

FY 1999 Budget: Passback Decisions Table of Contents

Agency Summaries:

Department of Agriculture	1
Department of Commerce	2
Department of Defense	3
Department of Education	4
Department of Energy	5
Department of Health and Human Services	6
Department of Housing and Urban Development	7
Department of the Interior	8
Department of Justice	9
Department of Labor	10
Department of Transportation	11
Department of the Treasury	12
Department of Veterans Affairs	13
Corps of Engineers	14
Environmental Protection Agency	15
Federal Emergency Management Agency	16
General Services Administration	17
International Affairs	18
National Aeronautics and Space Administration	19
National Science Foundation	20
Office of Personnel Management	21
Small Business Administration	22
Social Security Administration	23

Food Safety

DEPARTMENT OF AGRICULTURE

(Not including International programs)
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	14,226	14,279	14,465	14,592	14,841	N/A
Passback.....	14,221	13,995	14,015	14,006	14,116	14,478

Priority Programs

- Rural Development: Provides a program level (loans and grants) of \$6.1 billion (+1% over FY 1998 enacted) for key programs, including water and wastewater, single family housing, community facilities, and businesses.
- Food Safety: Provides a program level of \$617 million (+5% over enacted) for the Food Safety and Inspection Service, including modernization of its meat and poultry inspection system. As in the FY 1998 Budget, assumes user fees to fund program costs (\$420 million in FY 1999).
- WIC: \$4.1 billion to maintain average monthly participation at 7.5 million.
- Forest Service (FS) Operating Program: Budget (\$1.4 billion, -2% below enacted) protects FS operations (Northwest Forest plan and other timber sales), and incorporates major timber road policy reforms.

Other Programs

- Civil Rights: Funds the Secretary's request for expanded civil rights programs within the base (\$135 million, +42% over FY 1998 enacted).
- Non-WIC FCS Programs: Commodity Assistance, Food Donations for Selected Groups, nutrition res., and Federal admin. funded at just over \$400 million total.

Potential Issues

- Initiatives: Candidates for Priority Reserve are Water Quality, Law Enforcement, and Food Safety initiatives (\$108 million total). USDA may appeal funding for these initiatives (\$441 requested), plus two others (Infrastructure and Customer Service) proposed by USDA as Reserve candidates but not included by OMB.
- USDA may also appeal proposed reductions to mandatory commodity programs, needed to pay for USDA's requested \$100 million annual increase in a mandatory conservation cost-share program (\$100 million per year), crop insurance costs (\$100 million per year); and for grants to rural EZ/ECs (\$20 million per year). One such reduction affects the Export Enhancement Program (\$230 million cut, proposed by USDA and agreed to by OMB, to a level of \$320 million, double FY 1998 enacted), which will need to be reconciled with Administration GATT commitments.

2nd round
ECs

DEPARTMENT OF COMMERCE

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	4,223	4,806	6,063	3,976	3,930	N/A
Passback.....	4,266	4,667	5,925	3,899	3,743	3,760

Priority Programs

- Decennial Census: \$1.1 billion (\$404 million over FY 1998 enacted) is provided for Census Bureau programs, including \$794 million for decennial census activities. In 1999, the Bureau moves from testing and planning to operational activities associated with the 2000 Census.
- Fast Track: \$50 million is provided each year through FY 2003 for a new initiative within the Economic Development Administration to provide economic development assistance to communities adversely impacted by trade agreements.
- Environment: \$731 million is provided for environmental activities, including substantial increases to promote natural disaster reduction, foster sustainable development, and support the Clean Water Initiative.
- Technology: \$658 million is provided for the National Institute for Standards and Technology, \$20 million below FY 1998. Includes \$250 million for the Advanced Technology Program, \$106 million for Manufacturing Extension, and \$20 million for National Information Infrastructure Grants.

Other Programs

- Satellites: \$617 million (\$183 million over enacted) is provided for satellite systems to support new procurements for both geostationary and polar satellites.
- Weather Service: \$484 million (\$14 million above the request) is provided for base programs to support additional Weather Service needs identified by General Kelly.

Potential Issues

- Decennial Census: Commerce may appeal because they now estimate that the decennial census "dual-track" compromise (proceeding with sampling and non-sampling in FY 1999) may have significant 1999 and 2000 costs that are **not** included in either the agency request or the passback.
- Patent and Trademark Office: \$781 million is provided for PTO, \$127 million over the FY 1998 level to support more examiners, process automation, and outreach. The controversial 17.6% patent surcharge is extended, yielding \$116 million to offset the cost of other priorities, and will be opposed by the intellectual property community.

DEPARTMENT OF DEFENSE - MILITARY (051)

(budget authority, in billions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	251.6	257.2	263.5	270.3	278.4	N/A
Passback.....	256.6	258.4	262.7	269.5	277.5	285.2

Priority Programs

- Defense Totals: The DoD passback is based on the Bipartisan Budget Agreement, as adjusted for Line Item Veto and the reallocation of funds between subfunctions 051 and 053 for the Nuclear Stockpile Stewardship Management Program.
- Readiness and Modernization: Passback level generally supports the recommendations of DoD's Quadrennial Defense Review (QDR). It allows for a strong national defense by maintaining readiness while increasing funding for modernization programs. We are working with the Department to ensure that weapons procurement funding goals established in the QDR are met.
- Quality of Life Programs: Funding is provided for enhancing DoD's commitment to quality of life programs. A full current law pay raise of 3.1% is provided for military personnel in FY 1999.
- Unfunded Requirements: DoD has identified several activities for which funding was not anticipated in the agency request, including the Nuclear Stockpile Stewardship and Management Program, higher civilian pay raises and an increased demand for counterterrorism and counter-drug programs. Savings from lower inflation, which DoD will be permitted to retain, will free up funds for these activities.

Potential Issues

- Bosnia: Additional funding of \$2.3-2.9 billion is requested by DoD to cover the increased cost of contingency operations in Bosnia in FY 1998 and FY 1999. The Administration will seek emergency funding to cover these costs.
- Defense Outlays: Outlay relief of \$3 billion in FY 2000 and \$6 billion in FY 2002 may be requested by DoD. Defense argues that these increases result from programmatic changes approved in the QDR and an outlay shortfall agreed to by the Administration and Congress for FY 2002 in both last year's budget and in the Budget Agreement.
- Nuclear Stockpile Stewardship Management Program (NSSMP): DoD may appeal the reallocation of funds from the Defense-Military budget to the Department of Energy to cover the costs of this program. We have structured our passback to DoD to avoid an appeal on this or any other issue.

DEPARTMENT OF EDUCATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	29,409	28,981	29,544	29,893	30,199	N/A
Passback.....	29,559	29,586	30,424	30,996	31,487	31,848

Priority Programs

- Goals 2000: \$501 million, \$10 million above FY 1998, to help States set challenging academic standards and implement comprehensive reform.
- Title I: \$8 billion, \$63 million above FY 1998 for comparable programs to assist schools serving students in low-income communities.
- America Reads Initiative: \$290 million, the second-year level agreed to in the Bipartisan Budget Agreement, to help all children read well by the third grade.
- Pell Grants: \$7.8 billion, \$435 million above FY 1998, to support a \$3,100 maximum award (\$100 above FY 1998), the highest award level ever.
- Technology Literacy Challenge Fund: \$500 million, \$75 million above FY 1998 to help States implement State-wide technology plans.

Other Programs

- Safe and Drug Free Schools: \$556 million, the same as FY 1998, for school districts to prevent drug abuse and violence in schools.
- Special Education: \$4.8 billion, the same as FY 1998, to help States educate children with disabilities.
- Adult Education: \$372 million, \$12 million above FY 1998, to support adult basic and secondary education, family literacy, and ESL training.

6 mos: 100-200 for Hispanic (migrant)

Potential Issues

- Request was \$4.1 billion over FY 1998. Of this amount, \$1 billion was for new Presidential Initiatives, including Institutional Retention Grants, ~~Super-Pell Grants~~, Urban/Rural Initiative, ~~Teacher Recruitment Initiative~~, Drug Coordinators, Mentoring Initiative, and Early Information on College.
- Candidates for consideration from the Presidential reserve include: (1) \$420 million for new initiatives in FY 1999, (2) \$1.5 billion as candidates for increases to base program operations and (3) \$500 million in FY 2000 (advance appropriation) for urban/rural school achievement incentives.

20-25% of PINS put for education

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

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	19,224	17,615	16,709	16,262	15,821	N/A
Passback.....	16,501	17,671	16,946	16,465	16,146	16,478

Priority Programs

- Defense Programs: Provides \$4.5 billion per year (\$0.5 billion above the 1998 Budget) to maintain the effectiveness of nuclear weapons without underground testing. The Directors of DOE's weapons labs believe the increase is the minimum required for them to testify to Congress that they can maintain the reliability of the stockpile under the Comprehensive Test Ban Treaty.
- Energy Conservation and Renewable Energy: Provides \$1.018 billion (net) in FY 1999, a \$140 million increase over FY 1998, and \$55 million above the agency request. This is the same level requested in FY 1998. These programs provide most of the funding for the Administration's Global Climate Change-related applied R&D and for the Partnership for a New Generation of Vehicles (PNGV). An additional \$140 million is a candidate for Presidential Initiative funding, as part of the President's 5-year, \$5 billion climate-change initiative.

Other Programs

- Environmental Management: Provides almost \$6.6 billion for environmental programs, including cleanup of DOE's nuclear weapons facilities and scientific evaluation of the suitability of the Yucca Mountain site as a possible geologic repository for commercial spent nuclear fuel.
- Science: About \$2.3 billion is provided to continue Nobel Prize winning basic and applied research into areas such as particle physics, the human genome, improved semiconductors and to operate 18 National Scientific User Facilities. A proposal to build the \$1.3 billion National Spallation Neutron Source at Oak Ridge National Lab is a candidate for funding as a Presidential Initiative.

Potential Issues

- Power Marketing Administrations (PMAs): The Administration will pursue discussion of an option to transfer three PMAs – Southeastern, Southwestern, and Western – to non-Federal governmental entities that would assume the debt payments PMAs now make to the U.S. Treasury. OMB will also explore the transfer of Bonneville Power Administration to non-Federal governmental interests in the FY 2000 budget. Even though the revenues from these options are not included in the passback, DOE is likely to appeal. If the proposal is included in the budget, opposition from public power interests and Congress is also likely.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	35,292	35,597	35,874	36,177	36,491	N/A
Passback.....	35,862	34,844	35,001	35,097	35,185	35,764

Priority Programs

- NIH: \$13.6 billion provided, same as FY 1998 enacted and \$1.2 billion less than requested. This is \$570 million above the FY 1998 Budget request (Additional funds are a possible Presidential Initiative).
- Ryan White: \$1.15 billion provided, the same level as FY 1998 enacted and \$60 million less than the HHS request. This is \$114 million above the FY 1998 Budget request (Additional funds are a possible Presidential Initiative).
- Head Start: \$4.49 billion provided, a \$134 million increase above FY 1998 enacted. This funding level will support adding 36,000 slots in FY 1999, continuing expansion toward one million slots in FY 2002.

Single FS agency

Other Programs

- FDA: Total program level of \$1 billion provided, a 1% increase above the FY 1998 enacted level, to be partly financed through \$132 million in increased user fees.
- CDC: \$2.33 billion provided, \$52.4 million less than FY 1998 and \$429 million less than the request. HIV Prevention, Immunizations and Breast and Cervical Cancer Screening are maintained at the FY 1998 enacted level.
- LIHEAP: \$442 million is reduced from the \$1.1 billion advance appropriation for FY 1999 to \$658 million. The TANF block grant includes existing authority to provide energy assistance to low-income households with dependents.
- HCFA: Total program level of \$2 billion provided for program management, a \$189 million increase above FY 1998 level. The increase is funded entirely through new user fees.
- Other Important Programs: Funding for the following activities was maintained at the FY 1998 enacted level: MCH Block Grant, Health Centers, Mental Health and Substance Abuse Block Grants, Tobacco and Food Safety activities.

Gene:
750m
to fix

20m

Potential Issues

- Overall, passback is \$1.018 billion below the FY 1998 enacted level and \$3.989 billion below HHS's \$38.8 billion request. HHS will seek higher levels in appeals.

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	24,753	28,365	30,321	31,737	32,965	N/A
Passback.....	24,087	23,752	27,872	28,793	29,823	31,170

Priority Programs

- Includes \$100 million to help fund a second round of Empowerment Zones and Enterprise Communities.
- Includes \$75 million over the next three years for the Brownfields Redevelopment Initiative, continuing the Administration's FY 1998 commitment.
- Provides \$1 billion for Homeless Assistance Grants, a \$181 million increase from 1998. \$823 million is for grants and the remainder is for 32,000 vouchers and supportive services for the chronic homeless with severe mental disabilities.
- Maintains Community Development Block Grant (CDBG) at the FY 1998 level of \$4.7 billion. CDBG is reduced by 17% in FYs 2000-2003 to \$4 billion.
- Provides sufficient funds through FY 2003 to renew all expiring Section 8 rental contracts (\$7 billion in FY 1999 budget authority and \$64 billion over FYs 1999-2003).

50,000 new vouchers in base

Other Programs

- By continuing to tear down the worst public housing units and replacing them with low-density housing and with rental vouchers, current service levels for public housing stocks are maintained while subsidies are decreased by 3% to \$6.1 billion in 1999.
- Reduces funding for the HOME program by 15% from the FY 1998 level. Funding is increased by \$206 million over the FY 1998 request.
- Reduces funding for elderly and disabled housing to \$474 million (same as agency request). Reserving 25% of elderly funds for vouchers will assist the same number of elderly as those assisted in FY 1998.

Potential Issues

- HUD requests \$1 billion for Economic Development Initiatives (EDI) which was funded as a set-aside of \$138 million in CDBG in FY 1998. \$500 million is for the development of a secondary market for economic development loans. OMB has provided up to \$248 million for set-asides within CDBG to fund this or other small urban programs in FY 1999.

WTW vouchers

DEPARTMENT OF THE INTERIOR (DOI)

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	7,428	7,450	7,522	7,515	7,472	N/A
Passback.....	7,468	7,411	7,331	7,260	7,248	7,360

Priority Programs

- National Park Service (NPS): NPS operations, a BBA priority, is \$1.3 billion (+3% over enacted). Overall, \$1.5 billion (-6% below FY 1998 enacted) provided for NPS operations, construction and land acquisition.
- Other Land Management Agencies: \$1.6 billion (+3% over enacted) provided for the Fish and Wildlife Service and Bureau of Land Management operations, including administration of the Endangered Species Act (ESA).
- Bureau of Indian Affairs (BIA) and Office of the Special Trustee: \$1.8 billion (+3% over enacted) provided for Tribal Priority Allocations (a BBA priority), school operations, trust services, and resolution of past BIA trust fund mismanagement.
- Everglades Restoration: \$50 million is provided in NPS (which is \$50 million below the enacted/requested level because there are accumulated unobligated balances that will allow the NPS to maintain the full program level in FY 1999). Funding is provided from FY 1999 through FY 2004 to meet the Administration's remaining \$300 million commitment to Everglades restoration.
- California Bay Delta Restoration: \$143 million (68% over enacted) is provided, which is the full authorized amount.

Other Programs

- U.S. Geological Survey: \$800 million (+3% over enacted) for scientific and technical support, including funding for a Global Disaster Information Network, real-time hazards warnings for floods and other natural disasters, and civilian applications of classified imagery and data.

Potential Issues

- DOI will probably appeal the overall funding level. They requested \$600 billion over guidance for restoration of program levels to FY 1998 level, \$100 million for Everglades, pay and fixed cost increases, program increases for anticipated ESA re-authorization and related conservation activities, and BIA programs.
- Candidates for Presidential Priority Reserve funding: ESA re-authorization (\$50 million), Indian land ownership consolidation (\$25 million), Presidio (CA) Trust (\$25 million), and Guam (\$6 million). In the outyears, \$202 million in each year to maintain existing natural resource initiatives at FY 1998 enacted levels.

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

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	17,784	18,413	17,447	17,707	18,175	N/A
Passback*.....	17,326	17,741	16,629	16,410	16,761	17,213

(*Includes prison funding associated with D.C. sentenced felons.)

Priority Programs

- Crime: Fully funds crime initiatives at \$5.8 billion (\$5.5 billion for the Department of Justice), the authorized funding level as provided by the Bipartisan Budget Agreement.
- D.C. Prison Revitalization: \$300 million is provided to support the D.C. revitalization initiative, which will consolidate all D.C. adult sentenced felons within the Federal Prison System.
- FBI: An additional \$174 million is provided for FBI capital investments, including a project to "narrowband" the FBI's extensive wireless radio systems. These funds will also support the development of a new network that will allow the FBI to share investigative data between offices, and to make fuller use of computer-based analytical tools.
- INS: An additional \$280 million is provided for enforcement and detention enhancements. No new Border Patrol agents are included in the base funding enhancement; the border technology initiative has the effect of "freeing" 1,300 Border Patrol agents along the SW border. *INS can't train + equip more agents*

Other Programs

- \$205 million in existing DOJ funding has been earmarked to support an "Indian Country" law enforcement initiative, aimed at improving public safety and criminal justice on Indian lands.
- An increase of \$107 million is provided for drug testing, treatment, etc., for State and local prisoners.

