

DOMESTIC POLICY DISCRETIONARY FY 2000 NEW INITIATIVES

Budget - FY 2000

<u>Initiative</u>	<u>Purpose</u>	<u>Funding Request</u>
I. HEALTH		
a. BIOTERRORISM	To train epidemic intelligence officers, develop a mass casualty emergency response system, maintain stockpile of pharmaceuticals, and develop new vaccines and antibiotics.	\$90
b. SUPERBUG	To educate health providers and consumers on appropriate use of antibiotics and to undertake research and surveillance efforts that will help in developing effective responses to antibiotic resistance.	\$10
c. LONG TERM CARE: FAMILY CAREGIVER SUPPORT	To establish one-stop-shops to assist families who care for severely impaired elderly relatives through counseling, training, respite service, and adult day care.	\$140
d. LONG TERM CARE: NURSING HOME QUALITY	To strengthen enforcement of nursing home standards, including by increasing surveys of repeat offenders and improving training of surveyors.	\$50 (eliminating need for user fees)
e. LONG TERM CARE: EDUCATION OF MEDICARE BENEFICIARIES	To educate beneficiaries about limits of Medicare coverage of long-term care and inform them about private sector options.	\$25

f. AIDS	To increase access to Ryan White programs. To sustain commitment to prevention and treatment programs focused on minority communities.	\$50 \$50
g. RACE AND HEALTH	To sustain commitment to public health efforts dedicated to reducing racial disparities in disease incidence.	\$80 (eliminating earmark)
h. MENTAL HEALTH	To provide direct mental health services and to raise awareness of mental health problems.	\$100
I. ASTHMA	To disseminate new treatment guidelines for asthma, raise public awareness about asthma, reduce asthma triggers in homes, and establish school-based asthma programs.	\$25
j. RURAL EMERGENCY SERVICES	To improve access to emergency medical services in rural areas.	\$25
k. CHILDREN'S HOSPITALS	To assist children's hospitals in providing graduate medical education.	\$40
l. DoD MEDICAL RESEARCH	To strengthen cancer research and osteoporosis research programs at DoD.	\$200
HEALTH SUBTOTAL (NOT INCLUDING DoD INCREASE)		\$685
II. EDUCATION		
a. SOCIAL PROMOTION/AFTER-SCHOOL	To promote social promotion policies and expand supportive summer school and after-school services.	\$450

b. TEACHER QUALITY	To (i) expand Higher Education Act scholarship program and provide fellowships to top high-school students entering careers in teaching through Byrd Scholarship program; (ii) continue Troops to Teachers program and encourage other mid-career professionals to enter teaching; (iii) assist districts to reduce number of out-of-field teachers; and (iv) set up principal academies.	\$250
c. CHARTERS AND CHOICE	To accelerate charter school expansion and promote work-site schools and magnet schools on university campuses.	\$60
d. ACCOUNTABILITY FUND	To provide new monies in Title I to assist states in turning around low-performing schools by supporting external assessments of schools and responses to critical needs.	\$200
EDUCATION SUBTOTAL		\$960 (but could delay teachers or accountability fund)
III. TOBACCO		
a. DOD/VA CESSATION	To provide smoking cessation services to veterans and military personnel.	\$90 (another \$60 in defense spending)
b. PUBLIC HEALTH (CDC)	To fund counteradvertising and public information campaigns addressed to youth smoking, and to work with states and other countries on implementing effective tobacco control policies.	\$27

c.	FDA ENFORCEMENT	To enforce FDA rule's access restrictions through conducting compliance checks of retail establishments.	\$66
d.	MEDICARE SUIT	To support DOJ and other agencies in preparing large-scale litigation against the tobacco companies.	\$20 (estimate)
	TOBACCO SUBTOTAL (NOT INCLUDING DOD COSTS)		\$203
IV. WELFARE			
a.	CHILD SUPPORT	To double prosecutions of egregious child support violators by providing funds for investigative and legal support.	\$10
b.	ACCESS TO JOBS	To expand program to connect welfare recipients to jobs by providing new or expanded transportation services. (N.B. We are reviewing Chris Edley idea on how to target this increase.)	\$75
c.	HOUSING VOUCHERS	To bring total number of welfare-to-work housing vouchers to 100,000.	\$145
	WELFARE SUBTOTAL		\$230
V. WOMEN, CHILDREN, AND FAMILIES			
a.	CHILD WELFARE JUDICIAL REFORM	To support courts handling abuse and neglect cases by providing technological services, training, and technical assistance.	\$5
b.	FMLA AND PAID LEAVE RESEARCH FUND	To conduct research on how states can best provide paid leave systems.	\$10
c.	ABORTION SAFETY	To improve security of abortion clinics by providing additional U.S. Marshall support and giving grants to conduct security assessments.	\$5

