Trust Fund.....	—	—	—	—	2.4	0.7	2.423	0.699
Labor.....	9.9	10.0	10.6	9.9	11.4	10.4	0.831	0.572
Transportation.....	13.5	35.5	13.6	36.0	12.7	36.3	-0.915	0.272
Treasury.....	10.1	10.3	10.2	10.2	10.1	10.2	-0.082	0.010
Veterans Affairs.....	16.7	16.5	17.6	17.4	17.5	17.7	-0.082	0.318
Corps of Engineers.....	3.8	3.7	3.9	4.0	3.3	3.5	-0.566	-0.440
EPA.....	6.9	6.7	6.7	6.8	7.2	7.0	0.509	0.189
FEMA.....	2.6	3.5	0.8	2.7	0.4	1.9	-0.431	-0.811
General Services Administration.....	0.5	1.0	0.5	0.8	0.2	1.2	-0.296	0.430
NASA.....	14.3	14.1	14.6	14.2	14.3	14.5	-0.251	0.286
NSF.....	2.7	2.8	3.0	2.9	3.2	2.9	0.202	0.029
Office of Personnel Management.....	0.1	0.2	0.1	0.2	0.1	0.2	-0.006	0.011
National Service Initiative.....	0.3	0.3	0.6	0.4	0.7	0.7	0.137	0.383
Small Business Administration.....	0.9	1.2	0.7	1.0	0.7	0.8	0.058	-0.234
Legislative Branch.....	2.3	2.4	2.3	2.3	2.3	2.3	-0.006	-0.042
The Judiciary.....	2.3	2.3	2.5	2.5	2.9	2.8	0.385	0.352
Other agencies.....	5.4	5.1	6.2	5.7	4.8	4.5	-1.423	-1.115
Allowance.....	—	—	—	—	-0.5	-0.5	—	—
Total, Discretionary Spending.....	522.9	550.3	501.9	543.3	501.7	541.1	-0.289	-2.149
Caps.....					504.2	541.1		
Total discretionary less caps.....					-2.5	0.0		

## Status of Recommendations by Agency -- Outyears

(in billions of dollars)

	1995		1996		1997		1998		1999	
	Recommended Level									
	BA	OL								
Agriculture (excluding international).....	13.6	13.7	14.1	14.0	14.4	14.4	14.4	14.5	14.5	14.7
Commerce.....	3.6	3.5	3.9	3.7	3.9	3.9	4.1	4.1	5.1	4.6
Defense.....	250.5	260.3	242.5	253.2	238.8	238.8	245.1	243.1	251.1	243.6
Education.....	26.2	24.1	26.1	25.5	26.0	25.9	26.3	26.0	26.6	26.3
Energy.....	17.2	18.0	18.6	18.5	18.6	18.7	18.9	18.9	19.4	19.3
Health and Human Services.....	35.0	36.6	37.1	37.9	39.0	40.0	40.8	42.1	42.8	44.1
Housing and Urban Development.....	24.8	29.9	33.2	30.0	35.6	29.8	37.9	30.2	39.3	30.7
Interior.....	7.1	7.4	7.2	7.4	7.3	7.4	7.3	7.4	7.4	7.4
International programs (function 150).....	20.3	20.4	20.7	20.6	20.8	20.9	21.1	20.9	21.2	21.0
Justice.....	9.7	10.0	10.3	10.7	10.6	10.7	11.1	11.1	11.6	11.5
Violent Crime Reduction Trust Fund.....	2.4	0.7	4.3	4.8	6.3	7.0	8.5	8.6	---	---
Labor.....	11.4	10.4	12.0	11.0	12.4	11.8	12.6	12.3	12.7	12.5
Transportation.....	12.7	36.3	12.2	35.3	11.1	35.2	12.2	35.1	12.2	35.1
Treasury.....	10.1	10.2	10.1	10.1	10.1	10.3	9.7	10.0	9.5	9.8
Veterans Affairs.....	17.5	17.7	17.8	17.9	18.1	18.1	18.4	18.3	18.7	18.6
Corps of Engineers.....	3.3	3.5	3.6	3.6	3.4	3.5	3.7	3.6	3.5	3.6
EPA.....	7.2	7.0	7.4	7.2	7.7	7.4	7.9	7.6	8.2	7.8
FEMA.....	0.4	1.9	0.4	0.6	0.4	0.4	0.4	0.4	0.4	0.4
General Services Administration.....	0.2	1.2	0.2	0.4	0.2	0.3	0.2	0.1	0.2	0.2
NASA.....	14.3	14.5	14.4	14.4	14.5	14.4	14.6	14.5	14.6	14.6
NSF.....	3.2	2.9	3.2	3.0	3.3	3.2	3.4	3.3	3.5	3.4
Office of Personnel Management.....	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2	0.1	0.2
National Service Initiative.....	0.7	0.7	1.4	1.2	1.6	1.5	1.9	1.8	2.2	2.1
Small Business Administration.....	0.7	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Legislative Branch.....	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3	2.3
The Judiciary.....	2.9	2.8	2.9	2.8	2.9	2.8	2.9	2.8	2.9	2.8
Other agencies.....	4.8	4.5	5.2	4.9	5.2	4.9	5.2	4.9	5.0	4.7
Allowance.....	-0.5	-0.5	-----	-----	-----	-----	-----	-----	-----	-----
Subtotal, Discretionary Spending.....	501.7	541.1	512.0	542.1	515.3	534.6	531.7	544.7	535.7	541.7
Caps.....	504.2	541.1	518.8	546.8	527.7	546.6	530.2	547.1	N/A	N/A
Total discretionary less caps.....	-2.5	0.0	-6.7	-4.7	-12.4	-12.0	1.5	-2.3	N/A	N/A

**COMPARISON WITH FY 1994**  
**( In billions of dollars )**

	<u>1993</u> <u>Actual</u>	<u>1994</u> <u>Enacted</u>	<u>1995</u> <u>Recom.</u>	<u>% Change</u> <u>94 Enact. to</u> <u>95 Recom.</u>
<b>Total Discretionary:</b>				
BA	522.9	501.9	501.7	-0.06%
O	550.3	543.3	541.1	-0.40%
<b>Department of Defense</b>				
BA	262.1	250.6	250.5	-0.04%
O	280.2	262.9	260.3	-0.99%
<b>Non-DOD Defense:</b>				
BA	13.9	11.9	11.0	-7.80%
O	13.4	12.2	11.3	-7.85%
<b>Total, Non-Defense Discretionary:</b>				
BA	246.9	239.5	240.1	0.27%
O	256.8	268.1	269.5	0.49%
<b>Investments:</b>				
BA	36.5	41.8	49.0	14.73%
O	55.2	58.5	64.8	9.69%
<b>Non-Investments (Non-Defense):</b>				
BA	210.4	197.7	191.2	-3.43%
O	201.5	209.6	204.7	-2.42%
<b>Non-Investments less a 1% outlay cut:</b>				
BA	210.4	197.7	187.2	-5.59%
O	201.5	209.6	202.6	-3.45%

**II. Impact of Potential Programmatic Additions on Crosscutting Categories – Comparison with FY 1994**  
 (discretionary programs only, in millions of dollars)

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	FY 1994		FY 1995		Change			
	BA 1/	OL	BA	OL	\$	\$	%	%
	BA 1/	OL	BA	OL	BA	OL	BA	OL
<b>Rebuilding America</b>								
Infrastructure.....	33,556	31,119	29,271	31,239	-4,285	120	-12.8%	0.4%
Potential Changes:								
ISTEA, full funding of:								
Highways.....	-	-	2,067 *	326				
Mass Transit Formula Capital.....	-	-	325	20				
Airport grants.....	-	-	427 *	77				
Penn Station.....	-	-	90	10				
Mass Transit (operating subsidies).....	-	-	107	64				
GSA.....	-	-	1,500	-				
Adjusted, Infrastructure.....	33,556	31,119	33,807	31,736	251	617	0.7%	2.0%
Information Infrastructure.....	2,611	2,571	3,039	2,976	428	405	16.4%	15.6%
Potential Changes:								
Census 2000 and Resource Depletion Measurement.....	-	-	16	14				
Adjusted, Information Infrastructure.....	2,611	2,571	3,055	2,990	444	419	17.0%	16.3%
Business Development.....	2,874	3,171	2,743	2,821	-131	-350	-4.6%	-11.0%
Potential Changes:								
SBA Refinancing.....	-	-	30	30				
Adjusted, Business Development.....	2,874	3,171	2,773	2,851	-101	-320	-3.5%	-10.1%
Housing, Urban and Regional Development and Investment.....	11,359	11,068	11,076	12,548	-281	1,480	-2.5%	13.4%
Potential Changes:								
HUD.....	-	-	1,171	11				
Adjusted, Housing, Urban and Regional Development and Investment.....	11,359	11,068	12,249	12,559	890	1,491	7.8%	13.5%
Science and Technology.....	69,656	69,529	70,715	70,331	1,059	802	1.5%	1.2%
Potential Changes:								
NIST.....	-	-	248	113				
Adjusted, Science and Technology.....	69,656	69,529	70,963	70,444	1,307	915	1.9%	1.3%
Environment.....	31,927	31,232	32,780	32,310	853	1,078	2.7%	3.5%
Potential Changes:								
Land and Water Conservation Fund (Ag and Interior).....	-	-	60	24				
Ag Research & Conservation.....	-	-	350	280				
NOAA: (fisheries & FCCSET).....	-	-	120	67				
Adjusted, Environment.....	31,927	31,232	33,310	32,681	1,383	1,449	4.3%	4.6%

1/ BA Includes Obligation Limitations

\* Obligation Limitations

**II. Impact of Potential Programmatic Additions on Crosscutting Categories – Comparison with FY 1994**  
(discretionary programs only, in millions of dollars)

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	FY 1994		FY 1995		Change			
	BA <sup>1/</sup>	OL	BA	OL	\$	\$	%	%
	BA	OL	BA	OL	BA	OL	BA	OL
<b>Restoring the Future</b>								
Young Children.....	31,638	30,939	34,472	31,955	2,834	1,016	9.0%	3.3%
<b>Jobs and Training and Postsecondary Education</b>								
Jobs and Training and Postsecondary Education.....	40,034	39,141	43,093	39,941	3,059	800	7.6%	2.0%
Potential Changes:								
Dislocated Workers (assumes no mandatory programs).....	---	---	300	15	---	---	---	---
Adjusted, Jobs and Training and Postsecondary Education.....	40,034	39,141	43,393	39,956	3,359	815	8.4%	2.1%
<b>Empowerment</b>								
Empowerment.....	24,945	23,974	27,159	25,000	2,214	1,026	8.9%	4.4%
Potential Changes:								
HHS: LIHEAP.....	---	---	300	265	---	---	---	---
Adjusted, Empowerment.....	24,945	23,974	27,459	25,315	2,514	1,341	10.1%	5.5%
<b>Health</b>								
Health.....	55,442	54,318	55,409	54,771	-33	455	-0.1%	0.8%
Potential Changes:								
Veterans Health.....	---	---	300	270	---	---	---	---
HHS: NIH (AIDS Research & Women's Health).....	---	---	173	73	---	---	---	---
HHS: CDC Immunizations.....	---	---	46	23	---	---	---	---
OSHA.....	---	---	10	9	---	---	---	---
Adjusted, Health.....	55,442	54,318	55,938	55,146	496	830	0.9%	1.5%
<b>Crime and Drugs</b>								
Crime and Drugs.....	20,393	20,811	23,585	21,729	3,172	918	15.6%	4.4%
Potential Changes:								
Treasury (without border crossing fee).....	---	---	125	113	---	---	---	---
HHS: SAMHSA.....	---	---	150	75	---	---	---	---
Adjusted, Crime and Drugs.....	20,393	20,811	23,840	21,917	3,447	1,106	16.9%	5.3%
<b>Toward a New World</b>								
Trade Promotion.....	1,741	1,302	1,457	1,387	-284	85	-16.3%	6.5%
<b>International Issues</b>								
International Issues.....	19,761	20,718	20,317	20,350	556	-368	2.8%	-1.8%
Potential Changes:								
State.....	---	---	360	110	---	---	---	---
Adjusted, International Issues.....	19,761	20,718	20,677	20,460	916	-258	4.6%	-1.2%
<b>National Security Issues</b>								
National Security Issues.....	262,311	274,903	261,317	271,391	-994	-3,512	-0.4%	-1.3%
Potential Changes:								
DOD.....	---	---	1,700	---	---	---	---	---
Adjusted, National Security Issues.....	262,311	274,903	263,017	271,391	706	-3,512	0.3%	-1.3%

<sup>1/</sup> BA includes Obligation Limitations  
\* Obligation Limitations

# Impact of Potential Programmatic Additions on Crosscutting Categories -- By Agency

(FY 1995 discretionary outlays, in millions of dollars)

	Appropriations Committee	Defense Education	Energy	HRIS	HUD	Interior	Justice	Labor	State	DOI	Treasury	VA	Other	Total
<b>Rebuilding America</b>														
Infrastructure	677	-	-	-	809	477	-	-	-	28,375	-	-	3,881	31,239
Potential Changes:														
BTEA, but funding of:														
Regulatory	-	-	-	-	-	-	-	-	-	326	-	-	-	326
Mass Transit Formula Capital	-	-	-	-	-	-	-	-	-	20	-	-	-	20
Airport grants	-	-	-	-	-	-	-	-	-	77	-	-	-	77
Port facilities	-	-	-	-	-	-	-	-	-	10	-	-	-	10
Mass Transit (Federal subsidee)	-	-	-	-	-	-	-	-	-	64	-	-	-	64
CBA	-	-	-	-	-	-	-	-	-	0	-	-	-	0
Adjusted Infrastructure	677	-	-	-	809	477	-	-	-	28,812	-	-	3,881	31,798
<b>Information Infrastructure</b>														
Information Infrastructure	158	364	-	-	173	117	-	14	-	-	1,795	-	385	2,879
Potential Changes:														
Central access and database duplication elim.	-	-	-	-	-	-	-	-	-	-	-	-	16	16
Adjusted Information Infrastructure	158	364	-	-	173	117	-	14	-	-	1,795	-	369	2,863
<b>Business Development</b>														
Business Development	1,223	402	-	-	-	12	-	72	-	27	-	-	1,028	2,821
Potential Changes:														
EBA Reauthorization	-	-	-	-	-	-	-	-	-	-	-	-	20	20
Adjusted Business Development	1,223	402	-	-	-	12	-	72	-	27	-	-	1,008	2,801
<b>Housing, Urban &amp; Regional Dev. &amp; Inv.</b>														
Housing, Urban & Regional Dev. & Inv.	1,887	303	-	-	641	744	620	-	-	-	63	-	641	12,548
Potential Changes:														
HUD	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted Urban & Regional Dev. & Investment	1,887	303	-	-	641	744	620	-	-	-	63	-	641	12,548
<b>Science and Technology</b>														
Science and Technology	1,047	1,344	28,087	61	7,225	10,887	34	10	-	534	-	210	12,964	70,251
Potential Changes:														
NSF	-	113	-	-	-	-	-	-	-	-	-	-	-	113
Adjusted Science and Technology	1,047	1,457	28,087	61	7,225	10,887	34	10	-	534	-	210	12,964	70,444
<b>Environment</b>														
Environment	2,380	1,311	5,078	-	6,772	453	4,443	-	-	1,046	-	-	6,512	32,219
Potential Changes:														
Land and Water Conservation Fund	20	-	-	-	-	-	-	-	-	-	-	-	-	20
Ag Research & Conservation	280	-	-	-	-	-	-	-	-	-	-	-	-	280
NOAA Research & Research	62	-	-	-	-	-	-	-	-	-	-	-	-	62
Adjusted Environment	4,118	1,311	5,078	-	6,772	453	4,443	-	-	1,046	-	-	6,512	32,081
<b>Restoring the Future</b>														
Young Children	2,524	-	-	10,723	-	5,388	-	2,887	-	-	-	-	20	31,298
<b>Jobs and Training &amp; Postsecondary Ed.</b>														
Jobs and Training & Postsecondary Ed.	3,831	1	-	24,143	-	4,543	10	303	-	104	-	-	3,883	39,241
Potential Changes:														
Dislocated Workers (summons no record, prog.)	-	-	-	-	-	-	-	13	-	-	-	-	-	13
Adjusted Jobs & Training & Postsecondary Ed.	3,831	1	-	24,143	-	4,543	10	303	-	104	-	-	3,883	39,290
<b>Employment</b>														
Employment	94	-	-	18,088	-	1,822	453	-	-	-	-	-	1,063	20,030
Potential Changes:														
NHS: IHR/OP	-	-	-	-	-	285	-	-	-	-	-	-	-	285
Adjusted Employment	94	-	-	18,088	-	1,907	453	-	-	-	-	-	1,063	20,315

# Impact of Potential Programmatic Additions on Crosscutting Categories - By Agency

(FY 1995 discretionary outlays, in millions of dollars)

	Health	Agriculture	Commerce	Defense	Education	Energy	HHS	HUD	Interior	Judges	Labor	State	DOT	Transportation	VA	Other	Total
<b>Health</b>	424	-	-	14,899	-	-	22,428	-	-	-	207	-	-	-	18,029	29	54,271
Potential Changes:																	
Veterans Health:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	279	-	279
HHS: NIH (NIH Research & Women's Health):	-	-	-	-	-	-	73	-	-	-	-	-	-	-	-	-	73
HHS: CDC: Immunization:	-	-	-	-	-	-	23	-	-	-	-	-	-	-	-	-	23
OSHA:	-	-	-	-	-	-	-	-	-	-	9	-	-	-	-	-	9
Agriculture, Health:	424	-	-	14,899	-	-	22,428	-	-	-	319	-	-	-	18,303	29	54,148
<b>Crime and Drugs</b>	18	-	-	895	890	-	1,826	72	73	10,898	817	149	383	2,287	796	-	27,292
Potential Changes:																	
Treasury (Federal Reserve operating exp):	-	-	-	-	-	-	25	-	-	-	-	-	-	113	-	-	113
HHS: SAMHSA:	-	-	-	-	-	-	25	-	-	-	-	-	-	113	-	-	228
Adjustment, Crime and Drugs:	18	-	-	895	890	-	2,070	72	73	10,898	817	149	383	2,400	796	-	27,811
<b>Toward a New World</b>	130	241	-	-	-	-	-	-	-	-	-	-	-	-	-	1,016	1,287
International Business:	130	241	-	-	-	-	-	-	-	-	-	-	-	-	-	1,016	1,287
Potential Changes:																	
State:	-	-	-	-	-	-	-	-	-	1	-	3,895	-	-	-	-	3,895
Adjustment, International Business:	130	241	-	-	-	-	-	-	-	-	-	3,895	-	-	-	-	3,895
<b>National Security Issues</b>	-	-	-	280,300	-	18,437	-	-	-	3	-	-	289	-	-	362	271,281
Potential Changes:																	
DOC:	-	-	-	280,300	-	18,437	-	-	-	3	-	-	289	-	-	362	271,281
Adjustment, National Security Issues:	-	-	-	280,300	-	18,437	-	-	-	3	-	-	289	-	-	362	271,281

### III. FUNDING THE \$3.4 BILLION SHORTFALL

	FY 1995 Outlays (\$ in billions)
Overview Shortfall.....	3.4
Funding	
- Reserved for Inflation Adjustment.....	1.2
- Funding Disasters as "Contingent Emergencies" under BEA rules.....	0.4
- Crime bill spendout technical adjustment.....	1.3
- Estimated Procurement Savings.....	0.5
Total offsets.....	3.4

*96% spendout  
42% spendout rate for our programs*

**IV. OPTIONS FOR ADDITIONAL FUNDING**

**OPTION #1**

No additional changes.

**OPTION #2 – "Long List" of Potential Additions**

	Crosscut Category	FY 1995 (\$ in millions)	
		BA	Outlays
- ISTEA; full funding of:			
-- highways.....	Infrastructure	2,087 *	326
-- mass transit formula capital.....	Infrastructure	325	20
- Dislocated Workers (assumes no mandatory programs).....	Training & PostSec. Ed.	300	15
- Veterans Health.....	Health	300	270
- NIST.....	Science & Technology	248	113
- NOAA (fisheries & FCCSET).....	Environment	120	67
- Census 2000 and Resource Depletion Measurement.....	Information Infrastructure	16	14
- Land and Water Conservation Fund (Ag and Interior).....	Environment	60	24
- Mass Transit (operating subsidies).....	Infrastructure	107	64
- Airport Grants.....	Infrastructure	427 *	77
- Penn Station.....	Infrastructure	90	10
- Ag Research & Conservation.....	Environment	350	280
- HUD.....	Urban & Regional Dev.	1,171	11
- Treasury (without border crossing fee).....	Crime and Drugs	125	113
- SBA Refinancing.....	Business Development	30	30
- HHS: NIH (AIDS Research & Women's Health).....	Health	173	73
- HHS: CDC Immunizations.....	Health	46	23
- HHS: SAMHSA.....	Crime and Drugs	150	75
- HHS: LIHEAP.....	Empowerment	300	285
- OSHA.....	Health	10	9
- DOD.....	Defense	1,700	---
- GSA.....	Infrastructure ..	1,500	---
- State.....	International	360	110
Subtotal.....		9,995	2,009
Less obligation limitation.....		2,514	---
--- Total, Option #2.....		7,481	2,009

**Paid for by:**

	% Cut	BA	Outlays
Across-the-board cut in non-defense, non-investment programs:			
-- to finance BA (less \$2.5 billion).....	2.52	4,943	2,416
-- to finance outlays.....	2.10	4,110	2,009
-- to finance outlays (less \$308 million).....	1.78	3,480	1,701

\* Obligation limitations

**OPTION #3 – Providing Funding for Additional Key Areas Only**

	<u>Crosscut Category</u>	<u>FY 1995</u>		
		<u>BA</u>	<u>Outlays</u>	
		(\$ in millions)		
- ISTEA, full funding:				
-- highways.....	Infrastructure	2,087 *	326	
-- mass transit formula capital.....	Infrastructure	325	20	
- Dislocated workers.....	Training & Post.Sec. Ed.	300	15	
- Veterans health.....	Health	300	220	
- Defense.....	Defense	1,700	---	
- HHS: LIHEAP.....	Empowerment	300	285	
- Agriculture research and conservation.....	Environment	350	280	
- HUD.....	Urban and Regional Dev.	1,171	11	
Subtotal, Option #3.....		6,533	1,157	
Less obligation limitation.....		2,087	---	
Total, Option #3.....		4,446	1,157	
<b>Paid for by:</b>				
		<u>% Cut</u>	<u>BA</u>	<u>Outlays</u>
<b>Across-the-board cut in non-defense, non-investment programs:</b>				
-- to finance BA (less \$2.5 billion).....		0.97	1,908	932
-- to finance outlays.....		1.21	2,367	1,157
-- to finance outlays (less \$308 million).....		0.89	1,737	849

\* Obligation limitations

## OPTION #4 – Key Areas Only Plus Half of Others

Key areas:	Crosscut Category	FY 1995	
		BA (\$ in millions)	Outlays
- ISTEА, full funding:			
- -- highways.....	Infrastructure	2,087 *	326
- -- mass transit formula capital.....	Infrastructure	325	20
- Dislocated workers.....	Training & Post.Sec. Ed.	300	15
- Veterans health.....	Health	300	220
- Defense.....	Defense	1,700	---
- HHS: LIHEAP.....	Empowerment	300	285
- Agriculture research and conservation.....	Environment	350	280
- HUD.....	Urban and Regional Dev.	1,171	11
Subtotal, Key areas.....		6,533	1,157
Other investment areas:			
- NIST.....	Science & Technology	124	57
- NOAA (fisheries & FCCSET).....	Environment	60	34
- Census 2000 and Resource Depletion Measurement.....	Information Infrastructure	8	7
- Land and Water Conservation Fund (Ag and Interior).....	Environment	30	12
- Mass Transit (operating subsidies).....	Infrastructure	54	32
- Airport Grants.....	Infrastructure	214 *	39
- Penn Station.....	Infrastructure	45	5
- Treasury (without border crossing fee).....	Crime and Drugs	63	57
- SBA Refinancing.....	Business Development	15	15
- HHS: NIH (AIDS Research & Women's Health).....	Health	87	37
- HHS: CDC Immunizations.....	Health	23	12
- HHS: SAMHSA.....	Crime and Drugs	75	38
- OSHA.....	Health	5	5
- GSA.....	Infrastructure	750	---
- State.....	International	180	55
Subtotal, Other investment areas.....		1,731	401
Total.....		8,264	1,558
Less obligation limitation.....		2,301	---
Total, Option #4.....		5,964	1,558
Paid for by: Across-the-board cut in non-defense, non-investment programs:			
-- to finance BA (less \$2.5 billion).....	% Cut	BA	Outlays
-- to finance outlays.....	1.75	3,426	1,675
-- to finance outlays.....	1.63	3,188	1,558
-- to finance outlays (less \$308 million).....	1.31	2,557	1,250

\* Obligation limitations

## V. Potential Impact of Option 2 Additions Financed by an Across-the-Board Cut

(in billions of dollars)

	FY 1995 Recommended		Option 2 Additions		% Across-the-Board Cut		FY 1995 Rec'd After Add'l Cut	
	BA	OL	BA	OL	BA	OL	BA	OL
Agriculture (excluding international).....	13.573	13.685	0.400	0.300	-0.166	-0.125	13.807	13.861
Commerce.....	3.596	3.455	0.384	0.194	-0.044	-0.025	3.936	3.624
Defense.....	250.500	260.316	1.700	---	---	---	252.200	260.316
Education.....	26.175	24.148			-0.348	-0.096	25.827	24.052
Energy.....	17.205	17.988			-0.330	-0.186	18.875	17.802
Health and Human Services.....	35.000	36.600	0.669	0.458	-0.573	-0.240	35.096	36.816
Housing and Urban Development.....	24.780	29.892	1.171	0.011	-0.437	-0.048	25.514	29.855
Interior.....	7.096	7.390	0.010	0.004	-0.109	-0.075	6.997	7.319
International programs (function 150).....	20.317	20.350	0.360	0.110	-0.427	-0.225	20.251	20.235
Justice.....	9.691	9.965			-0.188	-0.137	9.503	9.828
Violent Crime Reduction TF.....	2.423	0.699			---	---	2.423	0.699
Labor.....	11.433	10.445	0.310	0.024	-0.182	-0.027	11.561	10.442
Transportation.....	12.664	36.269	0.522 *	0.497	-0.248	-0.062	12.938	36.704
Treasury.....	10.076	10.203	0.125	0.113	-0.189	-0.185	10.012	10.151
Veterans Affairs.....	17.502	17.738	0.300	0.270	-0.367	-0.306	17.435	17.702
Corps of Engineers.....	3.341	3.531			-0.070	-0.051	3.271	3.480
EPA.....	7.178	7.009			-0.100	-0.031	7.076	8.978
FEMA.....	0.357	1.937			-0.008	-0.005	0.350	1.932
General Services Administration.....	0.181	1.241	1.500	---	-0.004	-0.000	1.677	1.241
NASA.....	14.300	14.487			-0.215	-0.140	14.085	14.347
NSF.....	3.230	2.882			-0.003	-0.001	3.227	2.881
Office of Personnel Management.....	0.117	0.223			-0.003	-0.001	0.115	0.222
National Service Initiative.....	0.712	0.738			---	---	0.712	0.738
Small Business Administration.....	0.716	0.768	0.030	0.030	-0.009	-0.006	0.737	0.790
Legislative Branch.....	2.300	2.300			---	---	2.300	2.300
The Judiciary.....	2.929	2.812			---	---	2.929	2.812
Other agencies.....	4.769	4.541			-0.091	-0.054	4.678	4.487
Allowance.....	-0.503	-0.503					-0.503	-0.503
<b>Total, Discretionary Spending.....</b>	<b>501.656</b>	<b>541.107</b>	<b>7.481</b>	<b>2.009</b>	<b>-4.110</b>	<b>-2.009</b>	<b>505.027</b>	<b>541.107</b>
<b>Caps.....</b>	<b>504.194</b>	<b>541.107</b>					<b>504.194</b>	<b>541.107</b>
<b>Total Discretionary less Caps.....</b>	<b>-2.538</b>	<b>0.000</b>					<b>0.833</b>	<b>0.000</b>

\* Obligation limitation increased by \$2.541 billion.