Potential Issues

- Justice's discretionary funding has grown by 7% annually. Passback is a 2.2% increase over FY 1998 enacted. Justice sought funding enhancements of \$2.2 billion over passback. Passback does not fund the following, which the Department will likely appeal: (1) \$125 million for a new Federal prison facility in California; (2) \$103 million for 1,000 Border Patrol agents; (3) \$100 million for anti-drug grants for drug treatment; (4) \$523 million for the Local Law Enforcement Block Grant. Justice may also seek \$205 million in new funding for the Indian Initiative that passback funded through existing, redirected resources.

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

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	11,225	11,063	11,049	11,145	11,304	N/A
Passback.....	10,707	10,631	10,545	10,502	10,558	10,618

Priority Programs

- Job Training: Nearly \$6 billion is provided for job training and related services for low-income adults and youth and for dislocated workers, which continues the FY 1998 enacted level for most major programs. \$50 million in FY 1999 (\$750 million over five years) for serving dislocated workers, and \$37 million to open a new Job Corps center and improve operations are approved from the Priority Reserve. Passback includes \$250 million for the Youth Opportunity Area program.
- Labor Law Enforcement and Statistics: \$1.025 billion (a 4% increase of the FY 1998 level of \$987 million) is provided for enforcing various workplace safety and employment laws and expansion of FY 1998 initiatives. For the Bureau of Labor Statistics, additional funding over FY 1998 is provided for the last stages of revising the CPI.

Other Programs

- Unemployment Insurance (UI): Funds for State operating grants are straightlined from FY 1998 at about \$2.4 billion. Pending on the list for funding from the Priority Reserve is \$91 million for "UI Integrity" -- an error and fraud reduction proposal not financed by Congress in FY 1998.

Some jobs - level funded

Potential Issues

- Training for Low-Income Youth: To fit the increases for labor law enforcement and other initiatives within the passback level, the program of formula grants to States for training some 106,000 low-income youth was eliminated. Evaluations show this program has not increased employment or earnings of youth. DOL will appeal. \$130 million to restore the FY 1998 enacted level is included among programs competing for the Priority Reserve.
- Training for Low-Income Adults: Passback is at the FY 1998 enacted level of \$955 million, \$109 million below the FY 1998 request. DOL will appeal. Pending for the Priority Reserve is a proposal to add \$109 million to restore these grants to the FY-1998 request.
- Unemployment Insurance: Straightlined as \$2.4 billion. DOL argues UI operating grants are underfunded by \$300 million. It may appeal for additional money or to switch funding to mandatory.

Child labor - 30.40m

DEPARTMENT OF TRANSPORTATION

(budgetary resources, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	38,107	38,440	38,708	39,034	38,606	N/A
Passback.....	39,209	39,798	41,404	41,984	42,624	43,332

Other Programs

- Surface Transportation: Highway and transit programs are funded at the Balanced Budget Agreement levels. A total of \$20.5 billion is provided for Federal-aid highways, \$382 million for highway safety, and \$4.45 billion for transit, including \$100 million for the Department's Access to Jobs initiative. In total, this is \$1.6 billion below FY 1998 enacted level.
- Rail: Amtrak funding over five years exceeds the Department's request. A total of \$4.9 billion is provided, \$2.9 billion in discretionary capital appropriations and \$2.1 billion in mandatory spending from Taxpayer Relief Act funding. Funds would be released upon approval of a comprehensive Amtrak capital investment plan.
- Aviation: FAA operating funding increases to \$5.6 billion in FY 1999 to address safety and security needs. Capital funding increases 8% to \$2.0 billion in FY 1999 to accelerate modernization. Increases in safety and modernization programs are funded at the expense of Airport Grants.
- Coast Guard: Coast Guard is funded at \$3,123 million, including \$309 million from non-DoD defense funding for defense readiness activities. No added funding is provided for drug interdiction; various low-priority vessels and facilities are decommissioned; and the capital replacement program for deepwater assets is referred to an advisory council for further study.

Potential Issues

- Airport Grants and Surface Transportation: Deep cuts would be controversial. Restoration of these cuts is a candidate for funding from the Presidential Priority Reserve.
- User Fees: The following proposals may generate opposition: (1) increase Federal employee parking charges to market rate to fund Washington Metro capital needs; (2) increase existing hazardous materials registration fee to cover the cost of the hazardous materials transportation safety program; (3) implement a new commercial vessel navigational assistance fee and a domestic icebreaking fee.
- Highways: OMB may propose a budget concept change that would allow greater highway spending within the constraints of the Bipartisan Budget Agreement.

DEPARTMENT OF THE TREASURY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	11,819	11,779	11,407	11,564	11,810	N/A
Passback.....	11,478	11,740	11,149	11,140	11,133	11,050

Priority Programs

- IRS Priorities: \$7.5 billion is provided for tax administration (compared to \$7.3 billion in FY 1998), plus \$323 million for Information Technology Investments and \$143 million for the Earned Income Tax Credit Compliance Initiative. This will protect tax administration, including customer service (e.g., toll-free operations), the filing season, and information systems. The President already has announced the IRS Customer Service initiative, and there will be at least \$73 million provided subsequent to passback.
- Customs Automated Commercial Environment: Continuation of the development and deployment of the Automated Commercial Environment will be funded through user fees.
- ATF Youth Crime Gun/Firearms Trafficking: In addition to \$12 million in base funding (same as FY 1998), an additional \$16 million for this program is a candidate for funding from the Presidential Priority Reserve.
- Community Development Financial Institutions Fund: The CDFI Fund is supported at \$125 million for FY 1999.

Other Programs

- ATF Headquarters Relocation Expenses: OMB believes construction of a new high security building cannot be accommodated in the budget. Instead, \$32 million is provided for relocating and possibly disbursing headquarters staff.
- Financial Management Service: OMB is significantly increasing its focus on the need to improve the performance of the Financial Management Service for the benefit of the entire government.

Potential Issues

- Treasury may appeal the base program level for the IRS and Customs.

DEPARTMENT OF VETERANS AFFAIRS

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	18,705	18,675	18,672	18,659	18,660	N/A
Passback.....	18,927	18,675	18,670	18,655	18,658	19,315

Passback provides \$0.7 billion over guidance to adhere to the agreement, made with the Department last year, that funding would be level and without increases for five years.

Other Programs

- Medical Care: \$17 billion (agency request) for veterans health programs, consistent with the agreement that appropriated funding for Medical Care be flat through FY 2002.
- Medical Research: \$234 million for research on illnesses and disabilities affecting veterans.
- Benefits Administration: More than \$800 million to administer veterans compensation and pension benefits and other veterans entitlement programs. No increase for potential nicotine-dependence disability claims.
- Cemeteries: \$100 million to open four new cemeteries and accommodate increasing workload.
- Construction: Nearly \$300 million to modernize medical centers and maintain cemeteries. Continues trend away from major new facilities and additions.

Potential Issues

- Passback funds the benefits administration program \$100 million below request. VA overestimates future workload, underestimates productivity, resists consolidation initiatives, and proposes new IT initiatives without an overall architecture in place.
- Passback funds the medical research program \$80 million below request. VA has ample funding to study Persian Gulf Syndrome and other conditions related to military service. This appropriation represents only 25% of VA research funding. The research program should expand its use of non-VA, extramural sources.

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

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	3,379	3,464	3,484	3,331	3,342	N/A
Passback.....	4,058	2,988	3,473	3,240	3,294	3,298

Priority Programs

- Everglades Restoration Program: Funded at the request of \$80 million, which will allow restoration activities to proceed on schedule.
- Columbia/Snake River Salmon Recovery Project: Funded at the request of \$117 million, consistent with the Administration's commitment under the 1996 Columbia River Salmon Memorandum of Agreement.

Other Programs

- New York/New Jersey Harbor Activities: Funded at the level needed to meet specific Administration commitments, but well below the level needed to fund follow-on activities expected by non-Federal interests.

Potential Issues

- Construction Program Funding: Total FY 1999 construction program funding of \$659 million in budget authority is extremely low compared to historic and recent funding levels. Congress increased construction and other project spending by \$700 million in FY 1998. This increase will result in additional outlays in FY 1999 that, in turn, reduce new budget authority available by about \$300 million, from approximately \$950 million to the passback of \$659 million.

Passback is \$419 million (39%) below the FY 1998 request; \$810 million (55%) below FY 1998 enacted; and \$1,057 million (61%) below the request. This will require substantial additional delays in completing construction of nearly all of the over 200 ongoing projects and might require some project shut downs. The Corps needs to take action in FY 1998 to delay projects in order to meet this FY 1999 level. The Corps will interpret this level of funding as a lack of support for its program and will appeal.

- New Construction Starts: Passback includes funding for eight new construction starts. Seven projects are considered "prudent stewardship" of existing infrastructure, mostly major rehabilitations of old Corps projects that are suffering structural problems due to age. The other new start, Sandbridge, VA, could be a model for increased local long-term responsibility for shoreline protection projects. The Corps requested 22 new starts, but is unlikely to appeal.

ENVIRONMENTAL PROTECTION AGENCY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	7,645	7,741	7,139	7,156	7,261	N/A
Passback.....	7,361	7,395	6,796	6,725	6,795	6,945

Priority Programs

- **Operating Program.** Provides \$3.4 billion (+2% over FY 1998 enacted) for EPA's enforcement, research, regulatory and state grant programs. Includes significant increases for key priorities such as Climate Change (+65%), last year's Right to Know Initiative (+50%) and a new Children's Health Initiative (+\$10 million). Also included is \$31 million to establish a new particulate matter (PM) monitoring network and pay related costs, consistent with the PM rule issued last summer.
- **Superfund.** Provides \$2.1 billion (+40% over enacted, including \$650 million in advance appropriation) to fund acceleration of the Superfund hazardous waste cleanup program. Under OMB's plan, EPA may still be able to meet the President's goal of cleaning up two-thirds of Superfund sites by 2000, even though Congress failed to provide the requested FY 1998 Superfund increase.

Other Programs

- **State Revolving Funds (SRF).** A total of \$1.625 billion is provided to capitalize the Drinking Water SRF (\$825 million; +\$100 million over enacted) and the Clean Water SRF (\$800 million; - \$550 million below enacted). The Administration's goals are to make available \$500 million annually for the Drinking Water SRF, even after Federal capitalization is ended, and \$2 billion annually for the Clean Water SRF. We can meet these goals within the passback level by stretching out the capitalization of these revolving funds.

Potential Issues

- EPA will strongly appeal the SRF funding level, arguing that the Administration should not reduce these popular programs below the enacted level. A proposal to restore the \$450 million is a candidate for the President Priority Reserve. Establishing a broader, interagency water quality initiative is also an alternative and a Priority Reserve candidate.
- EPA will also appeal the level for the PM monitoring network, arguing that additional funding is needed to ensure deadlines are met and provide data to better characterize the problem. A proposal for enhanced PM funding for additional samplers is a candidate for the Priority Reserve.

FEDERAL EMERGENCY MANAGEMENT AGENCY

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	838	838	838	838	838	N/A
Passback.....	829	809	806	801	791	812

Other Programs

- Disaster Relief: \$308 million provided. The budget will request a contingent emergency appropriation of \$2,173 million. These combined amounts represent FEMA's ten-year average obligations for Disaster Relief.
- Pre-disaster Mitigation: \$30 million is provided, an amount equal to the 1998 enacted level, but \$20 million less than the agency request.
- Emergency Management Planning and Assistance (EMPA): \$195 million, a reduction of \$15 million from the agency request. The agency is expected to reach decreased funding level by reducing the amount provided to State and local governments as grants for disaster planning and response training.
- Other Programs: Full agency requests recommended for Salaries and Expenses, Emergency Food and Shelter, Disaster Assistance Direct Loan Program, and Office of Inspector General.

Potential Issues

- FEMA will likely appeal the reductions to EMPA State and local grants and Pre-disaster Mitigation. These restorations are candidates for the Presidential Priority Reserve.
- FEMA may oppose the proposed funding structure for Disaster Relief (a small appropriation plus a contingent emergency request). This minimizes the size of balances immediately available to FEMA.

GENERAL SERVICES ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	225	141	141	147	141	N/A
Passback.....	146	114	112	113	99	137

Other Programs

- **Federal Buildings Fund:** Approximately \$900 million is provided for the Federal Buildings Fund's capital program. This includes major repair and alteration of 18 existing facilities and the design and construction of new facilities as follows:
 - Designs for the U.S. Mission to the United Nations, a border station in Sault Saint Marie, MI, and a new Department of Transportation Headquarters.
 - Construction of a border station in Babb, MT.
 - Site remediation at the Southeast Federal Center in Washington, D.C.

Potential Issues

- **Courthouses:** GSA requested \$501 million to design and/or construct 15 new courthouses that were identified on the Judiciary's 5-year courthouse construction plan. **The passback does not provide any funding for courthouse projects.** However, \$157 million for new courthouses is a candidate for the Presidential Priority Reserve.
- **Old Executive Office Building:** GSA did not request, and passback does not include, funding for the rehabilitation and restoration of the OEOB.
- **Federal Building Fund Rescission:** Passback includes a \$92 million rescission in FY 1998 to eliminate the additional shortfall in projected rent income in the Federal Buildings Fund.
- **Federal employee parking fees to finance mass transit projects:** A "Washington Area Regional Transportation Fund" will be established to help fund the WMATA capital shortfall until such time as a new "Washington Area Regional Transportation Fund" is established. This fund will be financed by charging Executive Branch employees within the Washington metropolitan area commercial rates for parking. The President's budget will recommend that the Legislative and Judicial Branches impose such user fees but will not require them to do so in the legislative proposal.

INTERNATIONAL AFFAIRS
(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	22,972	18,852	18,854	18,811	18,762	N/A
Passback.....	22,972	18,737	18,607	18,464	18,417	18,263

Priority Programs

- Middle East: Economic and military aid in support of the peace process is \$5.3 billion, essentially the same as FY 1998.
- Central and Eastern Europe: Assistance to Bosnia is maintained at the FY 1998 level of \$225 million, but aid is reduced to some other East European countries.
- Export-Import Bank: To meet growing demand for export credit, particularly from the New Independent States (NIS), subsidy funds grow by 18% to \$810 million.
- Multilateral Development Banks: Scheduled payments are fully funded at \$1.15 billion and arrears incurred through FY 1997 are paid off.
- UN and Other International Organizations: \$900 million is provided consistent with the original plan to pay off arrears and cut annual contributions. Given congressional inaction on the plan, further review will be necessary.
- State Department Operations: \$2.7 billion is provided, nearly 10% above the FY 1998 enacted level, including full support for information technology upgrades and funds for new embassy construction in Beijing and Berlin.
- IMF Quota Increase: The requested \$14.5 billion is provided for this one-time payment. It is not in the amounts in the table because the Bipartisan Budget Agreement provides for the caps to be raised for this purpose.

Other Programs

- Aid to the NIS: Funding is held close to the FY 1998 level of \$770 million to continue trade and investment programs but level is \$224 million below request.
- AID Development Assistance: The \$1.65 million provided is a 4% cut from FY 1998 but priority population and environment programs can be fully funded.

Potential Issues

- The State Department may seek more than \$2 billion above passback to fund items that they believe to be Presidential priorities.
- Eximbank may resist raising its fees and increasing risk sharing, which will be necessary to restrain demand within the passback amount.

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	13,500	13,410	13,200	13,200	13,200	N/A
Passback!.....	13,648	13,246	12,600	12,600	12,600	12,600

Priority Programs

- Space Station: Passback matches NASA request of \$2.1 billion per year.
- Restoration of Administration Priority Programs: Passback reverses NASA-proposed cuts to Administration priorities as follows:
 - Space Science "Origins": Given the Administration's strong support for robotic space exploration, and recent successes of the Pathfinder mission, passback provides \$918 million over five years to restore this initiative.
 - Mission to Planet Earth (MTPE): Passback restores \$446 million over five years to MTPE to prevent delays in gathering critical earth system data as the Administration engages in sensitive global climate change negotiations.
 - Advanced Space Transportation: Given the Administration's support of the Reusable Launch Vehicle (RLV) program, and to accommodate National Space Transportation Policy goals, passback provides \$1.6 billion over five years to continue RLV and enable future launch capacity decisions.

Other Programs

- Restoring Administration priorities requires other cuts, primarily a \$2 billion, five-year cut to Aeronautics, about half the program's budget, to 1970's levels.

Potential Issues

- Passback in the out-years is at a level below that agreed to last year with Congress (Sen. Mikulski) and NASA to stabilize the NASA budget at \$13.2 billion annually. NASA likely to push for funding at FY 1998 level (\$13.7 billion) annually. Options exist to restore funding to these levels using the Presidential Reserve.
- Proposed Aeronautics cut will force a fundamental rethinking of the relationship between the Federal government and the aeronautics industry. NASA strongly opposes this cut.
- To protect other priority NASA programs in the future, passback proposes that potential Space Station cost growth be offset within the roughly \$7 billion NASA spends annually on human spaceflight. NASA opposes this constraint.