FAMILIES SUBTOTAL		\$20
VI. SERVICE		
a.	EXPANDING AMERICORPS	To expand the number of Americorps members to 100,000 by 2001, with new initiatives involving high school and college students.
b.	SENIORS FOR SCHOOLS	To create a senior corps of 40,000 people to serve as tutors, mentors, and afterschool workers.
SERVICE SUBTOTAL		\$172
VII. MISCELLANEOUS		
a.	FOOD SAFETY	To establish a nationally integrated food safety system, involving federal, state, and local officials, and to enhance international surveillance and inspections.
b.	EQUAL PAY	To support EEOC and DOL in performing outreach and technical assistance activities and upgrading enforcement efforts, with a special focus on non-traditional occupations.
MISCELLANEOUS SUBTOTAL		\$95
VIII. CRIME (OUTSIDE THE POT)		
a.	COPS II	To renew the President's COPS initiative, with new emphases on crime-fighting technologies, community-based prosecutors, and community crime prevention programs.
b.	FIREARMS ENFORCEMENT	To expand the Youth Crime Gun Initiative and dedicate new resources for federal, state, and local law enforcement to investigate and prosecute gun crimes.

c. CERTAINTY OF PUNISHMENT	To develop and implement punishment alternatives to incarceration for youthful offenders.	\$95
d. COERCED ABSTINENCE	To ensure rigorous drug testing, sanctions, and treatment for all drug offenders within the criminal justice system.	\$95
CRIME SUBTOTAL		\$965

<p>DOMESTIC VIOLENCE</p> <p>States may elect the Family Violence Option under their state plan, and provide good cause waivers of program reqts to victims of domestic violence.</p>	<p>Granting of such waivers by a state does not directly affect the determination whether the state has met its participation rates or time-limit exception cap. However, if the state has granted good cause waivers that meet certain stds, and would have met the participation rate or 20% cap when waiver cases are taken out of the calculation, we will grant reasonable cause. (State waiver and SSP policies can affect eligibility for this reasonable cause.)</p> <p>The stds we set in NPRM included individualized strategies based on individual needs assessments; waivers cannot exceed 6 months; waivers must be under FVO; time-limit waivers do not stop the clock and are limited to cases where victim cannot work when the time-limit is reached; service plan that includes work expectations must be in effect.</p>	<p>About 25 comments came specifically from women's groups, legal organizations, or members of the domestic violence community. Their concerns were generally consistent with the views of states, the unions, and other advocates on this issue.</p> <p>With a few notable exceptions, commenters were satisfied with the general framework, but objected to specific aspects of our policy.</p> <p>We did not assure confidentiality (as statute provides); service plan was not appropriate and could put victims at added risk; 6-month limit on waiver was inappropriate (statute says as long as necessary); allowing time-limit waivers only where victim couldn't work was inappropriate; should allow clock to stop.</p>	<p>Add reference to confidentiality reqt.</p> <p>Allow waivers for as long as necessary, but require 6-month redeterminations.</p> <p>Clarify that welfare agencies should work with providers in domestic violence community to develop appropriate service strategies and coordinate decisions. Clarify that NPRM did not envision that welfare agency would be making all these decisions.</p> <p>Clarify in preamble that victims of domestic violence should be protected from inappropriate sanctions through state good cause provisions.</p> <p>Keep service plan reqt; indicate that work included, to extent consistent with safety and fairness.</p> <p>Remove link between time-limit waivers and ability to work. Allow clock to stop when family has waiver.</p> <p>See "Domestic Violence" section in Preamble, reg at subpart B of part 260.</p>
<p>DEFINITION OF WORK</p> <p>In determining whether states are meeting participation rates, specific lists of activities count as work and other participation</p>	<p>States may define these activities, but must provide us a definition.</p>	<p>With very limited exceptions, commenters supported our decision not to create federal definitions.</p>	<p>Make no change in reg.</p>