**VI. MAJOR REDUCTIONS CONTAINED IN THE RECOMMENDED LEVELS**  
**(budget authority, in millions of dollars)**

	FY94 ENACTED	FY95 RECOMMENDED	FY95 - FY94 DIFFERENCE
Department of Health and Human Services Low income home energy assistance.....	1,437	500	-937
Department of Housing and Urban Development Subsidized housing programs.....	9,313	8,410	-903
Department of Health and Human Services HCFA accounts (Discretionary Program Mgmt).....	2,980	2,180	-800
Department of Energy General science and research activities.....	1,615	895	-720
Environmental Protection Agency Water infrastructure financing.....	2,477	1,950	-527
Department of Housing and Urban Development Home Block Grant.....	1,275	750	-525
Department of Agriculture Rural housing insurance fund program account.....	1,115	720	-395
Corps of Engineers Construction - general.....	1,279	901	-378
Department of the Treasury U.S. Customs Service, salaries and expenses.....	1,454	1,084	-370
National Aeronautics and Space Administration Space flight, control, and data communications.....	4,854	4,544	-310
National Aeronautics and Space Administration Construction of facilities.....	518	217	-301

**VI. MAJOR REDUCTIONS CONTAINED IN THE RECOMMENDED LEVELS**  
**(budget authority, in millions of dollars)**

	FY94 ENACTED	FY95 RECOMMENDED	FY95 - FY94 DIFFERENCE
Department of Veterans Affairs			
Construction accounts.....	524	224	-300
Export-Import Bank of the United States			
Loan programs.....	1,045	745	-300
Department of Housing and Urban Development			
Severely distressed public housing.....	778	483	-295
Department of Justice			
Justice assistance.....	679	388	-291
Department of Health and Human Services			
Indian Health Service accounts.....	1,943	1,696	-247
Department of Energy			
Defense environmental restoration/waste mgmt.....	5,174	4,953	-221
Department of Energy			
Weapons activities.....	3,595	3,402	-193
Department of Agriculture			
Watershed and flood prevention operations.....	242	60	-182
Department of Energy			
Materials support and other defense programs.....	1,964	1,782	-182

Total number of programs reduced from FY 1994: 219\*

Total number of programs frozen at FY 1994 levels: 142\*

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\* These totals are not accurate program counts because certain programs have been grouped together; program counts may be understated.

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VII. FY 1995 BUDGET FULL-TIME EQUIVALENT EMPLOYMENT  
Executive Branch Agencies less Postal Service

(FTEs in thousands)	1994			1995				
	1993 Estimate	Agency Request	Revised Rec'd	Agency Request	Original Rec'd	Agency Appeal	Revised Rec'd	Revised Rec'd Level
Agriculture	116.4	111.3	111.3	108.7	108.5			108.5
Commerce	36.0	35.8	35.8	37.1	35.3	1.5	1.4	36.6
Defense	916.7	896.1	896.1	859.9	859.9			859.9
Education	4.9	5.1	5.1	5.2	5.2	.4	.4	5.6
Energy	20.2	20.4	20.8	20.9	20.7	.8	.8	21.5
Health and Human Services	129.0	129.4	128.5	129.3	126.8	2.4	2.0	128.7
Housing and Urban Development	13.3	13.3	13.3	13.3	13.1	.2	.2	13.2
Interior	76.0	76.0	76.0	74.9	74.7			74.7
Justice	95.4	95.7	96.9	101.9	100.8			100.8
Labor	19.7	19.4	19.4	19.9	19.3	.2	.4	19.6
State	25.6	25.4	25.4	25.3	25.0			25.0
Department of Transportation	69.8	69.3	68.7	67.9	67.9			67.9
Treasury	161.0	162.5	162.5	163.1	160.9	.3	.3	161.2
Veterans Affairs	234.0	235.5	234.2	234.5	225.7	8.9	3.0	228.6
Corps of Engineers	28.4	28.5	28.5	28.7	27.8			27.8
EPA	18.1	18.6	18.6	20.1	18.5	1.3	1.2	19.7
FDIC/RTC	22.6	22.8	22.8	22.8	22.8			22.8
GSA	23.0	22.9	22.9	22.5	22.4			22.4
NASA	24.9	24.6	24.6	24.5	24.5			24.5
Panama Canal Commission	8.5	8.8	8.6	9.0	8.8			8.8
TVA	18.9	18.5	18.5	18.4	18.4			18.4
Other small agencies	64.7	65.7	65.5	64.9	64.0			64.0
<b>Total Executive Branch</b>	<b>2,129.2</b>	<b>2,105.4</b>	<b>2,104.0</b>	<b>2,073.4</b>	<b>2,051.4</b>	<b>15.9</b>	<b>9.5</b>	<b>2,060.9</b>
Reduction from 93 Base ( 2,160.9)	-31.7	-55.5	-56.9	-87.5	-109.5			-100.0
Reduction percentage	-1.5%	-2.6%	-2.6%	-4.0%	-5.1%			-4.6%
FTE Target (100,000 reduction)		2,098.4	2,098.4	2,060.9	2,060.9			2,060.9

## BUDGET ROLLOUT ITEMS

### EDUCATION

LEAK < -Charter Schools

-Public school choice

NOTE: The 4<sup>th</sup> year Charter Schools Report is ready at any time, and could be combined with a budget announcement. *Meet Pres. 3,000 schools in FY01. \$30m - 175m*

WEEK OF SOTU < -Failing Schools

Universal After-School

Title I/Accountability Funding

Jan. 10 < -Teacher Quality Initiatives

Performance-Based Pay and Peer Review

Troops to Teachers

Teacher Recruitment

Principals - School Leadership Centers

< -Class Size (could be linked w/teacher quality initiatives)

SOTU < -School Construction

-Higher Education Initiatives

-including or separate - Hispanic Education Initiative

-Pell, Trio

-Special Education (VP)

LEAK < -SAT and ACT Test Preparation

? < -AP Online *Dis. Divide/Univ. Access*

SOTU < -High School Reform Initiative

-Minority Serving Institutions

NOTE: Teacher Quality Summit sponsored by Department of Education, January 10-12, in Washington, DC to include university presidents, deans, professors, and teachers (800 attendees)

# HEALTHCARE

- EVENT before SOTU, subject to VP + HRC* {
  - New health insurance coverage initiatives
    - Access for Uninsured Americans
    - Community Health Centers
- LEAK or Rumsfeld on EVENT 1/5* {
  - Preventing medical errors and improving health care quality
    - Medical Records
  - CHIP Outreach proposals
    - NOTE: we can release a new state-by-state study announcing that 2 million children are covered under CHIP
- LEAK before 1/4* {
  - Finishing the job for people with disabilities returning to work
    - tax credit
    - permanent Medicare extension
- NEXT WK* {
  - Preventing the sale of unsafe drug products over the internet
- HRC* {
  - Announcing a major increase in the war on emerging infectious diseases
    - National Electronic Disease System
  - Determining the environmental causes of diseases, including breast and prostate cancer
- VP?* {
  - Unveiling major new investment to combat HIV and AIDS
    - Ryan White grant program
    - Prevention initiatives
- NEXT WK* {
  - Highlighting major new investment in food safety (incl. funding of egg program)
- MEG* {
  - Increasing prevention and treatment services for mental illness and substance abuse
- LEAK?* {
  - Eradicating polio worldwide
- SOTU or later* {
  - Preventing genetic discrimination
- VP* {
  - Improving nursing home quality
- HRC* {
  - Increasing family planning efforts nationwide
  - Improving health care services for Native Americans
  - Family Caregivers/Long Term Care
- HRC* {
  - Education fund to Children's Hospitals

LEAK  
in Jan. -Bioterrorism

-Asthma initiative

Event  
or radio  
address  
could come  
w/VP

-Medicare Fraud

NOTE: Can be combined with annual report on \$ recovered from Medicare fraud; not ready until January

-Veterans healthcare system

NON-BUDGET EVENTS:

NOTE: Kaiser and RWJ are scheduled to release a study on **January 4<sup>th</sup>** calling for better coordination of CHIP enrollment with other federal program enrollment, i.e., food stamps, school lunches.

NOTE: HIAA, Families USA, and RWJ will be holding a Healthcare Coverage Conference on **January 13<sup>th</sup>**.

VP -Releasing prescription drug cost report

Feb. -OPM working on sick leave regs

CHILDREN AND FAMILIES

LEAK -Childcare Initiative  
-DCTC

SSTU -Head Start

-Early Childhood Development

Leak  
HRC -FMLA Paid Leave

CRIME

EVENT -Firearms Enforcement Budget  
Could be combined with:  
Gun Violence Reduction Strategy (must be done by Jan. 21)  
Gun Trafficking Report - Feb.

LEAK -Smart Gun Technology Research

*stay out/clean*  
Leak - Community Supervision -- Reentry

Leak - HUD Gun Funding

-Buy-back Program

-Youth Violence

-Youth Offenders Initiative (job training)

NON-BUDGET ITEMS:

-Administration Involvement in Las Vegas Gun Industry Trade Show (Jan. 21)

-Police Gun Resale Event (after release of budget)

WELFARE AND WORK

-Rewarding Work and Family

Housing vouchers

~~Grants to help low-income working parents succeed on the job and move up career ladder~~

Transportation grants and food stamp/car changes

SOTU (VP) - Responsible Fatherhood Initiative (not ready until January)

Child Support

Leak - Food Stamps / *Immigrant*

-Universal Reemployment

LEAK (HRC) - Equal Pay Initiative (\$10 million)

-Non-Profit/Philanthropy

promote increased charitable giving by all taxpayers

Nonprofit Leadership Initiative

Increasing involvement of community- and faith-based groups in after-school and other important programs

IMMIGRATION AND CIVIL RIGHTS

Leak - ESL/Civics Initiative

-Naturalization Testing Process Streamlining

-INS Restructuring Proposals

## AGRICULTURE

- (VP) EVENT*
- Farm Safety Net
  - AgNet Registry for Farmworkers

## NATIVE AMERICANS INITIATIVE

*Leak*

\$1 billion initiative including:  
increased funding for BIA school construction  
initiatives to address the digital divide  
funding for 500 new Native American school administrators  
over \$200 million increase for the Indian Health Service  
funding for new roads in Indian Country

## HOMELESSNESS

*Leak*

\$1 billion in HUD funding (McKinney Act)  
continuum of care grants  
emergency shelter grants

Mainstream Homeless Initiative

## ENVIRONMENT

- Event*
- Lands Legacy Initiative – permanent funding stream
  - Salmon Recovery Fund
  - Climate Change
  - Tropical Forest Conservation

### Second Tier

- Environmental Initiative – water, clean air (?), wetlands
- Everglades

SCIENCE & TECHNOLOGY

1/21  
Speech

- Research and Development Initiative (\$1.5 billion)
  - including restoration of balance between biomedical and other scientific research
  - clean energy

HISPANIC BUDGET ITEMS

- Education Initiative
- Welfare
- Immigration

OTHER

Leak  
round  
1/17

- National Service
  - Americorps
  - Community Coaches

SOTU

Digital Divide

~~Animal Welfare~~

Millenium

Series  
of  
leaks

- TAX PACKAGE

**DRAFT: POTENTIAL BUDGET EVENTS OR LEAKS PRIOR TO THE SOTU**

1. New health insurance coverage initiatives: parents and targeted tax incentives
2. Releasing a new state-by-state study announcing that 2 million children are covered under CHIP and unveiling new outreach proposals
3. Preventing medical errors and improving health care quality
4. Releasing prescription drug cost report
5. Finishing the job for people with disabilities returning to work
6. Preventing the sale of unsafe drug products over the internet
7. Announcing a major increase in the war on emerging infectious diseases
8. Determining the environmental causes of breast cancer
9. Unveiling major new investment to combat HIV and AIDS
10. Highlighting major new investment in food safety
11. Increasing prevention and treatment services for mental illness and substance abuse
12. Eradicating Polio worldwide
13. Preventing genetic discrimination
14. Improving nursing home quality
15. Increasing family planning efforts nationwide
16. Improving health care services for Native Americans
17. Asthma Initiative

# CRIME

Available deliverables in next six weeks:

1. **Gun violence reduction strategy and firearms enforcement budget.** (early to mid-January – must be done before January 21) This is the response to the President's directive from earlier this year that was designed to provide a buffer in the enforcement debate. In response to the directive, all 93 U.S. Attorneys worked with ATF Special Agents in Charge and the local communities to develop gun violence strategies. The report will also lay the groundwork for current and new legislative/budget proposals: more resources at the state/federal level, stronger gun laws, industry accountability, prevention and local partnerships. The strategy could be rolled out with FY 2001 budget highlights for firearms enforcement.
2. **Gun trafficking report.** (ready mid-late January) This is a Treasury/ATF report based on ATF trafficking investigations. This report will present strong evidence that illegal gun trafficking is a serious public safety problem that must be addressed through aggressive enforcement. It will provide an analysis of distribution channels and how criminals utilize loopholes in our existing laws, such as gun shows, to obtain firearms. The report could emphasize related portions of firearms enforcement proposals from FY 2001 budget.
3. **Smart gun technology.** (Anytime in January). We could highlight the \$10 million that will be provided in the budget to fund smart gun and other personalized gun technology development at DOJ/National Institute for Justice. This should probably be released as a leak before the SOTU.
4. **Community Supervision – Reentry.** (mid-January). We could highlight new funds in budget to help provide greater community supervision of offenders released after incarceration. The budget will contain at least \$60 million for the new initiative to establish reentry partnerships and reentry courts – to provide more drug testing and treatment, job training, to hire more probation and parole officers, and link released offenders to child support and fatherhood groups. This could be done as a press leak on its own or highlighted as part of the responsible fatherhood initiative.
5. **HUD gun funding.** (mid-January) We could release the \$30 million in new funds for HUD's gun violence reduction initiative to promote public education on gun safety, implement local gun violence reduction programs, and fund technology such as computer crime mapping to target gun crimes. This could be done as a leak.
6. **Shot show.** (January 21) The Administration will send representatives to join settlement discussions between the cities and gun industry in Las Vegas at the industry's annual trade show.
7. **Police Gun Resale Event.** (Shortly after release of budget in Feb.) The President could join with national law enforcement organizations to condemn the practice of reselling used police guns and confiscated crime guns on the civilian market. The law enforcement organizations could issue a joint statement encouraging their members to end the practice, and the President could highlight \$10 million in his budget to provide federal assistance to local authorities to achieve this goal.

## DRAFT MEMO ON EDUCATION INITIATIVES:

### **Elementary and Secondary Education**

The ongoing reauthorization of the Elementary and Secondary Education Act coupled with the need to provide increases to several elementary and secondary base programs has led us to develop initiatives that complement these efforts while supporting innovation, high standards, and efforts to fix failing schools.

#### Significant Existing Programs

**Title I** – We recommend increasing funding for the Title I accountability set-aside to \$250 million for FY01 and increasing the funding for the basic Title I grants by at least an equal amount.

**After-School** – We are analyzing options and developing a proposal that will make after-school programs universal for students in schools identified as failing under Title I. We also recommend allowing 30 percent of funds for after-school and other extended learning programs to be granted directly to non-profit community-based organizations (CBOs)—including faith-based organizations. These programs would be run in partnership with public schools at the school site. This change would allow local organizations that have proven track records in after-school and can offer innovative educational strategies and often better connections to parents and the broader community to get involved the program. At present, no funds can be granted to CBOs, although the ESEA reauthorization proposal would allow up to 10% of funds in a given year to be awarded to nonprofit CBOs.

**Class Size** – We recommend a significant increase to stay on track toward hiring 100,000 teachers. The program is now funded at \$1.3 billion and we recommend increasing funding to at least [Eric: check with Bruce and get his latest thinking here, this has been a moving target]

**Charter Schools** – With an increase of approximately \$120 million the charter schools program will support the President's goal of 3000 charter schools. We recommend funding the program at this level.

#### Elementary and Secondary Education Act Proposals

The President's ESEA reauthorization proposal contains items that we recommend including in the budget for FY01.

**Teaching to High Standards:** The President's ESEA reauthorization proposal would consolidate Goals 2000, the Eisenhower Professional Development Program, and Title VI into a standards-based-reform grant program. We recommend that the FY01 budget request reflect this proposal. At their FY00 enacted levels the Eisenhower program and Goals 2000 are a combined \$ 830 million. Although the Administration does not

recommend funding the Title VI program in its budget request, the Teaching to High Standards initiative should reflect an inclusion of current Title VI funding (\$380 million FY00) and be funded at a minimum of \$1.21 billion. In order to reach this level while funding our new initiatives, we recommend including five earmarks in the Teaching to High Standards funding: Teacher Academies (OMB proposal for \$100 million), Troops to Teachers – Transition to Teaching (\$50 million), Pay for Performance Demonstration Program (\$50 million), Dual Accredited Teachers (\$30 million), and School Leadership (\$40). *These earmarks are described in more detail in this memo.*

**Public School Choice OPTIONS Proposal** – The OPTIONS initiative would create a grant program that would fund the demonstration, development, implementation, evaluation and dissemination of information of innovative public school choice projects. Funded projects would focus on areas such as new choice options for students within districts, partnering choice schools with other schools to disseminate information and stimulate improvement, and overcome barriers to choice. The \$30 million request covers \$28 million for approximately 40 new grants \$1.3 million for evaluation, and \$200,000 for peer review.

**Troops to Teachers** – The Troops to Teachers program was created in 1994 to help improve public school education by injecting the talent, skills, and experience of military service members and other federal civilian personnel into high-poverty schools. Recent studies have found that a significant number of mid-career professionals who possess strong subject matter skills are interested in beginning a teaching career—this program taps this valuable resource. The new proposal will continue the recruiting, preparing and supporting retired military personnel as teachers in high-need subject areas and school districts. It will also support similar programs for other mid-career professionals by awarding grants to public agencies, institutions of higher education, and nonprofit organizations to recruit, prepare, and support career-changing professionals from diverse fields whose knowledge and experience could help them become successful teachers. \$50 million for FY01.

### New Initiatives

**Fund for Future Schools** – During our discussions with educators and education leaders this fall, a common theme was the lack of funding available for large-scale innovation. Our proposal would establish an independent and bipartisan fund to support innovative regional, state, and local ideas that require up-front infusions of funding. As opposed to school-based only reforms these resources would support structural changes at the school district, state, and/or regional level. For example, a recent Education Commission of the States called for changes in school governance, especially in large school districts. The report recommended that school districts either move toward complete site-based management or a portfolio approach where different schools are accountable to the school board for performance but operate independently essentially as charter schools. Hugh Price, President of the Urban League recently called for a similar change in an editorial in Education Week and a few school districts are moving in this direction. For example Seattle has implemented site-based management and Cincinnati is slowly

moving toward the portfolio model. However, changes of this nature require both fiscal and political will. By providing funding we would help school districts that are struggling to maintain services with current funding adopt changes that would otherwise be out of their reach and also help generate political will by making funds available for changes of this nature. Of course, this funding could also support school based or other changes that the board deemed worthy of support. A local matching requirement would encourage local support and investment. Prime Minister Blair has started a similar fund in England and British officials report that in its second year their Education Action Zone initiative is showing positive results however they believe that the independence of the fund is a key characteristic. \$50 million would be distributed by competitive grants in the first year of this program.

**Performance-Based Pay and Peer Review** – As part of the 1999 National Education Summit in Palisades, New York, the governors and assembled business leaders pledged to sponsor “pay for performance” initiatives for teacher salary in 10 locations as a strategy to make teacher pay more competitive with other professions. Denver Colorado had adopted such a measure just prior to the summit. Despite considerable attention to the issue of teacher quality, teacher pay still remains far below other professions with the national average starting salary only approximately \$25,000, average teacher salary overall only approximately \$38,000, and the average maximum teacher salary in any state only about \$51,000. In addition, the Vice President and others have called for developing more equitable and expeditious ways to reward good teachers and get low-performing teachers out of the classroom. Specifically, in his May 16<sup>th</sup> speech at Graceland College, the Vice President called for teacher evaluations by experienced peers and administrators every 5 years to ensure, “faster but fair ways to identify, improve, and when necessary remove low performing teachers. California in addition to several large school districts have programs similar to what the Vice President proposed. Our proposal would fund 10 pilot pay for performance plans similar to what Denver has developed. While details would be left up to the local school districts and their teachers, the pilots could support performance awards that are either individual or school based. We would also provide grants for 10 pilots of “peer review” programs where teachers are evaluated by their peers every 5 years and low-performing teachers are given support to improve or ultimately removed from the system in a fair but fast manner. 10 pilots for each strategy could be funded for \$50 million in the first year.

**Rewarding Leaders and High Performance** –The federal government’s role in education has evolved to one that expects all students to achieve, holds schools accountable for performance, supports improvement, refuses to tolerate persistent failure, and rewards success. However, we have not yet put into place a viable rewards program. This proposal calls for a Rewards Fund for Leaders and High Performance that would award funding to states that met federal performance criteria and would support teacher performance pay demonstration projects (*described above*). From FY2001-2003, states would receive awards for developing accountability systems, including high school exit exams, meeting teacher quality requirements, and developing and disseminating report cards ahead of the timetable the President is calling for in his ESEA proposal. After

2003, the Reward Fund would move to a system based on actual student performance measures.

Initially, this fund would also provide seed money to states to help them develop school report cards including the guidelines that the President specified in his Education Accountability Act. This would help undermine Republican criticism of our ESEA requirements as unfunded mandates to the states. Beginning with \$125 million in FY01 and including our peer review and pay for performance proposals, we would be on a track to spend \$1 billion rewarding performance over five years.

**Leadership for 21<sup>st</sup> Century Schools** –Without quality school leaders, school reform is destined to fail. To address this, our initiative would fund independent School Leadership Centers. The Centers would focus on leadership development opportunities for existing schools leaders (principals, superintendents, etc) in areas such as effective management, school design, technology, and district governance. In addition, recruiting and training nontraditional candidates for school and district leadership would also be part of the Center's mission. Centers would be run by independent nonprofits or public-private partnerships on a state or regional basis and they would be required to partner with leadership from the public and private sector. Just as Presidential leadership has increased the national focus on improving teacher quality, federal leadership is needed to push states to make greater investments in developing quality school leaders prepared for accountability, the devolution of decision making, and the focus on school-based reform. At present, there is no federal program focused solely on school leadership and only a handful of programs allow funds to be used for it. There is broad political support for a focus on improving school leadership, as evidenced by the inclusion of a smaller provision in the House-passed ESEA bill. We recommend \$40 million in competitive grants to fund approximately 20 state-level or regional centers.

**Schools without Walls: Ensuring Access through Distance Technology** –This initiative aims to ensure challenging coursework for all students by providing access to high-quality on-line academic courses to students in under-served areas. While this Administration has shaped a federal education role that holds all students to high standards and expects they can achieve, the reality of school finance in America prevents all students from having access to challenging educational opportunities. Small and poor schools often lack the resources and teachers needed to offer challenging courses, including Advanced Placement courses at the high school level. Today, less than 60% of US high schools offer AP courses to their students. A lack of qualified teachers in these areas, also mean that students don't have access to challenging math and science courses or classes in English as Second Language.

This proposal complements existing federal efforts in technology to fund internet connections, equipment acquisition and teacher training, by funding a competitive grant program to districts that will allow schools to purchase on-line curriculum, train teachers to use on-line curriculum, or purchase course materials. Although many states are developing virtual school capacities to offer courses to students throughout their state, the quality of on-line courses has yet to match the capacity of technology. In order to ensure

high-quality content, the proposal also calls for a partnership with leading course software developers like APEX (run by Microsoft co-founder, Paul Allen), which would subsidize the cost of high quality Web-based course development in return for cut-rate prices for high poverty school districts. The proposal also calls for increases in the Technology Literacy Challenge Fund, which allows computer equipment purchases, and the Technology Teacher Training Program, and continued commitment to E-Rate. The initiative should win broad support as Republicans and Democrats have supported AP fee assistance and Senate Democrats and Republicans have consistently supported Star Schools, a distance learning initiative. Total funding for the initiative would be \$225 million, including \$50 million for grants, \$25 million for course development, and \$125 million in increases in existing programs.

**The Backyard Teacher Recruitment Initiative** –The problems of teacher recruitment and out-of-field teaching are issues that loom large for public education. For schools and districts in rural areas and inner cities across the country they are especially difficult. Despite federal and state efforts, these areas continue to have great difficulty finding qualified candidates in areas such as math, science and special education. This proposal aims to help high-need poor school districts with large percentages of out-of-field teaching by paying for high-quality teachers in non-shortage field to be trained and certified in shortage areas. This program would focus on teachers who have already made the decision to teach in high-need areas. Recognizing that they already have teaching expertise, the program would provide bonuses and tuition assistance for content training in a high-need subject area for 10,000 teachers across the country. In return, they would commit to teach for at least three years in their district.

While this can certainly not be considered a fix for teacher recruitment, it can provide some immediate relief for districts with chronic teacher shortages in critical subject areas. And by focusing on a population already in schools, it adds a needed dimension to a federal recruitment effort that focuses largely on efforts to bring new people into the profession. Teacher recruitment is a key issue in states across the nation and could attract bipartisan support. The initiative would cost \$30 million.

**Second-Chance Schools** – This proposal would create new second-chance schools through an infusion of additional funds to the Department of Education's Charter Schools program earmarked for this purpose. The initiative would build on the existing charter schools program, maintaining priority for states with well-designed charter school laws that hold schools accountable for results. Second-chance schools would be intended to serve students who have been removed from their previous schools because of discipline problems. This funding would support schools that provide alternative settings for disruptive students while allowing them to continue academic work toward state academic standards. This initiative would cost \$50 million in the first year.

**Small Schools** – This proposal would build on an initiative in the FY00 appropriations bill supported by Congressman Obey to establish smaller learning communities in America's high schools. The program would offer competitive grants to school districts

that submit a plan to create smaller learning environments for students by opening smaller schools (including charter schools), or by breaking up larger schools using strategies such as creating schools-within-schools, establishing career academies, or restructuring the school day. Allowable uses of federal funds could include planning and implementation costs, professional development, team building, minor facility renovation, additional planning time, legal and accounting consulting, supplies and other relevant costs. These funds could also be used to seed small charter high schools in the district. The Obey initiative is funded at \$45 million in the FY 2000 appropriations bill and we recommend expanding funding to \$200 million for FY01.

**SAT and ACT Test Preparation** – Historically poor and minority students have not scored well on college entrance exams such as the SAT and ACT. At a time when these scores are a very influential factor in college admissions and when backlash against affirmative action is decreasing minority enrollment in some top institutions, it is appropriate and necessary to offer low income students the same college test prep courses that boost the scores of their more privileged classmates. This program would be modeled after California's College Preparation Partnership Program, which the NAACP has recently recommended replicating across the country. The program would support partnerships of high schools, proven providers of college test prep courses (such as Kaplan and Princeton Review), and community based organizations that would offer high-need students college test preparation and other services related to college admissions. Funding for these partnerships would be distributed by competitive grant. \$30 million would serve approximately 50,000 students.

**Teacher Recruitment** – This program would provide competitive grants to high-poverty school districts to develop programs to "grow their own" teachers as a means of addressing their shortage of qualified teachers. Programs supported by this grant would begin to cultivate and recruit students as they move through high school. Upon high school graduation, participants would attend universities to gain expertise and teacher certification in a high-need field. After college, the students would return to high-poverty districts to guaranteed teaching positions. Throughout the program, students would receive exposure and training experiences at summer camps and as teaching assistants. "Home grown" teachers would also receive salaries for work during high school and college, scholarships for tuition, recruitment signing bonuses, and high quality professional development. This program could be started in 100 school districts with \$100 million in FY 2001.

DRAFT – DRAFT – DRAFT – 12/20

Policies not final

**Rewarding Work and Family:** Unveil, perhaps with or after possible child care, health insurance coverage, and EITC announcements, additional key initiatives to promote work and family, including a) 120,000 new housing vouchers for hard-pressed working families; b) grants to help low-income working parents succeed on the job and move up the career ladder; and c) initiatives to help working families get to work, through transportation grants and changes to ensure families don't have to choose between a reliable car and food stamps.

**Responsible Fatherhood Initiative:** Promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. We could a) announce new data showing the dramatic increases in child support collections made by this Administration and at the same time put forward a package of proposals to b) ensure every unemployed parent who owes child support goes to work and supports his children; c) collect more child support from parents who can afford to pay; d) revise outdated rules to ensure mothers and children receive more of the support the father pays; and e) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society.

**Employment for People with Disabilities:** By enabling people with disabilities to work and keep their health care, the Ticket to Work and Work Incentives Improvement Act of 1999 will give individuals with disabilities a greater opportunity to participate in our nation's workforce. To build on this progress, the FY 2001 budget will contain proposals to assist people with disabilities in transitioning into the workplace, possibly including a) funding a \$1,000 tax credit for workers with disabilities, b) extending Medicare coverage even longer for people with disabilities who return to work, c) improving access to assistive technology, d) ensuring the Department of Labor's employment One Stop centers better serve people with disabilities, e) funding a new Office of Disability Policy at the Department of Labor and f) increasing enforcement of the Americans with Disabilities Act.

**Promoting Independent Solutions:** The budget may contain several initiatives to promote important efforts by the independent, nonprofit sector, including a) promoting increased charitable giving by allowing all taxpayers to take a tax deduction for charitable contributions (only taxpayers who itemize now can) and reducing or eliminating the excise tax that foundations must pay; b) increasing the capacity of the nonprofit sector through a new Nonprofit Leadership Initiative; and c) increasing the involvement of community- and faith-based groups in after-school and other important programs. Some of these initiatives grew out of follow-up to the October White House Conference on Philanthropy.