NATIONAL SCIENCE FOUNDATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	3,367	3,374	3,381	3,388	3,395	N/A
Passback.....	3,429	3,242	3,235	3,215	3,185	3,270

Priority Programs

- Research and Related Activities: Passback decreases research and related activities by \$112 million from FY 1998 enacted to \$2,434 million. The number of researchers supported would decrease by roughly 1,000 to a total of 24,500 for FY 1999.
- Education and Human Resources: Passback decreases education and human resources programs by \$29 million from FY 1998 enacted to \$604 million. Cuts from FY 1998 would be made in undergraduate, graduate, and K-12 programs.

Other Programs

- Major Research Equipment: Passback provides \$62 million for Major Research Equipment, including \$25 million to complete the replacement of the U.S. station at the South Pole.
- Salaries and Expenses: Salaries and expenses will be frozen at the FY 1998 enacted level (\$142 million).

Potential Issues

- The overall funding level, over 5% below FY 1998 enacted, will not be acceptable to the agency. NSF will compare its passback level to other research agencies, specifically the National Institutes of Health, whose passback is at FY 1998 enacted levels.
- An addback that increases funding for research and related activities by inflation over the FY 1998 enacted level, and freezes education programs and salaries and expenses at the FY 1998 level is a candidate for funding from the Presidential Priority Reserve. Overall, the proposal would provide nearly \$223 million over passback, and \$36 million over FY 1998 enacted.

U.S. OFFICE OF PERSONNEL MANAGEMENT

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	186	183	183	183	183	N/A
Passback.....	185	187	183	181	179	184

Other Programs

- Provides funds for completion of OPM's new information technology architecture and for Government-wide personnel automation and electronic record keeping initiatives.
- Provides funds to increase Inspector General's audit capacity over Federal Employees' Health Benefits Program carriers.

SMALL BUSINESS ADMINISTRATION

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	701	718	718	718	719	N/A
Passback.....	716	706	703	696	689	706

Priority Programs

- 7(a) Business Loans: Passback funds \$9.5 billion in 7(a) loan guarantees in FY 1999, approximately \$600 million more than the anticipated level of demand in FY 1998.
- 504 Loan Program: SBA will continue to run the 504 program at a 0% subsidy rate to the Federal Government. The projected demand for this program is approximately \$2.6 billion in FY 1999.
- Disaster Loan Program: Passback provides loan subsidy BA adequate to fund the 10-year average loan level, excluding the Northridge earthquake. It also includes an increase in the disaster loan interest rate for borrowers.
- Small and Disadvantaged Business (SDB) Certifications: Passback assumes that SBA will cover the costs of the newly required SDB certification process through reimbursements from the major contracting agencies.
- Women's Business Centers: Passback provides funding for SBA's Women's Business Centers at \$6 million, \$2 million more than FY 1998 enacted.

Other Programs

- Lender Monitoring and Oversight: Passback includes approximately \$12 million for SBA lender monitoring and oversight.
- Small Business Development Centers: Passback assumes that approximately \$10 million of the \$75 million funding level for Small Business Development Centers will be covered by having firms pay nominal fees for the services they receive.

Potential Issues

- 7(a) Business Loans: SBA requested a \$12 billion loan level for the 7(a) program in FY 1999, nearly a 26% increase over the anticipated FY 1998 loan level of \$8.9 billion. The agency will likely appeal OMB's projected FY 1999 7(a) loan level of \$9.5 billion mentioned above.

SOCIAL SECURITY ADMINISTRATION

Administrative Expenses

(budget authority, in millions of dollars)

	<u>FY 1998</u>	<u>FY 1999</u>	<u>FY 2000</u>	<u>FY 2001</u>	<u>FY 2002</u>	<u>FY 2003</u>
FY 1998 Budget.....	6,575	6,525	6,535	6,535	6,545	N.A.
Passback.....	6,467	6,301	6,403	6,506	6,612	6,720

Other Programs

- Ongoing Operations: Funding is virtually level from FY 1998 to FY 1999. Reductions in personnel are expected to be offset by productivity improvements from reengineering efforts. Approved funding is at a level intended to avoid furloughs or RIFs.
- Additional Continuing Disability Reviews: Total includes \$305 million to fund additional continuing disability reviews in FY 1999, an increase of \$115 million over FY 1998. No new funding is provided for implementation of changes to the SSI program in the welfare reform law. The \$100 million included in FY 1998 was the second of two years in which this special funding was planned to be included.
- Automation Initiatives: FY 1999 funding level includes \$190 million less for this purpose than FY 1998, since FY 1998 was the last of five years of appropriations for SSA's major overhaul of its nation-wide computer network. FY 1999 funding level does include \$85 million in two-year funding for short-term initiatives and replacement efforts.

Potential Issues

- SSA's request is some \$470 million above passback, including: (1) \$315 million for ongoing operations, (2) \$50 million for automation initiatives, and (3) \$115 million for more aggressive reviews of financial eligibility of SSI recipients. The difference between the agency request and passback in the outyears ranges between \$400 million and \$600 million annually.
- The passback does not include the \$50 million for automation -- although it does include other automation funds -- because SSA has provided no plan for how these funds would be spent. The passback also does not include increases for ongoing operations or for SSI financial reconsiderations, neither of which have been adequately justified.

13
25
38

13
25
38

8/yr.

40f

Balances of Trust Funds with Discretionary Spending

(In billions of dollars)

Class size 1.5
Mentoring 200
E Zones 300
Incent U 50
Response 50
School Con 750
Child labor 108
Race - health 38
1480

BVA

~~13~~

158/yr
308/yr

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>
Highway.....	28	31	35	39	43
Airport and Airway.....	8	5	4	3	3
Hazardous Substance Superfund.....	7	8	8	9	11
Harbor Maintenance.....	2	2	2	3	4
Oil Spill Liability	1	2	2	2	2
Aquatic Resources.....	1	1	1	1	1
Leaking Underground Storage Tank....	1	1	1	1	2
All Other.....	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>6</u>
Total.....	53	55	59	65	71

The CAPGO Proposal

Description

- o Create a new BEA category (CAPGO) by:
 - transferring discretionary spending from the caps (and lowering the caps);
 - transferring an equal amount of revenues from the paygo baseline.
- o All revenues collected by CAPGO are available to be spent
 - authorization committees retain current jurisdiction and may extend or increase revenue provisions, but all funds provided to CAPGO are reserved for spending under CAPGO, not under PAYGO;
 - appropriation committees also retain current jurisdiction and may choose to provide "such sums" or limit the spending, but any limits would only delay spending -- the appropriators could not impose CAPGO limits to make spending available for other discretionary programs.
- o In addition to the limits in authorization and appropriation language, enforcement is also provided through apportionment; that is, no spending may occur until the revenues have been received.

Pros

- o Allows user fees or other governmental receipts to fund discretionary spending.
- o Retains current committee jurisdictions.
- o Relatively simple: you can spend what you collect.

Cons

- o Because gross receipts exceed spending for several CAPGO accounts, CAPGO would increase deficits by +\$30B over four years.
- o To the extent that timing of spending lags collections, balances may accumulate. But no interest is paid on the balances; that is, CAPGO accounts are not trust funds in a traditional sense.
- o Existing trust fund balances remain; any spending from them must come from the discretionary spending cap.

CAPGO Summary
(in billions of dollars)

12/01/97
09:23 AM
CAPGO
1999-
2003

	1998	1999	2000	2001	2002	2003	1999- 2003
Surface Transportation (Highways and Transit)							
Base spending.....	27.1	27.3	27.6	27.5	27.7	28.4	138.5
Initiative spending.....	-----	4.9	5.4	5.9	6.4	6.3	28.9
Total spending.....	27.1	32.2	33.0	33.4	34.1	34.7	167.4
Revenues.....	32.3	33.0	33.4	34.1	34.7	35.3	170.5
Deficit impact.....	-----	2.1	5.6	7.4	8.7	9.2	33.0
FAA							
Base spending.....	8.6	8.7	8.8	8.8	8.9	9.1	44.3
Initiative spending.....	-----	0.5	0.6	1.9	2.4	2.7	8.1
Total spending.....	8.6	9.2	9.4	10.7	11.3	11.8	52.4
Revenues.....	9.2	9.2	9.4	10.7	11.3	11.8	52.4
Deficit impact.....	-----	0.5	0.7	1.3	2.1	2.7	7.3
NIH							
Base spending.....	13.6	13.8	13.9	13.9	14.0	14.3	69.9
Initiative spending.....	-----	0.9	1.6	2.6	3.7	4.7	13.5
Total spending.....	13.6	14.7	15.5	16.5	17.7	19.0	83.4
Existing revenues.....	12.8	12.8	14.7	15.1	15.5	15.7	73.8
New taxes.....	-----	2.2	1.8	1.8	1.6	3.1	10.5
Revenues.....	12.8	15.0	16.5	16.9	17.1	18.8	84.3
Deficit impact.....	-----	-1.5	-0.2	0.8	2.2	1.9	3.2
Land, Water, and Facility Restoration Funds							
Base spending.....	1.0	1.0	1.0	1.0	1.0	1.0	5.0
Initiative spending.....	-----	-----	0.2	0.4	0.5	0.7	1.8
Total spending.....	1.0	1.0	1.2	1.4	1.5	1.7	6.8
Revenues.....	3.0	1.0	1.2	1.4	1.6	1.7	6.9
Deficit impact.....	-----	-----	-0.2	-0.4	-0.6	-0.7	-1.9
Total CAPGO							
Base spending.....	50.3	50.8	51.3	51.2	51.6	52.8	257.7
Initiative spending.....	-----	6.3	7.8	10.8	13.0	14.4	52.3
Total spending.....	50.3	57.1	59.1	62.0	64.6	67.2	310.0
Revenues.....	57.3	58.2	60.5	63.1	64.7	67.6	314.1
Deficit impact.....	-----	1.1	6.3	9.9	13.6	14.5	45.4

WHITE HOUSE STAFFING MEMORANDUM

DATE: 1/28 ACTION/CONCURRENCE/COMMENT DUE BY: _____

SUBJECT: Outlook for next session of Congress

	ACTION	FYI		ACTION	FYI
VICE PRESIDENT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McCURRY	<input type="checkbox"/>	<input checked="" type="checkbox"/>
BOWLES	<input type="checkbox"/>	<input checked="" type="checkbox"/>	McGINTY	<input type="checkbox"/>	<input type="checkbox"/>
McLARTY	<input type="checkbox"/>	<input type="checkbox"/>	NASH	<input type="checkbox"/>	<input type="checkbox"/>
PODESTA	<input type="checkbox"/>	<input checked="" type="checkbox"/>	RADD	<input type="checkbox"/>	<input type="checkbox"/>
MATHEWS	<input type="checkbox"/>	<input checked="" type="checkbox"/>	REED	<input type="checkbox"/>	<input checked="" type="checkbox"/>
RAINES	<input type="checkbox"/>	<input type="checkbox"/>	RUFF	<input type="checkbox"/>	<input type="checkbox"/>
BLUMENTHAL	<input type="checkbox"/>	<input type="checkbox"/>	SMITH	<input type="checkbox"/>	<input type="checkbox"/>
BERGER	<input type="checkbox"/>	<input type="checkbox"/>	SOSNIK	<input type="checkbox"/>	<input checked="" type="checkbox"/>
ECHAVESTE	<input type="checkbox"/>	<input type="checkbox"/>	SPERLING	<input type="checkbox"/>	<input checked="" type="checkbox"/>
EMANUEL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	STREETT	<input type="checkbox"/>	<input type="checkbox"/>
GIBBONS	<input type="checkbox"/>	<input type="checkbox"/>	TARULLO	<input type="checkbox"/>	<input type="checkbox"/>
HILLEY	<input type="checkbox"/>	<input type="checkbox"/>	VERVEER	<input type="checkbox"/>	<input checked="" type="checkbox"/>
IBARRA	<input type="checkbox"/>	<input type="checkbox"/>	WALDMAN	<input type="checkbox"/>	<input type="checkbox"/>
KLAIN	<input type="checkbox"/>	<input type="checkbox"/>	YELLEN	<input type="checkbox"/>	<input type="checkbox"/>
LEWIS	<input type="checkbox"/>	<input type="checkbox"/>	BEGALA	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LINDSEY	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
MARSHALL	<input type="checkbox"/>	<input type="checkbox"/>	_____	<input type="checkbox"/>	<input type="checkbox"/>
			_____	<input type="checkbox"/>	<input type="checkbox"/>

REMARKS: This has been forwarded to the President

RESPONSE: _____

THE WHITE HOUSE

WASHINGTON

November 26, 1997

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN HILLEY *John Hilley*

SUBJECT: LEGISLATIVE OUTLOOK FOR THE SECOND SESSION OF THE 105TH CONGRESS

This memorandum highlights significant legislative issues likely to be considered during the second session of the 105th Congress--those that were under consideration in the first session of the 105th Congress or might receive significant legislative attention prior to the 1998 elections.

1. Budget Issues

Appropriations: The 1999 appropriations bills will be constrained by the discretionary caps adopted in the Balanced Budget Agreement. The 1999 caps, which contains a "firewall" between defense and non-defense funds, provide for a slight increase over 1998 levels (an additional \$2.8 billion in budget authority for defense and an additional \$3 billion for nondefense).

A Bosnia supplemental bill is expected early next year. This will become the first appropriation vehicle and may be used to revisit 1998 appropriation issues and for other purposes.

Budget Surplus: Shortly after the balanced budget agreement was signed, some members of Congress turned their attention to the intended use of the budget surplus. For some of these proposals, "budget surplus" had been defined as the \$135 billion five year difference between the revenue projections at the time of the bipartisan budget agreement and CBO's latest projections. Others define "budget surplus" more traditionally, as the period in which revenues exceed outlays. Four major purposes for the surplus have been discussed: 1) federal debt reduction; no further legislative action would be required (Senator Moynihan); 2) tax relief (Representative Boehner, with 32 cosponsors including Majority Leader Armey); 3) additional spending on highways or other purposes (Senator Byrd, Senator Warner, and Representative Shuster); and 4) a combination of the above (Representative Neumann). This issue will be vigorously debated in the context of the 1999 budget resolution next year.

Military Construction Line Item Veto Override: The House passed (352-64) and the Senate adopted by unanimous consent a disapproval motion fully overturning your line item vetoes of 38 military construction projects. Upon return, Congress will likely take up your veto of the motion of disapproval unless a negotiated solution is achieved before then.

2. Taxes

Tax Cuts: While Republicans will be constrained by the budget, Speaker Gingrich has said that he would like the Congress to enact a tax cut every year. Some potential proposals include: repeal of the capital gains tax; increasing the exemption on the estate tax; and possible repeal of the marriage penalty tax.

Tax Simplification and Reform: The Republicans' strategy for IRS and taxes is expected to include dispensing with the income tax and substituting either a flat tax or some form of a national retail sales tax. House Majority Leader Arney and Representative Tauzin are currently promoting their individual tax code proposals. Arney favors the flat tax, while Archer and Tauzin are strong proponents of the national sales tax.

Minority Leader Gephardt has proposed a plan which is essentially a variant of the 1986 Tax Reform Act in which many exemptions and deductions would be eliminated and rates would be lowered. At this point, there is no announced agenda for Congressional consideration of these tax proposals.

IRS Reform: Passage of the House-passed and Administration-endorsed version of the IRS restructuring legislation has been slowed by Finance Chairman Roth. Roth has announced plans to hold additional hearings, suggesting he is unsatisfied with a number of the proposals, and promised to produce his own version of the bill sometime "early" next year. Senators Kerrey and Grassley have introduced legislation that falls somewhere between the House version and the Administration's original plan.

3. Education

National Standards and Testing: The FY98 Labor/HHS Appropriations bill provides the NAGB with authority over developing and administering national exams. While field testing will not proceed until FY99, the Department of Education has provided the Board with \$16 million in discretionary funds to begin the development of these exams and has proposed a 5 year, \$65 million contract for the future development and administration of national exams. The ability to go forward with pilot tests in 1999 is not restricted by the need for authorization. We anticipate challenges to our current approach from conservative Republicans as well as some Members of the Black and Hispanic Caucuses.

This NAGB reauthorization will provide an opportunity for Chairman Goodling to revisit the issue of the national test in his House Education and the Workforce Committee. The

makeup of the Committee is such that the test could have a difficult time making it through without significant limitations. Senate Committee Chairman Jeffords supports the test but he will most likely wait for Goodling before he proceeds.

America Reads: Shortly before adjournment, the House passed H.R. 2614, Chairman Goodling's literacy authorization bill. The Administration supported the legislation in the interest of moving a bill forward despite concerns about voucher language. Senators Jeffords and Kennedy have made a commitment to Secretary Riley to develop a bipartisan Senate bill next year.