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FRANK Cole*

DATA COLLECTION			
<p>States must report detailed disaggregated data on families receiving TANF assistance and a limited amount of aggregate data, including some expenditure data. They may use samples for case-record reporting.</p> <p>Secretary must report annually to Congress on state program characteristics, participation rates, and demographic and financial characteristics of families applying for, receiving, or becoming ineligible for, assistance.</p> <p>States that fail to submit reports required under the statute are subject to penalties of up to 4% for any quarter.</p> <p>HHS has limited authority to require data collection and reporting not specified in the law.</p>	<p>In addition to variables specifically in the statute, states must file disaggregate data to compile participation rates and monitor time limits, and a limited amount of other data. States must file similar data on closed cases for the month of closure.</p> <p>They must report on members in the assistance unit, as well as parents, minor siblings, and others whose income and resources are counted.</p> <p>They must file additional aggregate financial data that we will use in assessing whether there is misuse of TANF funds and proper MOE claims.</p> <p>States must file TANF program data electronically.</p> <p>They must file annual reports that include data necessary for us to complete our annual report to Congress and annual addendum to fiscal reports.</p> <p>Penalties will be assessed where states fail to submit complete and accurate reports that contain statutorily required data. In some cases, other penalties may also apply (e.g., work) if states fail to provide data by which to determine compliance.</p> <p>States must also file reports related to claiming caseload reduction credits, claims of reasonable cause, and child-only cases, and corrective action plans.</p> <p>If they want caseload reduction credit, high performance bonuses, certain penalty relief, they must file comparable data on SSPs that they file on TANF</p>	<p>For states, the data reqts are <u>arguably the biggest issue</u>. They question our legal authority for some of the data collection.</p> <p>Some advocates and a few research types argue that most of these data are appropriate and valuable for tracking the effects of welfare reform. In a few cases they ask for more (i.e., to get a better handle on how TANF and MOE funds are being used to support families and identify whether supplantation is going on.) However, some advocates are concerned that the reqts on SSPs will thwart innovation and collaboration.</p> <p>States complain about the growth in data elements over the Emergency report, underestimates of burden, reqts on closed cases, reqts related to the annual report (which they argue are largely duplicative of state plan information), reporting on individuals not receiving assistance, sample sizes, and the definition of "complete and accurate".</p> <p>States also argue that they need 6-12 months at a minimum to implement reporting changes because of computer set-up and reprogramming problems.</p>	<p>For disaggregate data, we are reducing the number of elements (from <u>106 to 76</u>) and number of codes, and reducing reporting for members of the family who are not in the assistance unit. We are keeping the proposed sample sizes.</p> <p>We are eliminating the annual program performance report and changing the disaggregate reporting on closed cases (to reduce general burden but capture better info on why cases close). We are also proposing a number of clarifications (e.g., on issues such as reporting on non-custodial parents and penalty relief available for less than perfect reporting) that respond to state concerns.</p> <p>We are also reducing SSP case-reporting, so that we capture disaggregated data only for programs that serve basic needs. Would get only aggregate reporting on other SSPs (e.g., EITC). Such changes would result in more appropriate connections between SSP reporting requirements and our penalties. SSP reporting is tied to availability of caseload reduction and high performance bonus, but no longer to penalty relief.</p> <p>We are expanding aggregate reporting on programs used for State MOE, so as to better track State compliance with "new spending" and other MOE requirements.</p> <p>Finally, we are proposing to give States until the end of fiscal year or October 1, 1999, to implement the new reporting reqts and other requirements under the rule.</p> <p>See part 265 and appendices.</p>

show?