**SOTU ROLLOUT IDEAS  
FROM THE POLICY PLANNING TEAM**

- **Enhancing the nation's food safety system.** We could rollout our food safety budget. CDC estimates that contaminated food kills up to 5,000 Americans and sickens 76 million more each year. In keeping with President's longstanding commitment to ensuring food safety, this initiative will increase the number of imported and domestic food inspections by over 7,000, with a special emphasis on high risk domestic foods such as eggs and unpasteurized juice. It will also place an additional 100 inspection agents in the field. The FDA expects that this new investment will prevent over 100,000 illnesses per year.
- **Equal Pay.** We could rollout our joint Department of Labor and Equal Employment Opportunity Commission equal pay initiative. This rollout would include announcement of a new \$10 million initiative (paid for by the fees from H1B visas) in order to provide training to women in nontraditional jobs in the high tech industry.
- **Native American Initiative.** We could announce our over \$1 billion Native American FY2001 budget initiative. This initiative brings together all the agencies in order to address the needs of Native American communities. Some of the highlights of this initiative include: increased funding for BIA school construction; initiatives to address the "digital divide" such as encouraging Native Americans to enter information technology fields; funding 500 new Native American school administrators; an over \$200 million increase for the Indian Health Service, and over \$100 million for new roads in Indian Country.
- **Mainstream Homeless Initiative:** We could announce our FY2001 homelessness budget which is over \$1 billion in HUD funding. We could also highlight a new initiative that would create, for the first time, a mechanism by which states are provided assistance in order to ensure that so-called "mainstream" programs -- Medicaid, CHIP, TANF, Food Stamps, and the Mental Health and Substance Abuse Block Grant -- are accountable to the homeless. This new \$10 million initiative would award competitive grants to 5 or 7 state and large county health or social service agencies with existing collaborations targeted on improving services and benefit receipt for homeless populations. States and counties would be selected based on: (1) proposed enhancement of outreach activities for the homeless; (2) collection of data regarding homeless status during program intake questioning; (3) demonstrated accountability in treating the homeless; (4) specified future goals to address the needs of the homeless; and (5) specific outcome measures that will be used to see whether the homeless receive needed benefits and services.

December 20, 1999

TO: Bruce Reed  
Eric Liu

FROM: Irene Bueno

SUBJECT: FY 2001 Budget Proposal and SOTU Ideas – EVENT IDEAS

In response to your request, the following are some event ideas for our FY 2001 budget proposals. Please let me know if you would like to discuss further. Thanks.

**IMMIGRATION EVENT IDEAS – New Americans**

**Background:** In FY 2001, the Immigration budget will include funding for the ESL/Civics Initiative; to streamline naturalization testing program to provide high quality, timely and fair service; and to provide additional funds to reduce naturalization and other immigration services application consistent with our INS restructuring proposal. Below is a further update on these budget proposals.

**Event Ideas:**

(a) **Naturalization Ceremony:** The President could participate in one of the first naturalization ceremony of the millennium. At this ceremony, the President could emphasize the importance of welcoming new Americans into the fabric of American society and the Administration's efforts to provide more funding for English courses that are linked to civics and life skills instructions, to make sure that our naturalization test are fair and applications are considered timely, and to restructure the INS to improve customer service. The President could also mention his immigration legislative priorities to provide fairness to immigrant families ( INS restructuring legislation; restoration of important disability, health, and nutrition benefits to additional categories of legal immigrants; passage of the Administration's proposal to support the process of democratization and stabilization now underway in Central America and Haiti and ensure equitable treatment for migrants from these countries; and changing the registry date to permit long-term migrants to adjust their status – see fuller description below).

(b) **ESL Center** - Alternatively or in addition, the President could visit a teaching center that provides English as a Second Language Programs that are linked to civics and lifeskills instruction. However, since this program is run by Education it would make less sense to discuss INS budget proposals and INS restructuring at this event.

## **Immigration Budget Proposals for FY2001 - Background**

- 1. ESL/Civics Initiative.** This proposal would provide funding to English as a Second Language Programs that are linked to civics and lifeskills instruction. In FY2000, the President requested \$70 million and received \$25.5 million. In FY2001 budget request is \$75 million.
- 2. Streamlining the Naturalization Testing Process.** This proposal would provide funding to implement the Pricewaterhousecooper's recommendations to streamline and improve the current naturalization citizenship test process. INS has begun to implement these proposals but have been hindered due to funding constraints and lack of expertise in implementing these proposals. The INS passback includes \$1.5 million to begin implementation of these recommendations. INS expects it will take at least a two-year process to actually institute all the recommended reforms.
- 3. INS Restructuring Budget Proposals.** The FY2001 budget provides \$35 million in appropriations to address INS system and capital infrastructure investment initiatives and establishes a Immigration Services Capital Investment Fund (ISCIF) to provide funding for on-going backlog reduction efforts in all immigration benefit programs and cover major capital acquisitions. This fund will be capitalized with an estimated \$93 million from two new fees: 1) A premium process fee of \$1,000 to expedite the adjudication of business-related services. Payment of this voluntary fee will ensure INS action on an application within 60-days through direct business-INS liaison; and 2) the re-authorization of the 245(i) adjustment of status penalty provisions with proceeds divided between detention and immigration service improvement initiatives. The 245(i) adjustment of status program permits certain migrants to adjust their status while remaining within the United States.
- 4. Immigration Legislative Proposals**

**Central American and Haitian Parity Act of 1999.** This proposal would allow qualified nationals of El Salvador, Guatemala, Honduras, and Haiti an opportunity to become lawful permanent residents of the United States if they have been continuously present in the United States since December 1, 1995. Consequently, under this bill, eligible nationals of these countries would receive treatment equivalent to that granted to the Nicaraguans and Cubans under *Nicaraguan Adjustment and Central American Relief Act of 1997 (NACARA)*. This is an Administration proposal that which has bipartisan support.

**Registry Date Revision.** This proposal would permit long-term migrants to adjust their status if they have been in the US since 1986. Since 1952, the United States immigration law has permitted individuals who have been living in the United States for a long period of time and are of good moral character to become legal permanent residents (section 249 of the Immigration and Naturalization Act). This provision is referred to as the "*registry date*". The registry date has been revised throughout the years and the last time the registry date was revised was in 1986 to its current date of January 1, 1972. The policy rationale behind the registry date is recognition that undocumented immigrants who have

resided in the country for a long period have developed substantial ties to this country including establishing families, homes and ties to their communities. There is little national interest in tracking down and deporting these individuals. Furthermore, this proposal will help late amnesty individuals.

**Restoration of Discretion.** This proposal would primarily restore immigration judges discretion not to detain or deport certain legal immigrants who have committed crimes and some other provisions. The 1996 Immigration Reform law instituted some harsh provisions that have resulted in the tragic separations of families. Almost daily, there are stories about legal immigrants who have families, jobs and are valuable members of American society who are being deported because many years ago they committed crimes that may have been considered minor at the time have since been determined to be aggravated felonies. And immigration judges no longer have the discretion not to enforce deportation orders. Currently, there are several bills, including legislation sponsored by Republicans, to undo some of the harshness of those laws, by restoring immigration judges discretion. I am working with DOJ on developing on a proposal. This is the target of a campaign that immigrant advocates have begun called Fix 96.

5. **AgNet Registry for Farmworkers.** The President's FY 2000 Department of Labor budget included a request \$10 million to fund America's Agricultural Labor Network ("AgNet") that would benefit agricultural industry and farmworkers by establishing an efficient alternative mechanism to match workers with employment opportunities. The final FY 2000 budget does not contain funding for this proposal but it is important to reintroduce this proposal to demonstrate the Administration's commitment to ensure an adequate labor supply for growers in a predictable and timely manner. We expect that next year Congress will consider a broader legislation proposal to overhaul the current system that the Administration opposes. The Department of Agriculture staff believes that AgNet could substantially improve grower's recruitment efforts provided we work with growers, farmworker advocates and develop public-private partnerships to ensure that the system is widely available and user friendly. The FY 2001 budget proposal will include a request of \$10 million.

## CIVIL RIGHTS EVENT IDEAS

**Background:** In FY 2001, the budget includes \$98 million for the Department of Justice's Civil Rights Division – the highest budget request for this office. In FY2000, the President requested and the final budget agreement included \$82 million – this represented a 19 percent increase from the previous year. The FY 2001 budget includes additional funding for ADA education, training, and enforcement and criminal investigations of hate crimes and police abuses cases; funding for hate crime prevention assistance and training; and funding for One America dialogues (see below for fuller description).

## **Event Ideas:**

- (a) **Civil Rights Budget** – The President could participate in a Civil Rights Budget event with the need for Congress to pass hate crimes legislation. This event could be tied to Martin Luther King's birthday.
- (b) **Hate Crimes Legislation** - Alternatively, the President could participate in a hate crimes event urging Congress to pass hate crimes legislation and to fund fully the President's request for the Civil Rights budget.

## **Civil Rights Budget Proposals - Background**

### **FULFILLING THE PROMISE OF THE AMERICANS WITH DISABILITIES ACT**

July 2000 marks the tenth anniversary of the enactment of the Americans with Disabilities Act, the landmark civil rights law that provides comprehensive civil rights protections for this nation's 54 million persons with disabilities. The Civil Rights Division has primary responsibility for ADA enforcement, and during the first 10 years has focused its efforts on this nation's largest entities: franchisers and chains in the private sector and large government agencies in the public arena. Agreements with hotel chains, restaurants, entertainment venues, police departments, and local governments have removed architectural barriers for people with mobility impairments and provided services in an accessible format to people who have hearing or vision impairments. Everyday aspects of American daily life -- things many Americans take for granted -- are opening to people with disabilities.

Despite these efforts, too many barriers continue to exist. People with disabilities have become increasingly frustrated that, after 10 years of ADA outreach and enforcement, that they continue to be denied ready access to community programs and public accommodations. To effect the fundamental change that the ADA's enactment promised, the Civil Rights Division seeks to expand its implementation efforts under the ADA by proposing four new initiatives to fulfill the promise of the new millennium for people with disabilities:

**Project Community Access:** Most Americans take for granted the ability to use basic government services -- to call 911, to hop on a public bus or subway car, to pay a late utility bill in person, to vote, to apply for a driver's license, to land a government job if qualified, to adopt a stray dog at the local shelter, to fight a traffic ticket in court, and to live and participate in integrated communities. Yet millions of people with disabilities are not able to successfully accomplish one or more of these basic acts of community life because building architecture, communication systems, public mass transit systems, and discriminatory attitudes, policies, and practices continue to exclude them, even though it is illegal. Project Community Access will focus on brining down these barriers and make these basic serviees accessible to all Americans.

**Training law enforcement officers on mental disabilities:** On too many occasions, we have witnessed tragic situations involving law enforcement officers and a person with a

mental disability. Officers may misinterpret the threat posed by mentally disabled persons, with tragic, and often lethal, results. Providing training on how to identify and deal with persons who have a mental disability will help to reduce situations involving excessive and unnecessary force by law enforcement officers.

**Opening America's History:** People with disabilities are still denied access to many American destinations, such as historic landmarks and tourist attractions. These destinations themselves may have barriers to access. Private transportation, such as tour buses or shuttles to and through these sites, is not accessible. Hotels, motels, restaurants, service stations, rest stops, and a myriad of other accommodations remain inaccessible to persons with disabilities. Millions of American families are being denied the opportunity to share in and benefit from the rich and living history available at these sites. Additional personnel is critical to the Section's ability to significantly impact access in this important area, to make sure America's historic landmarks and tourist attractions are available to persons with disabilities.

**Meeting Unmet Needs for ADA Information:** Over the last 10 years, the Division has reached out to America's businesses, to State and local governments, and to persons with disabilities to inform them of their rights and obligations under the ADA. This knowledge is essential to ADA compliance because if people understand the ADA and know how to comply, they will comply with the law. But many in the business world and people with disabilities remain uninformed about the ADA. Small towns and businesses in rural areas, non-English speakers, and minority populations in urban centers have been difficult to reach. The Division proposes to take additional steps to reach these under served rural and urban populations. We can also use new technology and a multi-media approach to serve a diverse, information-hungry audience.

## **HATE CRIME PREVENTION ASSISTANCE AND SUPPORT**

Preventing and prosecuting hate crimes and passage of the Hate Crimes legislation is a high priority for the Administration. This year, hate crimes took the lives of many Americans because of their race, ethnic background or sexual orientation. The Department of Justice as well as many state and local governments have established working groups and other entities to prevent and prosecute hate crimes in their community. This proposal would expand the resources of the Department to provide technical assistance and support to federal (including the Hate Crimes Working Group); state and local law enforcement to prevent and respond to alleged hate crimes. This proposal is part of the Hate Crimes legislation that the Administration submitted earlier this year.

## **COMMUNITY PARTNERSHIPS TO PROMOTE ONE AMERICA DIALOGUES**

President Clinton has called upon the Americans to have an honest and frank discussion about race. Talking is a first step towards action. Experience has shown and race relations experts also agree that constructive dialogue is widely accepted as one of the most effective ways to start to address race relations. This proposal would provide about \$3 million for the Department of Justice to support and technical assistance to state and local governments and community-based

and other organizations to promote and facilitate dialogues on racial diversity and understanding. This would include utilizing and implementing the One America Race Dialogue Guide in communities throughout the country. This guide was developed by DOJ's Community Research Service as a tool kit to help communities frame a dialogue around race.

**ONE AMERICA PUBLIC EDUCATION CAMPAIGN.** (Funding was not provided specifically for this proposal but I would still like to explore way to secure funding perhaps as part of the Community Partnerships for One America Dialogues).

The face of America has and will continue to change in dramatic ways in the new millennium. There is a need to raise awareness of the growing diversity of America and to support and amplify various positive efforts that are underway to promote tolerance and diversity. Indeed, the White House Office on One America has met with a broad range of organizations and constituencies, including corporate, media, educational, advocacy and non-profit. The overriding consensus is that a national visibility campaign is essential to promote tolerance and diversity. A focal point message for the campaign is a national imperative that Americans must be prepared to meet the challenges of diversity and to reap the rewards of diversity in the new millennium.

This **One America Public Education Campaign** would be modeled after the Office of National Drug Control Policy (ONDCP) Media Campaign to encourage Americans particularly kids to stay drug-free. To get the word out, the ONDCP campaign has \$1 billion over five years for paid media; involves a series of public/private partnerships that generate a range of communication activities; and support efforts of schools, civic and community organizations.

The **One America Public Education Campaign** would be a much smaller campaign run by the White House Office of One America in conjunction with other appropriate White House offices and federal agencies. The campaign would involve:

**Public Service Announcements** - \$1 million to help fund Public Service Announcements (PSAs) and other range of communication activities including internet, publications such as the Weekly Reader and Scholastic Magazine that target youth, to send out a message that is positive and proactive about race. NBC Broadcasting and this year's "The More You Know" PSAs that focus on tolerance is a good model for the types of products that the Campaign would promote.

**Public/Private Partnerships** - One America would build partnerships with public-private organizations to help leverage funding for these communication activities that reinforces the message. Similar to the ONDCP campaign, we could challenge the entertainment, high tech, and other industries to help reinforce the federal communication activities. For example, we could partner with organizations with the Advertising Council, YWCA and other organizations involved in media and visibility campaigns, to promote diversity and tolerance.

**Community Partnerships to Promote One America Dialogues** - provide additional resources for the Department of Justice's Community Relations Service for support and

technical assistance to state and local governments and community-based and other organizations to promote and facilitate dialogues on racial diversity and understanding. This would include utilizing and implementing the One America Race Dialogue Guide in communities throughout the country. This guide was developed by CRS as a tool kit to help community's frame a dialogue around race.

ENVIRONMENTAL APPROPRIATIONS PRIORITIES  
FY 2001

Program (millions of \$)	FY 2000 (request)	FY 2000 (final)	FY 2001 (CEQ rec.)	FY 2001 (OMB pb)	CEQ New Add to pb
Lands Legacy	1030	652	1400	926	+380
Salmon Recovery (NOAA Fund and ESA)	215	126	225	215	0
Climate Change*					
CCTI	1366	1099	1366	1349	0
GEF	143	36	200	176	0
CAPF	200	0	150	100	0
New	--	--	328	0	+80
Tropical Forests	--	--	40	--	+40

The chart shows the CEQ proposed distribution of \$500 million in potential new initiative funding for FY 2001. OSTP has also proposed \$125 million in new initiatives spending for climate as part of an S&T initiative, with \$65 million for science and \$65 million for biofuels research. The CEQ proposal is consistent with the OSTP proposal and would add \$15 million to biofuels and give \$65 million to a new trade promotion effort. Because part of the OSTP proposal would support research under CCTI, approval of the OSTP proposal would also increase CCTI slightly above the FY 2000 request.

## **ENVIRONMENT BUDGET PROPOSALS**

### Lands Legacy:

The POTUS would announce a major increase in funding to protect sensitive lands at all levels of government and would once again call for creation of a permanent trust to provide dedicated funding for this purpose in the future. The announcement could also be combined with a POTUS status on the possible creation of new national monuments.

This proposal includes DOI, USDA, and NOAA and provides funding for acquisition and protection of sensitive Federal land and state and local greenspace. The content of the FY 2001 proposal is similar to the FY 2000 request level of \$1030 M, with the main exception that the level would be increased to \$1.3 billion in an effort to broaden support for permanent legislation by expanding the coastal and wildlife protection pieces.

### Climate Change:

The POTUS would announce a major increase in support for climate activities. The announcement would have four major parts: (1) the next installment in the multi-year Climate Change Technology Initiative, including tax proposals; (2) a renewed call for the EPA's innovative Clean Air Partnership Fund; (3) vigorous implementation of the President's executive order on biofuels to promote renewable energy sources; (4) increased funding for the Global Environment Facility, the lead U.S. entity for promoting positive international action on climate change; and (5) a new international effort to promote clean U.S. technologies abroad.

The international clean energy effort builds on the recommendations of the President's Council of Advisors on Science and Technology. Electric power accounts for one third of greenhouse gas emissions, with the fastest growth occurring in developing countries. By 2020, a projected \$1.7 trillion will be invested in power capacity in developing countries. These measures would help demonstrate to developing countries that they can protect the environment while growing their economies, and would help encourage their participation in global climate change efforts.

### Tropical Forest Conservation:

The proposal would expand AID's work on tropical forest, implement the Congressionally authorized Tropical Forest Conservation Act at Treasury, and provide technical assistance to struggling developing countries through USDA. The initiative would be designed in part to help the U.S. to respond to criticisms heard during the WTO process about the impacts of international trade on forests.

### Salmon Recovery:

This proposal consists of a Salmon Recovery Fund, which funds state efforts in the Pacific NW and the implementation of the treaty with Canada, and Endangered Species Act money for NOAA. The FY 2001 proposal maintains FY 2000 proposed level of \$160 million for the Fund.

**DRAFT: POTENTIAL BUDGET EVENTS OR LEAKS PRIOR TO THE SOTU**

1. New health insurance coverage initiatives: parents and targeted tax incentives
2. Releasing a new state-by-state study announcing that 2 million children are covered under CHIP and unveiling new outreach proposals
3. Preventing medical errors and improving health care quality
4. Releasing prescription drug cost report
5. Finishing the job for people with disabilities returning to work
6. Preventing the sale of unsafe drug products over the internet
7. Announcing a major increase in the war on emerging infectious diseases
8. Determining the environmental causes of breast cancer
9. Unveiling major new investment to combat HIV and AIDS
10. Highlighting major new investment in food safety
11. Increasing prevention and treatment services for mental illness and substance abuse
12. Eradicating Polio worldwide
13. Preventing genetic discrimination
14. Improving nursing home quality
15. Increasing family planning efforts nationwide
16. Improving health care services for Native Americans
17. Asthma Initiative

# CRIME

Available deliverables in next six weeks:

1. **Gun violence reduction strategy and firearms enforcement budget.** (early to mid-January – must be done before January 21) This is the response to the President's directive from earlier this year that was designed to provide a buffer in the enforcement debate. In response to the directive, all 93 U.S. Attorneys worked with ATF Special Agents in Charge and the local communities to develop gun violence strategies. The report will also lay the groundwork for current and new legislative/budget proposals: more resources at the state/federal level, stronger gun laws, industry accountability, prevention and local partnerships. The strategy could be rolled out with FY 2001 budget highlights for firearms enforcement.
2. **Gun trafficking report.** (ready mid-late January) This is a Treasury/ATF report based on ATF trafficking investigations. This report will present strong evidence that illegal gun trafficking is a serious public safety problem that must be addressed through aggressive enforcement. It will provide an analysis of distribution channels and how criminals utilize loopholes in our existing laws, such as gun shows, to obtain firearms. The report could emphasize related portions of firearms enforcement proposals from FY 2001 budget.
3. **Smart gun technology.** (Anytime in January). We could highlight the \$10 million that will be provided in the budget to fund smart gun and other personalized gun technology development at DOJ/National Institute for Justice. This should probably be released as a leak before the SOTU.
4. **Community Supervision – Reentry.** (mid-January). We could highlight new funds in budget to help provide greater community supervision of offenders released after incarceration. The budget will contain at least \$60 million for the new initiative to establish reentry partnerships and reentry courts – to provide more drug testing and treatment, job training, to hire more probation and parole officers, and link released offenders to child support and fatherhood groups. This could be done as a press leak on its own or highlighted as part of the responsible fatherhood initiative.
5. **HUD gun funding.** (mid-January) We could release the \$30 million in new funds for HUD's gun violence reduction initiative to promote public education on gun safety, implement local gun violence reduction programs, and fund technology such as computer crime mapping to target gun crimes. This could be done as a leak.
6. **Shot show.** (January 21) The Administration will send representatives to join settlement discussions between the cities and gun industry in Las Vegas at the industry's annual trade show.
7. **Police Gun Resale Event.** (Shortly after release of budget in Feb.) The President could join with national law enforcement organizations to condemn the practice of reselling used police guns and confiscated crime guns on the civilian market. The law enforcement organizations could issue a joint statement encouraging their members to end the practice, and the President could highlight \$10 million in his budget to provide federal assistance to local authorities to achieve this goal.

## DRAFT MEMO ON EDUCATION INITIATIVES:

### **Elementary and Secondary Education**

The ongoing reauthorization of the Elementary and Secondary Education Act coupled with the need to provide increases to several elementary and secondary base programs has led us to develop initiatives that complement these efforts while supporting innovation, high standards, and efforts to fix failing schools.

#### Significant Existing Programs

**Title I** – We recommend increasing funding for the Title I accountability set-aside to \$250 million for FY01 and increasing the funding for the basic Title I grants by at least an equal amount.

**After-School** – We are analyzing options and developing a proposal that will make after-school programs universal for students in schools identified as failing under Title I. We also recommend allowing 30 percent of funds for after-school and other extended learning programs to be granted directly to non-profit community-based organizations (CBOs)—including faith-based organizations. These programs would be run in partnership with public schools at the school site. This change would allow local organizations that have proven track records in after-school and can offer innovative educational strategies and often better connections to parents and the broader community to get involved the program. At present, no funds can be granted to CBOs, although the ESEA reauthorization proposal would allow up to 10% of funds in a given year to be awarded to nonprofit CBOs.

**Class Size** – We recommend a significant increase to stay on track toward hiring 100,000 teachers. The program is now funded at \$1.3 billion and we recommend increasing funding to at least [Eric: check with Bruce and get his latest thinking here, this has been a moving target]

**Charter Schools** – With an increase of approximately \$120 million the charter schools program will support the President's goal of 3000 charter schools. We recommend funding the program at this level.

#### Elementary and Secondary Education Act Proposals

The President's ESEA reauthorization proposal contains items that we recommend including in the budget for FY01.

**Teaching to High Standards:** The President's ESEA reauthorization proposal would consolidate Goals 2000, the Eisenhower Professional Development Program, and Title VI into a standards-based-reform grant program. We recommend that the FY01 budget request reflect this proposal. At their FY00 enacted levels the Eisenhower program and Goals 2000 are a combined \$ 830 million. Although the Administration does not

recommend funding the Title VI program in its budget request, the Teaching to High Standards initiative should reflect an inclusion of current Title VI funding (\$380 million FY00) and be funded at a minimum of \$1.21 billion. In order to reach this level while funding our new initiatives, we recommend including five earmarks in the Teaching to High Standards funding: Teacher Academies (OMB proposal for \$100 million), Troops to Teachers - Transition to Teaching (\$50 million), Pay for Performance Demonstration Program (\$50 million), Dual Accredited Teachers (\$30 million), and School Leadership (\$40). *These earmarks are described in more detail in this memo.*

**Public School Choice OPTIONS Proposal** - The OPTIONS initiative would create a grant program that would fund the demonstration, development, implementation, evaluation and dissemination of information of innovative public school choice projects. Funded projects would focus on areas such as new choice options for students within districts, partnering choice schools with other schools to disseminate information and stimulate improvement, and overcome barriers to choice. The \$30 million request covers \$28 million for approximately 40 new grants \$1.3 million for evaluation, and \$200,000 for peer review.

**Troops to Teachers** - The Troops to Teachers program was created in 1994 to help improve public school education by injecting the talent, skills, and experience of military service members and other federal civilian personnel into high-poverty schools. Recent studies have found that a significant number of mid-career professionals who possess strong subject matter skills are interested in beginning a teaching career - this program taps this valuable resource. The new proposal will continue the recruiting, preparing and supporting retired military personnel as teachers in high-need subject areas and school districts. It will also support similar programs for other mid-career professionals by awarding grants to public agencies, institutions of higher education, and nonprofit organizations to recruit, prepare, and support career-changing professionals from diverse fields whose knowledge and experience could help them become successful teachers. \$50 million for FY01.

### New Initiatives

**Fund for Future Schools** - During our discussions with educators and education leaders this fall, a common theme was the lack of funding available for large-scale innovation. Our proposal would establish an independent and bipartisan fund to support innovative regional, state, and local ideas that require up-front infusions of funding. As opposed to school-based only reforms these resources would support structural changes at the school district, state, and/or regional level. For example, a recent Education Commission of the States called for changes in school governance, especially in large school districts. The report recommended that school districts either move toward complete site-based management or a portfolio approach where different schools are accountable to the school board for performance but operate independently essentially as charter schools. Hugh Price, President of the Urban League recently called for a similar change in an editorial in Education Week and a few school districts are moving in this direction. For example Seattle has implemented site-based management and Cincinnati is slowly

moving toward the portfolio model. However, changes of this nature require both fiscal and political will. By providing funding we would help school districts that are struggling to maintain services with current funding adopt changes that would otherwise be out of their reach and also help generate political will by making funds available for changes of this nature. Of course, this funding could also support school based or other changes that the board deemed worthy of support. A local matching requirement would encourage local support and investment. Prime Minister Blair has started a similar fund in England and British officials report that in its second year their Education Action Zone initiative is showing positive results however they believe that the independence of the fund is a key characteristic. \$50 million would be distributed by competitive grants in the first year of this program.

**Performance-Based Pay and Peer Review** – As part of the 1999 National Education Summit in Palisades, New York, the governors and assembled business leaders pledged to sponsor “pay for performance” initiatives for teacher salary in 10 locations as a strategy to make teacher pay more competitive with other professions. Denver Colorado had adopted such a measure just prior to the summit. Despite considerable attention to the issue of teacher quality, teacher pay still remains far below other professions with the national average starting salary only approximately \$25,000, average teacher salary overall only approximately \$38,000, and the average maximum teacher salary in any state only about \$51,000. In addition, the Vice President and others have called for developing more equitable and expeditious ways to reward good teachers and get low-performing teachers out of the classroom. Specifically, in his May 16<sup>th</sup> speech at Graceland College, the Vice President called for teacher evaluations by experienced peers and administrators every 5 years to ensure, “faster but fair ways to identify, improve, and when necessary remove low performing teachers. California in addition to several large school districts have programs similar to what the Vice President proposed. Our proposal would fund 10 pilot pay for performance plans similar to what Denver has developed. While details would be left up to the local school districts and their teachers, the pilots could support performance awards that are either individual or school based. We would also provide grants for 10 pilots of “peer review” programs where teachers are evaluated by their peers every 5 years and low-performing teachers are given support to improve or ultimately removed from the system in a fair but fast manner. 10 pilots for each strategy could be funded for \$50 million in the first year.

**Rewarding Leaders and High Performance** –The federal government’s role in education has evolved to one that expects all students to achieve, holds schools accountable for performance, supports improvement, refuses to tolerate persistent failure, and rewards success. However, we have not yet put into place a viable rewards program. This proposal calls for a Rewards Fund for Leaders and High Performance that would award funding to states that met federal performance criteria and would support teacher performance pay demonstration projects (*described above*). From FY2001-2003, states would receive awards for developing accountability systems, including high school exit exams, meeting teacher quality requirements, and developing and disseminating report cards ahead of the timetable the President is calling for in his ESEA proposal. After

2003, the Reward Fund would move to a system based on actual student performance measures.

Initially, this fund would also provide seed money to states to help them develop school report cards including the guidelines that the President specified in his Education Accountability Act. This would help undermine Republican criticism of our ESEA requirements as unfunded mandates to the states. Beginning with \$125 million in FY01 and including our peer review and pay for performance proposals, we would be on a track to spend \$1 billion rewarding performance over five years.