Charter Schools: The House passed H.R. 2616, the Charter Schools Amendments Act authorizing \$100 million in FY98, nearly double the \$51 million provided in FY97. The measure would channel appropriations to states that provide charter schools a high degree of autonomy over their budgets; increase the number of charter schools; and conduct reviews to determine whether charter schools are meeting or exceeding academic requirements and goals. The bill awaits Senate action.

School Vouchers: The Coverdell/Archer K-12 IRA proposal which was defeated last year in the Senate may resurface in the second session. This proposal would allow taxpayers to make tax-free withdrawals from education IRAs to pay for elementary or secondary school expenses, and also increase the maximum annual IRA contribution from \$500 to \$2,500 per beneficiary. The withdrawals could be used to pay for tuition, fees, tutoring, special needs services, books, supplies, equipment, transportation and supplementary expenses required for the enrollment or attendance at a public, private religious, or private nonsectarian school, or for home schooling. A growing number of Senate Democrats support some version of this legislation.

Higher Education Reauthorization: Authorization for the Higher Education Act, which provides for federal student aid, among other things, expires in FY98. The Administration has been sending its legislative proposals to the Hill in sections with almost all items slated to arrive by the end of December. A few major items might be held back if they can be announced at the State of the Union Address.

4. Environment

Superfund: Republicans continue to indicate that Superfund reform will be legislative priority next session. In the week prior to the recess Commerce Subcommittee Chair Mike Oxley (R-OH) introduced a bill with seven Democratic sponsors (mostly Blue Dogs) and stated his intentions to hold hearings early next year. Transportation Subcommittee Chair Sherwood Bohmert (R-NY) shares jurisdiction and has a bill which he intends to mark-up early next year. The Senate has been in ongoing bipartisan negotiations but those discussions broke down late in the year. There may be an effort to revive these discussions based on progress in the House. The Administration supports Superfund reform and has a set of principles which represent our position. The issue of polluter liability remains the key stumbling block.

Nuclear Waste Policy: The House approved (307-120) H.R. 1270, the Nuclear Waste Policy Act of 1997 during the first session. You will veto the measure because it would undermine the credibility of the Nation's nuclear waste disposal program by designating a specified site for an interim storage facility before the viability of the site as a permanent geological repository has been assessed. Additionally, the House passed version of the measure does not contain adequate budgetary offsets: if the bill were enacted, a sequester of mandatory spending would occur in each of FY99 through FY2001. The Senate passed the bill (65-34) with a sufficient number of votes to sustain your veto. The two houses are likely to go to conference in the second session.

Climate Change: If an agreement is reached in Kyoto in December, 1997, the treaty will need to be ratified in the Senate. If implementing legislation is sent to the Hill with the treaty, it could be 1999-2001 before consideration of ratification is possible. The FY98 Energy and Water Appropriations bill provides a \$35 million funding increase for the alternative energy programs of DOE that are efficient and reduce the emission of climate change gases. This increased funding is consistent with your climate change proposal and includes such programs as solar power and alternative fuel research.

PM/Ozone: Under the Small Business Regulatory Enforcement Act (SBREFA), the Congress will have the right to consider legislation overturning the rules well into 1998. In the House, Representatives Ron Klink and Fred Upton have introduced legislation. The Republican Leadership, however, is unlikely to bring the legislation up for a vote. House supporters of the Administration's position claim to have a veto-sustaining margin.

American Heritage Rivers: Representative Chenoweth (R-ID) introduced a bill which terminates further implementation of the American Heritage Rivers Initiative. The measure was cleared by the House Resources Committee and should be vetoed in the unlikely event it passes both Houses.

Endangered Species Act Reauthorization: The Administration has indicated support for the ESA reauthorization in testimony before the Environment and Public Works Committee. The bill codifies many of Secretary Babbitt's new policies in the management of endangered and threatened species, including exemption for small land owners, greater management flexibility for the DOI Secretary, procedures for delisting a species, a "no surprises" protection for the property owner using a Habitat Conservation Plan for threatened and endangered species, and liability protection for private land owners who voluntarily enter into protection agreements.

Regulatory Reform: Led by OMB, CEQ, and Legislative Affairs, the Administration has worked with Senators Glenn, Levin, and Thompson on their bipartisan draft legislation. Conservative Republicans have already complained that the draft does not adequately limit agency discretion in rulemaking or sufficiently streamline the rulemaking process. Groups on the left, principally environmental, argue that the draft bill hamstringing the Administration in its ability to protect health and safety. If the Administration's concerns

are addressed and we can support the measure, the bill should pass with broad bipartisan support.

Takings Legislation: H.R. 1534, sponsored by Congressman Gallegly, would greatly narrow both Federal ripeness and abstention doctrines with respect to takings law, thereby allowing real estate developers to seek relief in Federal court if state and local courts prove unfriendly. The measure was strongly opposed by the Administration which successfully worked to solidify Democrats and pro-environment Republicans against the bill. The resulting House floor vote of 248-178 represents a strong bipartisan veto-sustaining margin that significantly strengthens our prospects of defeating the measure or striking an acceptable compromise in the Senate.

5. Health

Consumer Bill of Rights: During the week of November 17, you endorsed the "consumer bill of rights and responsibilities" recommended by the Advisory Commission on Quality and Consumer Protections. There are already a number of consumer protection bills on the Hill that have received broad, bipartisan support. The bill that has received the most attention was introduced by Congressman Norwood (R-GA) and already has over 205 cosponsors in the House, including over 85 Republicans. Senator D'Amato has introduced a companion bill in the Senate. The Norwood/D'Amato bill differs from the Quality Commission in some areas, particularly those that focus on provider protections. Some of these provisions could notably increase the cost of health plans. For example, their bill requires a mandatory point-of-service option which would raise premiums for health plans that do not currently offer this option.

In addition, Congressman Dingell and Senator Kennedy have introduced companion bills, which emphasize consumer (more than provider) protections. Senator Jeffords has indicated his intent to introduce a bipartisan bill with Senator Kennedy, which is much more likely to reflect many of the Quality Commission's recommendations. Senator Lott is pressuring Jeffords not to introduce a bill on this issue; however, the Administration remains cautiously optimistic that progress will be made.

Child Nutrition Act Reauthorization: This Act will expire in 1998. USDA is drafting legislation providing the authority for school lunch, school breakfast, child and adult care, and other child nutrition programs. The legislation will provide local cooperators with increased resources to reach unserved populations; simplify program operations and education opportunities; and make significant reductions in the reporting and record-keeping burdens currently associated with child nutrition programs.

Medicare Subvention: Both the House and Senate Committees on Veterans Affairs passed a bill that would allow for a three year demonstration project in which certain veterans could choose to use their Medicare benefits for health care at VA hospitals, allowing Veterans Affairs to be reimbursed by Medicare. The bill was referred to the Senate Finance Committee and the House Ways and Means Committees respectively

because of jurisdictional oversight of Medicare. The bills have not been acted on in either Committee. Representative Thomas opposes the bill because he does not want the Medicare trust fund to pay for veterans health care. This bill may see action in the House early next spring, with the Senate to act thereafter.

Food Safety Enforcement: The Administration has submitted a bill which would provide the Secretary of Agriculture with the authority to issue mandatory recalls of adulterated food products, impose civil fines against companies that repeatedly violate food safety regulations, and require companies to notify the Department when they initiate a product recall. The Senate Agriculture Committee held a hearing this fall, but came to no resolution.

6. **Crime**

Juvenile Justice Reform Legislation: Senate Majority Leader Lott has already indicated that S. 10, juvenile justice reform legislation, will be one of the first bills on the Senate's agenda next session. The measure as reported by the Senate Judiciary Committee provides for a number of reforms in the prevention, enforcement and punishment of juvenile crime. The House has already passed a much narrower bill but it is expected that a House-Senate conference on the bill will produce a comprehensive measure. It is likely that many key Administration priorities including: increased funding for state and local courts and prosecutors; tougher penalties for those who use juveniles to commit drug and gun crimes; and better protections for witnesses and victims of juvenile crime will be included in the final legislation. More problematic will be winning meaningful juvenile crime prevention funding.

Victims Rights Constitutional Amendment: Senators Feinstein and Kyl will likely renew their push to amend the Constitution. The Department of Justice has been leading the negotiations on the Hill on behalf of the Administration. While the idea has popular appeal, the momentum has been tempered by Members' reservations about amending the Constitution. Chairman Hatch has been extremely cautious in his approach to this matter.

7. **Government Reform**

Campaign Finance Reform Legislation: Earlier this fall, the Senate leaders agreed to take up campaign finance reform legislation by early March. Under the agreement, Senators McCain and Feingold will be allowed to offer a bill or amendment for an up or down vote as an amendment to a Senate Republican campaign finance bill that will be drafted early next year. Following the vote on the McCain-Feingold substitute, further consideration of this and any other modification would potentially face a filibuster.

In the House, the Republican leadership has agreed to consider campaign finance reform legislation on the House floor in February or March, without a commitment on which bill might be brought to the floor. Congressman Shays is circulating a campaign finance discharge petition in the House which currently has almost 190 signatures as "an

insurance policy" to guarantee that the Republican leadership allows a House vote on a bipartisan, consensus reform bill.

Within the context of the campaign finance reform debate, Republicans can be expected to push two contentious provisions: 1) language requiring union members to affirmatively consent to having their dues used for political activities (the so-called Beck issue); and, 2) provisions that would require voters to prove their citizenship at the polls (also known as voter fraud prevention).

White House Chief Financial Officer Legislation: H.R. 1962, sponsored by Congressman Horn, would require the President to designate a Chief Financial Officer (CFO) in the Executive Office of the President. The bill as originally introduced was seriously flawed. It has since been successfully negotiated by the Administration to give the President full discretion in determining the appointment, the duties, and the placement of CFO within the Executive Office of the President. The Senate may consider the measure early in the next session.

8. **Social Issues**

Haitian Refugee Relief Legislation: It became clear during recent Congressional consideration of legislation to provide relief to certain Central American immigrants that comparable relief should be provided to similarly situated Haitian immigrants. Bipartisan legislation was introduced in both the House and the Senate to provide amnesty for many of the Haitians who fled civil unrest in Haiti during the early 1990's. The Attorney General has agreed to refrain from deporting any Haitians covered by the proposed legislation until Congress has a chance to act on the measure.

Tobacco Initiative: Hearings were held in both the House and Senate during the fall. Any tobacco bill will have to make its way through a tangle of overlapping committee jurisdictions and agendas. At least six committees in the Senate and four in the House can lay claim to some piece of this legislation, and dozens of members in both parties have a longstanding interest in tobacco from the standpoint of reducing teen smoking or protecting tobacco farmers.

Affirmative Action: During the first session, legislation (H.R. 1909) sponsored by Congressman Canady eliminating all federal affirmative action programs was tabled in Committee as a result of the Administration's work with Committee Democrats and outside interest groups. It is almost certain that Republicans will push for its consideration again next year. The House Republican Leadership, however, will have to significantly narrow the scope of this legislation to appease Republican moderates if they want to move the bill forward. Such a move could cause conservative Republicans to abandon the effort altogether.

Employment Non-Discrimination Act: The Administration's strong support for this legislation has given its proponents on the Hill renewed momentum. It has also given the opposition on the right another issue to rally around. Senators Jeffords, Kennedy, and Lieberman remain firmly committed to trying to move this bill next session.

School Prayer: The House Judiciary Constitution Subcommittee has marked up a proposed constitutional amendment on religious freedom that would secure that right to pray "on public property, including schools." The full House Judiciary Committee is likely to consider and report out the measure next spring. The measure is strongly opposed by both the House Democratic leadership and many rank and file Democrats which should ensure that the measure will fail to receive the necessary approval of two-thirds of the House.

Flag Burning: Earlier this year the House overwhelmingly passed a proposed constitutional amendment that would allow Congress to prohibit the physical desecration of the United States flag. The measure is currently pending in the Senate where supporters admit they are short of the necessary two-thirds for passage. It is likely, however, that the Senate Republican leadership will want to schedule a vote prior to the election.

9. Business Issues

Products Liability Reform Legislation: The Administration has successfully negotiated with Senator Rockefeller a narrowly-crafted reform bill that is consistent with objections raised in your veto of the products liability reform legislation in the last Congress. Senator Rockefeller is currently discussing his draft legislation with Senator Gorton. While it is likely that Senator Gorton will attempt to gain additional concessions for his support, Senator Rockefeller has remained committed to his agreement with the Administration. Majority Leader Lott has signaled that this legislation will be one of his top priorities in the new session and it is likely that the House will await the outcome of the current Senate discussions.

Energy Restructuring: It is possible that 1998 may see movement on this issue. The Administration is still finalizing its position, which should influence the pace of activity on the Hill. Legislation has been introduced by a wide range of Members. The key questions will be the pace of deregulation, whether to mandate a deregulated environment by a date certain, how to recover the sunk cost of the high-cost power plants (i.e nuclear), and how to deal with the environmental effects of a deregulated industry.

Financial Modernization: While the House Banking and Commerce Committees passed different bills, compromise could not be reached to allow floor consideration. There is no bill under consideration in the Senate. Senator D'Amato has stated that he would like to take up a bill as early as February, but it is likely that legislation will remain stalled until well into the second session. Treasury is taking the lead on resolving two key issues: (1) reconciling the position of the banks and the insurance industry on bank sales of

insurance and (2) allowing operating subsidiaries of national banks to engage in the same range of services enjoyed by affiliates of bank holding companies.

Encryption: There are currently five different encryption bills pending in the House. To date, the Leadership has been unable to reach agreement with the respective Committee Chairman on which of the bills to send to the Rules Committee. Three of the measures favor the software industry; the two others support law enforcement and national security equities. In the Senate, the Administration supported McCain-Kerrey-Hollings bill has been marked up by the Senate Commerce Committee, but has not been reported out because McCain and Kerrey are worried about losing control of the bill to other Committees, principally Judiciary. McCain and Kerrey are tightening their control over the bill in an effort to resolve industry concerns over excessive regulation within the law enforcement provisions of the bill. Action on this bill can be expected shortly after Congress returns.

CBI: The Caribbean Basin Initiative (CBI) is a program to further the economic development and political stability of countries in the Caribbean and Central America. Defeated in the House last session, H.R. 2644, the United States-Caribbean Basin Trade Partnership Act would provide North American Free Trade Agreement (NAFTA) parity benefits for CBI countries in order to restore benefits eroded by NAFTA implementation, and would preserve and attract investment in the region. There is considerable disagreement on the textile, worker rights and environmental protection provisions of the proposal. There is also disagreement on how to proceed with the negotiations.

Fast Track Trading Authority: On Tuesday, November 4, the Senate voted (68--32) to invoke cloture motion on S. 1269, Fast Track Trading Authority legislation. The House took no action on the bill because certain Republicans attempted to link their vote on the measure to the resolution of the Mexico City issue in the FY98 Foreign Operations Appropriations bill. The Administration is expected to submit a narrower Fast Track proposal.

10. Transportation

ISTEA: In lieu of a multi-year bill, Congress sent to the President legislation that would enable spending for highway, transit, and highway safety programs through May 1, 1998. Senator Lott has said that it is his desire to begin floor consideration of S. 1173, the multi-year ISTEA Reauthorization early in the second session. However, pressure can be expected to increase for further delay until it is clear whether increased funding will be available through the budget process. The House Transportation and Infrastructure Committee advocates this approach. A number of controversial amendments are expected to be considered, including an effort to repeal DOT's Disadvantaged Business Enterprise program, to repeal Davis-Bacon, and to weaken environmental initiatives including the Congestion Mitigation and Environmental Quality program (CMAQ).

Aviation Authorization: The House passed H.R. 1271, the FAA Research, Engineering, and Development Authorization Act of 1997 during the first session. This legislation would authorize \$672 million through fiscal 2000 for research, engineering and development programs, a 4% increase from fiscal 1997 appropriations levels. The measure was reported out of the Senate Commerce, Science, and Transportation Committee and now awaits floor action. Congress is also expected to consider legislation in 1998 to extend the authorization for the Airport Improvement Program (AIP), which along with other Federal Aviation Administration (FAA) programs, is funded through aviation taxes that are credited to the Airport and Airway Trust Fund. After last year's battle on airline ticket taxes, the focus next year will be on the appropriate level of funding for AIP and language to implement the recommendations of the National Civil Aviation Review Commission (NCARC)--principally concerning the way the FAA is funded to include a combination of user fees, ticket taxes, and general funds, and to transfer the safety regulatory aspects of the FAA to a separate Performance Based Organization (PBO).

11. **Labor**

FLSA: The Administration expects that Republicans will once again try to develop legislation to exempt welfare recipients on workfare from the Fair Labor Standards Act and/or FICA taxes. This fall's efforts fell apart after Representative Clay Shaw was unable to fashion a proposal that satisfied both House Republicans and a bipartisan group of Governors, but the issue will come up again next year.

TEAM Act: The Teamwork for Employees and Management Act (TEAM) would amend the National Labor Relations Act to allow employers to create and influence employee organizations that deal with the employer on the traditional subjects of collective bargaining--wages, hours, and working conditions. You vetoed the TEAM Act in 1996, and no attempt was made to override the veto. The Senate Labor and Human Resources Committee reported the bill last April, but neither the House or Senate took action during the first session.