<p>CHILD CARE PENALTY</p> <p>If states sanction single custodial parents with a child under 6 in a case where child care was not available, they will be subject to a sanction of up to 5%.</p>	<p>States must establish criteria for determining parents cannot find care and inform parents of these criteria.</p> <p>States will receive the maximum penalty if we see a pattern of substantiated complaints or states do not have a statewide process in place for parents to claim this exemption. States may get a reduced penalty if violations are isolated or have an effect on a minimal number of cases.</p> <p>Under the child care rule, CCDBG agencies must advise parents of this provision (and the fact that an exemption does not stop the clock). The CCDBG State plan must include these criteria.</p>	<p>State agencies argue TANF agencies should administer this provision, not child care agencies.</p> <p>Advocates argue that we should require that welfare agencies advise parents about the availability of the exemption and of the availability of child care subsidies. They also say we should require referral to child care agencies.</p> <p>Advocates and states have differing concerns about the criteria of a "pattern of substantiated complaints."</p>	<p>Retain requirement for child care agencies to advise families and for CCDBG plan to include criteria.</p> <p>Require TANF agencies to advise families about child care protections. Take this factor into consideration in determining maximum penalties.</p> <p>Keep standard of "pattern of substantiated complaints."</p> <p>See preamble and regs for §§261.15, 261.56 and 261.57.</p>
<p>CASELOAD REDUCTION</p> <p>To the extent that caseloads have gone down since 1995, the participation rates states must achieve go down accordingly. However, reductions due to eligibility changes do not count for this purpose.</p>	<p>Reductions in state two-parent caseloads determine the credit for the two-parent rates, and reductions in overall caseloads determine the reduction in the overall participation rate applicable to a state.</p> <p>States must advise us of all eligibility changes and the caseload effects of those changes.</p> <p>Examples of eligibility changes include changes in income and resource standards. States get credit for caseload closures where new verification techniques have found ineligibility, but the standards haven't changed.</p>	<p>States (and some advocates) would like an option to apply the overall caseload reduction or two-parent reduction to the two-parent rate. A few suggest that the overall rate apply to both.</p> <p>States have some complaints about the burden, want full credit for reductions related to new behavioral reqts.</p> <p>States object to including cases in SSPs in calculation and withholding credits unless states submit SSP data.</p> <p>Advocates do not want credit given for cases closed due to full family sanctions, or reductions due to the direct or indirect (deterrent) effect of new state behavioral or procedural reqts.</p> <p>Advocates and states would like offsets for caseload increases that are due to eligibility changes.</p>	<p>Keep separate credits for overall and two-parent participation rates.</p> <p>Modify SSP reporting, as discussed above for programs that are not welfare-like. (See SSP section.)</p> <p>Allow offsets for caseload increases due to eligibility changes. And allow adjustments to 1995 baseline data.</p> <p>Indicate that full-family sanctions and behavioral requirements are eligibility changes.</p> <p>See preamble and reg for subpart D of part 261.</p>

<p>WORKER AND RECIPIENT PROTECTIONS</p> <p>Statute identifies four Federal non-discrimination laws that are applicable within TANF.</p> <p>Statute prohibits displacement of regular employees by TANF recipients and requires states to implement a grievance procedure</p> <p>Sec. 417 limits Fed regulatory and enforcement authority.</p>	<p>Reiterates statutory reqt on displacement.</p> <p>Preamble mentions applicable non-discrimination laws, but indicates no TANF enforcement. Refers to OCR.</p>	<p>Unions , EEOC, and a few legal action groups objected to the lack of attention to this issue.</p> <p>Suggestions included:</p> <ol style="list-style-type: none"> 1) Improve references to other Federal laws , other Federal guidance, and EEOC; 2) Take away credit for participation where displacement occurred; 3) Deny states penalty relief where violations occur; 4) Give complying states credit towards penalty relief; 5) Actively engage in litigation; 6) Set standards for grievance procedures; 7) Suggest that states follow stronger WTW grievance procedures and displacement standards. 	<p>Add references to EEOC, other Federal laws, and other Federal guidance in the preamble.</p> <p>Add regulatory text covering 4 applicable provisions and indicating that sec. 417 does not undermine the applicability of other Federal laws.</p> <p>See “Worker and Recipient Protections” section of preamble and §260.35.</p>
<p>TWO-PARENT PENALTY</p> <p>States must meet a two-parent participation rate, in addition to the overall rate.</p> <p>States failing to meet their work participation rates face a penalty of up to 5 % of their TANF grant in the first year, which grows to up to 21 % for a state that fails year-after-year.</p>	<p>States that miss only the two-parent rate face a reduced penalty based on their two-parent caseload.</p>	<p>Commenters universally commended the two-parent adjustment. A few argued it make more sense to use a national adjustment, and a few argued for other changes to protect states against the tough two-parent standards (e.g., by giving them credit against the two-parent rate for excess participation under the overall rate, giving states offsets in caseload reduction credits for increases in caseload due to eligibility changes.)</p>	<p>Retain the two-parent adjustment provided in determining base penalty amount (Changes to caseload reduction rules may provide relief in some states.)</p>