**Leadership for 21<sup>st</sup> Century Schools** –Without quality school leaders, school reform is destined to fail. To address this, our initiative would fund independent School Leadership Centers. The Centers would focus on leadership development opportunities for existing schools leaders (principals, superintendents, etc) in areas such as effective management, school design, technology, and district governance. In addition, recruiting and training nontraditional candidates for school and district leadership would also be part of the Center's mission. Centers would be run by independent nonprofits or public-private partnerships on a state or regional basis and they would be required to partner with leadership from the public and private sector. Just as Presidential leadership has increased the national focus on improving teacher quality, federal leadership is needed to push states to make greater investments in developing quality school leaders prepared for accountability, the devolution of decision making, and the focus on school-based reform. At present, there is no federal program focused solely on school leadership and only a handful of programs allow funds to be used for it. There is broad political support for a focus on improving school leadership, as evidenced by the inclusion of a smaller provision in the House-passed ESEA bill. We recommend \$40 million in competitive grants to fund approximately 20 state-level or regional centers.

**Schools without Walls: Ensuring Access through Distance Technology** –This initiative aims to ensure challenging coursework for all students by providing access to high-quality on-line academic courses to students in under-served areas. While this Administration has shaped a federal education role that holds all students to high standards and expects they can achieve, the reality of school finance in America prevents all students from having access to challenging educational opportunities. Small and poor schools often lack the resources and teachers needed to offer challenging courses, including Advanced Placement courses at the high school level. Today, less than 60% of US high schools offer AP courses to their students. A lack of qualified teachers in these areas, also mean that students don't have access to challenging math and science courses or classes in English as Second Language.

This proposal complements existing federal efforts in technology to fund internet connections, equipment acquisition and teacher training, by funding a competitive grant program to districts that will allow schools to purchase on-line curriculum, train teachers to use on-line curriculum, or purchase course materials. Although many states are developing virtual school capacities to offer courses to students throughout their state, the quality of on-line courses has yet to match the capacity of technology. In order to ensure

high-quality content, the proposal also calls for a partnership with leading course software developers like APEX (run by Microsoft co-founder, Paul Allen), which would subsidize the cost of high quality Web-based course development in return for cut-rate prices for high poverty school districts. The proposal also calls for increases in the Technology Literacy Challenge Fund, which allows computer equipment purchases, and the Technology Teacher Training Program, and continued commitment to E-Rate. The initiative should win broad support as Republicans and Democrats have supported AP fee assistance and Senate Democrats and Republicans have consistently supported Star Schools, a distance learning initiative. Total funding for the initiative would be \$225 million, including \$50 million for grants, \$25 million for course development, and \$125 million in increases in existing programs.

**The Backyard Teacher Recruitment Initiative** – The problems of teacher recruitment and out-of-field teaching are issues that loom large for public education. For schools and districts in rural areas and inner cities across the country they are especially difficult. Despite federal and state efforts, these areas continue to have great difficulty finding qualified candidates in areas such as math, science and special education. This proposal aims to help high-need poor school districts with large percentages of out-of-field teaching by paying for high-quality teachers in non-shortage field to be trained and certified in shortage areas. This program would focus on teachers who have already made the decision to teach in high-need areas. Recognizing that they already have teaching expertise, the program would provide bonuses and tuition assistance for content training in a high-need subject area for 10,000 teachers across the country. In return, they would commit to teach for at least three years in their district.

While this can certainly not be considered a fix for teacher recruitment, it can provide some immediate relief for districts with chronic teacher shortages in critical subject areas. And by focusing on a population already in schools, it adds a needed dimension to a federal recruitment effort that focuses largely on efforts to bring new people into the profession. Teacher recruitment is a key issue in states across the nation and could attract bipartisan support. The initiative would cost \$30 million.

**Second-Chance Schools** – This proposal would create new second-chance schools through an infusion of additional funds to the Department of Education's Charter Schools program earmarked for this purpose. The initiative would build on the existing charter schools program, maintaining priority for states with well-designed charter school laws that hold schools accountable for results. Second-chance schools would be intended to serve students who have been removed from their previous schools because of discipline problems. This funding would support schools that provide alternative settings for disruptive students while allowing them to continue academic work toward state academic standards. This initiative would cost \$50 million in the first year.

**Small Schools** – This proposal would build on an initiative in the FY00 appropriations bill supported by Congressman Obey to establish smaller learning communities in America's high schools. The program would offer competitive grants to school districts

that submit a plan to create smaller learning environments for students by opening smaller schools (including charter schools), or by breaking up larger schools using strategies such as creating schools-within-schools, establishing career academies, or restructuring the school day. Allowable uses of federal funds could include planning and implementation costs, professional development, team building, minor facility renovation, additional planning time, legal and accounting consulting, supplies and other relevant costs. These funds could also be used to seed small charter high schools in the district. The Obey initiative is funded at \$45 million in the FY 2000 appropriations bill and we recommend expanding funding to \$200 million for FY01.

**SAT and ACT Test Preparation** – Historically poor and minority students have not scored well on college entrance exams such as the SAT and ACT. At a time when these scores are a very influential factor in college admissions and when backlash against affirmative action is decreasing minority enrollment in some top institutions, it is appropriate and necessary to offer low income students the same college test prep courses that boost the scores of their more privileged classmates. This program would be modeled after California's College Preparation Partnership Program, which the NAACP has recently recommended replicating across the country. The program would support partnerships of high schools, proven providers of college test prep courses (such as Kaplan and Princeton Review), and community based organizations that would offer high-need students college test preparation and other services related to college admissions. Funding for these partnerships would be distributed by competitive grant. \$30 million would serve approximately 50,000 students.

**Teacher Recruitment** – This program would provide competitive grants to high-poverty school districts to develop programs to "grow their own" teachers as a means of addressing their shortage of qualified teachers. Programs supported by this grant would begin to cultivate and recruit students as they move through high school. Upon high school graduation, participants would attend universities to gain expertise and teacher certification in a high-need field. After college, the students would return to high-poverty districts to guaranteed teaching positions. Throughout the program, students would receive exposure and training experiences at summer camps and as teaching assistants. "Home grown" teachers would also receive salaries for work during high school and college, scholarships for tuition, recruitment signing bonuses, and high quality professional development. This program could be started in 100 school districts with \$100 million in FY 2001.

DRAFT – DRAFT – DRAFT – 12/20

Policies not final

**Rewarding Work and Family:** Unveil, perhaps with or after possible child care, health insurance coverage, and EITC announcements, additional key initiatives to promote work and family, including a) 120,000 new housing vouchers for hard-pressed working families; b) grants to help low-income working parents succeed on the job and move up the career ladder; and c) initiatives to help working families get to work, through transportation grants and changes to ensure families don't have to choose between a reliable car and food stamps.

**Responsible Fatherhood Initiative:** Promoting responsible fatherhood is the critical next stage of welfare reform and one of the most important things we can do to reduce child poverty. We could a) announce new data showing the dramatic increases in child support collections made by this Administration and at the same time put forward a package of proposals to b) ensure every unemployed parent who owes child support goes to work and supports his children; c) collect more child support from parents who can afford to pay; d) revise outdated rules to ensure mothers and children receive more of the support the father pays; and e) promote efforts to ensure fathers returning from prison become responsible fathers and responsible members of society.

**Employment for People with Disabilities:** By enabling people with disabilities to work and keep their health care, the Ticket to Work and Work Incentives Improvement Act of 1999 will give individuals with disabilities a greater opportunity to participate in our nation's workforce. To build on this progress, the FY 2001 budget will contain proposals to assist people with disabilities in transitioning into the workplace, possibly including a) funding a \$1,000 tax credit for workers with disabilities, b) extending Medicare coverage even longer for people with disabilities who return to work, c) improving access to assistive technology, d) ensuring the Department of Labor's employment One Stop centers better serve people with disabilities, e) funding a new Office of Disability Policy at the Department of Labor and f) increasing enforcement of the Americans with Disabilities Act.

**Promoting Independent Solutions:** The budget may contain several initiatives to promote important efforts by the independent, nonprofit sector, including a) promoting increased charitable giving by allowing all taxpayers to take a tax deduction for charitable contributions (only taxpayers who itemize now can) and reducing or eliminating the excise tax that foundations must pay; b) increasing the capacity of the nonprofit sector through a new Nonprofit Leadership Initiative; and c) increasing the involvement of community- and faith-based groups in after-school and other important programs. Some of these initiatives grew out of follow-up to the October White House Conference on Philanthropy.

**SOTU ROLLOUT IDEAS  
FROM THE POLICY PLANNING TEAM**

- **Enhancing the nation's food safety system.** We could rollout our food safety budget. CDC estimates that contaminated food kills up to 5,000 Americans and sickens 76 million more each year. In keeping with President's longstanding commitment to ensuring food safety, this initiative will increase the number of imported and domestic food inspections by over 7,000, with a special emphasis on high risk domestic foods such eggs and unpasteurized juice. It will also place an additional 100 inspection agents in the field. The FDA expects that this new investment will prevent over 100,000 illnesses per year.
- **Equal Pay.** We could rollout our joint Department of Labor and Equal Employment Opportunity Commission equal pay initiative. This rollout would include announcement of a new \$10 million initiative (paid for by the fees from H1B visas) in order to provide training to women in nontraditional jobs in the high tech industry.
- **Native American Initiative.** We could announce our over \$1 billion Native American FY2001 budget initiative. This initiative brings together all the agencies in order to address the needs of Native American communities. Some of the highlights of this initiative include: increased funding for BIA school construction; initiatives to address the "digital divide" such as encouraging Native Americans to enter information technology fields; funding 500 new Native American school administrators; an over \$200 million increase for the Indian Health Service, and over \$100 million for new roads in Indian Country.
- **Mainstream Homeless Initiative:** We could announce our FY2001 homelessness budget which is over \$1 billion in HUD funding. We could also highlight a new initiative that would create, for the first time, a mechanism by which states are provided assistance in order to ensure that so-called "mainstream" programs -- Medicaid, CHIP, TANF, Food Stamps, and the Mental Health and Substance Abuse Block Grant -- are accountable to the homeless. This new \$10 million initiative would award competitive grants to 5 or 7 state and large county health or social service agencies with existing collaborations targeted on improving services and benefit receipt for homeless populations. States and counties would be selected based on: (1) proposed enhancement of outreach activities for the homeless; (2) collection of data regarding homeless status during program intake questioning; (3) demonstrated accountability in treating the homeless; (4) specified future goals to address the needs of the homeless; and (5) specific outcome measures that will be used to see whether the homeless receive needed benefits and services.

December 20, 1999

TO: Bruce Reed  
Eric Liu

FROM: Irene Bueno

SUBJECT: **FY 2001 Budget Proposal and SOTU Ideas – EVENT IDEAS**

In response to your request, the following are some event ideas for our FY 2001 budget proposals. Please let me know if you would like to discuss further. Thanks.

**IMMIGRATION EVENT IDEAS – New Americans**

**Background:** In FY 2001, the Immigration budget will include funding for the ESL/Civics Initiative; to streamline naturalization testing program to provide high quality, timely and fair service; and to provide additional funds to reduce naturalization and other immigration services application consistent with our INS restructuring proposal. Below is a further update on these budget proposals.

**Event Ideas:**

(a) **Naturalization Ceremony:** The President could participate in one of the first naturalization ceremony of the millennium. At this ceremony, the President could emphasize the importance of welcoming new Americans into the fabric of American society and the Administration's efforts to provide more funding for English courses that are linked to civics and life skills instructions, to make sure that our naturalization test are fair and applications are considered timely, and to restructure the INS to improve customer service. The President could also mention his immigration legislative priorities to provide fairness to immigrant families ( INS restructuring legislation; restoration of important disability, health, and nutrition benefits to additional categories of legal immigrants; passage of the Administration's proposal to support the process of democratization and stabilization now underway in Central America and Haiti and ensure equitable treatment for migrants from these countries; and changing the registry date to permit long-term migrants to adjust their status -- see fuller description below).

(b) **ESL Center** - Alternatively or in addition, the President could visit a teaching center that provides English as a Second Language Programs that are linked to civics and lifeskills instruction. However, since this program is run by Education it would make less sense to discuss INS budget proposals and INS restructuring at this event.

## **Immigration Budget Proposals for FY2001 - Background**

1. **ESL/Civics Initiative.** This proposal would provide funding to English as a Second Language Programs that are linked to civics and lifeskills instruction. In FY2000, the President requested \$70 million and received \$25.5 million. In FY2001 budget request is \$75 million.
2. **Streamlining the Naturalization Testing Process.** This proposal would provide funding to implement the Pricewaterhousecooper's recommendations to streamline and improve the current naturalization citizenship test process. INS has begun to implement these proposals but have been hindered due to funding constraints and lack of expertise in implementing these proposals. The INS passback includes \$1.5 million to begin implementation of these recommendations. INS expects it will take at least a two-year process to actually institute all the recommended reforms.
3. **INS Restructuring Budget Proposals.** The FY2001 budget provides \$35 million in appropriations to address INS system and capital infrastructure investment initiatives and establishes a Immigration Services Capital Investment Fund (ISCIF) to provide funding for on-going backlog reduction efforts in all immigration benefit programs and cover major capital acquisitions. This fund will be capitalized with an estimated \$93 million from two new fees: 1) A premium process fee of \$1,000 to expedite the adjudication of business-related services. Payment of this voluntary fee will ensure INS action on an application within 60-days through direct business-INS liaison; and 2) the re-authorization of the 245(i) adjustment of status penalty provisions with proceeds divided between detention and immigration service improvement initiatives. The 245(i) adjustment of status program permits certain migrants to adjust their status while remaining within the United States.
4. **Immigration Legislative Proposals**

**Central American and Haitian Parity Act of 1999.** This proposal would allow qualified nationals of El Salvador, Guatemala, Honduras, and Haiti an opportunity to become lawful permanent residents of the United States if they have been continuously present in the United States since December 1, 1995. Consequently, under this bill, eligible nationals of these countries would receive treatment equivalent to that granted to the Nicaraguans and Cubans under *Nicaraguan Adjustment and Central American Relief Act of 1997 (NACARA)*. This is an Administration proposal that which has bipartisan support.

**Registry Date Revision.** This proposal would permit long-term migrants to adjust their status if they have been in the US since 1986. Since 1952, the United States immigration law has permitted individuals who have been living in the United States for a long period of time and are of good moral character to become legal permanent residents (section 249 of the Immigration and Naturalization Act). This provision is referred to as the "*registry date*". The registry date has been revised throughout the years and the last time the registry date was revised was in 1986 to its current date of January 1, 1972. The policy rationale behind the registry date is recognition that undocumented immigrants who have

resided in the country for a long period have developed substantial ties to this country including establishing families, homes and ties to their communities. There is little national interest in tracking down and deporting these individuals. Furthermore, this proposal will help late amnesty individuals.

**Restoration of Discretion.** This proposal would primarily restore immigration judges discretion not to detain or deport certain legal immigrants who have committed crimes and some other provisions. The 1996 Immigration Reform law instituted some harsh provisions that have resulted in the tragic separations of families. Almost daily, there are stories about legal immigrants who have families, jobs and are valuable members of American society who are being deported because many years ago they committed crimes that may have been considered minor at the time have since been determined to be aggravated felonies. And immigration judges no longer have the discretion not to enforce deportation orders. Currently, there are several bills, including legislation sponsored by Republicans, to undo some of the harshness of those laws, by restoring immigration judges discretion. I am working with DOJ on developing on a proposal. This is the target of a campaign that immigrant advocates have begun called Fix 96.

5. **AgNet Registry for Farmworkers.** The President's FY 2000 Department of Labor budget included a request \$10 million to fund America's Agricultural Labor Network ("AgNet") that would benefit agricultural industry and farmworkers by establishing an efficient alternative mechanism to match workers with employment opportunities. The final FY 2000 budget does not contain funding for this proposal but it is important to reintroduce this proposal to demonstrate the Administration's commitment to ensure an adequate labor supply for growers in a predictable and timely manner. We expect that next year Congress will consider a broader legislation proposal to overhaul the current system that the Administration opposes. The Department of Agriculture staff believes that AgNet could substantially improve grower's recruitment efforts provided we work with growers, farmworker advocates and develop public-private partnerships to ensure that the system is widely available and user friendly. The FY 2001 budget proposal will include a request of \$10 million.

## CIVIL RIGHTS EVENT IDEAS

**Background:** In FY 2001, the budget includes \$98 million for the Department of Justice's Civil Rights Division – the highest budget request for this office. In FY2000, the President requested and the final budget agreement included \$82 million – this represented a 19 percent increase from the previous year. The FY 2001 budget includes additional funding for ADA education, training, and enforcement and criminal investigations of hate crimes and police abuses cases; funding for hate crime prevention assistance and training; and funding for One America dialogues (see below for fuller description).

## Event Ideas:

- (a) **Civil Rights Budget** – The President could participate in a Civil Rights Budget event with the need for Congress to pass hate crimes legislation. This event could be tied to Martin Luther King's birthday.
- (b) **Hate Crimes Legislation** - Alternatively, the President could participate in a hate crimes event urging Congress to pass hate crimes legislation and to fund fully the President's request for the Civil Rights budget.

## Civil Rights Budget Proposals - Background

### FULFILLING THE PROMISE OF THE AMERICANS WITH DISABILITIES ACT

July 2000 marks the tenth anniversary of the enactment of the Americans with Disabilities Act, the landmark civil rights law that provides comprehensive civil rights protections for this nation's 54 million persons with disabilities. The Civil Rights Division has primary responsibility for ADA enforcement, and during the first 10 years has focused its efforts on this nation's largest entities: franchisers and chains in the private sector and large government agencies in the public arena. Agreements with hotel chains, restaurants, entertainment venues, police departments, and local governments have removed architectural barriers for people with mobility impairments and provided services in an accessible format to people who have hearing or vision impairments. Everyday aspects of American daily life -- things many Americans take for granted -- are opening to people with disabilities.

Despite these efforts, too many barriers continue to exist. People with disabilities have become increasingly frustrated that, after 10 years of ADA outreach and enforcement, that they continue to be denied ready access to community programs and public accommodations. To effect the fundamental change that the ADA's enactment promised, the Civil Rights Division seeks to expand its implementation efforts under the ADA by proposing four new initiatives to fulfill the promise of the new millennium for people with disabilities:

**Project Community Access:** Most Americans take for granted the ability to use basic government services -- to call 911, to hop on a public bus or subway car, to pay a late utility bill in person, to vote, to apply for a driver's license, to land a government job if qualified, to adopt a stray dog at the local shelter, to fight a traffic ticket in court, and to live and participate in integrated communities. Yet millions of people with disabilities are not able to successfully accomplish one or more of these basic acts of community life because building architecture, communication systems, public mass transit systems, and discriminatory attitudes, policies, and practices continue to exclude them, even though it is illegal. Project Community Access will focus on bringing down these barriers and make these basic services accessible to all Americans.

**Training law enforcement officers on mental disabilities:** On too many occasions, we have witnessed tragic situations involving law enforcement officers and a person with a

mental disability. Officers may misinterpret the threat posed by mentally disabled persons, with tragic, and often lethal, results. Providing training on how to identify and deal with persons who have a mental disability will help to reduce situations involving excessive and unnecessary force by law enforcement officers.

**Opening America's History:** People with disabilities are still denied access to many American destinations, such as historic landmarks and tourist attractions. These destinations themselves may have barriers to access. Private transportation, such as tour buses or shuttles to and through these sites, is not accessible. Hotels, motels, restaurants, service stations, rest stops, and a myriad of other accommodations remain inaccessible to persons with disabilities. Millions of American families are being denied the opportunity to share in and benefit from the rich and living history available at these sites. Additional personnel is critical to the Section's ability to significantly impact access in this important area, to make sure America's historic landmarks and tourist attractions are available to persons with disabilities.

**Meeting Unmet Needs for ADA Information:** Over the last 10 years, the Division has reached out to America's businesses, to State and local governments, and to persons with disabilities to inform them of their rights and obligations under the ADA. This knowledge is essential to ADA compliance because if people understand the ADA and know how to comply, they will comply with the law. But many in the business world and people with disabilities remain uninformed about the ADA. Small towns and businesses in rural areas, non-English speakers, and minority populations in urban centers have been difficult to reach. The Division proposes to take additional steps to reach these under served rural and urban populations. We can also use new technology and a multi-media approach to serve a diverse, information-hungry audience.

## **HATE CRIME PREVENTION ASSISTANCE AND SUPPORT**

Preventing and prosecuting hate crimes and passage of the Hate Crimes legislation is a high priority for the Administration. This year, hate crimes took the lives of many Americans because of their race, ethnic background or sexual orientation. The Department of Justice as well as many state and local governments have established working groups and other entities to prevent and prosecute hate crimes in their community. This proposal would expand the resources of the Department to provide technical assistance and support to federal (including the Hate Crimes Working Group), state and local law enforcement to prevent and respond to alleged hate crimes. This proposal is part of the Hate Crimes legislation that the Administration submitted earlier this year.

## **COMMUNITY PARTNERSHIPS TO PROMOTE ONE AMERICA DIALOGUES**

President Clinton has called upon the Americans to have an honest and frank discussion about race. Talking is a first step towards action. Experience has shown and race relations experts also agree that constructive dialogue is widely accepted as one of the most effective ways to start to address race relations. This proposal would provide about \$3 million for the Department of Justice to support and technical assistance to state and local governments and community-based

and other organizations to promote and facilitate dialogues on racial diversity and understanding. This would include utilizing and implementing the One America Race Dialogue Guide in communities throughout the country. This guide was developed by DOJ's Community Research Service as a tool kit to help communities frame a dialogue around race.

**ONE AMERICA PUBLIC EDUCATION CAMPAIGN.** (Funding was not provided specifically for this proposal but I would still like to explore way to secure funding perhaps as part of the Community Partnerships for One America Dialogues).

The face of America has and will continue to change in dramatic ways in the new millennium. There is a need to raise awareness of the growing diversity of America and to support and amplify various positive efforts that are underway to promote tolerance and diversity. Indeed, the White House Office on One America has met with a broad range of organizations and constituencies, including corporate, media, educational, advocacy and non-profit. The overriding consensus is that a national visibility campaign is essential to promote tolerance and diversity. A focal point message for the campaign is a national imperative that Americans must be prepared to meet the challenges of diversity and to reap the rewards of diversity in the new millennium.

This **One America Public Education Campaign** would be modeled after the Office of National Drug Control Policy (ONDCP) Media Campaign to encourage Americans particularly kids to stay drug-free. To get the word out, the ONDCP campaign has \$1 billion over five years for paid media; involves a series of public/private partnerships that generate a range of communication activities; and support efforts of schools, civic and community organizations.

The **One America Public Education Campaign** would be a much smaller campaign run by the White House Office of One America in conjunction with other appropriate White House offices and federal agencies. The campaign would involve:

**Public Service Announcements** - \$1 million to help fund Public Service Announcements (PSAs) and other range of communication activities including internet, publications such as the Weekly Reader and Scholastic Magazine that target youth, to send out a message that is positive and proactive about race. NBC Broadcasting and this year's "The More You Know" PSAs that focus on tolerance is a good model for the types of products that the Campaign would promote.

**Public/Private Partnerships** - One America would build partnerships with public-private organizations to help leverage funding for these communication activities that reinforces the message. Similar to the ONDCP campaign, we could challenge the entertainment, high tech, and other industries to help reinforce the federal communication activities. For example, we could partner with organizations with the Advertising Council, YWCA and other organizations involved in media and visibility campaigns, to promote diversity and tolerance.

**Community Partnerships to Promote One America Dialogues** - provide additional resources for the Department of Justice's Community Relations Service for support and

technical assistance to state and local governments and community-based and other organizations to promote and facilitate dialogues on racial diversity and understanding. This would include utilizing and implementing the One America Race Dialogue Guide in communities throughout the country. This guide was developed by CRS as a tool kit to help community's frame a dialogue around race.

ENVIRONMENTAL APPROPRIATIONS PRIORITIES  
FY 2001

Program (millions of \$)	FY 2000 (request)	FY 2000 (final)	FY 2001 (CEQ rec.)	FY 2001 (OMB pb)	CEQ New Add to pb
Lands Legacy	1030	652	1400	926	+380
Salmon Recovery (NOAA Fund and ESA)	215	126	225	215	0
Climate Change*					
CCTI	1366	1099	1366	1349	0
GEF	143	36	200	176	0
CAPF	200	0	150	100	0
New	--	--	328	0	+80
Tropical Forests	--	--	40	--	+40

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The chart shows the CEQ proposed distribution of \$500 million in potential new initiative funding for FY 2001. OSTP has also proposed \$125 million in new initiatives spending for climate as part of an S&T initiative, with \$65 million for science and \$65 million for biofuels research. The CEQ proposal is consistent with the OSTP proposal and would add \$15 million to biofuels and give \$65 million to a new trade promotion effort. Because part of the OSTP proposal would support research under CCTI, approval of the OSTP proposal would also increase CCTI slightly above the FY 2000 request.

## ENVIRONMENT BUDGET PROPOSALS

### Lands Legacy:

The POTUS would announce a major increase in funding to protect sensitive lands at all levels of government and would once again call for creation of a permanent trust to provide dedicated funding for this purpose in the future. The announcement could also be combined with a POTUS status on the possible creation of new national monuments.

This proposal includes DOI, USDA, and NOAA and provides funding for acquisition and protection of sensitive Federal land and state and local greenspace. The content of the FY 2001 proposal is similar to the FY 2000 request level of \$1030 M, with the main exception that the level would be increased to \$1.3 billion in an effort to broaden support for permanent legislation by expanding the coastal and wildlife protection pieces.

### Climate Change:

The POTUS would announce a major increase in support for climate activities. The announcement would have four major parts: (1) the next installment in the multi-year Climate Change Technology Initiative, including tax proposals; (2) a renewed call for the EPA's innovative Clean Air Partnership Fund; (3) vigorous implementation of the President's executive order on biofuels to promote renewable energy sources; (4) increased funding for the Global Environment Facility, the lead U.S. entity for promoting positive international action on climate change; and (5) a new international effort to promote clean U.S. technologies abroad.

The international clean energy effort builds on the recommendations of the President's Council of Advisors on Science and Technology. Electric power accounts for one third of greenhouse gas emissions, with the fastest growth occurring in developing countries. By 2020, a projected \$1.7 trillion will be invested in power capacity in developing countries. These measures would help demonstrate to developing countries that they can protect the environment while growing their economies, and would help encourage their participation in global climate change efforts.

### Tropical Forest Conservation:

The proposal would expand AID's work on tropical forest, implement the Congressionally authorized Tropical Forest Conservation Act at Treasury, and provide technical assistance to struggling developing countries through USDA. The initiative would be designed in part to help the U.S. to respond to criticisms heard during the WTO process about the impacts of international trade on forests.

### Salmon Recovery:

This proposal consists of a Salmon Recovery Fund, which funds state efforts in the Pacific NW and the implementation of the treaty with Canada, and Endangered Species Act money for NOAA. The FY 2001 proposal maintains FY 2000 proposed level of \$160 million for the Fund.

## FIREARMS ENFORCEMENT PROPOSALS

Original Proposal: \$309 million total

### 1. \$275 million proposal (Need \$34 million in proposed reductions)

Keep original requests but change:

#### (a) Prosecutors

250 Federal prosecutors \$28.7 million

(-\$28.7 million)

750 local prosecutors \$112.5 million

(increase could be earmarked within existing \$200 million community prosecutors)

(b) Brady/NCHIP \$19.7 million

(-\$5.3 million)

Total reduction = \$34 million

### 2. \$250 million proposal (Need \$59 million in proposed reductions)

Keep original requests but change:

(a) Ballistics testing \$ 30.5 million

(-\$5.3 million)

ATF -- \$26 million

FBI -- \$4.5 million

(b) Brady/NCHIP -- no increase

(-\$25 million)

#### (c) Prosecutors

250 Federal prosecutors \$28.7 million

(-\$28.7 million)

750 local prosecutors \$112.5 million

(increase could be earmarked within existing \$200 million community prosecutors)

Total reduction = \$59 million

*smart guns  
Ballistics*

*20m*

*241  
200m - 10m  
→ ERIC: 150m + 20m*

# Crime Budget Priorities

Increases over Enacted  
(\$ in millions)

*Photo licensing  
ATF or DOJ? # through  
NICS  
Cost?*

## Firearms Enforcement:

	<u>DPC Request</u>	<u>Current/ Offer</u>	<u>Possible</u>	<u>Comments</u>
500 New ATF Agents	\$69.1	\$14.5	Funds 105 agents	[ ] <i>std for exp/prop.</i>
250 New ATF Inspectors	14.6	8.4	Funds 144 inspectors	
Gun Tracing (Treasury)	12.0	<u>8.7</u>		
1,000 Gun Prosecutors 500 Federal *	57.5	7.0	Funds 80 positions	
500 State/Local	75.0	75.0	Earmarked within \$200M for prosecutors	

DPC requests \$35.8 but does not specify the split bet. Treas and DoJ. total current offer is \$6.4M. balance of \$29.4M.