12. **Science and Technology**

Civilian Space Authorization: On April 24, the House passed H.R. 1275, the Civilian Space Authorization Act. This measure would authorize \$13.8 billion for fiscal 1998 and \$13.9 billion in fiscal 1999 for the National Aeronautics and Space Administration; \$376 million above the your budget request for fiscal 1998 and \$516 million above the budget request for fiscal 1999. This measure awaits Senate action.

Commercial Space Act: The Administration-supported legislation passed the House last session and is currently pending in the Senate Commerce Committee. The measure would require two market studies on the potential use of the International Space Station

by commercial entities and would allow the Secretary of Transportation the authority to grant licenses for commercial space uses.

13. **Foreign Policy**

Bosnia: Members can be expected to introduce bills and offer amendments for troop withdrawal and possibly to pursue legislation regarding war criminals. The Administration will send Congress an Appropriations supplemental on Bosnia next spring. Administration efforts to gain congressional approval for this supplemental may attract both criticism and unfavorable amendments with regard to our Bosnia policy.

NATO Enlargement: The spectrum of concerns over NATO enlargement range from liberal Senators who believe that adding new members to the alliance will provoke Russian nationalism and weaken the democratic reform movement in that country to conservative Senators who fear that, in order to assuage Russia, NATO will give Moscow or its "surrogates" the ability to "veto" Alliance decisions. Senators appear to be skeptical over the Administration's cost estimates associated with enlargement, believing the U.S. will be expected to pay far more than what the Administration estimates.

United Nations Arrears/IMF Funding for the New Arrangements to Borrow Initiative/Foreign Affairs Reorganization: Intransigence on Mexico City family planning policy by certain Republican House members resulted in the Republican Leadership's decision not to include these measures as part of the appropriations bills moving at the end of the first session. We will try to move these critical pieces of legislation at the beginning of the year.

Comprehensive Nuclear Test Ban Treaty: On September 20, 1997, you transmitted the Comprehensive Nuclear Test Ban Treaty to the Senate for advice and consent. The Administration is working with Senator Domenici, whose support will be key to its ratification, to ensure that the DoE is adequately funded in their Stockpile Stewardship Program.

National Missile Defense: Senator Lott's bill (the measure mandates a deployment date of 2003 and contains ABM Treaty withdrawal provisions) has been reported out of the Senate Armed Services Committee. Senator Lugar has an alternative bill much closer to the Administration's position, yet no action has been taken as of yet.

Start II: This treaty will not be considered in the Senate until the Russian Duma ratifies START II, possibly in February 1998. START III negotiations are expected to begin late next year.

CWC Implementation: The Senate passed legislation in May 1997 that would implement the international treaty to ban the use and production of chemical weapons. The House held the Senate passed bill until Congress was ready to recess and then attached H.R. 2709, an Administration-opposed bill intended to isolate businesses and

countries, particularly Russia, suspected of transferring missiles or missile technology to Iran. The bill passed by voice vote in the House. Under this legislation, specific economic sanctions would be imposed on any entity that violates the ban. The bill would allow the President to waive this requirement on national security grounds. The Administration has issued a veto threat out on the measure. The Administration is negotiating at the staff level to try to separate the two measures. We expect the Senate to attempt to move the legislation early in the second session, probably by February 15.

Religious Persecution: The legislation, sponsored by Senator Specter and Representative Wolf, is currently in the House International Relations Committee. The bill is stalled, however, awaiting resolution of the concerns regarding automatic sanctions against countries committing religious persecution. Both chambers are expected to consider the measure next year.

13. Housing

Public Housing: The House passed H.R. 2, the Housing Opportunity and Responsibility Act of 1997, on May 14 by a vote of 293 to 132. S. 462, the Public Housing Reform and Responsibility Act of 1997, passed the Senate on September 26. Many of HUD's proposals were incorporated in the House and Senate bills. Major outstanding issues include public housing and Section 8 income targeting and fungibility, home rule flexible grant, Accreditation Board, rent provisions, community work requirements, and repeal of the 1937 Housing Act. While the two Housing Subcommittee chairmen (Senator Mack and Representative Lazio) had serious discussion of these issues in November, no progress was made.

cc: The Vice President
Erskine Bowles
John Podesta
Sylvia Mathews

HEALTH CARE INVESTMENT OPTIONS FOR FY 1999 BUDGET

December 4, 1997

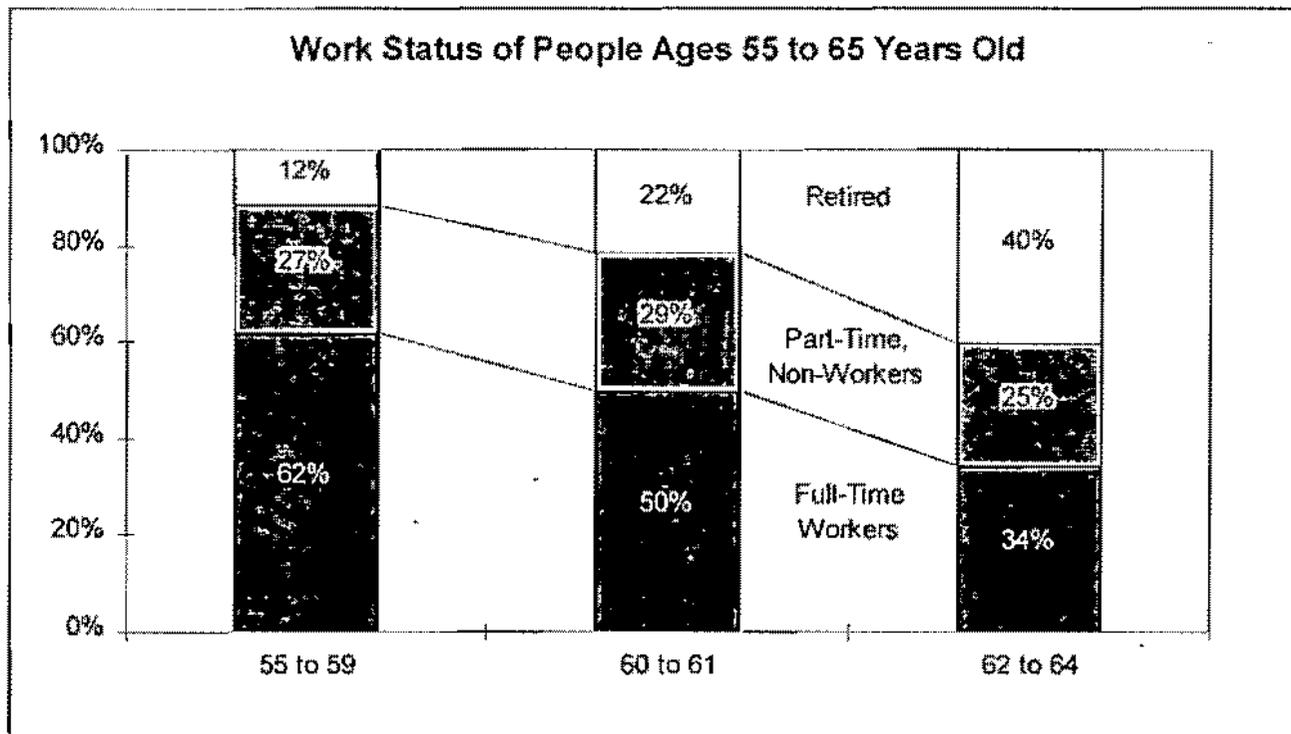
AGENDA

- Pre-65 Options
- Other Health Investment Initiatives

*Options
with
High Quality*

CLOSER LOOK AT PEOPLE 55 TO 65 YEARS OLD

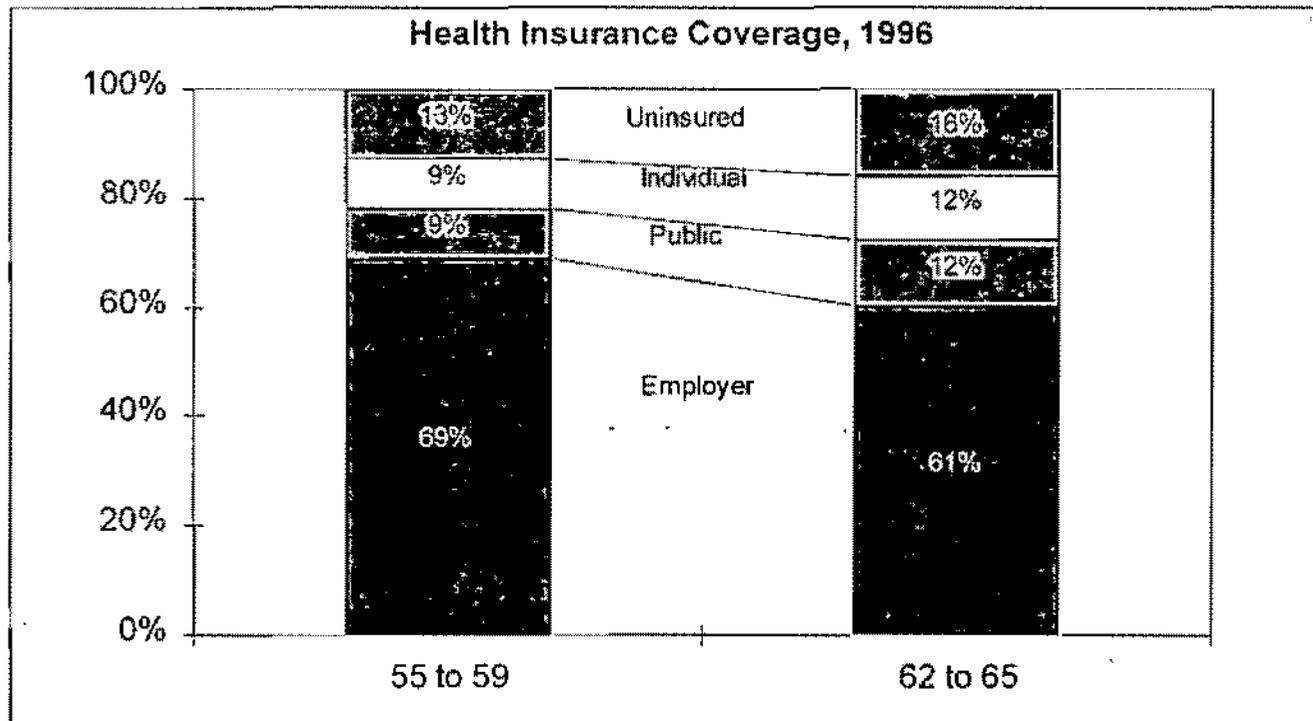
- As people approach 65 years old, they are less likely to work full-time (chart).
- Similarly, the proportion of the uninsured who are retired increases:
 - 12 percent of uninsured ages 55 to 59 are retired, compared to
 - 43 percent of the uninsured ages 62 to 65.



Is the trend toward more people retiring earlier or later?

As Proportion of Workers Declines, So Does Access to Affordable Health Insurance

- People ages 62 to 65, compared to people ages 55 to 59, are (chart):
 - More likely to be uninsured: 16 versus 13 percent
 - More likely to purchase more costly individual insurance (12 to 9 percent).
- This age group also has increased health problems compared to the 55 to 59 year olds:
 - More likely to report fair to poor health (26 versus 20 percent).



GROUPS WITH SPECIAL ACCESS PROBLEMS

- **“Broken Promise” Retirees:** Some employers have terminated retiree health coverage programs, leaving retirees without work and often without health coverage options. *50,000*
 - Although the number affected is unknown and likely small, this group is highly visible.

- **Displaced Workers:** About 700,000 workers ages 55 to 65 lose their jobs due to plant closings, their jobs being eliminated and other unforeseen events.
 - About 55 percent are re-employed, relative to 75 percent of workers ages 25 to 54.
 - Nearly half of those remaining unemployed lose group coverage.

- **Widows, Divorcees, and Never Married People:** About 40 percent of all uninsured in this age bracket are widowed, divorced or never married.
 - About 750,000 women ages 55 to 65 are uninsured and unmarried.

- **Medicare Spouses:** About 420,000 of the 3 million uninsured ages 55 to 65 have spouses covered by Medicare.
 - Almost all (92 percent) are women.
 - Only about 15 percent of these uninsured spouses are full-time workers.

PROBLEM: AFFORDABILITY AND / OR ACCESS

- As with younger populations, many of the uninsured pre-65 year olds simply cannot afford health insurance.

- One-third of the uninsured people ages 55 to 65 years old are poor.
- Nearly half of all uninsured 55 to 65 year olds who report fair to poor health are poor.
- However, this population has unique access problems.
 - Older people tend to be sicker:
 - People ages 60 to 64 are nearly three times more likely to report fair to poor health as those ages 35 to 44.
 - People ages 55 to 65 have twice the probability of experiencing heart disease, emphysema, heart attack, stroke and cancer as people ages 45 to 54.
 - Access to employer-based insurance declines as people approach age 65.
 - The reliance on individual insurance — which can be prohibitively expensive due to underwriting or age rating — increases.
 - Premiums for a healthy 59 year olds range from \$3,500 to \$10,000 per year.
 - In states like Florida, policies are often underwritten, increasing costs significantly

BASE POLICY OPTION

- **Restrict Eligibility to People Ages 62 to 65 Year Olds**
 - This age group is:
 - Less likely to have access to employer insurance and COBRA
 - Less likely to work (so the policy does not induce retirement)
 - More likely to rely on expensive individual insurance
 - About 900,000 are uninsured and 700,000 buy individual insurance.
- **"Amortized" Payments but No Subsidies**
 - **Costly:** The higher costs for this age group make subsidies very expensive.
 - **Possibly reduces retiree health coverage:** May encourage employers to end coverage; could possibly increase retirement.
- **Medicare Buy-In rather than COBRA**
 - People ages 62 to 65 are less likely to have access to a COBRA option
 - Connects participants with eventual insurer
 - Avoids criticism that the policy is a business mandate and increases premiums

STRUCTURE AND POTENTIAL ANNUAL COST OF BUY-IN

- Eligible people pay premiums (without subsidies) to buy into Medicare.
 - **Standard premium:** This amount is paid while enrolled, like private premiums.
 - **“Amortized” amount:** The additional amount due to the extra costs of this group would be amortized, or paid for in installments for the rest of the beneficiary’s life.
- Medicare would cover the non-amortized amount of the premium up front, at a cost, but would recover that cost over time as the beneficiary pays the amortized premium amount.

POTENTIAL ANNUAL COSTS

POTENTIAL ENROLLMENT	AVERAGE MONTHLY COSTS	STANDARD PREMIUM	AVG. COSTS MINUS PREMIUM	POSSIBLE MEDICARE PAYMENT
100,000 People in Poor Health *	\$915	\$305	\$610	\$0.7 billion
200,000 People in Fair Health*	\$458	\$305	\$153	\$0.4 billion
300,000: Both Groups	\$610	\$305	\$305	\$1.1 billion

Notes:

Approximates the first-year Medicare costs; assumes participants would not begin paying amortized premium until age 65. Assumes that the cost is the difference between the actual average monthly costs and the standard premium.

* These numbers represent about 100 percent of the uninsured/ individually insured people in poor health and 80 percent of the uninsured/ individually insured people in fair health in the 62 to 65 year old age group.

OTHER POSSIBLE OPTIONS

- **“COBRA” Option for “Broken Promise” Retirees**
 - Retirees 55 to 65 who had health coverage but whose former employer “broke the promise” to continue that coverage could buy into that employers’ plan, like COBRA
 - Premium could be set at 125 to 150 percent of the group rate.
 - *Rationale:* Gives retirees an affordable option and holds employer somewhat accountable for ending coverage for retirees

- **Medicare Buy-In for Special Groups**
 - Certain groups of 55 to 65 year olds lacking access to employer insurance and often COBRA (listed below) could buy into Medicare in the same way that the 62 to 65 year olds would:
 - Displaced workers who have been uninsured and unemployed
 - Medicare beneficiaries’ spouses who lose coverage when their spouse retires
 - Unmarried people without access to a spouse’s insurance.
 - *Rationale:* Their small numbers, lower access to COBRA, and low risk of crowding out other types of coverage may argue for a Medicare option for these groups.