<p>PENALTY REDUCTION, REASONABLE CAUSE, AND RELATED PROVISIONS</p> <p>For many penalties, states may avoid penalties if the Secretary grants reasonable cause or state comes into compliance under a corrective compliance plan. States have some opportunity for reduced work penalties based on degree of non-compliance or, at the Secretary's discretion, if they are a "needy state" or due to extraordinary circumstances. There may also be penalty reductions if states make substantial progress towards compliance while under a corrective action plan.</p>	<p>Reasonable cause is limited to: natural disasters; incorrect federal policy advice; and isolated, non-recurring problems of limited impact.</p> <p>States operating SSPs or continuing waivers may lose eligibility for penalty relief.</p> <p>To get a reduced work penalty based on degree of non-compliance, states must get within 90 percent of the target participation rate.</p> <p>To get a reduction based on achieving substantial progress during the corrective action period, states must close 50 percent of the gap between participation rate in year for which they failed and rate in effect during corrective action period.</p> <p>Corrective action plan can be no longer than 6 months.</p>	<p>Commenters generally argued for more opportunities for reasonable cause and other penalty relief. Among items suggested for inclusion—economic downturns, caseload increases, other factors beyond state control.</p> <p>Many commenters thought rules should give Secretary more discretion, while some argued for creation of formulas and addition of specific items. For work penalty reductions, some argued for alternative measures of achievement.</p> <p>90% threshold for reducing work penalties appears arbitrary, and produces strange and inequitable results. Some argued that 50% or 75 % would be more appropriate.</p> <p>6-month compliance period is inadequate; often systems changes would be involved.</p>	<p>Keep reasonable cause tight, but allow Secretary to exercise discretion in additional cases.</p> <p>Change the 90 percent threshold for substantial compliance to 50%. Adjust penalty relief for states based on increase in number of participants, number of failures.</p> <p>Keep the 50% threshold for defining significant progress during corrective action period.</p> <p>Modify corrective action period to require compliance within the year of the compliance period for work participation, but provide individualized periods for other penalties (which could be shorter)</p> <p>Calculate base penalty amount on post-transfer funding.</p> <p>See preamble and regs for §§ 263.2-263.7 and subpart E of part 261.</p>
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DES: no evidence that states will undermine the law

data: last 3 mos. of 97 data

chilling effect on SSP spending on hard-to-serve

Barbara: CSE prob.