## Expanded Ballistics

FBI	35.8	1.4	
ATF		<u>5.0</u>	

Brady Background Checks (States)  
by doubling NCHIP (\$35M in 2000)

35.0 25.0

National Instant Notification

5.0 5.0

## Subtotal Firearms Enforcement

304.0 150.0

*) needs \$14m add*

## Kids and Guns:

Promoting Gun Safety (Treasury)

2.0 0.0

Local Media Campaign (Justice)

10.0 10.0 Earmark in Byrne

## Community Supervision of Released Offenders

Rentry Courts and Rentry Partnerships

125.0 60.0 Includes \$25M for Drug Testing

## Police Gun Buyback

Ending Re-sale of Used Police Weapons

10.0 10.0 Earmark in COPS

## Local Law Enforcement/21st Century Policing

COPS Hiring

200.0 50.0 Extra hiring funds would reduce prosecutors to \$150 million

## Zero Tolerance Drug Supervision

Drug Testing

150.0 100.0 Includes \$25M for ONDCP

Drug Courts

35.0 10.0

Residential Substance Abuse Treatment

12.0 2.0

TOTAL \$848.0 \$392.0

\* DOJ reports that 500 Federal prosecutors would result in between 2,500 - 7,350 convictions per year and require \$1.3 - \$3.8 billion in new prison construction and an annual cost of between \$520 million - \$1.515 billion to fund prison operation, detention and the U.S. Marshals.

*Drug Test  
Sample Count?*

## FY 2001 Crime Budget Ideas/Priorities

### Firearms Enforcement (\$309 million)

The National Gun Enforcement Project (\$309 million): This would be a multi-pronged initiative to put an unprecedented level of resources into firearms enforcement:

More ATF agents than ever (\$69.1 million). Our initiative would fund 500 new ATF agents to support local enforcement initiatives throughout the country in making cases against armed criminals, investigate more gun trafficking cases including straw purchasers, gun show enforcement, and Brady denial cases. This would cover additional agents to expand the Youth Crime Gun Interdiction Initiative to a total of 50 cities.

New ATF inspectors to crack down on unscrupulous dealers, manufacturers and distributors (\$14.6 million). The initiative could fund 250 new ATF inspectors to work with ATF agents to ensure industry compliance with gun laws and regulations. Enforcement efforts would focus on licensees with indicators of crime gun activity, such as high numbers of crime gun traces.

Comprehensive crime gun tracing (\$12 million). The initiative would be the first step toward an effort for law enforcement to trace every crime gun in America. It would fund ATF training and software for 250 cities and localities to help them trace firearms, and additional staff for the National Tracing Center to accommodate the increase in trace requests.

1,000 new gun prosecutors (\$132.5 million). The initiative would fund 1,000 new federal, state and local gun prosecutors to increase overall firearms prosecutions: 500 federal prosecutors and 500 state and local prosecutors. The new prosecutors would bolster the local gun strategies developed by all 94 U.S. Attorneys in response to the President's directive on gun enforcement. One federal prosecutor would be assigned to every judicial district to coordinate firearms cases with local authorities to maximize sentencing for the most dangerous gun criminals. The initiative would provide \$57.5 million for federal prosecutors and support staff, and \$75 million for state and local prosecutors, potentially designated out of the community prosecutors' initiative.

Expanded ballistics testing (\$35.8 million). The initiative will make it more difficult for criminals to cover up crimes committed with firearms by expanding the use of ballistics information. Ballistics testing helps police track down gun criminals using bullets or bullet casings left at crime scenes. The funds would support the new ATF/FBI universal system – gun-fire.net – to create a national ballistics information network and will help to triple the number of existing ballistics testing systems to over 200 law enforcement agencies over a two-year period.

Stronger Brady background checks through records improvement (\$20 million). The initiative would make background checks more effective – and prevent more criminals, mentally unstable persons, stalkers, and other prohibited persons from buying guns -- by doubling the current level of NCHIP funding. This will help States to computerize and make other improvements to

criminal history records, mental health records, domestic violence restraining orders, and other criminal justice records, and facilitate better records sharing for law enforcement and other purposes.

National Instant Notification (NIN) (\$5 million). This new prevention system would help make the National Instant Criminal Background Check System (NICS) an even more powerful enforcement tool by sending instant notifications of Brady denials to local authorities when felons or other restricted persons are illegally attempting to purchase guns in their communities. The NIN system would rely on existing technologies to transmit the notifications through NLETS, which connects every law enforcement agency in the nation. Funding would support additional personnel and computers.

### **Kids and Guns (\$12 million)**

Promoting gun safety (\$2 million). The initiative will help expand information, outreach and research about gun safety and gun technology to help prevent childrens' access to guns, accidental deaths, and other unauthorized uses. The initiative will fund gun safety technology experts, research, and related public education initiatives at ATF.

Local media campaigns on gun safety and gun violence. (\$10 million) The initiative would provide matching grants from the Justice Department to support local media campaigns linked to the local gun violence strategies to highlight proper storage of guns as well as other messages to prevent child access, accidents, and other forms of gun violence. Localities could also use media campaigns to publicize gun penalties to maximize deterrence against gun crime.

### **Community Supervision of Released Offenders (\$125 million)**

Reentry Courts and Reentry Partnerships (\$75 million). The reentry initiative will help address community safety concerns, lower recidivism rates, as well as support issues for the nearly 500,000 inmates that will leave prison this year. Two-thirds of all prisoners re-arrested for new offenses within three years of release. The initiative -- which would ideally be targeted to areas with the most returning offenders -- would be comprised of three elements: reentry partnerships, reentry courts, and the hiring of more probation and parole officers.

Reentry partnerships (\$50 million). Through reentry partnerships, police and corrections agencies would team up with other community service providers and local organizations (e.g., faith-based groups, civic organizations, fatherhood groups) to monitor offenders reentering the community from prison or jail. In addition to providing greater supervision of offenders, the partnerships would target and provide resources such as drug treatment, job training, and mental health services -- as well as help ensure that child support or other outstanding obligations are met. This would fund up to 50 demonstration sites, one per state. Communities with the highest number of recently released offenders would be targeted.

Reentry courts (\$25 million). Reentry courts would use the drug court concept of judicial supervision to oversee offenders on conditional release. Offenders would meet regularly scheduled court appearances on the status of individual accountability plans, with graduated sanctions for failing to meet plan requirements. Reentry courts would work with community service providers to identify and target needed resources for the offender. This would fund up to 25 sites for reentry courts.

Hiring more probation and parole officers (\$50 million). To heighten community supervision of offenders, and to complement reentry courts/partnerships, the initiative would establish a grant program to provide funds for localities to hire additional probation and parole officers. These officers would help communities to better monitor offenders through frequent home visits, regular drug testing, location monitoring devices, and other means. Officers could administer swift and certain punishment for offenders who violate the terms of their parole or probation.

#### **Police Gun Buyback (\$10 million)**

Ending the re-sale of used police weapons and seized guns (\$10 million). This initiative would encourage state and local police departments to end the practice of re-selling used police guns and confiscated crime guns on the civilian market. The grant program, which could be funded by the Justice Department or Treasury Department, would purchase used police guns on a one-time basis from departments on the condition that they permanently agree to halt re-sales or trade-ups in the future (unless they want to transfer the guns to another police agency) and destroy all seized firearms. All purchased guns would be destroyed.

#### **Local Law Enforcement/21<sup>st</sup> Century Policing Initiative (\$1.475 billion)**

21<sup>st</sup> Century Policing Initiative (\$1.4275 billion): This proposal would continue the President's 21<sup>st</sup> Century Policing Initiative into its second year, with added resources for hiring to meet the goal of 50,000 officers by FY 2005. Our request would fund the hiring and redeployment of 8,000-9,000 officers; law enforcement technology; community prosecutors; and community crime prevention. This includes: \$800 million for hiring (about \$600 million for straight hiring and \$200 million to retain current hiring-related earmarks); \$350 million for law enforcement technology; \$200 million for community prosecutors; and \$125 million for community crime prevention.

#### **Zero Tolerance Drug Supervision (\$300 million)**

This initiative combines key programs to promote coerced abstinence from drugs for offenders under criminal justice supervision. This funding level builds on the FY 2000 budget request. The initiative provides: (1) \$150 million to help states and localities to drug test, treat, and punish prisoners, parolees and probationers; (2) \$75 million for drug courts; and (3) \$75 million for the Residential Substance Abuse Treatment program to provide intensive drug treatment to

hardcore drug users before and after they are released from prison.

Andrea Kane

12/15/99 06:57:53 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP  
cc: Cynthia A. Rice/OPD/EOP@EOP, Leanne A. Shimabukuro/OPD/EOP@EOP, Deanne E. Benos/OPD/EOP@EOP  
Subject: DOL ex-offender funds

We hear good news that OMB is planning to give DOL an additional \$45 million for ex-offender employment grants, for total funding of \$75 M. DOL requested \$200 M, pass back was \$30 M, we suggested an additional \$20 M targeted for the communities participating in the DOJ re-entry initiative, and OMB is granting that plus another \$25 M. We've told OMB they need to convey to DOL that at least \$20 million of the add-on has to be closely coordinated with DOJ funds, by targeting communities and populations participating in the re-entry initiative. We thought it was necessary to send a clear signal now, otherwise DOL may end up focusing all the money on youthful offenders, which is their priority. While DOL has a pretty generous notion of "youth", we want to make sure that older offenders leaving prison through the re-entry partnerships also receive the critical employment services they need to work, meet their family responsibilities, and lessen the chance they'll commit another crime.

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP

cc: Eric P. Liu/OPD/EOP@EOP, Deanne E. Benos/OPD/EOP@EOP, Anna Richter/OPD/EOP@EOP, Cathy R. Mays/OPD/EOP@EOP

Subject: budget paper for Michael Deich

Here is the wish list for Deich. A few additions/ changes to note from the last version we submitted:

- The firearms enforcement initiative is now \$309 million. We added: a \$20 million increase for criminal history records improvement for better Brady checks, and \$5 million for a new national instant notification system tied to NICS to send instant notifications of Brady denials to local authorities when felons or other restricted persons are illegally attempting to purchase guns in their communities. Also, we retooled the gun safety initiative a bit so it is clearly within current Treasury authority.
- We added \$200 million for COPS to help get us to the 50,000 goal by FY 2005. COPS estimates that it will take between \$180 million to \$230 million more than current budget level allows to do this. We will have funded about 109,000 officers by the end of FY 2000 -- leaving 41,000 to be funded over the next five fiscal years. While this technically means that we will need to fund less than 10,000 per year, COPS wants to overshoot the 50,000 total a bit to allow for MORE-related downward adjustments that will inevitably occur.
- We added \$85 million to the zero tolerance drug supervision initiative to make it a \$300 million total initiative. So now, we're only \$500 million below the VP's "Get Off the Juice or Rot in Prison Forever" Program (offline program name), which is pretty similar in concept.

Who knew that spending money could be so hard?



FY2001.re3.do

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP  
cc: Deanne E. Benos/OPD/EOP@EOP, Cathy R. Mays/OPD/EOP@EOP, Anna Richter/OPD/EOP@EOP  
Subject: budget blurb for gun safety technology

In response to your request, here is a brief budget paragraph description on NIJ funds for gun safety technology. As it turns out, the current FY 2001 Justice budget provides \$4 million after passback. We propose increasing it to \$10 million.

Improving Gun Safety Technology (\$10 million). This would fund expanded development, testing and replication of "smart gun" technologies that can help ensure that guns cannot be used accidentally by children or intentionally by someone other than their proper owner. The funds would be used by NIJ to help replicate and distribute certain childproof gun prototypes to law enforcement for field testing, provide training for law enforcement, and advance the development of other smart gun technologies.

[This proposed funding level is \$6 million more than the passback level. NIJ internally sought \$10 million for such research in the FY 2000 budget, and could use this level of funding; the final FY 2000 budget included \$4 million, none of which was funded in the final CJS appropriation.]

## FIREARMS ENFORCEMENT PROPOSALS

Original Proposal: \$309 million total

### 1. \$275 million proposal (Need \$34 million in proposed reductions)

Keep original requests but change:

#### (a) Prosecutors

250 Federal prosecutors \$28.7 million

(-\$28.7 million)

750 local prosecutors \$112.5 million

(increase could be earmarked within existing \$200 million community prosecutors)

#### (b) Brady/NCHIP \$19.7 million

(-\$5.3 million)

Total reduction = \$34 million

### 2. \$250 million proposal (Need \$59 million in proposed reductions)

Keep original requests but change:

#### (a) Ballistics testing \$ 30.5 million

(-\$5.3 million)

ATF -- \$26 million

FBI -- \$4.5 million

#### (b) Brady/NCHIP - no increase

(-\$25 million)

#### (c) Prosecutors

250 Federal prosecutors \$28.7 million

(- \$28.7 million)

750 local prosecutors \$112.5 million

(increase could be earmarked within existing \$200 million community prosecutors)

Total reduction = \$59 million

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• Amie request  
• VP - EW funds



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

THE DIRECTOR

December 14, 1999

cc ERIC  
CHRIS  
+ return

MEMORANDUM FOR GENE SPERLING  
BRUCE REED  
NEAL LANE  
GEORGE FRAMPTON

FROM: Jack Lew  
Sylvia Mathews

SUBJECT: FY 2001 Initiative Proposals

Attached for your review is a table listing the initiatives discussed in the policy councils' memorandums to the President. I would appreciate if you could review the document to ensure that all of your proposals have been included and help us fill in the missing cost information for the proposals. We may discuss these issues with the President as early as Thursday, so it would be helpful to get any comments and information you can provide as soon as possible tomorrow morning. If you have any questions or comments, please call Rob Nabors at x55604.

Bioterrorism  
Global AIDS  
Vaccine

**FY 2001 Initiative Proposals**  
(\$ in billions)

	FY 2001 Cost	FY 2001-2005 Cost	FY 2001-2010 Cost
<b>Science and Technology for the 21st Century</b>	1.500		
Restoring balance by focusing on university-based research			
Correct disparities between disciplines			
Breakthrough research for the New Millennium			
<b>Millenium fund for University Research</b>	**	28.000	
Double University-based Research in five years			
<b>Clean Energy for the 21st Century</b>	0.204		
Global Clean Energy in the 21st Century	0.183		
Clean Air Bond	0.021		
<b>A Permanent Lands Legacy</b>	1.350		
<b>Greening the Globe</b>	0.150		
Global Forest Fund	0.100		
Debt-For-Nature	0.050		
<b>Clean Waters Across America</b>	3.000		
Wastewater systems improvements	1.500		
Reduce contamination from farming/ranching	0.500		
Restoration of wetlands & Gulf of Mexico Dead Zone	0.500		
Assist States with Great Lakes pollution	0.500		
<b>Building More Livable Communities</b>		1.400	
Better America Bonds (\$1.4 B over five years)			
Expanding transportation choices			
Next generation of brownfields redevelopment			
<b>Strengthening and Modernizing Medicare</b>			
Plan to Strengthen and Modernize Medicare			
Medicare Preventive Benefit Authority			
Immunosuppressive Drug Extension Adjustment		0.100	
Cancer Clinical Trials (three years 2002-2004)		0.750	

**FY 2001 Initiative Proposals**  
(\$ in billions)

FY 2001 Cost	FY 2001-2005 Cost	FY 2001-2010 Cost
-----------------	----------------------	----------------------

**Improving Access to Affordable Health Insurance Coverage**

Family Health Insurance Initiative	5 to 18	
Medicaid Option to Cover Poor Adults		
Tax Credit for Individual Insurance to Address Current Tax Inequity	15.000	35.000
Encouraging Small Businesses to Offer Health Insurance	1.000	2.500
Medicare Buy-In for Certain 55 to 65 Year Olds	1.800	2.900
Medicaid Coverage for Certain Women with Breast Cancer	0.300	
All Federal Workers have Access to Employer Based Insurance		
Tax Credit for COBRA Continuation Coverage		

**Finishing the Job of Targeting and Enrolling Uninsured Children**

Encouraging School-Based Outreach	1.000	3.000
Ensuring Seamless Health Insurance Coverage for Children	0.500	

**Long-Term Care Initiative**

6.000

**Discretionary Initiatives**

Preventing Medical Errors	0.060
Internet Drug Sales	.011
Preventing Breast and Prostate Cancer	0.020
Improving Nursing Home Quality	0.031
Education Funds for Children's Hospitals	0.104
Addressing Mental Illness	0.100
HIV and AIDS	0.100
Access for Uninsured Americans	0.100
Investment in Biomedical Research	.5 to 1.5
Safeguards Against Scientific and Biomedical Abuses	

**Early Childhood/Universal Preschool**

Increase Head Start Funding	0.800	30 to 40
Early Childhood Learning Fund	0.400	

**Universal Afterschool**

0.550 *above passback* 20 to 30

*Gun Enforcement*

**FY 2001 Initiative Proposals**  
(\$ in billions)

	FY 2001 Cost	FY 2001-2005 Cost	FY 2001-2010 Cost
<i>School construction</i> <i>Class size</i>			
<b>Turning Around Every Failing School</b>	0.300		3 TO 5
<b>Closing the Digital Divide</b>	0.770		10.000
Community Technology Centers	0.070		
Develop Universal Internet Access	0.100		
Teacher Training for the Internet	0.100		
School Internet Modernization Fund	0.500		
<b>Closing the Opportunity Gap for College</b>	0.420		10.000
Keeping Students On Track to College	0.250		
AP Courses Online and Test Prep for Poor Kids	0.070		
Refundable Hope Scholarship and Pell Grant Increase			
Challenging Students to Complete College	0.100		
<b>Demanding Responsible Fatherhood</b>	0.250		5.000
<b>Rewarding Work and Family</b>	1.000		10 to 15
Expanding Housing Vouchers		3 to 6	
Expanding Health Coverage			
Extend CHIP to Parents		5 to 18	10 to 35
Outreach to Enroll Uninsured Children In Medicaid	0.200		3.000
Restore Option to Cover Legal Immigrants			3.000
Progressive Savings Accounts			
Rewarding Work and Family Through the EITC and Child Care			
Making the EITC Even More Pro-Work			11.000
EITC Increases for three children			8.000
Child Care Block Grant in Discretionary Budget	0.800		
Making the Dependent Care Tax Credit Refundable		4.000	8.000
<b>New Markets Initiative and Empowerment Zones</b>			
Expanded New Markets Tax Credit			4.000
Expanded Empowerment Zones Credit			
Expanded Low-Income Housing Tax Credit			3.2+

**FY 2001 Initiative Proposals**  
(\$ in billions)

FY 2001 Cost	FY 2001-2005 Cost	FY 2001-2010 Cost
-----------------	----------------------	----------------------

Making Homeownership More Affordable  
Expanding Faith-based Involvement

**Tobacco Budget Ideas**  
12/12/99 DRAFT

**Price Increase:** The following proposals would reduce youth smoking by raising the price of cigarettes and providing tobacco companies with incentives to stop marketing tobacco to children.

**Option 1:** Starting in FY 2001, the federal tobacco excise tax would be raised by 25 cents. If youth smoking does not decrease by one-third within three years and by half within five years, the excise tax would be raised by another 25 cents in FY 2003 and FY 2005. Thus, to avoid additional tax increases, youth smoking would have to decline by one-third between 1999 and 2002 and by half between 1999 and 2004.

**Option 1: Cigarette Price Increases and Revenues, FY 2001-2005**

	FY '01	FY '02	FY '03	FY '04	FY '05	FY '01-'05
Initial Excise Tax Increase	25 cents	--				
Additional Excise Tax Increases if Youth Smoking Reduction Targets are Not Met	--	--	25 cents	25 cents	50 cents	--
Potential Total Excise Tax Increases	25 cents	25 cents	50 cents	50 cents	75 cents	--
Revenues*	\$2.9 bi	\$2.9 bi	\$5.8 bi	\$5.8 bi	\$8.7 bi	\$26.1 bi

\*Figures need to be revised by OMB and Treasury; they are based on the simplistic assumption that every 10 cent increase in the excise tax raises \$1.16 billion (since a 55 cent increase raises about \$6.4 billion).

A comparable price increase would be put in place for other tobacco products (the percentage price increase from current levels would be the same as for cigarettes), using the same tobacco use reduction targets (one-third within three years and half within five years).

Progress in meeting the tobacco use reduction targets would be based on data for children aged 12 to 17 from HHS' National Household Survey on Drug Abuse. (Note: need to double check that survey includes all tobacco products.)

**Option 2:** The same as Option 1, except the initial excise tax increase would be 35 cents, and it would be raised by 15 cents in 2003 and 2005 if youth smoking reduction targets weren't met.

**Option 2: Cigarette Price Increases and Revenues, FY 2001-2005**

	FY '01	FY '02	FY '03	FY '04	FY '05	FY '01-'05
Initial Excise Tax Increase	35 cents	--				
Additional Excise Tax Increases if Youth Smoking Reduction Targets are Not Met	--	--	15 cents	15 cents	30 cents	--
Potential Total Excise Tax Increases	25 cents	25 cents	50 cents	50 cents	65 cents	--
Revenues*	\$4.1 bi	\$4.1 bi	\$5.8 bi	\$5.8 bi	\$7.5 bi	\$27.3 bi

\*Figures need to be revised by OMB and Treasury; they are based on the simplistic assumption that every 10 cent increase in the excise tax raises \$1.16 billion (since a 55 cent increase raises about \$6.4 billion).

**Option 3:** The same as Option 1, but in addition, if youth smoking of a particular company's brands does not decline by one-third within three years and by half within five years, the company would pay an assessment for each additional underage smoker. This surcharge would be based on the lifetime profit the company would be expected to obtain from each youth smoker (estimated at \$1,450 per child discounted to present value). For example, if in FY 1999 one million children smoked a particular company's brands of cigarettes, then to meet the targets, the number of youth smokers of those brands would need to decline to at least 666,666 by FY 2002 and to at least 500,000 by FY 2004. If 600,000 children smoked the company's brands in FY 2004, the company would pay an assessment of  $(\$1,450 \times 100,000)$  or \$145 million in FY 2005.

**Option 4:** The same excise tax levels as Option 2, combined with the company-specific assessment in Option 3.

**Note:** The McCain bill had the following youth smoking reduction targets:

Calendar Year After Date of Enactment	Required Percentage as a Percentage of Base Incidence Percentage in Underage Cigarette Use*
Years 3 and 4	15 percent
Years 5 and 6	30 percent
Years 7, 8 and 9	50 percent
Year 10 and thereafter	60 percent

**State Lookback:** Although state officials said the purpose of the \$246 billion state settlements with the tobacco industry was to reduce youth smoking, few states are investing settlement funds in programs to prevent youth tobacco use. This proposal would ensure that if the provisions of the state settlement (45 cent price increase, some limitations on marketing and promotion of tobacco products, and funding for a national foundation to reduce youth smoking) do not actually reduce youth smoking, then states would spend settlement funds on youth smoking prevention programs. The spending provisions would be triggered if youth smoking did not decline by one-third within three years and by half within five years.

Specific funding requirements would be based on CDC recommendations, which vary by state based on state characteristics, such as demographic factors, tobacco use prevalence, and other factors. CDC's recommendations range from \$7 to \$20 per capita in smaller states (population under 3 million), \$6 to \$17 per capita in medium-sized States (population 3 to 7 million), and \$5 to \$16 per capita in larger States (population over 7 million).

A penalty could be structured that would require States that miss the above youth smoking targets to invest additional funding into youth tobacco prevention activities. The greater the percentage rate states miss the targets by the more they would have to invest in prevention activities based on CDC's recommended investment guidelines for the State.

Tobacco prevention could be defined as evidence-based efforts to reduce tobacco, particularly among youth, including: 1) tobacco prevention and control activities at the school, community, and state levels; 2) enforcement of tobacco control laws and regulations; 3) public education programs, including the use of mass media; 4) cessation services consistent with AHCPR guidelines and cessation treatments approved by the FDA; 5) surveillance and evaluation programs to provide accountability.

OMB staff have not discussed this option with Jack Lew and tend to think that, due to state opposition, this proposal would be quite unlikely to pass the Congress.

**Support Critical Public Health Efforts to Prevent Youth Smoking:** We should support continued funding of tobacco prevention programs at CDC and FDA, and include an increase if possible.

- a) **CDC Funding:** Overall, HHS is requesting \$131 million for CDC in FY 2001 for tobacco prevention efforts, \$30 million over FY 2000 levels. OMB has proposed in passback an increase of \$5 million over FY 2000 levels, for a total of \$105 million. If HHS appeals this passback, we should try to give them additional funds if possible. HHS plans to target the increased funds to: providing technical assistance and support to states, schools, and communities operating tobacco prevention programs, collecting and evaluating data on smoking rates and prevention programs, and funding efforts to reduce tobacco use world wide.
- b) **FDA Funding:** HHS is requesting \$88 million (\$20 million over FY2000 request and \$54 million over FY2000 funding) to expand youth anti-smoking outreach and enforcement activities in all states. In passback, OMB has flat-funded the FDA anti-tobacco program at the FY 2000 \$34 million level, saying appropriators have made clear that they do not intend to increase the funding until the Supreme Court case is completed. If we are willing to propose flat funding, we should insist that OMB agree that if the Supreme Court rules in FDA's favor, we will submit a budget amendment to the Hill for at least the \$68 million we requested in FY 2000, and perhaps more. Alternatively, we should insist that the FY 2001 budget include \$68 million when announced.

HHS said its request of \$88 million would allow FDA to:

- Expand retailer inspections from 400,000 in FY 2000 to 540,000 retailers. Fund retailer information kits and newsletters explaining underage purchasing prohibitions. Complete national retailer database tracking results.
- Monitor compliance with advertising restrictions (if these provisions are put in place, pending Supreme Court review).
- Begin to develop performance standards for cigarettes and smokeless tobacco products, classify products, and inspect industry practices.

**Fund the Department of Justice Tobacco Litigation.** The Department of Justice has initiated litigation against the tobacco industry to recover certain federal health expenditures caused by tobacco use.

**Option 1:** Propose \$20 million for the Department of Justice to finance costs incurred in preparing and bringing litigation against the tobacco companies for tobacco-related Federal health costs. This would be the same unsuccessful strategy employed in the FY2000 budget.

**Option 2:** Include the shared costs of the litigation within the requests for HHS, DoD and VA since the suit is intended to recover the smoking related costs incurred by the Federal government, of which these three departments experienced substantial costs.

OMB plans to fund the litigation at \$20 million, but according to Michael Deich, they have not decided which of these options to prefer. For FY 2000, OMB required HHS, DoD, and VA to each provide \$2.65 billion in funds for the litigation.

**Cessation Coverage.** Currently, smoking cessation prescription and non-prescription drugs are optional state Medicaid benefits that are matched by the Federal government at the individual states FMAP rate (which on average is 57 percent). Our understanding is that 27 States provide Medicaid coverage for FDA approved smoking cessation products. There are a number of options we could propose to expand the coverage of smoking cessation products for Medicaid and other Federal programs:

**Option 1A:** Mandate coverage of prescription/nonprescription smoking cessation products and reimburse at FMAP. In 1998, HCFA estimated that the Federal costs of this provision would be about \$114 over 5 years.

**Option 1B:** Create an enhanced FMAP rate for cessation services. For example, the Hansen-Meehan bill proposed a 90 percent Federal match rate for State costs of providing cessation programs. This enhanced match would theoretically offer States the incentive to cover these services.

**Option 1C:** Require States to provide cessation programs and require them to fund the costs themselves (using tobacco settlement or other funds). This is the option OMB prefers.

**Option 2:** Require DoD to provide effective cessation programs and reintroduce the proposal in last year's budget for VA to fund cessation programs for Veterans.

**Option 3:** Require, through a directive this Spring, the Federal Employees Health Benefits Program to provide a more generous cessation benefit.

Of course, any model of Option 1 can be combined with Option 2 and/or 3.

**Farmers:** These are two proposals that would allow us to maintain our commitment to ensure the well-being of tobacco farmers, their families and their communities.

- a) **Compensating Tobacco Farmers:** The Agricultural Appropriations bill for FY 2000 directs the Secretary of Agriculture to use \$328 million in funds from the Commodity Credit Corporation to provide payments to compensate flue-cured and hurley tobacco farmers that had their quotas reduced in 1999. We could propose an additional \$328 million in FY 2001 for farmers facing quota reduction in 2000.
  
- b) **Preferable Tax Treatment of Payments to Tobacco Farmers:** Proposals supported by Sen. Robb and Rep. Boucher would exclude from gross income payments made by the tobacco industry to tobacco farmers as part of last year's settlement (The \$5 billion in payments are to be paid out over the next 12 years). The Treasury Department has expressed initial opposition to this proposal, arguing that tobacco farmers should not get to exempt payments from taxes when other farmers cannot. We believe we can argue back that this situation is unique because only tobacco farmers have received these types of payments (settlement payments from companies); other farmers get federal subsidies which are different. Treasury has not yet scored this proposal, but using a few basic assumptions, it appears the provision would cost between \$400 and \$800 million.

Rough scoring assumptions: 1) Taxes would be relieved for \$2.56 billion in payments in the budget window (assuming the provision is made retroactive to 1999 and that only taxes on income through 2004 would be paid during the budget window); and 2) farmers would normally pay either 15 percent or 28 percent tax bracket on such income. Using these assumptions, the provision would relinquish \$384-\$717 million over five years.