OTHER PRIORITY HEALTH INVESTMENT OPTIONS

MEDICARE

- **Private long-term care options:** Allow standardized private long-term care plans to market to beneficiaries through the managed care information system (\$20 to 25 million over 5)
- **Clinical cancer trial coverage:** Cover the patient care costs associated with certain, high-quality cancer treatment clinical trials (\$1.7 to 3 billion over 5)

COVERAGE INITIATIVES

- **Children's health outreach:** Options range from providing bonus payments for enrolling Medicaid eligible uninsured to expanding presumptive eligibility (\$0.5 to 4 billion over 5)
- **Demonstration for workers changing jobs:** Fund several states to help pay for premiums for families losing coverage due to job change using different models (\$1 to 4 billion over 5)
- **Demonstration for de-institutionalizing people with disabilities:** Fund several state demonstration of approaches to help people live in the community (\$50 to 100 million over 5)
- **Small business group purchasing:** Fund voluntary purchasing cooperatives for small businesses; explore other ideas for lowering their insurance costs (\$50 to 100 million over 5)

RESEARCH

- **Increase the National Institutes of Health (NIH) budget** (\$5 to 15 billion over 5)



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D. C. 20503

Person 1

December 4, 1997

The Honorable Franklin D. Raines
Director, Office of Management and Budget
Old Executive Office Building
Washington, DC 20503

Dear Mr. Raines:

Since April, the Office of National Drug Control Policy (ONDCP) has worked closely with OMB and each Cabinet department to develop a comprehensive five-year drug budget which would be adequate to implement the President's program. Your leadership in this process has proved essential, and ONDCP's Five-Year Drug Budget Proposal provided to OMB on November 10 was the culmination of these efforts. Over the last several days, ONDCP has reviewed your preliminary decisions ("passback") on the FY 1999 budget against ONDCP's budget plan. In many areas, the OMB passback and ONDCP's budget proposals are not in close agreement. The enclosed document provides a consolidated drug budget appeal for major initiatives requiring additional resources. With your continued assistance in the coming days, a modified budget plan can be crafted which will both satisfy the many needs of the *Strategy*, while remaining true to the President's commitment to adhere to the bipartisan Balanced Budget Agreement.

The core of the enclosed appeal principally consists of the seven major drug funding initiatives identified in ONDCP's Five-Year Drug Budget Proposal. These programs would provide close to \$1 billion in FY 1999 for prevention, treatment, interdiction, domestic law enforcement and international drug control programs. The passback allows only \$258 million for these efforts, and some of these funds are provided through reductions in other critical drug control programs. ONDCP appeals for the difference of \$719 million not funded by OMB for these major drug initiatives. Further, to ensure the continued vitality of drug control efforts, ONDCP also appeals for the restoration of cuts proposed by OMB to existing programs and for sufficient funds to at least maintain current operational levels for all drug control activities. In total, ONDCP estimates that full funding for this appeal would result in a FY 1999 drug control budget of approximately \$17.4 billion, a 9% increase over FY 1998. Although this is far less than the 15% increase originally proposed by ONDCP, this should be more in line with a level which could reasonably be accommodated within current budget ceilings.

The enclosed appeal is organized in priority order. Several initiatives concentrate on supply reduction activities domestically, along our borders, and overseas. However, demand programs top our appeals list, including resources to provide much needed treatment services and enhance the drug abuse research capabilities of the National Institute on Drug Abuse. Funding requested for these programs in FY 1999 is only a first step in our five-year budget plan. Currently, the number of persons needing but not obtaining treatment, or "the gap," has grown to

an estimated 3.4 million. With additional support for the Substance Abuse and Mental Health Services Administration, ONDCP's budget plan would close the treatment gap 25% by FY 2003. Although this would constitute a significant improvement, as you know, this would still be less than the current plan advanced by Congress to solve this problem by FY 2001. As we see preliminary indicators that negative trends in juvenile drug-use rates may be turning around, we must reinforce those programs that can drive down drug consumption by 50% in the coming decade. The President's Strategy makes clear that demand reduction efforts will constitute the main focus of federal drug control programs. Key among these efforts will be vigorous prevention programs and effective treatment for chronic drug users. We need your help to execute a gradual shift in our funding mix for drug control programs to provide additional resources for these important activities.

Your recent letter of November 3 invited ONDCP to identify those drug control program areas which may be appropriate for funding reductions in order to free resources for other higher priority activities. Unfortunately, the time allowed for this exercise was not sufficient for a serious examination of your suggestion. The Performance Management System now being developed by ONDCP will provide guidance on programs which should be examined. Precipitous action now, without knowing the consequences of funding reductions, could be harmful to ongoing drug control programs. ONDCP disagrees with the reductions and realignments recommended by OMB in the passback.

As you know, our nation stands to lose 100,000 lives and more than \$700 billion in the coming decade as a result of illegal drug use if we fail to intervene. ONDCP has developed, with the full participation of all federal drug control program agencies, a plan of action to drive down drug use to historic lows. To fully implement this vision, we need your active support. In the next several days, the President will receive a personal presentation which highlights ONDCP's proposals and explains the importance of these efforts in achieving a drug-free America. With the President's guidance, look forward to working with you and your colleagues as the FY 1999 budget takes shape this month.

V/R

Best wishes,



Barry R. McCaffrey
Director

Enclosure

NATIONAL DRUG CONTROL BUDGET

FY 1999 - FY 2003 APPEAL OF NOVEMBER 25 OMB PASSBACK

December 4, 1997

The Office of National Drug Control Policy (ONDCP) appeals the preliminary FY 1999 - FY 2003 funding decisions ("passback") announced by the Office of Management and Budget on November 25. The basis for the appeal is the Five-Year Drug Budget Proposal document provided to OMB on November 10. This plan requested an overall increase of \$2.4 billion above the FY 1998 enacted level for the 29 funding priorities ONDCP identified for the Cabinet on June 30. The November 10 proposal included additional funding of \$986 million (above inflation) for the seven major funding priorities which were the subjects of one-on-one meetings with members of the Cabinet. As part of passback, OMB has provided only \$258 million in the form of new funding and base program realignments to address the \$986 million requested for these major initiatives. With a few exceptions, ONDCP appeals the difference of \$719 million for the seven major drug control initiatives (highlighted in the accompanying table). In addition, the passback does not include sufficient resources to maintain current operational levels for most drug control agencies, and in some cases, the passback includes reductions to base drug programs to fund new initiatives. ONDCP objects to these proposals and appeals for sufficient resources to maintain FY 1998 operational levels.

FY 1999 Drug Spending by Major Initiative (\$ Millions)

<u>Initiative</u>	<u>ONDCP Request</u>	<u>OMB Passback</u>	<u>ONDCP Appeal</u>
• Media Campaign	195.0	195.0	0.0
• School Coordinators	27.0	27.0	0.0
• Close Treatment Gap	200.0	0.0	200.0
• Port & Border Security *	243.8	0.0	243.8
• Andean Coca Reduction	140.6	30.0	110.6
• Caribbean Initiative	140.1	5.0	135.1
• Mexican Initiative	39.3	1.4	29.9
Total	985.8	258.4	719.4

* Includes \$30M requested by ONDCP for the National Guard

APPEAL RECOMMENDATIONS
(Listed in Priority Order)

Close the Public System Treatment Gap (+\$200 million): Nationwide, there continues to be a great need for additional capacity for treatment of substance abusers, especially chronic users of illegal substances. The number of persons needing but not receiving treatment, or "the gap," has grown to an estimated 3.4 million by 1996. The OMB passback included no additional funding in HHS for drug treatment. Additional funding of \$200 million in FY 1999 would make a significant start in closing the treatment gap, if these additional funds are allocated in line with the recent FY 1999 budget amendment submitted to OMB by Secretary Shalala which addressed the need for additional funding and expansion of treatment capacity.

National Institute on Drug Abuse (NIDA) Research (+\$30 million): Seven of the *Strategy's* 32 objectives are research-based, reflecting the Administration's desire to promote research over ideology. Given this background and the passback's lack of emphasis in this area, ONDCP appeals for an additional \$30 million to enhance NIDA's research capability for treatment and prevention, especially as it pertains to youth drug use.

Reductions in Base Funding for SAMHSA -- In some instances the passback proposes reductions to drug programs in order to fund new initiatives. OMB uses this approach for SAMHSA's KDA program. ONDCP objects to this reduction and urges OMB to restore base funding to maintain current operational levels. Last fiscal year, Congress signaled its support for the KDA program by funding the Administration's request. The proposed cut to this program would send a mixed message to Congress about an effort which is intended to enhance our knowledge of the effectiveness of treatment and prevention programs.

Changes to Safe and Drug-Free Schools Grant Program -- The passback proposes moving some funding from this program to other demand reduction efforts. Further, after reallocation of these funds, OMB proposes that the amount remaining for Safe and Drug Free Schools be converted from a formula grant to a competitive grant. ONDCP objects to the reduction and views the change in the formula grant as premature. It is not clear how switching to a competitive grant will improve desired outcomes. Further, ONDCP strongly supports the Department's new policies to require school districts to fund programs that are research-based. Modifications to the Drug-Free Schools Program should build on these efforts. OMB and ONDCP should work together to develop recommendations for the proposed reauthorization of this program.

Byrne Grant Funding for Drug Treatment -- The passback earmarks \$100 million of the Byrne law enforcement grant program for drug treatment. ONDCP objects to this earmark. Treatment resources should be allocated on the basis of need. The current formula basis for the Byrne program does not provide an appropriate mechanism for the distribution of scarce treatment funding, even if this reduction to a critical law enforcement program was a preferred policy alternative.

Port & Border Security Initiative (+\$243.8 million): This initiative would improve security and enhance drug interdiction along all U.S. air, land, and sea frontiers and at all ports-of-entry. The ONDCP proposal would provide for: substantial increases in INS inspectors, investigators, and border patrol agents over the next five years; significant increases in Customs' agents and cargo inspection staff; substantial increases for Coast Guard's drug-related maritime law enforcement in the Western Caribbean and Eastern Pacific; enhancements to support the National Guard; and the acquisition and fielding of drug detection technologies. The OMB passback included no funding for any part of this initiative. The appeal requests additional funding for the following agencies:

- **Justice (+\$69.4 million)** -- This funding would include an additional \$57.8 million for INS to provide the following port and border personnel enhancements in FY 1999: 1,000 border patrol agents (150 drug-related); 210 special agents (50 drug-related); 330 inspectors (50 drug-related) and 340 detention and deportation personnel (85 drug-related). In addition, \$11.6 million would be provided to support INS's Southwest Border infrastructure requirements, communication systems, and continued deployment of the Integrated Surveillance Information System/Remote Video Surveillance system.
- **Treasury (+\$129.6 million)** -- This would expand Customs staffing at ports-of-entry by 440 FTE (primarily supporting the Southwest Border area) and provide additional resources for the acquisition and deployment of non-intrusive detection devices.
- **DoD - National Guard (+\$30 million)** -- Additional funding would provide resources for State Plans, which helps support National Guard operations along the border.
- **Transportation - Coast Guard (+\$9.8 million)** -- These resources would provide additional funding to expand Coast Guard's surface fleet and aircraft surveillance operations.
- **ONDCP - HIDTA (+\$5 million)** -- This funding would be directed to the Southwest Border HIDTA to coordinate expanded efforts with Federal and State and local law enforcement agencies.

Andean Coca Reduction Initiative (+\$110.6 million): This initiative would help to achieve a 40 percent reduction over the next five years, and 75 percent within the next decade, of coca leaf cultivation in the Andean countries. This goal requires the integration of law enforcement and interdiction measures that disrupt the cocaine export industry with robust alternative development programs. Key elements of this initiative include: expand alternative development in Peru to increase licit employment and income as an alternative to drug crop cultivation; support host nation efforts to interdict the flow of coca base and cocaine; expand support to Peruvian and Colombian riverine interdiction programs to control drug-producing regions; develop a program to support the Peruvian waterways management program which establishes control over ports and waterways; expand support to Colombian aerial eradication programs;

expand support to source nation efforts to disrupt and dismantle trafficking organizations; and support efforts of the Bolivian government to achieve net coca reduction through comprehensive community based alternative development programs and law enforcement efforts. The OMB passback provided \$30 million for this initiative in foreign assistance to Peru (+\$15 million) and Colombia (+\$15 million) -- half the amount requested by ONDCP. The appeal requests additional funding for the following agencies:

- **DoD (+\$75 million)** -- These additional resources would support source nation air, land, and waterways interdiction to seize coca products; help disrupt organizations and their production/trafficking infrastructure; lead the interagency effort to develop plans to attack and disrupt the flow of coca base, cocaine, and precursor chemicals along riverine routes in the Amazon and Orinoco River Basins; and assist Venezuela and Brazil to develop day and night endgame capabilities.
- **State (+\$30 million)** -- These resources would expand alternative development programs in Peru, promote eradication efforts, and increase support to host nation interdiction operations and their efforts to disrupt and dismantle trafficking organizations. Funding would also increase operational support for transferred equipment; training, equipment and operational and logistics support for host nation law enforcement elements and military counterdrug units; expand demand reduction programs; and strengthen judicial systems and intelligence efforts within the source countries.
- **Justice - DEA (+\$5.6 million)** -- This enhancement would provide for additional special agents and operational support for country team activities in South and Central America.

Mexican Initiative (+\$29.9 million): This initiative would support programs that reduce the flow of illicit drugs from Mexico into the U.S. and dismantle organizations trafficking in drugs and money laundering. It would support agreements made during the President's visit this year to Mexico. Specifically, it would provide for training for special vetted units of Mexican law enforcement personnel and prosecutors, the judiciary, special rapid response military units engaged in counterdrugs, and health service providers involved in treatment programs. The initiative includes a multi-year program to assist development of a self-sustaining Mexican interdiction capability. The programs also would expand support of Operation CAPER FOCUS and continue ongoing support to Operation BORDER SHIELD, U.S. Government support to Operation HALCON and the Northern Border Response Force, U.S. Government detection and monitoring missions in Mexican airspace and territorial seas, and the establishment of a joint law enforcement investigative capability in the Bilateral Border Task Forces. The OMB passback includes only an additional \$1.4 million for this initiative to support DEA operations in Mexico. The appeal requests additional funds for the following agencies:

- **DoD (+\$24 million)** -- This funding would support Mexican efforts to develop effective day and night endgame capabilities against air, maritime, and land smuggling threats, with special focus on the Eastern Pacific approaches to Mexico. It would develop the

capability to respond rapidly to intelligence-cued trafficking events in the Eastern Pacific, especially in response to the use of "go-fast" boats. Funding would also expand support to CAPER FOCUS through an increase in the availability of Maritime Patrol Aircraft, supporting USIC and operational commander's estimates of requirement.

- **Justice - DEA (+\$5.9 million)** -- The passback did not fund all of the DEA personnel requested for Mexico. This provides full funding for DEA personnel and additional resources to purchase a twin-engine aircraft to support, among other activities, increased vetted unit operations in Mexico.

Caribbean Violent Crime and Regional Interdiction Initiative (+\$135.1 million): This initiative would expand counterdrug operations targeting drug trafficking-related criminal activities and violence in the Caribbean Region, including South Florida, Puerto Rico, the U.S. Virgin Islands, and the independent states and territories of the Eastern Caribbean. This initiative also includes: implementing mutual cooperative security agreements between the U.S. and Caribbean nations and territories; implementing commitments made by the President of the United States during the Caribbean Summit held in Barbados; expanding assistance to Caribbean nations participating in regional interdiction operations to support development of their maritime law enforcement capabilities; and increasing the capability of Caribbean nations to intercept, apprehend and prosecute drug traffickers through modest expansion of training, equipment upgrades, and maintenance support. The OMB passback provided only \$5 million in foreign assistance to support this initiative. The appeal requests additional funding for the following agencies:

- **Transportation - Coast Guard (+\$68.7 million)** -- This funding would expand Steel Web surge operations begun in 1997. Activities supported by the Coast Guard address the President's Caribbean initiative. Specifically, the request includes funding for additional air and maritime assets; improved communications; upgraded sensors for air and maritime assets; and, increased flight hours and ship days to support expanded surge operations that proved to be successful in interdicting drugs and disrupting trafficking routes around Puerto Rico. In addition, the request supports the acquisition of an International Maritime Training and Repair ship that was discussed as part of the President's 1997 Caribbean Summit in Barbados.
- **Treasury - Customs (+\$30.8 million)** -- The additional funding requested by the Customs Service would be used to enhance narcotics enforcement activities primarily at South Florida ports-of-entry. Funds would be used for additional Customs Inspectors and Agents, as well as a seaport x-ray system for the port in Miami.
- **DoD (+\$12 million)** -- This initiative implements commitments made by the President during the Caribbean Summit held in Barbados earlier this year to expand assistance to Caribbean nations participating in regional interdiction operations. Funding would strengthen coalition defenses through improved real-time intelligence sharing; expand

DoD detection and monitoring and related efforts in the Caribbean; and continue development of regional cooperation and coordination of interdiction forces. Special focus would be given to maritime approaches to Puerto Rico and the Virgin Islands.

- **Justice (+\$18.6 million)** -- This funding would provide DEA with 90 additional positions, including 54 Special Agents, to continue implementation of DEA's Caribbean Corridor Strategy.
- **ONDCP - HIDTA (+\$4 million)** -- This request would provide additional funding to Miami and Puerto Rico/Virgin Islands HIDTAs to support enhanced coordination in law enforcement efforts and to improve technology.
- **State (+\$1 million)** -- These resources would continue the develop and support of bilateral agreements with all major drug transit zone nations. Funds would increase the capability of Caribbean nations to intercept, apprehend, and prosecute drug traffickers through a modest expansion of training, equipment upgrades, and maintenance support.