Payout schedule for \$5.15 billion in tobacco settlement payments:

- 1999: \$380 mi
- 2000: \$280 mi
- 2001: \$400 mi
- 2002-2008: \$500 mi
- 2009: \$295 mi
- 2010: \$295 mi



Andrew Rotherham <arotherham@netzero.net>  
12/16/99 12:21:56 AM

Record Type: Record

To: Bruce N. Reed/OPD/EOP  
cc:  
Subject: social promotion for today's meeting

---

Bruce: This note is from my home account so please don't reply to it.

I spoke with Mike on Wednesday night. They are no further in their thinking than we are on how to do social promotion. In the context of trying to attach some money to some of our Title XI ESEA accountability initiatives Mike and I discussed a matching grant program for school districts or states that have adopted a social promotion policy to help them do it "the right way".

The logic here is that all of the recent news articles about standards (I submitted a bullet for the weekly outlining the main gist of them so the President may have seen it) basically are the result of a deliberate strategy to increase pressure on the system to get better results and more investment. Now is the time for investment.

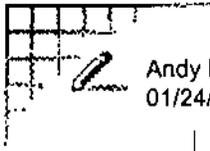
I also outlined some of what we are discussing on Title I and Mike concurred that a failing schools focus would be a good way to go and added that he thought some sort of state buy-in for that was important too. I think that our implementation plan would cover that but there could be a link there with matching grants for social promotion too.

I guess the larger question is do we want to take that fight on again with the civil rights community or not. If we do something on social promotion I guess the countervailing force that would help us is a big Title I increase.

So, the bottom line is that if the President really wants to do something on social promotion again this year, we can do some sort of a matching grant program.

Andy

 - att1.htm



Andy Rotherham  
01/24/2000 06:43:22 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP

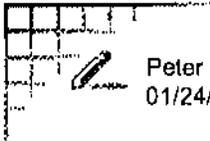
cc:

Subject: RE: Budget Numbers

Here are answers to your budget questions from team leaders this AM.

Andy

----- Forwarded by Andy Rotherham/OPD/EOP on 01/24/2000 06:41 PM -----



Peter A. Weber  
01/24/2000 05:56:09 PM

Record Type: Record

To: Andy Rotherham/OPD/EOP@EOP

cc: Barbara Chow/OMB/EOP@EOP, Jennifer E. McGee/OMB/EOP@EOP, Wayne Upshaw/OMB/EOP@EOP,  
David Rowe/OMB/EOP@EOP

Subject: RE: Budget Numbers

I have answered your questions below. In addition, the attached table shows the discretionary Program Levels for each year and the relative increases by dollar and percentage.

- % total increase in education spending for FY 01 budget over FY 00 **13%**
- % increase in el-sec education spending for FY 01 budget over FY 00 **13%**
- % increase in higher education spending for FY 01 budget over FY 00 **10%**
- \$ amount increase in education spending for FY 01 budget over FY 00 **\$4.5 billion**
- \$ amount increase in el-sec education spending for FY 01 budget over FY 00 **\$3.0 billion**
- \$ amount increase in higher education spending for FY 01 budget over FY 00 **\$1.2 billion**
- % increase in total education spending since Republicans took over Congress **74% increase from FY 1996 to FY 2001**
- \$ increase in total education spending since Republicans took over Congress **\$17.1 billion Increase from FY 1996 to FY 2001**



FY 2000 vs. FY2001.



J. Eric Gould

01/19/2000 08:28:15 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP@EOP, Eric P. Liu/OPD/EOP@EOP

cc: Cynthia A. Rice/OPD/EOP@EOP, Cathy R. Mays/OPD/EOP@EOP, Anna Richter/OPD/EOP@EOP

Subject: charity taxes - done

I just spoke to Burman and he said that the tax package is locked down and that there were no changes in the philanthropy piece. That said, it's a done deal - the total package costs \$4.3 billion/5 and \$14 billion/10. They include (I'll also fax you Treasury's paper, which only has the numbers):

1. Nonitemizer 50% above-the-line deduction for charitable contributions in excess of \$1000 singles/\$2000 joints - 2001-2005; \$500 singles/\$1000 joints - 2006 and thereafter.

(Costs are in millions)

01	02	03	04	05	06	07	08	09	10	00-05	00-10
-\$516	-\$1062	-\$733	-\$765	-\$817	-\$1245	-\$1847	-\$1928	-\$2007	-\$2082	-\$3893	-13002

2. Simplify the excise tax on private foundations from the current 1-2% floating rate to a flat 1.25%

01	02	03	04	05	06	07	08	09	10	00-05	00-10
-\$49	-\$70	-\$71	-\$73	-\$75	-\$78	-\$81	-\$84	-\$87	-\$90	-\$338	-\$758

3. Increase limit on charitable donations of appreciated stock. This includes increasing the current 30% AGI limit on appreciated assets to 50% AGI; and increasing the current 20% AGI limit on appreciated assets to private foundations to 30% AGI.

01	02	03	04	05	06	07	08	09	10	00-05	00-10
-\$7	-\$47	-\$29	-\$20	-\$12	-\$8	-\$8	-\$9	-\$9	-\$10	-\$115	-\$159

\* The budget also includes the technical clarification to donor advised funds, which has insignificant revenue impact.

THE WHITE HOUSE  
WASHINGTON

December 20, 1995

MEMORANDUM FOR DISTRIBUTION

*B. Reed*

FROM: ERSKINE BOWLES

SUBJECT: Briefing Groups for Budget Negotiations

In preparation for commencement of serious negotiations on the budget, we have put together 8 "briefing teams" to prepare materials for the principals involved in the negotiations.

We would like each group to first complete a set of initial "response" documents on each issue that may come up during negotiations, following the attached sample format.

Attached is a list of the groups. The chair for each group should bring the group together to begin to assemble the information that the negotiators will need. Gene Sperling and Jack Lew will be working with each group to compile and format this information for use by the negotiators.

## BRIEFING TEAMS

### A. Medicare/Medicaid

- i. Bruce Vladeck (Chair)
- ii. Nancy-Ann Min
- iii. Chris Jennings
- iv. Jack Ebler, HHS

### B. Welfare

- i. Ken Apfel (Chair)
- ii. Bruce Reed
- iii. Les Samuels
- iv. Peter Edleman
- v. Rahm Emanuel

### C. Tax Team

- i. Les Samuels (Chair)
- ii. Larry Summers
- iii. Gene Sperling
- iv. Joe Minarik
- v. Joe Stiglitz

### D. Assumptions

- i. Joe Stiglitz (Chair)
- ii. Larry Summers
- iii. Joe Minarik
- iv. Laura Tyson
- v. Dan Sichel

### E. Budget Process - failsafe, enforcement

- i. Laura Tyson (Chair)
- ii. Bob Damus
- iii. Bo Cutter
- iv. Martha Foley
- v. Alan Cohen

### F. Discretionary

- i. Jack Lew (Chair)
- ii. Gene Sperling
- iii. Martha Foley
- iv. Bo Cutter
- v. Alan Cohen

### G. Other Entitlements

- i. Joe Minarik (Chair)
- ii. Gene Sperling
- iii. John Angell

### H. Coordinate with Hill

- i. Pat Griffin (Chair)
- ii. Jack Lew
- iii. Linda Robinson
- iv. Goody Marshall
- v. Martha Foley

### I. Message

- i. George Stephanopoulos (Chair)
- ii. Don Baer
- iii. Barry Toiv
- iv. Larry Haas
- v. Gene Sperling
- vi. Howard Schloss
- vii. Michael Waldman
- viii. Lorraine Voles

## COMPILATION OF BRIEFING MATERIALS

For each major area of the budget, we must be able to provide the President concise, usable information on both the main disagreements between us and the Republicans as well as their main overall arguments and our responses. To assist the President, each group should anticipate needed information and be ready to put it in usable, digestible form.

Each briefing team complete as soon as possible a brief "claim" vs. "response" document on the major areas of disagreement.

- Documents should be easy on the eyes: our participants will have to digest a lot of information.
- They should be in the form that lets our people know how Republicans are likely to phrase their arguments (and how they are likely to respond to our answers), so that the President, Vice President and Leon not only know the subject matters, but how the argument is likely to come at them and how they should respond.
- They should make clear the main issues we must hold firm on.
- They should not be overly technical, but should provide the President with specific factual, political and thematic points he needs to make his case.

So that we are able to provide the President, Vice President and Chief of Staff with clear materials, each office should use the same format. Each document should have the following three sections:

- I. Main Affirmative Points
- II. Republican Main Charges and Responses
- III. Specific Policy Points of Disagreement and Responses

The following is a sample that everyone should follow in doing this initial assignment.

## SAMPLE ISSUE: EITC

### I. MAIN AFFIRMATIVE POINTS:

- Currently a family with two children working full time at the minimum wage is still below the poverty line. All our plan does is seek to say that if people work full time, they should not live in poverty.

### II. REPUBLICAN MAIN CHARGES AND OUR RESPONSES:

**Republican Claim:** EITC is way out of control -- it is one of the fastest growing entitlements, and all we want to do is slow the growth:

**Response:**

- EITC is not at all out of control. It is only ramping up temporarily because of specific legislation to raise workers with two children above the poverty line.
- Once legislated ramp up is over, it grows right at inflation and is one of slowest growing entitlement programs.

**Republican Claim:** Everyone is getting a net tax cut. With our \$500 targeted tax cut, everyone is getting a tax cut.

**Response:**

- Not true. Treasury still finds that 5-7 million families or households will get a net tax increase -- by often over \$500.
- Not make sense in any case to single out these families for a tax increase that raises their net taxes or negates tax relief other families are getting.

### III. MAIN SPECIFIC POLICY DIFFERENCES:

**Objectionable Republican Proposal:** Eliminate the tax credit for workers without dependent children.

**Republican Claim:** EITC was never supposed to be for single workers.

**Response:**

- These are people who work full time -- near the poverty line. All this does is offset a portion of their payroll taxes.
- Can't justify raising \$4 billion by taking 3 million working poor while giving such a large tax cut to those who don't need it.

THE WHITE HOUSE

WASHINGTON

January 21, 1994

MEMORANDUM FOR JOHN PODESTA  
TODD STERN

FROM: DOMESTIC POLICY COUNCIL

SUBJECT: COMMENTS ON PRESIDENT'S FY95 BUDGET

Chapter: Economic Development

This chapter needs considerable redrafting. It contains many factual errors about the Empowerment Zone/Enterprise Community (EZ/EC) initiative and uses none of the principles that the Community Enterprise Board working group has developed over the past five months in developing this program. It is also quite astounding that a chapter in the President's budget on Economic Development includes no mention of the Community Development Bank and Financial Institutions (CDBFI) legislation or reform of the Community Reinvestment Act (CRA), which along with the EZ/EC proposal are the foundation of the Administration's economic empowerment agenda.

• Page 1, the two bullets should be deleted and replaced with

- Promote economic opportunity and creating jobs by spurring private sector investment into distressed communities.

- Create sustainable community development through a coordinated and comprehensive strategy that includes physical development as well a human development.

- Encourage community-based partnerships by bringing together a broad coalition of all segments of a community, local and State governments, the private sector, and community groups and organizations.

• Page 1, add after "capital" in the first sentence "and promotes economic empowerment through the creation of private sector jobs and the harnessing of the entrepreneurial spirit".

• Page 2, second paragraph, delete the first sentence.

• Page 2, second paragraph, second sentence, delete "some" and after "money" insert "can take advantage of a new category of private tax-exempt facility bonds, can apply for a new community development corporation tax credit, will be receive consideration

for other Federal program listed in the program guidebook, and". Delete the word "mostly".

- Page 2, second paragraph, delete last sentence. The White House has not yet decided on when the designation of the EZs/ECs will be made.

- Page 3, first sentence, add before "tax" "Additional".

- Page 3, delete third bullet, it is incorrect.

- Page 3, last paragraph, third sentence, delete "social services" and replace with "activities." Also, delete "including" and add before "drug" "economic development".

- Page 6, add new title "Community Development Banks and Financial Institutions (CDBFI) and Community Reinvestment Act (CRA) Reform". This section should read as follows:

"The President has proposed creating a network of CDBFIs that will provide capital to underserved low- to moderate-income communities. Along with the President's initiative to reform CRA, these two initiatives will spur billions of new private investment into distressed communities."

#### Chapter: Housing and the Homeless

There is no mention in this chapter of private public partnerships with Government Sponsored Entities (GSEs), such as Fannie Mae, to promote homeownership.

#### Chapter: Infrastructure

During the discussions over the FY95 budget last year, there was a proposal made by OMB to eliminate all Transit Operating Subsidies (while increasing Transit capital outlays). Objections were raised to this proposal, the most serious of which is that eliminating these subsidies effects small, poor, and rural communities disproportionately. What happened to these subsidies? It is not clear in the document whether they were eliminated or not.

#### Chapter: Management

Under the section "Streamlining The Federal Government" there needs to be a report on the status and savings from the implementation of Executive Order 12837 -- requiring agencies to set up separate categories in their budgets for administrative expenses and requiring that those accounts be reduced by 14% by FY97 -- and Executive Order 12838 -- requiring agencies by the end of FY93 to identify a third of all non-statutory Federal advisory commissions to be eliminated.

## Chapter 6: Personal Security: Crime, Illegal Immigration, and Drugs

### Controlling Crime

- Page 3, first paragraph after sentence ending with "drugs" insert "commits the resources required to ensure that violent criminals and serious drug traffickers serve stiff sentences behind bars".
- Page 4, fifth paragraph after the word "appear" delete the rest of the paragraph and insert "to have remained stable in recent years, the number of violent crimes and murders reported have reached intolerable levels".
- Page 4, sixth paragraph, first sentence delete after the word "society" through "substantially" and replace with "has remained stable". In the same sentence, delete the word "twenty" and replace with "few".
- Page 4 and 5, delete section "Growth in Federal Prison Population." This section should be replaced with a paragraph on meeting our prison needs (particularly for violent offenders and serious drug traffickers).
- Page 5, delete Chart 6-1.
- Page 6, first paragraph, delete the phrase "no less than" and replace with "as many as".

### Drug Abuse Control

- Page 11, third paragraph, second sentence, after the word "programs add a coma and insert "while keeping most drug law enforcement spending constant".
- Page 11, third paragraph, delete the sentence starting with "This" until the word "chart".
- Page 12, Chart 6-3, query: Can we separate law enforcement spending to show we're not cutting?
- Page 13, change title "Providing Help For Non-Violent Drug Offenders" to "Demanding That Non-Violent Drug Offenders Be Treated".
- Page 14, first paragraph, add after word "expense" in last sentence "Those who don't, return to serve their sentence".
- Page 14, second bullet, delete from "also" to "schools." In next sentence add delete after "These programs" delete "together with the deterrent value of a highly visible police presence on our city streets" and insert "can help to reduce both the supply of and demand for illegal drugs; They can help close down open-

air drug markets, while also helping to identify hard-core drug users in need of treatment".

- In same paragraph after "will" add "also" and after "awareness" delete "reduce drug sales" and add "and".

- Page 14, under title "Changing Direction of Drug Law Enforcement" delete in second sentence after "it" to "increases" and replace with "keeps spending on Federal law enforcement constant and". After "increases" delete "in" and add "resources for".

- Page 14, fourth bullet after last sentence ending with "crime" add "and help solve long-term drug crime problems."

#### Border Security And Illegal Immigration

- The title of this section should be changed to: "The President's Border Security And Anti-Illegal Immigration Plan".

- Page 8, first paragraph, third sentence delete "The Federal role for controlling the borders is clear and".

- Page 8, delete "this responsibility" and replace "its role for controlling the border".

- Page 9, in the title "Pressing Immigration Problems--The President's Border Security Plan" add "and Illegal".

- Page 9, third paragraph, after "(IRCA)" add "which included employer sanctions".

- Page 9, seventh paragraph, after "INS" add "components".

- Page 10, first paragraph, after "able to" delete "substantially reduce " and add after "entry" "more effectively".

- Page 10, fifth paragraph, delete "300,000" and add after "cases" "as well as the significant number of new cases received annually". In same paragraph delete "and the 140,000 new annual cases".

- Page 10, seventh paragraph, after "of" add "citizens and".

#### Chapter: Trade

- Page 7, last paragraph -- Last sentence of this paragraph, contradicts President's campaign position of using the EEP as an aggressive tool to achieve fair and open trade.

#### Chapter: Welfare Reform

We are generally concerned that there is no section or emphasis in the chapter on direct entry to jobs through job search. Here are additional comments:

- Page 46, second paragraph delete "detailed" and insert "comprehensive". In the next sentence, delete "In the interim" and change the rest of the sentence to read: "The Administration is consulting extensively on a bipartisan basis to finalize the plan, and the entitlement reforms which finance it".
- Page 47, first line after "providing" add "job search". Same sentence delete "but" and add "and".
- Page 47, first paragraph, after "parent education" insert "family preservation".
- Page 48, first paragraph delete sentence that starts with "Only in Alaska" and insert "Worst of all, the current system penalizes people who go to work".
- Page 48, second paragraph, first sentence, add after "with" "growing".
- Page 49, first line after "children" add "." and delete "and so".
- Page 52, first bullet, after "child care" add "Head Start".
- Page 53, first line, after "to" add "job search".
- Page 54, under "Expanded Access to Education and Training Services Through the JOBS program", second sentence after "and" delete "a much higher percentage of" and replace with "many more (many not off percentage basis could be cohort, etc.)".
- Page 54, same section, after "expand" delete "of".
- Page 54, under section "A More Integrated Education and Training System" in the first sentence after "about" insert "job search and placement".
- Page 54, under section "A Time Limit For Cash Benefits", first sentence, after "assistance" add "to two years".
- Page 54, same section, second sentence, insert after "The" two-year".
- Page 54, same section, delete last sentence.
- Page 55, under section "Making Work Available to Those Who Have Reached the Time Limit" delete in the first sentence "States will be required to".

TO: Carol, Bruce, Bill  
FR: Jose  
RE: Priorities for the FY 1995 Budget

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Sorry about the delay in getting this to you. Here are my thoughts on presidential priorities for the upcoming fiscal year.

A. Legacies

1. Domestic Security -- As mentioned by Bruce and David Gergen in a recent crime meeting, President Clinton should be the first President to elevate the crime issue and treat in much the same manner as we have historically treated national security and defense. We determine our defense and national security budget and policy based on what's necessary to keep America safe -- hence the development of DoD's "top line" in the budget process. But domestic security needs are in competition with every other domestic discretionary investment. Keeping America safe should not be viewed as an "investment", but as a necessity. And cuts to our prison and law enforcement accounts should not be viewed as simply another domestic discretionary cut. I believe the public has shown time and time again -- especially after the most recent election results -- that it is willing to pay more money to be safe. Cuts to the crime budget should come after we've made strides in making those "who work hard and play by the rules" feel safer. (Immigration issues also tie in to the Domestic Security theme).

2. Community Empowrment -- We need to find the right combination of message and money to empower communities and families to solve their problems. We need to spend the government's money in such a manner that we are supporting communities in their efforts -- whether that is to invest in their neighborhood, reclaim their streets from crime and drugs, revitalize their schools, etc. In large measure, I think we've done this with initiatives like like empowerment zones, national service, cd banks, and others. Recently, in the context of the crime issue, the President has spoken quite forcefully to the need to rebuild communities and families. In terms of message, we need to make sure that our policies allow us to speak to community empowerment issues much more in this tone. Welfare reform will probably offer the best opportunity to speak to this issue from a perspective of moral leadership.

3. Health Care -- Just one brief, specific comment. I think the drug treatment component of health care needs to be quantified in some way, so that we can take credit for whatever increases it will result in. I also think that the drug treatment component can help us highlight savings in a way that makes sense to people. Hard-core addicts that

receive no treatment end up in emergency rooms after having overdosed, contract AIDS and tuberculosis, give birth to crack-addicted babies, etc., placing a large burden on the health care system.

B. Legacies w/no budget impact

1. Consolidate/Better Coordinate Drug Grants -- Dealing with the drug problem is an important aspect of community empowerment, and throughout the 80s many communities mobilized and developed coalitions to lead a broad attack on the drugs and alcohol at the community level. We should package our anti-drug monies in such a way that a community can apply for them at the same time with a single application -- and, at the back end, be accountable to a single federal agency.

2. Community Enterprise Board -- I don't know what future plans we have for the Community Enterprise Board, but it seems a mechanism that can be used for much more than the Empowerment Zones. As a cabinet level group that will, to some extent, interphase with communities, it seems a perfect mechanism for broadly promoting and implementing the community empowerment agenda.

3. DPC Policing and Public Safety Book -- I have had an interest in producing a DPC book on policing and public safety. Once we've passed our cops bills and some of the other legislation with cops-related language, I think DPC should work to challenge communities to work with their police and then document the President's accomplishment's in this area.

These are just some initial and quick thoughts. I hope they are helpful and not too general.

File:  
FY95  
Budget

THE WHITE HOUSE  
WASHINGTON

July 8, 1993

MEMORANDUM FOR CAROL RASCO

FROM: JOSE CERDA III

SUBJECT: MEETING WITH OMB ON JUSTICE FY 95 BUDGET

With regrets, Carol, I forward this memorandum to you outlining the difficulties that we face in determining next year's budget for DOJ. Not only is the budget picture quite bleak, but -- as characterized by OMB -- DOJ's budget woes are a "worst case scenario" compared to some of the other agencies.

A. The Problem

The largest part of DOJ's budget problem stems from the "federalization" policies pursued by the previous administration and acquiesced to by Congress. Together, Congress and the Bush Administration proposed federal law enforcement policies that gave the federal government jurisdiction over crimes traditionally dealt with at the state and local level -- and created a federal presence in state and local law enforcement that will now be difficult to continue or difficult to reduce.

As a result of these policies, the federal government investigates, prosecutes and incarcerates more criminals today than ever before. And to do this, it has hired more investigators, attorneys and built additional prisons -- more than doubling DOJ's budget between 1986 and 1992 (from \$4 billion to \$10 billion). Thus, even if we stop the growth in "federalization" (i.e. limit new federal offenses, stop prison construction, etc.), we are still not be able afford current criminal justice expenditures.

To fund the President's requested investments and to meet these rapidly growing criminal justice obligations, DOJ will have to find \$2 billion in cuts from its \$9 billion base budget -- a near impossible task. To realize such a high percentage of cuts, we are faced with the politically infeasible choices of dramatically scaling back the President's priorities (cops and INS monies), re-sentencing federal prisoners and laying off federal law enforcement officers or gutting other Justice programs by an across-the-board percentage. (NB: At this point, OMB hasn't factored in what DOJ's priorities might be).

Both OMB Director Panetta and Deputy Director Rivlin agreed that DOJ would be unable to find \$2 billion in cuts. There is no chance of addressing this problem with a "budget scrub," they concluded. Rather, it looks as though OMB will need to find money elsewhere for DOJ to meet its obligations. Director Panetta did propose, however, that OMB at least be able to suggest some \$600 million in cuts and \$60 million in fees to DOJ as a starting point.

#### B. Prisons

The growth in the federal prison population presents the largest and fastest growing part of DOJ's budget -- and its biggest headache. While the Attorney General has repeatedly talked about undoing mandatory minimums and utilizing alternative sanctions, these proposals will only address the long-term trends in our prison costs. Long-term prison construction costs are not the issue here; current prison maintenance costs and hiring the staff required to bring new prisons on line are the problem. To realize immediate savings DOJ would have to reduce the prison population by re-sentencing current federal inmates to shorter terms. This is a serious policy shift that -- particularly if forwarded as a budget decision -- would be political dynamite.

OMB staff also suggested shifting the investigation, prosecution, and incarceration burden of certain crimes to the states. To a certain degree this makes sense on policy grounds and is partially consistent with the President's pro state and local law enforcement views. However, states prisons are more overcrowded than federal prisons. Such a shift would have to be phased in and, thus, would not realize immediate, sizable savings.

#### B. 100,000 Cops

The President's 100,000 cops pledge was repeatedly put on the table as any easy source of funds. Panetta resisted such cuts, but Rivlin suggested that the AG was not enthusiastic about the 100,000 cops proposal. OMB staff and I argued that (1) the pledge was too important to the President, and that (2) we were actually only asking DOJ to put up the money for 50,000 cops (the remainder coming from a collection of other programs). OMB staff has flagged this proposal, for now, as a "non-optional" and definite presidential priority. (Still, vigilance is our watchword when it comes to money for cops.)

OMB staff also suggested that, in light of the President's commitment to cops, we cut other resources, such as the Byrne Grants (\$450 million), to state and local law enforcement. While there may be some room to cut duplicative monies here, I can't imagine that we will be able to increase state and local law enforcement responsibilities and cut their main source of funds (Byrne Grant) at the same time. At best, we are talking tens of millions here, not hundreds of millions.

D. INS and Border Patrol

OMB staff has also classified INS monies as a "non-optional". INS is perhaps the bureau at DOJ with the most significant infrastructure problems. The agency requires new monies simply to function properly, let alone to take any new duties. Also, OMB staff made Panetta and Rivlin aware that the President has "twice" referred to new monies that he has for more border patrol agents -- money we don't actually have. (Although the House did pass a Duncan-Hunter amendment to the appropriations bill to increase the border patrol account by \$60 million. No offsetting provision was included.)

Suggestions made at the meeting to help pay for INS expenditures included charging fees at the border, shifting legal immigration to the State Department or shifting employer sanctions-related responsibilities to Labor.

cc: Bruce Reed  
Donsia Strong



THE DIRECTOR

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

June 18, 1993

*File: BUDGET - FY95*

*→ What are S-7 priorities?  
→ Coordinate DPC  
→ What to cut + how?  
(Priorities for spending cuts)*

Honorable Jesse Brown  
Secretary of Veterans Affairs  
810 Vermont Avenue, N.W.  
Washington, D.C. 20210

Dear Mr. *Jesse*

Although we are still working intensively with the Congress to bring the FY 1994 budget cycle to a successful conclusion, it is already time to start work on the President's FY 1995 budget. The purpose of this memorandum is to start the process of working together to achieve a FY 1995 budget that embodies the Clinton Administration's program.

Budget Realities

As you know, the Congress in its budget resolution opted for a "hard freeze" on discretionary spending. As a consequence, the FY 1995 discretionary outlay cap implied by the resolution is \$13.6 billion below the FY 1995 outlays shown in our economic plan (see table below). The discretionary investments proposed in the plan imply 1995 outlays of about \$18 billion. These investments do not include many important initiatives now under development.

ADMINISTRATION DISCRETIONARY PROPOSALS COMPARED TO CAPS  
(in billions of dollars)

	FY 1994		FY 1995	
	Budget Authority	Outlays	Budget Authority	Outlays
Caps in the House Reconciliation Bill	501.0	538.7	506.3	541.1
Administration Economic Plan (proposals in the FY 1994 Budget)	<u>508.9</u>	<u>544.1</u>	<u>522.6</u>	<u>554.7</u>
Amount by which proposals exceed caps	7.9	5.4	16.3	13.6

*Investments - \$18B*

## Protecting Investments

The process of cutting \$5.4 billion in outlays from our original FY 1994 spending proposals to get to the spending caps will be extremely painful. We will fight hard to protect the highest priority investments, but it appears that some of our investment program may not be funded in FY 1994. Staying under the caps in FY 1995 requires that discretionary spending be cut by two and a half times as much.

To meet the commitment to the crucial investments requires many difficult choices that unfortunately cannot be avoided. It is clear that the Congress will not change the caps. It is equally clear that avoiding the caps by shifting programs to entitlements will require additional revenues that are inconsistent with the economic plan and health care reform. With the adoption of the economic plan, both the Administration and the Congress must be committed to enforcing the deficit reduction targets and to maintaining the credibility of this effort.

The only way, therefore, to protect our investment programs is to cut other federal programs in FY 1995. Another round of nickel and dime cuts -- shaving here, paring there -- will not produce the required savings. Indeed, if we are to preserve the discretionary programs we identified as investments in the President's FY 1994 Budget, OMB estimates that outlays in all other discretionary programs will have to be reduced by about 10 percent. Clearly, preserving the Clinton program and making room for other new priorities will be the major challenge we all face as we work on the budget for FY 1995. ✓

## A Major Opportunity

This budgetary reality can have positive benefits if it forces both our Administration and the Congress to rethink and restructure federal activities. We can seize this opportunity, not only to strengthen our investment proposals, but also to reexamine the whole range of government programs. We can identify sets of activities that are no longer high priority, that are of questionable effectiveness, or that other levels of government could perform as well. We can work with the Congress to eliminate these programs or drastically restructure them. The result could be a leaner, more effective, more manageable federal government -- and room in the budget for higher priorities identified by the Administration. The effort could integrate the best ideas of the National Performance Review into the FY 1995 budget process.

## Structuring the Budget Decision Process

The traditional federal budget process has been a bottom-up effort that tends to preserve the base and make incremental changes at the margin. Agencies usually submitted their budget requests to OMB in September. These were examined painstakingly by OMB staff. After a series of Director's Reviews in October and November, the OMB Director

issued a "passback" in late November. Agencies could appeal to the President in December and final decisions we made shortly thereafter -- usually by Christmas.

For FY 1994 the budget process was both extremely compressed and turned on its head. Because of the shortness of time there were no agency submissions. Instead the President made overall decisions on the main features of the FY 1994-98 economic plan which OMB translated into FY 1994 budget details. The process was essentially top down.

The difficulty of the decisions to be made for FY 1995 -- especially the necessity of cutting deeply into the base -- requires a new kind of budget process.

- The process should be cooperative. Because of the challenges facing the Administration, this must be a team effort. The adversarial relationships that have sometimes developed between the agencies and the OMB (or the White House) must be avoided.
- The process should be interactive. The President should have ample opportunity to think about alternative sets of priorities and to interact with his Cabinet and top staff as the process proceeds.
- The process should be informed. OMB should work with the agencies to lay out options and alternatives so that the President and others can see the big choices as clearly as possible. Cross-cutting issues (such as environmental programs or programs for children) should be highlighted.
- The process should be both a management and a budget review. OMB and the agencies should be working together to find opportunities to use the government's resources more effectively. Reorganization of functions, consolidation of activities and elimination of programs should be seriously examined.

I would like to share with you our current plans for the FY 1995 management and budget cycle.

● Agency Management and Budget Previews. The first step will be to schedule management and budget previews for each major agency to take place over the next several weeks. These previews will be an opportunity for each of you to focus on your priorities for FY 1995 and beyond and present those plans to me. The previews will allow us to discuss how agency programs can operate more effectively and efficiently within the overall constraints of the budget resolution (e.g., the implied 10 percent cut in all non-investment programs) and within the constraints on administrative expenses and FTE levels of the Administration's economic and budget plan. OMB representatives will be working with your staff to make the previews as useful as possible to us all.

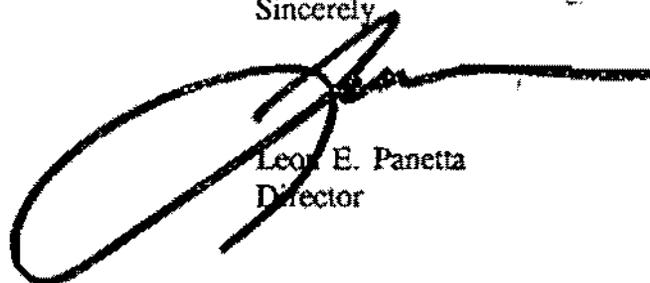
• **Identifying Management and Budget Issues.** OMB staff has been working to identify a series of management and budget issues that we believe should be addressed before decisions are made on the FY 1995 budget. Discussions between OMB and agency staff have already begun on some of these issues.

• **Management and Budget Preview with the President.** We will be working with the NEC and agency heads to structure a series of meetings with the President to lay out significant alternatives for FY 1995 and beyond to assist the President in formulating budget priorities. Major cross-cutting budget issues should be presented to him, as well as major agency-specific issues.

On the basis of the President's decisions on major issues, OMB will then work with the agencies to prepare the complete FY 1995 budget proposal for a final review by the President. A schedule for budget decisions that reflects all of the above is enclosed.

I look forward to meeting with you soon on the FY 1995 management and budget process.

Sincerely

A large, stylized handwritten signature in black ink, appearing to read 'Leon E. Panetta', is written over the typed name and title.

Leon E. Panetta  
Director

Enclosure

## FY 1995 BUDGET

### PROPOSED SCHEDULE

June	OMB works with agencies to identify major issues that should be considered for FY '95 and to be sure that good analysis of these issues will be available. (This process has already started.)
June/July	Discussions involving the President, the Cabinet, the White House staff on the nature of the problem and various approaches to fitting Administration priorities within the 1995-98 budget resolution limits. More specific guidance on agency spending limits for FY 1995 will likely result from these discussions.
July/early August	Management and budget previews at which major agency heads present their plans and priorities to the OMB Director. These meetings are opportunities for interaction and discussion between agencies and OMB/White House.
September/October	OMB, working with the agencies, defines major issues and options for consideration by the President and his staff. These discussions will be organized around major Administration themes and cross-cutting issues. The President, with the assistance of the NEC, provides guidance on fundamental choices and priorities.
October 1	Major agencies required to submit complete budget requests for FY 1995.
October/November	OMB reviews requests in light of Presidential priorities and budget constraints, and discusses any problems with the agencies. Additional discussions held with the President if necessary.
Early December	The President is briefed on the complete set of proposals for the FY 1995 budget. Any final adjustments are made before Christmas.
December - mid-January	FY 1995 Budget is written.
February 7, 1994	FY 1995 Budget is transmitted to Congress.

March 23, 1993

File:  
Budget

**SUMMARY OF THE CONGRESSIONAL ACTION NEEDED  
TO ENACT THE PRESIDENT'S BUDGET PROPOSALS**

The Congress will have completed action on the President's major FY 1994 budget proposals when:

1. The thirteen regular appropriations bills are signed into law. More than one-third of the spending (\$548 billion) in the \$1.5 trillion budget associated with domestic, defense, and international discretionary activities is covered in the appropriations process, including the Administration's discretionary investment proposals. Appropriations legislation is "must" legislation because the affected discretionary programs will not have the funds to continue to operate in FY 1994 (which begins on October 1, 1993) without an annual appropriation. (In many cases, too, legislation authorizing the appropriations needed to implement the President's proposals must be enacted.)

2. Substantive legislation has been enacted providing for a net \$38 billion of 1994 deficit reduction (and the associated outyear savings) to reflect the Administration's non-discretionary investment and savings proposals. Unlike appropriations programs, mandatory programs and revenue provisions do not require annual legislation to keep them in force.

The tax changes and non-discretionary savings proposals are expected to be included in an enforcement mechanism called a reconciliation bill. Budget resolution deficit reduction targets for these proposals are to be met by the authorizing committee with jurisdiction. Assumptions about the way targets will be met are not binding on committees. Congressional rules provide procedures to offer amendments on the House and Senate floors to add legislation to the reconciliation bill that would achieve compliance with the targets if a committee does not.

Increases in non-discretionary activities are usually enacted in stand-alone legislation, not in reconciliation. However, because of concerns about separating action on spending increases and deficit reductions, some or all of the Administration's initiatives including health care reform may be incorporated in reconciliation. The so-called Byrd rule restricting extraneous provisions from reconciliation legislation may prohibit the addition of other than deficit reduction legislation. The decision about the composition of a reconciliation bill should be part of the Administration/Congressional leadership strategy to enact the President's proposals.

Attachments provide more detail describing: the Congressional budget process; major dates; and information needs.

**THE CONGRESSIONAL BUDGET PROCESS**

The Congressional budget process begins shortly after transmission of the President's Budget. The law requires transmittal by the first Monday in February. Because of the change in Administrations, however, the FY 1994 Budget will not be submitted until April. The Congressional Budget Office uses the data and other information in the President's Budget to develop its estimates of the President's proposals.

The House and Senate Budget Committees begin their work each year by holding hearings to elicit views on the budget. The Director of OMB, the Secretary of the Treasury, and other Administration officials are often called to testify. The Director of OMB also typically testifies before the Appropriations Committees, the House Ways and Means Committee, and the Senate Finance Committee.

The initial product of the Congressional budget process is the budget resolution, which lays out Congress's budget plan. It is a concurrent resolution and as such does not require Presidential signature. The budget resolution must include: totals of budget authority and outlays, total revenues, the surplus or deficit, and totals of budget authority and outlays by major function. The programmatic assumptions on which the functional totals in the resolution are based are not binding. In fact, the House and Senate may not even agree on these assumptions, but they can complete action on the resolution as long as they agree on the totals.

The Budget Committees must specify the economic and technical assumptions that underlie the resolution. In the past they have used a variety of assumptions: CBO's, OMB's, or their own. Most often, the committees have used CBO technical assumptions. In recent years, the committees have used CBO technical assumptions within the program function totals but included a plug to adjust to OMB assumptions in the aggregate, whether for budget totals or discretionary totals. This allows Congress to use CBO estimates to determine violations of the Budget Act (and whether points of order can be raised) and also allows Congress to meet deficit targets and discretionary cap levels, where compliance is ultimately determined using OMB estimates.

There are two main enforcement/implementation mechanisms in the resolution process. The first, the so-called "602" allocation, controls discretionary and direct spending. The 602 allocation is a division of the total spending in the resolution by committee. The Appropriations Committees subdivide their allocation by subcommittee and these suballocations form the basis for the subcommittee work in reporting the 13 regular appropriations bills. The committee totals and the subdivisions

## MAJOR DATES IN THE BUDGET PROCESS

The laws governing the budget process assume that action on the President's budget will be completed by October 1, the beginning of the fiscal year. The major steps in the FY 1994 budget process follow.

1. February 17 - The President submitted A Vision of Change for America.
2. Early April - The formal FY 1994 Budget to be submitted, containing appropriations language and detailed budget schedules for each appropriation account, and additional summary information. The budget will be transmitted in early April, recognizing that there was not time to prepare a complete budget by the first Monday in February, the date set in the 1990 budget agreement.
3. April 12 - Congress is scheduled to complete action on a Congressional Budget Resolution. Both the House and the Senate are proceeding rapidly and appear to be on track right now.

No action may be taken in the House on annual appropriations bills until a budget resolution is passed, or until May 15, whichever is earlier. The expectation is that the House will begin to take action on appropriations bills very quickly, probably by late April, if a budget resolution is passed on an accelerated schedule.

4. April 7 - The date by which Treasury estimates that the current debt ceiling will need to be raised.
5. May 13/14 - Target dates for the House and Senate to report reconciliation legislation out of Committee. June 15 is the date in law for completed action. In fact, reconciliation legislation usually is completed later in the year.
6. July 15 - The Administration is required to update its forecast of the budget in a mid-session review. This year's mid-session review may provide a forum for incorporating forecasts of the President's health care proposals in the budget estimates, for reporting on the Administration's management agenda, and for discussing other worthy legislative actions that could not be incorporated in the time available to prepare the February document.
7. August 9 - The August Congressional recess is scheduled to begin. This is a possible date for passage of the reconciliation bill.

of the Appropriation Committees are enforced through points of order in each House, as are the revenue totals.

The second, reconciliation, implements the deficit reduction decisions contained in the budget resolution relating to receipts and direct spending (entitlement) programs. Reconciliation instructions tell committees with jurisdiction over direct spending or receipts the amount of savings that they are to achieve. Savings are measured against the baseline used to develop the budget resolution. While assumptions are usually made about where savings will be achieved, they are not binding on committees. Instead, committees are only required to achieve the dollar amount specified. After the committees have been given their reconciliation instructions, they report their bills to their Budget Committee. The Budget Committees package the bills together so that a single large bill is brought to the floor. While the reconciliation bill is like other bills in that it requires approval of both Houses and a Presidential signature prior to enactment, it is brought to the floor with special rules designed to limit debate.

Appropriations action must be completed before the start of the fiscal year on October 1. There are 13 separate appropriations bills, generally dividing the discretionary budget by agency. If the regular appropriations bills have not been completed by the start of the fiscal year, a continuing resolution must be passed. A continuing resolution may be short term, covering a few days, or longer term, sometimes covering the entire fiscal year. Passage of the continuing resolution allows the Federal Government to continue operations. Otherwise, in the absence of appropriations, a shutdown of non-emergency activities occurs.

As appropriations bills, reconciliation bills, and other substantive legislation make their way through the Congress, the Administration provides its views both informally and through formal "Statements of Administration Policy" (SAP). These statements present the Administration's position on legislation and indicate which bills and provisions will be supported, opposed, and/or the basis for veto recommendations. Where bills involve appropriations, direct spending or receipts, SAPs include preliminary OMB scoring of the legislation.

8. August 20 - OMB is required to release a "Sequestration Update Report" providing information on the status of the budget relative to the various caps and limits in the Budget Enforcement Act. Because the limits are influenced primarily by legislative action and major legislative action has tended to fall at the end of a Congressional session, this report has largely been a technical update, stimulating little interest. If the legislative calendar is accelerated, this report may receive more attention.
9. October 1 - The new fiscal year begins.
10. October 8 - Target date for Congressional adjournment. A final sequester report is prepared detailing the status of the Budget Enforcement ACT (BEA) caps and limits fifteen days after the Congressional session ends. If necessary to stay within the BEA limits, a Presidential order is issued to sequester funds.

## INFORMATION NEEDS OF THE CONGRESSIONAL BUDGET PROCESS

OMB provides information supporting the Congressional budget process as follows:

1. For the Congressional Budget Resolution, the President's Budget provides summary data and a detailed computer data base backing up the summary information. Virtually all of the summary information needed to produce a budget resolution was incorporated in A Vision of Change for America. Detailed back-up was also made available to the Budget and Appropriations Committees.

The formal FY 1994 Budget to be transmitted in early April will repeat the February 17 economic projections and include a preview report on the Budget Enforcement Act. It will include summary tables by function, agency and account. Finally, summary information on receipts, borrowing and debt, employment, research and development expenditures and other topics will be included.

2. For the appropriations process, the President's budget provides a Budget Appendix with appropriations language and detailed budget schedules for each appropriation account. Providing this information is the primary purpose of the early April document.
3. Because the Appropriations Committees consider only spending programs, the Appendix does not include detailed information on revenues, or receipts that are offset against outlays, except for the receipts that are netted within individual appropriation accounts. A separate chapter of the budget provides a summary discussion of revenue proposals, supported by more detailed information prepared by the Treasury Department.
4. For the substantive legislative process including reconciliation, legislation is transmitted to the Congress separately from the President's budget, after clearance by the Legislative Reference Division of OMB. Substantive legislation is transmitted separately from the budget by custom because:
  - A. It would add substantially to the length of a document that is already unwieldy. In addition to Presidential initiatives to change non-discretionary spending and revenues, the Congress also acts on a host of other legislative proposals by the Executive Branch, including reauthorization of existing discretionary and mandatory activities.

- B. Legislative proposals practically always take substantially more time to prepare than is available under tight budget deadlines.
- C. Sometimes the President's proposals are not converted into specific legislative language. Instead legislative drafting is left to the Congress.

Most of the substantive legislation required to support the President's budget proposals, and to carry out other Presidential policies, are submitted to the Congress between March and May of each year. Some bills are transmitted by the President, some by Executive branch agencies. In certain cases, the Administration may support a bill already introduced in Congress or work with congressional committees in developing a bill.

- 5. Agencies provide even more detailed information to the Congress supporting the President's budget. This information is cleared with OMB for consistency with the President's program.

Budget -  
'95 Budget Fight

June 22, 1995

**MEMORANDUM FOR ERSKINE BOWLES**

**FROM:** Gene Sperling

**SUBJECT:** Process for Promoting the Clinton Budget

I have tried to lay out both the concepts and the processes that we will need to move forward with a long-term budget strategy. My sense is that we will need to set up a "floating war room," with specific budget tasks assigned to different people on an ongoing basis. This memo is just a draft, and I am sure that many people are engaged in different efforts that I have inadvertently left out.

**I. OVERALL OBJECTIVES**

**BASIC MESSAGE:** The President's budget promotes his economic goals of creating growth, increasing opportunity and raising living standards, and empowering working families to win from economic change. The budget that the President believes best promotes those goals is one that 1) increases national savings while protecting the economic expansion by moving toward fiscal balance in ten years, 2) invests more in key education and training programs; 3) addresses health care in a way that is fair to seniors while moving toward serious health reform, and 4) ensures that our tax system goes further to reward work for working families, instead of asking working families to sacrifice education and Medicare to pay for tax cuts for the most well-off. These four distinctions show that ours is the budget that puts working families first, while theirs is the budget for the well-off that takes risks with health care, education and the economy.

**GENERAL STRATEGY--TAKING OUR CASE TO THE PEOPLE:** As the Republicans are in solid control of the Congress, if they go forward with a budget resolution that defies our principles, our only hope for promoting the President's economic growth strategy is to take our case to the American people. We must make our case well enough that the American people force the Congress to move toward our budget because it best achieves their priorities. As their current budget is unacceptable, we must create an environment in which the President's positive vision guides any budget negotiation and forces the Republicans to move toward his position. This means a disciplined effort to convey the defining elements of our plan, as well as a broad-based approach to encouraging efforts that weaken support for their plan in any reasonable way.

*By taking our case to the American people, we will seek to ensure that we prevail if there is an ultimate show-down, or that if there is an early negotiation, it reflects our strength and their movement toward our priorities.*

**FOUR STRATEGIC GOALS:** To succeed in taking our case to the American people, so that the American people will take their case to the Republican Congress, we need to focus on four basic goals:

**1) Four Main Distinctions:** We must ensure that Americans understand that we have a clear alternative that is better for the economy and more closely aligned with the interests of working families. This requires a disciplined focus on the basic message: 1) economic expansion and the need for a 10-year plan; 2) education and training; 3) health care and fairness to seniors; 4) tax fairness, through a middle class tax cut and opposition to making working families and the poor pay for a tax cut for the well-off.

**2) Validation, Credibility and Support:** While we must draw clear lines, we must ensure that people see that our plan is real, politically viable, and credible.

**3) Other Priorities:** While we stress our top priorities, we must take advantage of other subsidiary priorities that we care about promoting and that can weaken the overall Republican alternative. The key is to do this while not losing a clear, defined focus. The environment and crime prevention are major issues that sometimes will be as important as our defining priorities. Technology and medical research will play roles as well.

**4) Body Blow Strategy:** Without diluting our main message, we must also facilitate--and certainly not discourage--reasonable efforts that weaken support for their overall approach. There are many issues that are outside our defining message yet are of critical importance to millions of Americans, who will be hurt more than is necessary because of their seven-year path and large tax cut for the well-off. Every critique in areas like veterans and agriculture will be like another body blow to weaken their plan. We must be willing to help efforts in these and other areas that the American people care about and where our plan is superior to theirs.

## II. GENERAL INTERNAL PROCESSES

**1. GOALS: PLANNING, YET SPONTANEITY.** We need a budget calendar and budget process that allows us to make strategic short- and long-term plans and achieve some coordination. *Yet we must also have a process that allows us to make quick and even instant decisions. Entering a conflict that puts us on the side of our priorities within a given news cycle will often break through even more than a perfectly planned event. A well-planned education event may do less for us than a quick response or briefing following an off-the-wall Gingrich comment on college aid. We must have a process for getting decisions made so we can respond quickly.*

**2. COMBINED INTERNAL AND EXTERNAL CALENDAR:** It is extremely important that we maintain a comprehensive and up-to-date calendar of budget-related events.

**NEED FOR EXTERNAL CALENDAR:** While Congressional timing will be hard to predict and to some degree less important than usual, since we will have less direct control over specific appropriations committees, we still need to have an external calendar so that our planning addresses what is happening in Congress. This may mean know when a certain Committee is meeting so that we get in the story, or when a vote is occurring so a group effort can be organized. We also need to understand when Congress is home, so that our efforts and those of the groups must be more regional.

**INTERNAL CALENDAR:** One of the things we learned in both the budget and health care war room is that we must have a unified internal calendar so that we know what everyone is doing on budget related events. *The main goal of this calendar is to ensure that we have major message events on our defining issues every week, and that we can make rational decisions about when to do what and where.* The other crucial goal is to ensure general coordination throughout the Administration.

**OVERALL CALENDAR PROCESS:** We need to develop a combined internal and external calendar. Erskine must have someone who monitors the calendar for him, and everyone around the White House must feed into the calendar in a disciplined way. It is especially important that legislative affairs update the calendar constantly so that our planning keeps up with Congressional events. Yet other divisions of the White House, must also feed in so that we know about meetings of mayors, conventions of major groups, or the like.

**3. PLANNING MEETINGS.** We must meet regularly to ensure that strategies are developed, coordinated, and executed.

**Erskine Weekly Planning Meeting and Twice-a-Week Check-In:** Erskine must call at least one weekly planning meeting for Presidential events that feeds into strategy for the President. We don't want to have an unrealistic schedule--which daily meetings might represent. But twice-a-week right after the senior staff meeting for Erskine to run through things with key people on budget working groups seems sensible.

- **Communications Coordination.** One key goal of these meetings must be to prioritize communications emphasis so that Mark Gearan, Lorrie McHugh and others know where they should be directing their efforts. This week, the focus was on overall definition and validation. It was a terrific effort in terms of reaching major news organizations. But it will be hard to know what whether we should be doing regional press on education or health care or taxes on any given day unless we develop a strategic focus through these meetings.

**Daily Gene-Erskine Check-In Conversation:** Decisions are made and key discussions take place at the 7:30 a.m. meeting and at Leon's evening meeting. Gene and Erskine should try to have at least two check-in meetings a day, with Gene

providing a clear list of decisions that have to be made or considered for the next day. This way, Erskine can make sure these issues are addressed, and Gene can give others directions as to how pressing certain matters are.

**Erskine-Leon-POTUS:** Ultimately, the whole process will only work if there is a regular process for getting information to Leon and the President, getting approval, and proceeding.

**NEC Budget Strategy Meetings:** Previously, Laura hosted budget strategy meetings twice a week to provide ample time to discuss overall strategy. We should reinstate these meetings. Gene would also continue to host "working group" level meetings with staff from NEC, DPC, Treasury, OMB and CEA.

**Budget/Appropriations/Cabinet Strategy and Coordination:** We need a process for communicating how we want to deal with appropriations. This would be done in NEC meetings.

**NEC/POTUS Strategy Meetings:** We will not be able to act on some major issues unless we have made some strategic decisions with which the President feels comfortable. For example, can we go all out against certain cuts that we would oppose in our ideal budget, even if we will ultimately have to compromise on them? Not knowing this will paralyze us below. We need to have some ability for such issues to be discussed at NEC-type meetings with the President for his sign off.

**4. INFORMATION AND TALKING POINTS LIBRARY:** As we get requests for information and talking points from different outreach arms, we will need a process for getting sign-off and a "library" of up-to-date materials with sign-off. This notion of what is usable needs some watching. There are some materials we can do to help others, but we don't want as official Administration documents. We also will have to use the working group to determine the most important state-by-state numbers we need.

Generally, Gene and OMB mutually sign off on budget numbers and with Treasury on tax numbers. What we need is to know at all times what we have, what we need, and how we can distribute it. We may be able to use certain NEC staff as librarians of up-to-date information who also know what it can be used for, and we can continue to use the NEC process and Cabinet Affairs to distribute materials quickly and widely so everyone has them.

**There is an immediate need for talking points for Administration officials on overall message.** These points should enable Cabinet members to make our key points while adding their specific issues. Specifically, the message should be that we can protect the economy and balance the budget over 10 years with the right priorities, and that we should not be cutting education, Medicare beneficiaries and \_\_\_\_\_ in order to pay for tax cuts for the wealthy and balance the budget in an arbitrary time period that would risk solid economic expansion.

### III. PROCESSES AND STRATEGY GROUPS IN FOUR MAJOR AREAS

Our top priority is to get our message out on the four major differences between the President's budget and the Republicans: 1) a solid 10-year plan is good for the economy; 2) health care and Medicare; 3) education and training; and 4) tax fairness versus tax giveaway.

**A FIRST STEP: PRELIMINARY OUTREACH PLANS.** A first step toward the coordination process described below would be for each White House outreach arm to come back by COB Friday or Monday morning with a preliminary plan to help in each of the four major areas listed above.

**PRESIDENTIAL AND VICE PRESIDENTIAL INVOLVEMENT.** While these planning efforts and others are essential, I do not believe that any part of our plan can work if there is not a strong sense that the President is personally promoting his plan, and drawing the main four distinctions (10 years, education, health care, tax fairness). This is most true on Medicare. Our success there will be completely proportional to the effort that he and the other principals give to making clear that they are cutting Medicare to pay for tax cuts, and that we are protecting Medicare beneficiaries and taking the first steps toward health care reform. Where we do have Presidential events, we can build all of the other elements around that strategy.

(While it is not in our purview, the one other way for us to break through is with advertising that lays out our position.)

**FOUR MAIN STRATEGY GROUPS.** While each outreach arm of the White House should have its own plan for the four areas of engagement, on the defining issues we need to have issues groups that take a holistic look at what we are doing in the four main defining areas. Therefore, we need to have an education group, a health care group, a tax fairness group, and an economy group. While I will be happy to monitor all of them, the goal would be to have some White House staffers and relevant agency people whose main responsibility would be to consider our strategic planning in each area. These groups would make sure that all relevant arms are involved in the relevant strategy. The White House people would feed into the Erskine meetings what is being planned. As a result, we could make decisions as to when education versus health care versus tax fairness should be on the calendar or given center stage.

1. **HEALTH CARE:** Chris, Jen, Nancy Ann, Judy Feder (HHS) can serve as the policy core working with each outreach arm to devise an ongoing strategy. Some of what is planned currently includes the following:

- **Presidential Involvement:** The main issue is how the President gets involved in defining the distinctions on Medicare, and when he starts promoting health care proposals. The 30th anniversary of Medicare is July 30, and a regulatory event with the VPOTUS and First Lady possible for July 11.
- **First Lady:** Does she wish to re-engage in a major way on Medicare or Medicaid?
- **Chart Package and Congressional Blitz:** One of the best things we can do is to give Democratic members of Congress the ammunition they need to stay on the Medicare attack, while also making sure they know enough to go on the offensive on our health care proposals. Members have reacted very favorable to the charts. Our goal is to have a package of Medicare charts and Health Care materials from OMB/White House/HHS signed off on by Monday, and then to take Tuesday and Wednesday to do all we can to brief and get July 4th recess materials to Democratic members.
- **Op-ed:** We are talking with Uwe Reinhardt on doing an op-ed. He seems favorably inclined.
- **Validation:** We are finishing calls to health care economists to be sure they will validate our OMB baseline.
- **Cabinet Affairs:** Secretary Shalala is raring to go. Judy Feder will discuss with us a strategy for on-going involvement.

We may also want to gear up Secretary Reich to speak on the new health security for unemployed workers.

- **Ability to Break-Out Different Issues:** One issue for us to consider is that we have many different proposals on health care. We could use them at different times to keep giving our message a new "news hook." For example, we could do an event on the Alzheimer's benefit and still stress Medicare. We could do mammography and still stress Medicare differences and the new security for unemployed workers, etc..
- **Groups/Public Liaison:** Marilyn has seniors set up for Friday, Medicaid groups set up for early next week and possibly AHA.

**2. EDUCATION AND TRAINING:** Several people at NEC/DPC (myself, Jeremy, Gaynor, Paul Dimond) and Ken Apfel at OMB can serve as the policy core working with the outreach arms to come up with unified schedule and strategy. We are planning to meet together early next week.

**President's Schedule:** The Presidential Scholar event was generally drowned out by Foster, though we did do well in the Washington Post. We may want to go hard at college loans specifically as our next hit -- particularly if the Conferees keep in the interest subsidy.

**Possible Immediate Opportunity:** We may want to look for a chance to ask the conferees to drop the interest exemption in the next few days if they have not reached agreement. This could be one of the conflicts they are still resolving. If we challenge them to drop it and they do, we claim victory. If they don't, we have further defined a good fight for us.

● **Validation:** We have achieved significant validation on education, with 80 groups supporting our budget. There was a major stake-out with heads of 12 major groups on Wednesday. Because of the Foster issue, however, we will have to look for other opportunities to get the validation out.

● **Chart and Paper:** We have a strong one-page chart that appeared in the Washington Post and a seven-page backgrounder that was signed off by OMB and given out on Wednesday.

● **State-by-state:** We have several state by state and city analysis -- including a district by district on student interest exemption.

● **Cabinet Affairs:** Riley is clearly engaged in an active schedule. We will be able to coordinate better when we meet. The same is true for Reich.

● **Public Liaison:** We clearly are in strong shape with the groups. We need to perhaps set up regular strategy meetings with the supporting groups for getting out the message.

**3. TAX FAIRNESS:** This is a largely missed opportunity so far. We have three general areas here: 1) our positive proposals -- particularly the education tax incentive---that we want to promote; 2) Their tax increase on 14 million working families; 3) the inequity of their tax cuts, and the specific tax breaks they are seeking.

- **Interagency Group:** We have an interagency group on the Earned Income Tax Credit that could easily expand to be the core of the policy part of this component.

- **Presidential Involvement:** There has been little Presidential involvement on the tax issue, other than as a part of his overall message. Clearly, we could promote any of these issues if we took them directly head-on.

- **Charts and Materials:** We have good materials comparing our two tax proposals, yet these could become quickly out of date when their budget resolution is finished.

Treasury has done a state-by-state and district by district on the tax increases on 14 million working families in the Senate document.

- **Cabinet Affairs:** Rubin will be willing to be as engaged on this as we want.

- **Ability to Break-Out Different Issues:** Here too, when we are looking for a news hook, we have can break out one of our positive proposals such as the education tax deduction, or go after one or two elements of their plan. One of the most promising may be the elimination of the alternative minimum tax on corporations, which would allow some major corporations to pay no taxes at all.

**4. ECONOMY:** We will have to continually stress that ours is the balanced budget proposal that will be good for the economy. Unlike the other points, this may be an definitional issue that is just blended in with other messages, but it is still important.

**Economists Outreach:** With Martin Baily taking the lead and Brad DeLong helping from the outside, we have been calling economists seeking validation of our plan and our baseline. The issue is whether or not we will be able to come up with a letter or statement or jointly-signed op-ed.

**WEFA Study:** The WEFA study made news and we have been able to use since then for support.

**NEC/Cabinet Affairs:** Certainly members of the economic team will make the economic case in all of their formats that they participate in.