FY 2000 - FY 2003 Funding:

ONDCP will include a five-year drug budget in the *1998 National Drug Control Strategy*. ONDCP's Five-Year Drug Budget Proposal includes outyear recommendations for each of the initiatives which are the focus of the appeal. This plan provides for growth beyond inflation for most of these initiatives in the outyears. Generally, OMB's recommendations for the outyears provide for no program growth, and in some cases, not even sufficient resources to maintain prior year operational levels. ONDCP appeals outyear funding for the initiatives identified in this document consistent with the November 10 Five-Year Drug Budget Proposal already provided to OMB.

ONDCP Accounts:

- **Salaries and Expenses (+\$500,000)** -- These additional resources are needed to fund conferences (HIDTA, law enforcement, demand, treatment, Southwest Border, high level contact groups, prisons and drug, Caribbean and Central America, etc.). Such events are essential for ensuring the effective coordination of drug programs within the Federal agencies and departments. The successful implementation of the *Strategy* will be hampered if adequate funding is not provided for concerted outreach efforts.
- **CTAC Technology Transfer Pilot Program** -- This new initiative recognizes the mandate provided to CTAC to initiate formally a transfer of its State and local counterdrug law enforcement technology. ONDCP appeals guidance in the passback which eliminates CTAC's efforts to transfer to State and local law enforcement its advanced innovative approaches to drug crime investigative support, communications interoperability, and surveillance and tracking technology. Congress recognized these

innovations stemming from CTAC's base program when it established the law enforcement technology transfer initiative. This technology transfer program would support ONDCP's vision to augment the effectiveness of law enforcement personnel deployed to reduce the availability of illegal drugs.

- **Special Forfeiture Fund (SFF)** -- The passback included \$56 million in discretionary funds within the SFF. Although this funding level is acceptable, ONDCP objects to OMB guidance that none of these funds be earmarked. At a minimum, an earmark of \$20 million should be included for the Drug-Free Communities Program and \$15 million for the Chronic User Study. The Drug-Free Communities Program will be a catalyst for increased citizen participation in Federal efforts to reduce substance abuse among our youth and provide community anti-drug coalitions with much needed funds to carry out their important missions. The Chronic User Study summarizes an Administration initiative first articulated in the 1994 *Strategy*. It provides a means to track changes in the size and composition of this user population and is critical to the development of ONDCP's Performance Measurement System. Targeting of funds for these projects will help to avoid potential earmarking by Congress for unintended, less important purposes.
- **High Intensity Drug Trafficking Areas (HIDTA):**
 - ▶ **HIDTA Expansion (+\$44 million)** -- ONDCP appeals for these resources to expand HIDTA's and target drug-related crime and violence in regions with a critical need. These funds would help leverage spending by State and local governments in their ongoing efforts to reduce the adverse consequences of chronic drug use. These resources are essential for expanding the efforts of existing HIDTAs to enable them to meet their performance targets. Resources will be allocated to individual HIDTAs based on the drug trafficking threat and the performance outcomes of each HIDTA.
 - ▶ **HIDTA Administration (+\$2.8 million)** -- With the increased size and complexity of the HIDTA program, these additional funds are a prudent investment to ensure proper oversight and accountability. With full funding, ONDCP will be able to implement a wide-area network to improve communication and share best practices, as well as offer performance measurement support for the program.
 - ▶ **Recently Funded HIDTAs** -- ONDCP objects to the passback provision which does not identify resources for the new HIDTAs recently funded by Congress. The Lake County, Northwest, and Midwest HIDTAs met the statutory criteria for HIDTA designation and were also recommended by the Attorney General, the Secretaries of Treasury and Health and Human Services, and the respective Governors. These regions were designated as HIDTAs in accordance with the HIDTA authorization language.

- **Performance Measurement** -- ONDCP agrees with OMB that we will work together to resolve the establishment of final performance measures for Federal drug control programs. Once the Performance Measurement System is cleared, it will be the basis for explicit budgetary planning in FY 2000 and the outyears.

Presentation of DoD Funding:

Although final funding recommendations for the Department of Defense were not settled by the OMB passback of November 25, the appeal reiterates the need for new DoD funding previously identified by ONDCP. DoD support is an important component of several major initiatives, and the appeal recognizes the resource requirements ONDCP has placed on DoD as part of the recent decertification decision.

Newt Gingrich
11th District
Georgia



Office of the Speaker
United States House of Representatives
Washington, DC 20515

October 7, 1997

(202) 225-0800
PLAN 071745 Oct
Wanda
A/1/4

General Barry McCaffrey
Director
Office of National Drug Control Policy
Executive Office of the President
Washington, DC 20503

Dear General McCaffrey:

I have reviewed the Office of National Drug Control Policy's (ONDCP) plan for victory in the war on drugs recently submitted to me. The timidity of this plan causes me great concern.

I personally offered the ONDCP the opportunity to inform Congress and the American people what is needed to win the war. The document I received is more like a plan for surrender than a plan for victory. Winning the war on drugs does not mean that ten years from now we should have more than 5 percent of our children as young as twelve years old on drugs.

When can we expect a real plan and real action? It has been 18 months since new leadership took over the ONDCP. After all this time, why are you only now "looking forward" to developing a proposal to strengthen and secure the border against drug smugglers? You also propose to pursue a media campaign to communicate to our youth the dangers of drugs. However, the plan only aims to offer children the "minimum exposure" needed to affect their views of drugs. Aren't our children worth more than a bare minimum effort?

The unwillingness or inability of the ONDCP to inform us of the tools needed for victory is extremely disappointing. I hope we can expect the Administration to begin to take seriously the threat drugs pose to our children and their future.

Sincerely,

Newt
Newt Gingrich



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF NATIONAL DRUG CONTROL POLICY
Washington, D.C. 20503

October 9, 1997

The Honorable Newt Gingrich
The Speaker
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Speaker:

The purpose of this letter is to ask for your continued leadership in providing bipartisan support for a National Drug Control Strategy aimed at dramatically reducing drug abuse and its consequences in America. This malignancy in American society kills 14,000 annually and costs \$68 billion each year. Any erosion of the 50% reduction in drug use we have achieved over the past 15 years is intolerable. We must move toward a drug-free America.

We are making progress. This year youth drug use dropped from 10.9% to 9% -- the first decrease in five years. There was also a substantial reduction in methamphetamine and crack cocaine use among arrestees. All of us are also grateful for: the explosion of national news media coverage of this issue; bipartisan passage of the historic \$195 million National Youth Media Campaign; and -- during this time of shrinking budgets -- increased federal funding to implement the National Drug Strategy. (12.7% increase in FY 97 and 5.4% increase in FY 98)

We have presented to Congress for their consideration the President's ten-year National Drug Control Strategy and a draft proposal of a revolutionary Performance Measurement System with quantified targets and measures. In the coming months, we will submit for Congressional consideration a Five-Year 1999-2003 Drug Budget. It is the Administration's collective judgment that these efforts, if supported by Congress, will achieve the lowest ever historically recorded rate of drug abuse -- before my two grandsons reach the eighth grade.

You and the National Drug Policy Office are in agreement on many core principles. We are both committed to establishing targets that will enable us to evaluate the effectiveness of drug control programs, thus holding ONDCP accountable to Congress and the American public. We both believe that losing one child to the downward spiral of addiction is one child too many. We both support the concept of an anti-drug media campaign that will use the power of advertising to change youth attitudes about the dangers of drugs. We both support the Drug-Free Communities Act that will dramatically expand community involvement in anti-drug efforts to 10,000 cities and towns. We are both committed to stopping the flow of drugs into our country.

I understand war -- organizing people, machinery, and violence. However, the metaphor of cancer is a more appropriate way to describe this dreadful drug threat. Our anti-drug tools must be primarily based on prevention and treatment -- as well as enforcement and international partnership. Over the course of my career, I have been called upon to help organize many complex and dangerous missions for America. In each instance, I was tasked with realistic objectives and given the tools needed to do the job. With bipartisan cooperation, we are confident we can dramatically reduce drug abuse. Hope you can continue to put politics aside and work in partnership to establish a drug-free America.

Respectfully,


Barry R. McCaffrey
Director

03/21/98 18:43

362-0493

5 Pages
Budget -
FY99
Approp

Bruce:

Attached is a summary we just received of the Senate subcommittee mark for tomorrow. It is only a partial document, so we don't have the full picture. Nonetheless, a couple of key points:

- Overall, this bill looks decent and will be hard to make a big fight over, at least from the education perspective. It is about \$200 million short of our request (though it allocates the funds differently than we would).
- With regard to our priorities, it
 - restores funds for summer youth,
 - funds Head Start at our request (though it does this with an advance appropriation of an unknown amount)
 - gives us what we requested or reasonably close to if for Title 1, Goals 2000, education technology (\$39 million short), bilingual education, Pell grants, Work Study, Learning Anytime Anywhere.
 - may give us funding for our teacher preparation and recruitment initiative, and for the more targeted, competitive funding for safe and drug free schools. We won't know for sure until we see the bill, and they appear to claim these as their new initiatives rather than ours.
 - contains no information on charter school funding.
- The biggest loses for us are:
 - no funding for America Reads
 - only \$75 million for after-school programs (not even the \$100 we expected from the Senate)
 - Perhaps no funding for technology teacher training
- With respect to national tests, it appears to provide continued funding and a ban on field testing, administration and implementation, but not for the pilot testing planned for Spring. Not bad.
- The bill includes a \$500 million increase in IDEA, and level funding for Impact Aid. Along with the Title 1 and Pell Grant increases, this should basically buy off the K-12 and higher education groups. They won't see much to fight about in this.

Barbara Chow, Chuck Marr, John Orzag and I talked among ourselves and with ED staff this evening. Here is where we tentatively are in terms of message and response to this bill, assuming the whole picture looks about like what the current picture looks like:

- No statement from the White House
- Statements from the Education Department and other agencies, along the following lines (for ED):
 - This is a good, bipartisan step away from the extreme cuts made by the House Republicans; the Senate has responded to the President's call for investments in education.

PHOTOCOPY
PRESERVATION

- There are still some issues to be addressed, and we look forward to working in a bipartisan fashion to address them (e.g., after-school, reading, testing,)
- This bill must be a floor for final action on appropriations; when finished, we must do better than this, not do worse by moving towards the House.
- Before Congress completes this work, it must also make the investments the President has requested to modernize our schools and reduce class size.

Finally, we expect Patty Murray to offer a class size amendment (at full committee, though she'll probably talk about it at subcommittee), though we don't know what offsets she will use. Barbara is sceptical that we will be able to support a Murray amendment, because it is unlikely she will find enough acceptable offsets.

However, I think we need to figure out a way to support a Murray amendment, or we will lose credibility on a number of fronts. We are trying to reach Murray's staff to find out what offsets they are proposing. If we can't live with them, I think we need to help them come up with something we can support. One option would be to encourage her to downsize the proposal (e.g., \$500 million in the first year rather than \$1 billion, though that won't solve the outyear problems.) Another would be to advance appropriate more of Title and using the FY99 "savings" for class size. There may be outlay problems with this approach, though its not clear to me that this would be the case. It appears that this would basically push the problem off for another year--a strategy that the committee is already doing in other areas, including Head Start and Title 1. Barbara is resistant to this approach, though Education thinks it could work. I may need some help from you in pushing OMB to a more accomodating stance.

Mike

PHOTOCOPY
PRESERVATION

SUMMARY OF THE FY'99 LABOR-HHS-EDUCATION APPROPRIATIONS BILL

The Labor-HHS-Education bill is within the 302(b) allocation of \$82.7 billion in budget authority and \$80.8 billion in outlays. The allocation is \$270 million below a FY'98 freeze.

BILL TOTALS	FY'98 Enacted	FY'99 President's Budget	Senate Subcommittee
Department of Labor.....	\$10,710,044,000	\$11,119,993,000	\$10,622,244,000
Department of HHS.....	32,836,680,000	34,504,921,000	33,394,464,000
Department of Ed.....	29,444,630,000	31,185,302,000	30,941,771,000
Related Agencies.....	7,719,269,000	7,813,442,000	7,820,521,000

HIGHLIGHTS

Youth employment and training - \$1.6 billion, including \$871 million for summer youth employment and training and \$375 million for youth opportunities for FY'99 and 2000, \$129.9 for youth training and \$250 million for school-to-work in both the Labor and Education Departments.

Job Corps - \$1.3 billion for the Job Corps program, an increase of \$54.3 million over the FY'98 level.

Worker protection - \$1.250 billion to ensure the health and safety of workers, including \$348.9 million for OSHA and \$212.1 million for MSHA.

National Institutes of Health - \$15.6 billion an increase of \$2 billion over the FY'98 appropriation.

AIDS - \$3.96 billion for the National Institute of Health, Ryan White and the Centers for Disease Control AIDS activities, included in this amount is \$461 million for the AIDS Drugs Assistance Program.

Bioterrorism initiative - \$160 million for this new initiative to fund efforts to address the threat of bioterrorism. These funds will be made available if the President declares an emergency.

Head Start - \$4.6 billion, of which \$1.3 billion has been made available in FY'2000.

Low-income home energy assistance - \$1.1 billion for heating and cooling assistance as advance for FY'2000 and \$300 in additional funds if the President declares an emergency.

Crime reduction - \$148 million for crime reduction activities, including \$88.8 million for battered women's shelters.

Drug abuse - \$2.5 billion including \$381 million for safe and drug free schools.

Title I - grants for disadvantaged children - \$7.6 billion, an increase of \$300.7 million over the FY'98 level.

School violence initiative - \$151 million for a new program to combat the increasing incidence of school violence.

Student aid - \$900 million for the Federal work study program; \$619 for SEOG, and \$36 million for SSIG. The maximum Pell grant has also been increased to \$3,100, an increase of \$100 over the FY'98 level.

Higher education - \$1.1 billion, including new initiatives of \$75 million for Connections grants, \$10 million for Learning Anytime, Anywhere partnerships and \$75 million to improve teacher quality and training.

Education for individuals with disabilities - \$5.1 billion, an increase of \$500 million over the FY'98 level.

Services for Older Americans - \$2.3 billion, including \$440.2 million for community services employment programs; \$300.3 million for support services and centers and \$486.4 million for senior nutrition programs.

Public Broadcasting - \$355 million to support public radio and television, including \$15 million for digitalization.

OSHA Rider - Deletes language contained in the FY'98 bill prohibiting the promulgation of any proposed rule regarding ergonomics.

National Institute of Dental and Craniofacial Research - The bill contains language which permanently changes the name of the National Institute of Dental Research.

Medicare+Choice - The bill contains language which assures that Medicare+Choice plans are not required to provide abortion services but that services must be available to beneficiaries outside of

the plan. ALSO included is \$2,000,000 for funds to educate Medicare beneficiaries on health plan choices.

Needle Exchange - Retains FY'98 language which prohibits the use of Federal funds for needle exchange programs unless the Secretary certifies that exchange projects are effective in preventing the spread of HIV and that the project does not encourage the use of illegal drugs.

Abortion - Retains FY'98 language prohibiting Federal funding of abortion.

Education Testing - The bill contains language which prohibits funds to be used for field testing, administering, or implementing any national test, except for the Third International Mathematics and Science Study and National Assessment of Education Program NAEP tests and continues the development under the control of National Assessment Government Board.

Human Embryo research - Retains FY'98 language prohibiting the use of funds for the creation of a human embryo or embryos for research purposes.