Budget

Date: 5-15-97

To: Bruce  
456-5542

From: Chad

Message: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Pages Including Cover: 19



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# The Balanced Budget Agreement of 1997

## SUMMARY OF MAJOR ASSUMPTIONS

Prepared by the House Committee on the Budget  
Majority Staff

15 May 1997

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This document was prepared by the majority staff of the House Committee on the Budget. It has not been approved by the full committee and therefore may not reflect the views of all the committee's members.

## THE BALANCED BUDGET AGREEMENT OF 1997

### Major Savings and Revenue Provisions

5-Year Total

Gross Tax Relief (maximum) .....	135.0
Net Tax Relief .....	85.0
Defense (change from current services) .....	-76.8
Nondefense Discretionary Changes (from current services) .....	-64.1
Presidential Initiatives .....	31.7
Medicare .....	-115.0
Medicaid .....	-16.0
Earned Income Credit .....	-0.1
Student Loans .....	-1.8
Federal Retirement Provisions .....	-4.9
Veterans Provisions .....	-2.7
Spectrum Auctions .....	-26.3
Housing .....	-1.8
Transportation .....	-0.2
Other Mandatory Provisions .....	-2.0

Fiscal Year	1998	1999	2000	2001	2002	5-Year
<b>SUMMARY</b>						
Total Spending .....	1,692	1,753	1,809	1,857	1,869	9,001
Total Revenues .....	1,602	1,664	1,727	1,805	1,890	8,888
Deficit/Surplus .....	-90.2	-89.2	-82.4	-52.2	1.2	—
<b>Total Discretionary Spending</b>						
Defense						
BA .....	269	272	275	282	290	1,388
Outlays .....	267	267	269	271	273	1,346
Nondefense						
BA .....	258	262	262	261	262	1,305
Outlays .....	266	283	295	294	288	1,456
Total Discretionary Spending						
BA .....	527	533	538	543	552	2,692
Outlays .....	533	559	564	565	561	2,803
<b>Total Entitlement Spending</b>						
Medicare .....	221	233	253	261	280	1,248
Medicaid .....	106	112	119	128	138	602
Other .....	564	597	625	662	673	3,122
Total Entitlement Spending .....	891	942	997	1,051	1,091	4,972

NOTE: Figures may not add due to rounding and may be subject to late modifications.

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## SAVINGS TO AMERICAN TAXPAYERS FROM THE BALANCED BUDGET AGREEMENT

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### ALL GOVERNMENT SPENDING OVER 10 YEARS:

- Under current projections ..... \$21.057 trillion
- Under the balanced budget agreement ... \$20.096 trillion
- Savings to taxpayers under  
the balanced budget agreement ..... \$961 billion

### TAX REVENUES OVER 10 YEARS:

- Under current projections ..... \$19.313 trillion
- Under the balanced budget agreement ... \$19.063 trillion
- Savings to taxpayers under  
the balanced budget agreement ..... \$250 billion

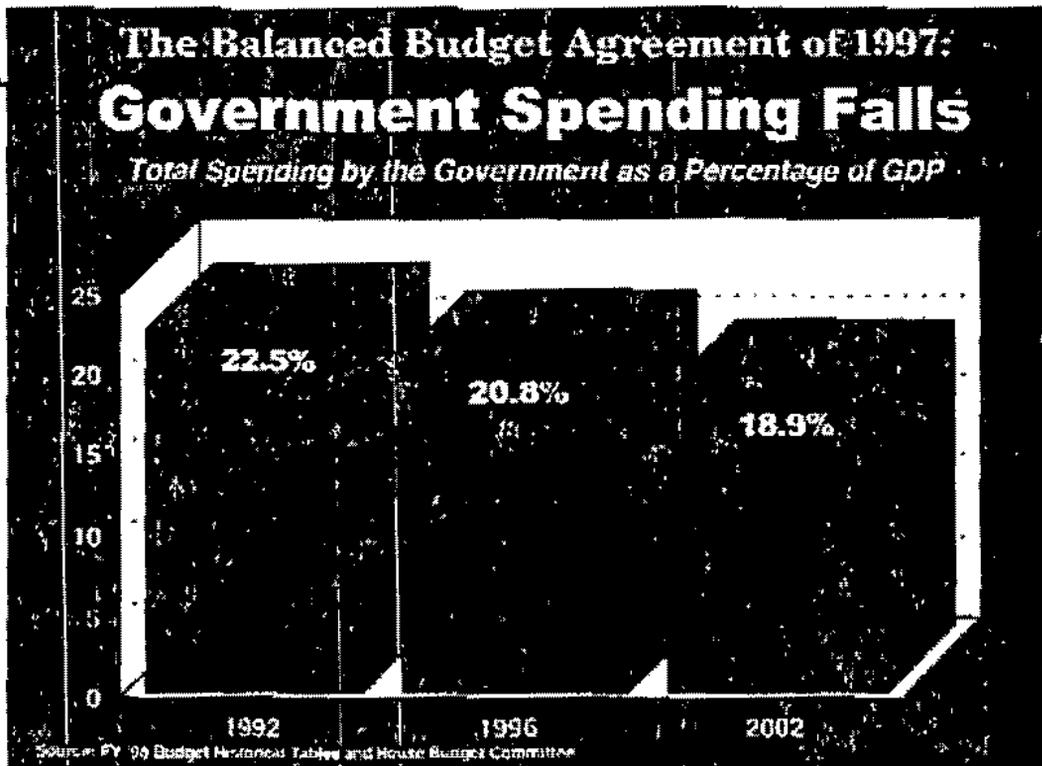
### TAX CUTS ASSUMED IN THE AGREEMENT:

- Relief for families with children (the child tax credit,  
death tax relief)
- Incentives for job creation and economic growth (capital  
gains tax relief)
- Incentives for savings and investment (IRA expansion)
- Relief for families who send their kids to college

**IN SUMMARY: THE AGREEMENT MEANS SMALLER GOVERNMENT, LOWER SPENDING, LOWER TAXES, AND A BALANCED BUDGET — ALL IN ONE AGREEMENT (SEE CHART ON NEXT PAGE).**

## THE ERA OF BIG GOVERNMENT IS OVER

- Under the Balanced Budget Agreement, total government spending will decline from 22.5 percent in 1992 to 18.9 percent in 2002.
- It will be *the first time since 1974* — the year that Patty Hearst was kidnaped and Hank Aaron hit his 715th home run — that government will have spent less than 20 percent of the Nation's economic resources.



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## TAX RELIEF

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### Major Policy Assumptions

[NOTE: THE BUDGET RESOLUTION ASSUMES THE FOLLOWING COMPONENTS. FINAL POLICY DECISIONS REMAIN WITH THE COMMITTEES OF JURISDICTION.]

- ▶ Provides for gross tax cuts of up to \$135 billion over 5 years, and net tax cuts of \$85 billion over 5 years.
- ▶ Tax relief can accommodate:
  - Tax relief for families (child tax credit, death tax relief).
  - Incentives for savings and investment (expanded Individual Retirement Accounts).
  - Incentives for economic growth (capital gains tax relief).
  - Help for families sending their children to college.
- ▶ The amount of tax relief in each area, and the structure of tax relief provisions, will be determined by the Ways and Means Committee.
- ▶ Assumes extension of the airline ticket tax.

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## DEFENSE

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### Major Policy Assumptions

[NOTE: THE BUDGET RESOLUTION ASSUMES THE FOLLOWING COMPONENTS. FINAL POLICY DECISIONS REMAIN WITH THE COMMITTEES OF JURISDICTION.]

Over 5 years, assumes an addition of approximately \$17 billion in discretionary budget authority and more than \$5 billion in discretionary outlays compared to the fiscal year 1997 Budget Resolution Conference Report. These levels allow for modernization of weapon systems, a high state of readiness, and a decent quality of life for Armed Forces personnel. [See chart on the following page.]

Assumes fiscal year 1998 budget authority is \$269 billion. Outlays are \$266.8 billion.

- This is identical to budget authority projected in the fiscal year 1997 Budget Resolution Conference Report.
- It is approximately \$2.6 billion higher than the President's budget request.

Does not assume any particular result from the Pentagon's forthcoming Quadrennial Defense Review [QDR]. The QDR could have a significant impact on strategy, force levels, and personnel.

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value of all associated cash flows would not increase the deficit.

A reconciliation process that will include one or two reconciliation bills with a likely date of June 6 for authorizing committees to report to the Budget Committee.

### **OTHER ISSUES**

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To correct some misunderstandings about the budget plan:

- Contrary to media and Democrat reports, the plan contains no specific agreement concerning Superfund.
- Contrary to media and Democrat reports, the plan makes no assumption abandoning a potential continuing appropriations resolution.

the revenue projections (which are based on income estimates calculated by the Department of Commerce). CBO now says it is reasonable to assume that fixing the technical error *will* lower deficit projections by approximately \$45 billion a year through 2002.

The assumptions also include the following components, incorporated by the Budget Committee:

**CPI.** *The agreement does not require any legislated change in the CPI.* The plan anticipates CPI corrections as a result of statistical improvements assumed to be independently implemented by the Bureau of Labor Statistics. CBO expects that when BLS updates its measure of the CPI, it will correct the measure to remove a fraction of the upward bias that causes CPI to overstate inflation. The corrections are expected to be 0.3 percentage points starting in 2000, which result in deficit reduction of about \$15 billion for the period 2000-2002.

**TECHNICAL CORRECTION IN PRICE MEASURES.** This assumes a 0.04-percentage-point adjustment in taxable incomes, consistent with the CPI corrections above.

## **BUDGET PROCESS/ENFORCEMENT**

No final decisions have been reached concerning process and enforcement, but the budget is likely to call for the following:

Extending discretionary spending caps through 2002.

Extending the Pay-As-You-Go [PAYGO] discipline.

Retains current law on separate Violent Crime Reduction Trust Fund spending cap.

A revision of the asset sales rule to score sales if net present

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**OTHER:** Other assumed mandatory savings include:

- Leasing excess capacity in the Strategic Petroleum Reserve (SPR).
- Extending vessel tonnage duties at current level.
- Achieving \$624 million in unemployment trust fund savings over 5 years by increasing the ceiling on Federal administrative unemployment trust funds to 0.5 percent of total covered benefits.
- Generating \$763 million in savings over 5 years by adopting administration proposals to conduct more benefit integrity activities within the program aimed at detecting fraudulent unemployment insurance claims and underpayment of unemployment insurance taxes.

### **ECONOMIC ASSUMPTIONS**

*The plan is based on Congressional Budget Office (CBO) economic assumptions. Assumes that Gross Domestic Product grows at 2.1 percent a year.*

**FISCAL DIVIDEND.** The assumptions include a fiscal dividend for balancing the budget. Economists have long projected that balancing the budget would produce favorable economic effects. These were assumed in the Balanced Budget Act and would be assumed in any other balanced budget plan.

**CBO REVENUE CORRECTION:** There is widespread misunderstanding about the revenue correction CBO has projected. This was not a sudden windfall. A similar phenomenon occurred last year, causing CBO to lower its 1996 deficit estimate. CBO thought then that this was a one-time occurrence. But when it happened again this year — based largely on actual, not estimated, revenues — analysts determined that there is something fundamentally wrong with

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penalties for fraudulent claims, a requirement that tax filers exercise "due diligence" in claiming the credit, and more IRS resources for detecting fraud within the program.

**FEDERAL RETIREMENT:** Assumes \$4.9 billion over 5 years in Federal retirement programs.

- Assumes increases in Federal agency contributions to the Civil Service Retirement and Disability Trust Fund (CSRDF) for CSRS employees by 1.51 percentage points, beginning in fiscal year 1998. Does not apply to the Postal Service.

- Assumes phase-in of a one-half-percentage-point increase in the employee contribution to the CSRDF beginning in fiscal year 1999. All CSRS and FERS employees are covered by the increase, including Postal Service employees. Agency contributions for FERS employees would not decrease.

- Assumes shifting to the Postal Service the cost of financing workers compensation benefits for pre-1971 postal employees, for net savings of \$121 million over 5 years.

- Rejects the COLA delay for Federal employees proposed in the President's budget.

**VETERANS:** Assumes \$2.7 billion in savings over 5 years in mandatory veterans programs.

- Assumes that the VA compensation COLA increase will be rounded down to the nearest whole dollar amount.

- Assumes extension of expiring VA provisions of current law that sunset in 1998.

- Assumes lifting of prohibition on home loan debt collections and extending real estate mortgage investment conduits.

**SPECTRUM AUCTIONS:** Assumes approximately \$26.3 billion over 5 years in savings from spectrum auctions.

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## OTHER MANDATORY SPENDING ASSUMPTIONS

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(NOTE: THE BUDGET RESOLUTION ASSUMES THE FOLLOWING COMPONENTS. FINAL POLICY DECISIONS REMAIN WITH THE COMMITTEES OF JURISDICTION.)

### Major Policy Assumptions

- ▶ **STUDENT LOANS:** Assumes \$1.8 billion over 5 years in savings from student loans.
  - Assumes reduction in direct loan administrative account, but does not call for capping direct lending.
  - Assumes elimination of the \$10-per-loan fee.
  - Assumes reclaiming excess guaranty agency reserves.
  
- ▶ **WELFARE TO WORK:** Assumes \$3 billion over 5 years in welfare-to-work grants to States.
  
- ▶ **IMMIGRANTS:** Assumes restoration of eligibility for Supplemental Security Income (SSI) disability benefits for certain noncitizens.
  
- ▶ **FOOD STAMPS:** Assumes the creation of additional workfare positions in the Food Stamp Employment and Training Program over the next 5 years for able-bodied adults subject to new work requirements in the Food Stamp law.
  
- ▶ **EARNED INCOME CREDIT:** Assumes \$124 million over 5 years in savings.
  - Assumes adoption of Treasury proposals to improve detection of fraud and errors among tax returns claiming the EIC. Expected to be included in the package are tougher

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## CHILDREN'S HEALTH

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[NOTE: THE BUDGET RESOLUTION ASSUMES THE FOLLOWING COMPONENTS. FINAL POLICY DECISIONS REMAIN WITH THE COMMITTEES OF JURISDICTION.]

### Major Policy Assumptions

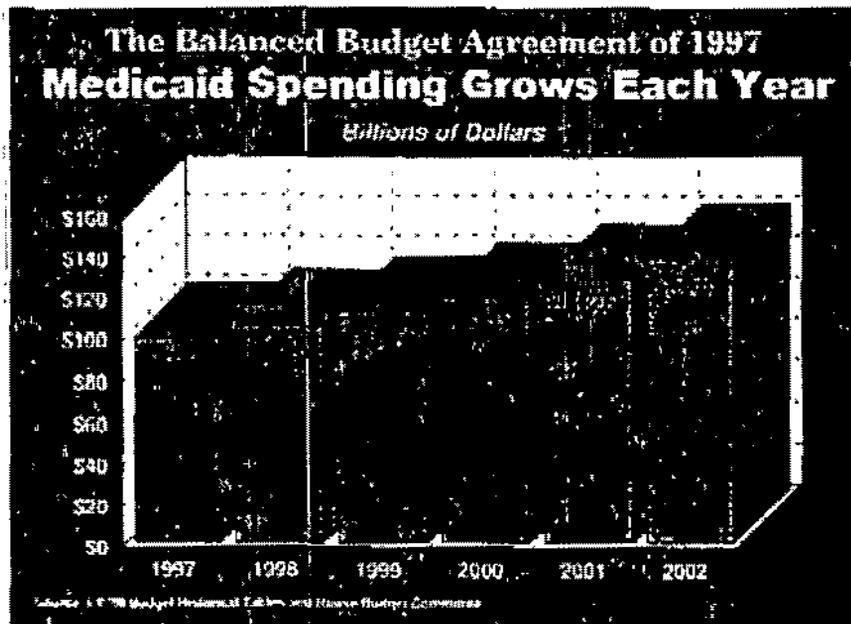
Assumes spending \$16 billion over 5 years (to provide up to 5 million children with health coverage, services, or a combination thereof, by 2002).

The funding may include:

Medicaid, including outreach activities to identify and enroll eligible children and providing the State option of 12-month continuous eligibility; and to restore Medicaid for current disabled children losing Supplemental Security Income [SSI] because of the new definition of childhood eligibility.

A program of grants to States to finance health insurance coverage for uninsured children.

- ▶ Assumes savings from reduced disproportionate share (DSH) payments and various provisions to enhance administrative flexibility.
- ▶ Assumes provisions to allow States more flexibility in managing the Medicaid program, including:
  - Repeal of the Boren amendment, which restricts Medicaid payment levels for hospital and nursing home services.
  - Increasing flexibility in program eligibility by allowing budget-neutral eligibility simplification and enrollment expansions.
  - Converting current managed care and home/community-based care waiver process to State Plan Amendment.
  - Eliminating unnecessary administrative requirements.



### MEDICAID

(NOTE: THE BUDGET RESOLUTION ASSUMES THE FOLLOWING COMPONENTS. FINAL POLICY DECISIONS REMAIN WITH THE COMMITTEES OF JURISDICTION.)

Assumes Medicaid savings of \$16 billion over 5 years.

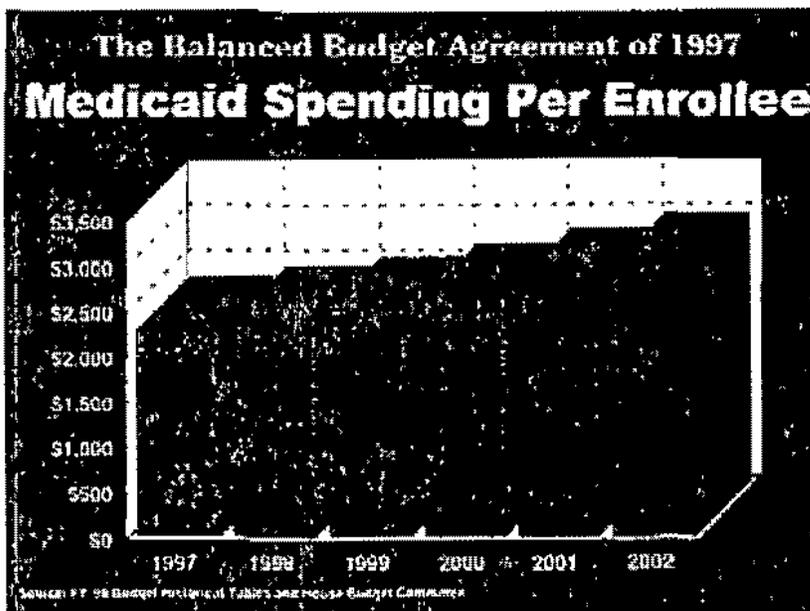
Federal Medicaid outlays would continue to grow at a 6.9-percent annual growth rate — rather than the currently projected 7.8 percent.

Medicaid spending per enrollee would grow from \$2,261 in 1997 to \$2,963 in 2002.

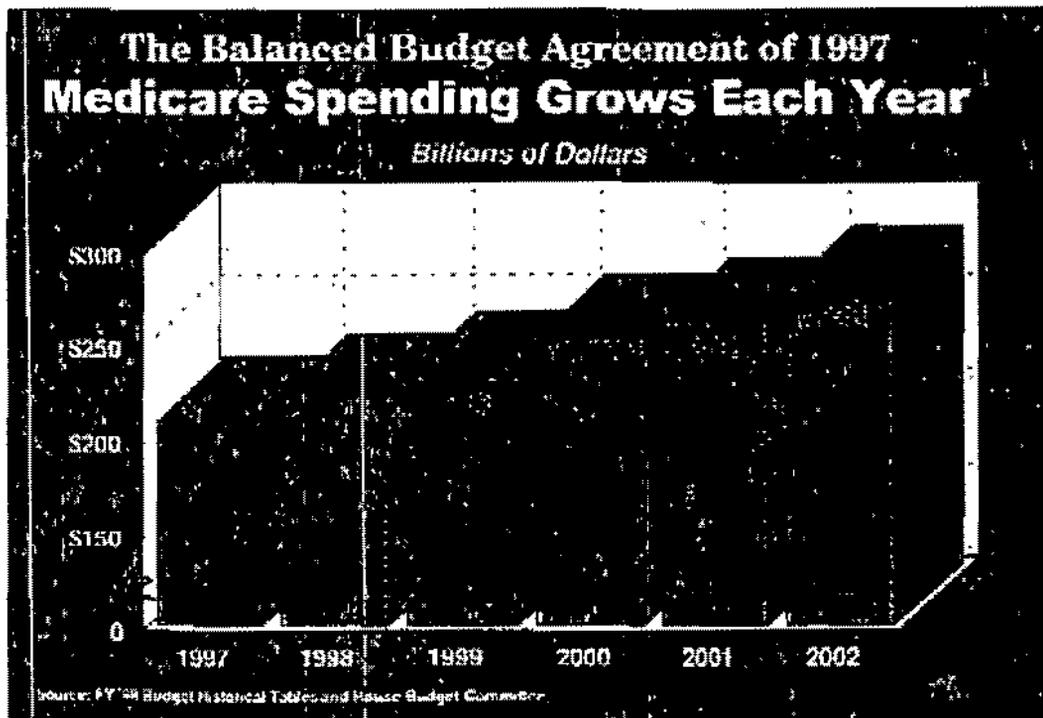
Under the balanced budget plan, Federal Medicaid outlays in fiscal year 1998 would be \$105 billion, compared with projected fiscal year 1997 outlays of \$99 billion.

Federal Medicaid outlays would total \$602 billion through 2002, compared with \$438 billion over the past 5 years.

Assumes Medicaid savings do not reflect health care spending for children's coverage, protections for legal immigrants under welfare reform, or the extension of the veterans' pension limit for veterans in Medicaid nursing homes.



- ▶ Assumes increase in per-beneficiary spending from \$5,480 in 1997 to \$6,911 in 2002 [see chart on previous page].
- ▶ Provides for Medicare spending growth from \$209 billion in 1997 to \$280 billion in 2002. Average annual growth would be 6.0 percent, and total growth over 5 years would be 34 percent.



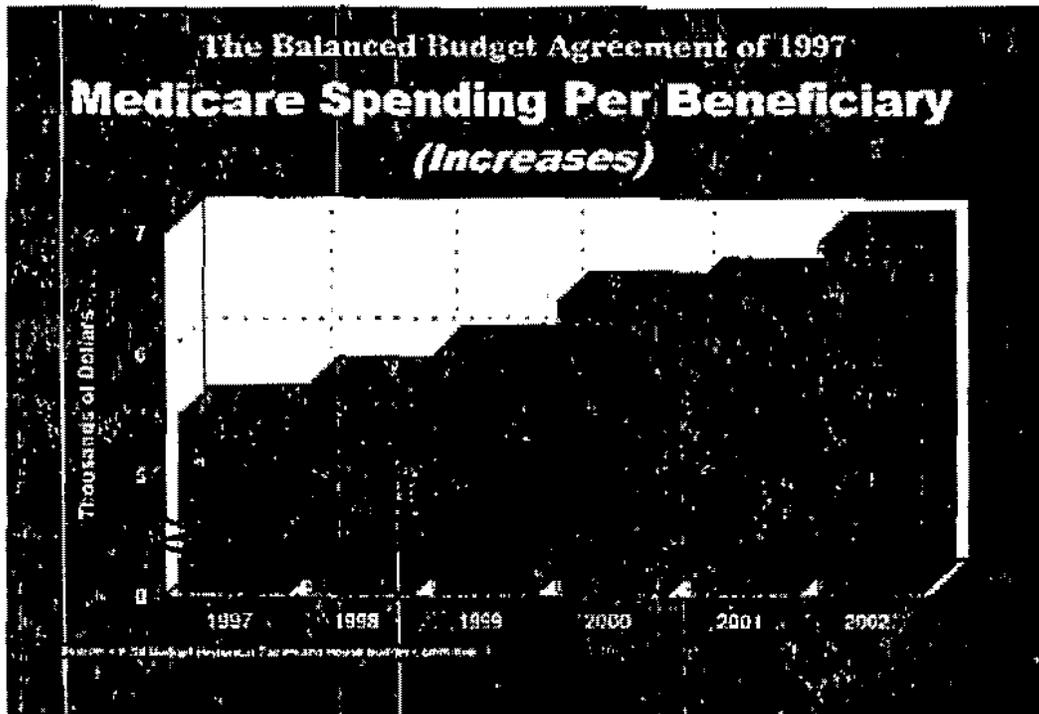
- ▶ Part B Premium: (1) assumes maintaining premium at 25 percent of program costs; and (2) phasing in over 7 years an adjustment for the portion of home health expenditures reallocated to Part B, with protections for low-income beneficiaries.
- ▶ Allows for new benefits, including but not limited to coverage for annual mammograms, diabetes self-management, immunizations, and colorectal cancer screening — but final decisions on benefits will be determined by the Ways and Means Committee.

# MEDICARE

## Policy Assumptions

[NOTE: THE BUDGET RESOLUTION ASSUMES THE FOLLOWING COMPONENTS. FINAL POLICY DECISIONS REMAIN WITH THE COMMITTEES OF JURISDICTION.]

- Assumes saving the Medicare Part A Trust Fund from bankruptcy through 2007, combining savings and structural reforms, and reallocating \$88 billion in home health care spending from Part A to Part B.
- Assumes slowing the growth of projected Medicare spending by \$115 billion over 5 years.



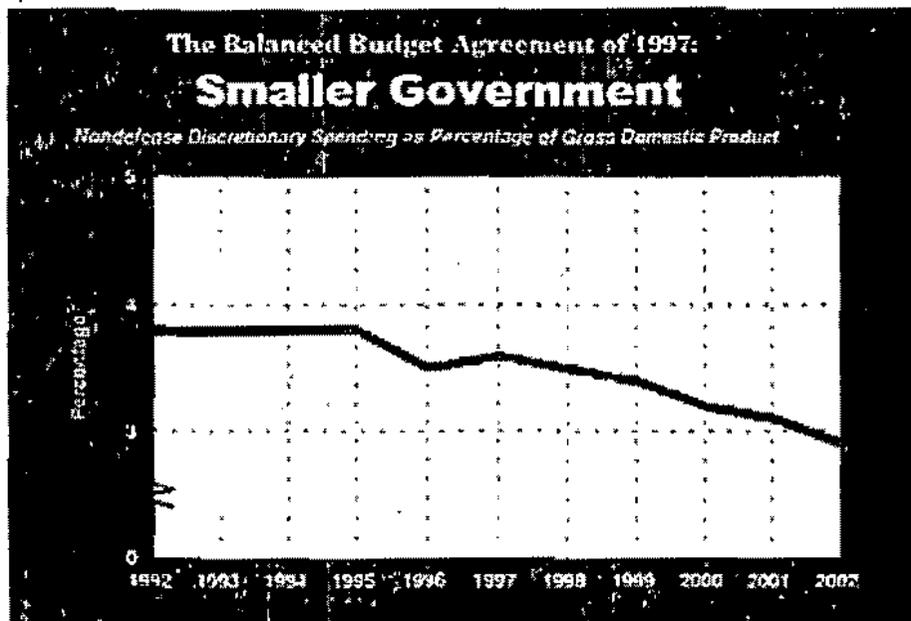
Nondefense discretionary budget authority will grow at an average of about 1.7 percent a year, compared with an average of 5 percent a year over the past 5 years.

In all, nondefense discretionary spending will be reduced by \$64.1 billion over 5 years compared with projected spending if Congress did nothing.

Nondefense discretionary spending in fiscal year 1997 is about 17.3 percent of total Federal spending. Under the balanced budget plan, it will be only 15.3 percent by 2002.

Section 8 renewals entail about \$35 billion in outlays over 5 years. More than half of the occupants are elderly or disabled.

Assumes approximately \$8.2 billion in outlays over 5 years above the 1997 level for transportation, and \$8.0 billion in outlays above the President's proposed level. The resolution also establishes a deficit-neutral reserve fund making additional transportation funding available in the future.



## The Balanced Budget Agreement of 1997

### Defense Spending

(Billions of Dollars)

	1998	1999	2000	2001	2002	Total
<i>FY 1997 Budget Resolution:</i>						
Budget Authority	269.0	271.5	274.0	276.7	279.5	1,370.6
Outlays	263.8	267.0	270.7	262.7	260.6	1,314.8
<i>Balanced Budget Agreement of 1997:</i>						
Budget Authority	269.0	271.5	275.4	281.8	288.8	1,387.5
Outlays	266.8	266.5	269.0	270.7	273.1	1,246.1

Source: FY 98 Budget Request Tables and House Budget Committee.

## NONDEFENSE DISCRETIONARY SPENDING

### Major Policy Assumptions

(NOTE: THE BUDGET RESOLUTION ASSUMES THE FOLLOWING COMPONENTS. FINAL POLICY DECISIONS REMAIN WITH THE COMMITTEES OF JURISDICTION.)

- ▶ Provides for \$35 billion over 5 years above the fiscal year 1997 spending level after accounting for the renewal of section 8 housing contracts to maintain current occupancy rates.
- ▶ But nondefense discretionary spending growth will be reduced sharply compared with recent history.
  - Nondefense discretionary outlays would grow at an average of about one-half percent a year — compared with an average of 6 percent a year for the past 10 years.