	FY 98 Funding (000)	President's Request (000)	Senate Subcommittee (000)	Senate v. 1998 Level (000)
Dept. of Labor				
Adult Training	955,000	1,000,000	950,000	(5,000)
Youth Opportunities(1)	0	500,000	375,000	375,000
Summer Youth Program	871,000	871,000	871,000	0
Job Corps	1,246,217	1,307,619	1,300,572	54,355
Comm Svc Employ for Older Americans	440,200	440,200	440,200	0
Mine Safety and Health	203,397	211,165	212,165	8,768
OSHA	336,678	355,045	348,983	12,305
Veterans Employment Training	181,979	182,719	182,719	740
Bureau of Labor Statistics	380,543	398,870	390,889	10,346
School-to-work (Ed & Labor)	400,000	250,000	250,000	(150,000)
One-stop career centers	163,344	146,500	146,500	(16,844)
HHS				
Consolidated Health Centers	824,883	839,468	850,000	25,117
Health Professions	292,518	290,595	208,000	(84,518)
Ryan White AIDS	1,149,512	1,312,982	1,367,800	218,288
Emergency Assistance	464,736	488,974	478,000	13,264
Comprehensive Care	542,783	668,870	588,000	45,217
AIDS Drug Assistance Program(2)	285,500	385,500	461,000	175,500
Family Planning	202,903	218,077	215,000	12,097
CDC	2,332,638	2,454,459	2,323,644	(8,994)
Breast & Cervical Cancer Screening	142,779	143,485	145,000	2,221
Chronic & Enviro Diseases	211,977	263,568	258,568	46,591
Bioterrorism/Public Hlth Emer Fund	0	120,000	298,150	298,150
NIH	13,622,386	14,803,313	15,622,386	2,000,000
Substance Abuse and Mental Health	2,147,156	2,274,643	2,151,643	4,487
Agcy for Hlth Care Plan&Res (AHCPR)	146,510	171,055	171,055	24,545
HCFA Program Mgt.	1,788,907	1,942,500	1,685,550	(103,357)
Medicare+Choice	95,000	150,000	95,000	0
LIHEAP	1,100,000	1,100,000	1,100,000	0
Refugees	415,000	415,000	415,000	0
Child Care	1,000,000	1,182,672	1,182,672	182,672
Social Services Block Grant	2,299,000	1,909,000	1,909,000	(390,000)
Head Start(3)	4,347,433	4,660,000	4,660,000	312,567
Community Services Block Grant	489,685	489,100	490,600	915
Violent Crime Reduction Programs	147,938	155,000	148,000	62
Administration on Aging	865,050	865,050	876,050	11,000
Dept. of Education				
Goals 2000	491,000	501,000	496,000	5,000
Parental Assistance	25,000	25,000	30,000	5,000
Education Technology	584,035	721,000	623,500	39,465
Title I Grants	7,375,232	7,767,000	7,876,020	300,788
Impact Aid	808,000	898,000	810,000	2,000
Bilingual & Immigrant Ed	354,000	387,000	354,000	0
Special Ed Grants to States	3,801,000	3,810,700	4,300,000	499,000
Vocational Ed Basic State Grants	1,027,550	1,030,650	1,027,550	0
Adult Ed State Programs	345,339	381,000	345,339	0
Pell Maximum Grants	3,000	3,100	3,100	100
Fed Supplemental Ed Opp Grants	814,000	818,000	819,000	5,000
Work Study	830,000	900,000	900,000	70,000
Perkins loans	165,000	90,000	90,000	(75,000)
SSIG	25,000	0	36,000	11,000
Strengthening Institutions	55,450	60,000	55,450	0
Historically Black Colleges	118,485	134,500	122,485	4,000

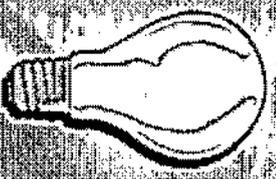
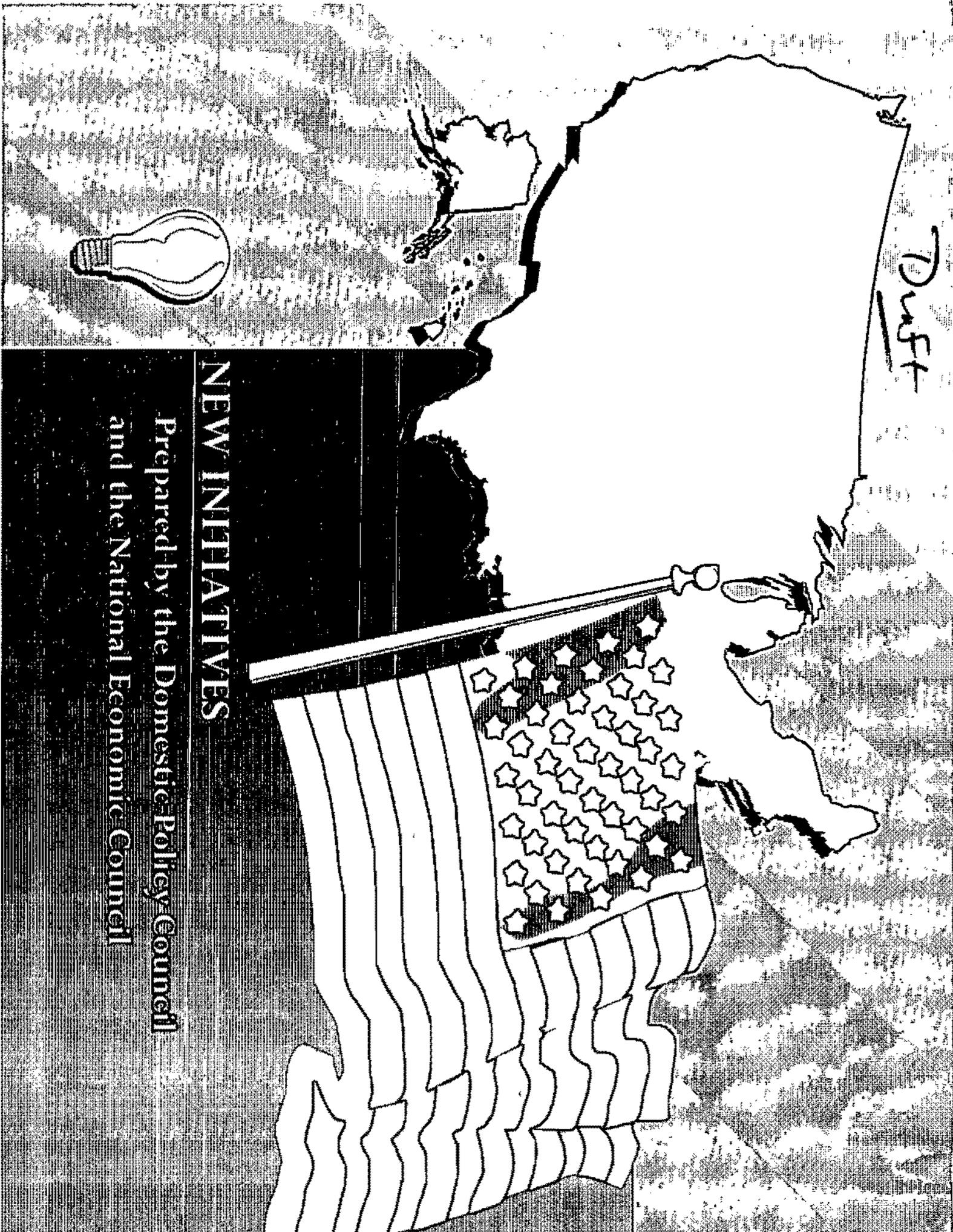
Hispanic Serving Institutions	2000	2001	2002	2003
Federal TRIO Programs	529,667	583,000	554,667	25,000
Connections	0	140,000	75,000	75,000
Byrd Scholarships	39,288	39,288	39,288	0
Learning Anytime Anywhere	0	30,000	10,000	10,000
Improving Teacher Quality	0	0	75,000	75,000
21st Century Learning Ctrs.	40,000	200,000	75,000	35,000
School Violence Initiative	0	0	151,000	151,000

1 The President's request consists of \$250,000,000 for each of FY99 and FY2000; the Senate recommendation is for \$125,000,000 for FY99 and \$250,000,000 for FY2000.

2 The Senate recommendation includes an advance appropriation of \$150,000,000.

3 The Senate recommendation includes an advance appropriation because of severe budget constraints.

PHOTOCOPY
PRESERVATION



NEW INITIATIVES

Prepared by the Domestic Policy Council
and the National Economic Council

NEW INITIATIVES

<i>PROPOSAL</i>	<i>COST</i>	<i>STATUS</i>
<p>Child Care: Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate from 30 percent (current law) to 50 percent and moving the phase-out range from \$10,000-\$28,000 (current law) to \$30,000-\$59,000. <i>(Mandatory)</i></p>	<p>FY 1999: \$270 million Five-Year: \$5.2 billion</p>	
<p>Child Care: Provide a tax credit to businesses that incur costs related to providing child care services to their employees. <i>(Mandatory)</i></p>	<p>FY 1999: \$637 million (based on JCT costing of Senator Kohl's proposal) Five-Year: \$2.6 billion (based on JCT costing of Senator Kohl's proposal)</p>	
<p>Child Care: Establish the Child Care Provider Scholarship Fund <i>(Discretionary)</i></p>	<p>FY 1999: \$50 million (\$150 million in HHS budget request) Five-Year: \$250 million</p>	
<p>Child Care: Expand the Child Care Apprenticeship Training Program to fund the training of child care providers working toward a degree equivalent to the Child Development Associate degree, with on the job observation and practice. <i>(Discretionary)</i></p>	<p>FY 1999: \$10 million (DOL budget request) Five-Year: \$27 million (DOL budget request)</p>	
<p>Child Care: Establish a Child Care Research and Evaluation Fund to support data and research and technology development and utilization. <i>(Discretionary)</i></p>	<p>FY 1999: \$50 million (HHS budget request) Five Year: \$250 million</p>	
<p>Child Care: Establish an Early Learning and Quality Fund to provide challenge grants to communities for early learning and parent involvement activities. <i>(Discretionary)</i></p>	<p>FY 1999: \$200 to \$400 million (\$800 million in HHS budget request) Five-Year: \$1 to \$2 billion</p>	

<p>Child Care: Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that boosting the set-aside does not reduce the resources available for children 3-5. (Discretionary)</p>	<p>FY 1999: \$30 million Five-Year: \$500 million (based on NEC option to double Early Head Start set-aside)</p>	<p><i>left out</i></p>
<p>Education: Expand the 21st Century Community Learning Center Program to provide start-up funds to additional school-community partnerships to establish before- and after-school programs for school-age children at public schools. (Discretionary)</p>	<p>FY 1999: \$100 million (\$400 million in DOE request) Five Year: \$500 million</p>	
<p>Education: Establish a demonstration project for states to test innovative approaches to assisting parents who to stay at home with their children. (Discretionary)</p>	<p>FY 1999: N/A Five Year: N/A</p>	
<p>Education: Education Opportunity Zones -- This proposal would designate from 20 to 40 urban rural school districts as Education Opportunity Zones. High-poverty school districts would be eligible for funds if they adopt tough reform measures and show real improvements over time in student achievements. (Discretionary)*</p>	<p>FY 1999: \$320 million Five Year: \$1.1 billion</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: School/College Partnership -- A grant program to promote strong partnerships between colleges and high-poverty middle and high schools, with the goal of enabling more youth to go on to college. This initiative would encourage colleges to adopt the Eugene Lang model for helping disadvantaged youngsters. (Discretionary)*</p>	<p>FY 1999: \$300 million Five Year: \$2.9 billion</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: Hispanic Education Initiative -- A plan to improve educational opportunities for Hispanic Americans, with goal of decreasing current disparity in dropout rates. Includes a number of administrative actions, as well as targeted investments of roughly \$100 million to programs for migrant, adult, and bilingual education. (Discretionary)</p>	<p>FY 1999: \$153 million Five Year: \$765 million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: Indian Education Initiative. (Discretionary) <i>Interior</i></p>	<p>FY 1999: \$75 million Five Year: \$375 million</p>	

<p>Education: Technology Teacher Training -- options include (1) expanding various innovation grants to ensure that within four years, all new teachers will be ready to use educational technology, or (2) using the Technology Literacy Challenge Fund to train and certify at least one "master teacher" in every school. <i>(Discretionary)</i></p>	<p>FY 1999: \$100 million Five Year: \$500 million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: Learning on Demand -- An initiative, related to some of Governor Romer's ideas, to encourage the use of technology (e.g., the internet, CD-ROM, interactive TV) for lifelong learning. Will begin the process of giving all Americans "anytime, anywhere" access to affordable and high-quality learning opportunities. <i>(Discretionary)</i></p>	<p>FY 1999: \$50 million Five Year: \$250 million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: Class Size Reduction Initiative -- This is a five-year initiative to ^{improve} reduce early reading by reducing class size in grades 1 and 2 to a maximum of 18. <i>(Mandatory)</i></p>	<p>FY 1999: \$615 million Five Year: \$9.2 billion</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Education: School Construction -- An initiative to address the problem of the crumbling school infrastructure. <i>(Mandatory)</i></p>	<p>FY 1999: Five Year:</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Civil Rights Enforcement: The initiative involves EEOC and six agencies who have jurisdiction of civil rights enforcement. Funds will be used for activities such as alternative dispute resolution, increased compliance targeting, improved technology and data collection, and reduction in case backlog. <i>(Discretionary Spending)</i></p>	<p>FY 1999: \$106 million Five Year: N/A</p>	
<p>Crime: Community-Based Prosecutors & Justice -- A five year competitive grant program to increase the number of local prosecutors interacting directly with communities and to encourage local prosecutors to reorient their emphasis from "assembly line" processing of cases to solving specific crime and disorder problems in their communities. <i>(Discretionary Spending)</i></p>	<p>FY 1999: \$100 Million Five-Year: \$500 Million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Health Care: Medicare -- Pre-65 Coverage initiative. Addressing growing concerns about coverage for the pre-65 population, options are being developed to enhance access to health care through Medicare and/or COBRA. This initiative also would help lay the foundation for reforms to extend the Medicare eligibility age from 65 to 67. <i>(Mandatory)</i></p>	<p>FY 1999: Up to \$1 billion Five-Year: Up to \$5 billion</p>	

<p>Health Care: Medicare -- Clinical Cancer Trials Coverage. This initiative would allow Medicare to pay for high quality cancer clinical trials giving beneficiaries access to some of the most cutting-edge treatments, which offers the potential to expedite new treatments for cancer.</p> <p><i>(Mandatory)</i></p>	<p>FY 1999: \$200 to \$400 million</p> <p>Five-Year: \$1.7 billion to \$2 billion</p>	
<p>Health Care: Private Long-Term Care Options -- This initiative would build on new information that Medicare provides to beneficiaries on their choice of health plans by directing programs to include information regarding long-term care options.</p> <p><i>(Mandatory)</i></p>	<p>FY 1999: \$5 to \$50 million</p> <p>Five-Year: \$25 million to \$300 million</p>	
<p>Health Care: Children's Health Outreach -- Addressing the fact that the \$24 billion children's investment did not provide enhanced resources for states to target 3 million eligible but not enrolled in Medicaid, this proposal would provide incentives for states to do a greater job of outreach to these population through a series of school-based and child care based outreach activities.</p> <p><i>(Mandatory)</i></p>	<p>FY 1999: \$300 million</p> <p>Five-Year: \$1 to \$2 billion to \$300 million</p>	
<p>Health Care: Workers Between Jobs Demonstration -- Addressing the insecurities of the workforce in a transitional job market, this policy -- consistent with your last two budgets but downsized into a demo -- would provide temporary premium assistance to workers between jobs.</p> <p><i>(Mandatory)</i></p>	<p>FY 1999: \$250 to \$500 million</p> <p>Five-Year: \$0.5 to \$3 billion</p>	
<p>Health Care: Voluntary Purchasing Cooperatives -- To address the fact that small business employers and employees still face great difficulties in obtaining affordable health care coverage, this initiative would provide competitively awarded grants to states to establish <u>voluntary purchasing cooperatives</u>.</p> <p><i>(Mandatory)</i></p>	<p>FY 1999: \$10 to \$20 million</p> <p>Five-Year: \$50 to \$100 million</p>	
<p>Health Care: National Institutes of Health Budget -- <u>Recognizing the great potentials of the age of biology and the potential to develop new treatments and cures for costly diseases, this proposal would substantially increase resources at the NIH to expedite progress in the areas with the most potential.</u></p> <p><i>(Mandatory)</i></p>	<p>FY 1999: \$1 billion</p> <p>Five-Year: \$10 to \$15 billion</p>	

<p>Health Care: Race and Health Initiative --This proposal contains a number of public health education and prevention efforts to reduce extreme racial disparities in health care. <i>(Discretionary)</i></p>	<p>FY 1999: 200¹⁸⁰ million Five-Year: N/A</p>	
<p>Health Care: AIDS Spending -- This initiative would increase funds for prevention, treatment, and education for people with HIV/AIDS <i>(Discretionary)</i></p>	<p>FY 1999: \$115 million Five-Year: N/A</p>	
<p>Housing/Welfare: Welfare to Work Housing Vouchers -- A proposal for 50,000 new housing vouchers to assist welfare recipients who must relocate in order to find employment, as well as to help address the shortage of affordable housing. <i>(Mandatory)</i></p>	<p>FY 1999: \$100 to \$300 million Five-Year: \$1.3 billion</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Housing: Raise the cap on the Low Income Housing Tax Credit (LIHTC) -- A proposal to partially offset the loss of the credit's value since 1986 because of inflation and population growth. <i>(Mandatory)</i></p>	<p>FY 1999: \$120 million Five-Year: \$600 million</p>	<p>Memo submitted into POTUS on 12/6/97.</p>
<p>Housing: Homeownership Initiative -- A play-by-the-rules homeownership proposal to provide assistance to families who have paid their rent on time but have some impediment to buying their own home</p>	<p>FY 1999: \$30 million Five-Year: \$150 million</p>	
<p>Labor/Jobs: Child Labor Initiative -- A comprehensive Child Labor Action Plan, anchored by a \$100 million commitment to the International Program on the Elimination of Child Labor (IPEC) -- a voluntary program of the International Labour Organization which is dedicated to the elimination of child labor.</p>	<p>FY 1999: Five-Year:</p>	
<p>Labor/Jobs: Unemployment Insurance</p>	<p>FY 1999: Five-Year:</p>	
<p>Pensions:-An expanded pension coverage initiative that focuses on a simplified defined benefit plan for small businesses, based on the SAFE plan proposed by the American Society of Pension Actuaries (ASPA). Also looking at a payroll deduction IRA proposal, a three-year vesting requirement for employer matching contributions in 401(k) plans, a women's pension initiative, and a pension right-to-know proposal.</p>	<p>FY 1999: Five-Year:</p>	