<p>DEFINITION OF ASSISTANCE</p> <p>Families receiving assistance in TANF program are subject to work reqts, data collection, child support, and time limits (if federally funded)</p>	<p>Most everything is assistance except items that do not have direct monetary value for family (i.e., are not direct or implied income support) -- such as counseling and case management -- and one-time, short-term assistance (limited to once a year, paid over 30 days and covering 90 days). Child care and transportation are in the definition</p>	<p>One-time, short-term definition is too tight; thwarts state diversionary programs.</p> <p>Child care, transportation, and work support should come out; should not be time-limited or assigned for child support.</p> <p>Wage subsidies and workfare should be excluded. Wage subsidies are not of direct monetary value; workfare is compensation for work, should not be time-limited or assigned.</p>	<p>Remove the restrictions on one-time, short-term (i.e., once a year) to allow <u>diversion</u> programs.</p> <p>Based on strong legal arguments, keep child care, transportation, and related work supports in definition. (Develop separate guidance indicating that States would not retain all TANF assistance -- only amounts paid to the family.).</p> <p>Clarify that certain payments to employers might be excluded under existing stds (e.g., payments under performance-based contracts), but workfare payments and some wage subsidies would be assistance.</p> <p>Clarify that assistance received by non-custodial parents and other adults who are not heads of household or spouses of heads of households would not count against the family's time limit.</p> <p>See preamble and reg for §260.30.</p>
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Statutory Provision	NPRM	Comments	Final Rule
<p>SEPARATE STATE PROGRAMS</p> <p>For MOE purposes, qualified State expenditures include expenditures in non-TANF programs that are not subject to TANF rules (e.g., child support and work requirements)</p>	<p>States that create SSPs with the effect of avoiding work requirements or diverting child support collections lose eligibility for penalty relief (4 penalties for either action).</p> <p>States that create SSPs for the purpose of avoiding work lose eligibility for reductions in work penalty amounts.</p> <p>States must report the same data on cases in SSPs as required in TANF to get caseload reduction credits, high performance bonuses, and work penalty relief.</p>	<p>Widespread consensus that NPRM shows distrust, presumes guilt when there is no evidence.</p> <p>Policies violate intent, if not the letter, of the law.</p> <p>SSPs serve valid policy interests—such as providing supports to working families and enabling states to better meet the needs of their most vulnerable families.</p> <p>Threats and data reporting requirements will have a chilling effect on innovation.</p> <p>It is unclear what the criteria are and how they would be applied.</p> <p>SSPs will not necessarily be the same as TANF; requiring comparable data collection would be unreasonable in some cases (e.g., an EITC program).</p>	<p>Remove threats about penalty denial.</p> <p>Require "TANF" reporting on SSPs that address basic needs; remove reporting barriers that might preclude states from providing different kinds of supports and working with alternative delivery systems under SSPs.</p> <p>Tie access to caseload reduction and high performance bonus to SSP reporting ; remove tie to penalty relief .</p> <p>See "Separate State Programs" in Preamble</p>
<p>CHILD-ONLY CASES</p> <p>Unlike prior law, statute does not specify which individuals must be in the filing unit.</p>	<p>States may define "families". However, they may not exclude individuals for the purpose of avoiding work reqts or time limits. If they do, we may add those cases back into the calculations.</p> <p>Also, states must file annual reports on the number of child-only cases, by type.</p>	<p>Widespread objection -- from Hill, states, advocates</p> <p>ACF threats will have a chilling effect on state attempts to serve needy families, and keep children with relatives.</p> <p>ACF cannot judge purposes.</p> <p>Child-only cases exist for valid reasons; have been common under prior law.</p> <p>Proposed rule violates Congressional intent re state flexibility.</p> <p>Reporting is onerous.</p>	<p>Remove threat to add families back in; monitor instead.</p> <p>Use regular TANF data collection system to evaluate nature of child-only cases and monitor changes.</p> <p>See "Child-Only Cases" in Preamble</p>

<p>WAIVERS</p> <p>Under section 415, states may continue waivers to the extent inconsistent with TANF provisions</p>	<p>For this purpose, waivers include specific waivers granted and other provisions of prior law integral to the purpose of the waiver.</p> <p>Inconsistent means complying with TANF would require a change in policy reflected in an approved waiver.</p> <p>Re work reqts, states with waivers could count different activities, and hours of work in some cases, but not exemptions (i.e., change the denominator). States had to have time limits that resulted in case closures or individual termination to claim a time-limit inconsistency.</p> <p>For research purposes, states can carry over provisions of prior law more broadly.</p> <p>For states that continue waivers, the Governor must certify the specific inconsistencies and provide other information. If the state is found penalty-liable for a work participation or time-limit penalty, it is not eligible for reasonable cause, must consider modifying its waivers under corrective action, and loses eligibility for certain penalty reductions.</p> <p>We will publish work participation and time-limit exception rates achieved under waiver and normal TANF rules.</p>	<p>NPRM is not consistent with statute or Congressional intent. HHS does not have the authority to regulate this provision of the statute.</p> <p>Statute indicates we should encourage states to continue their waivers and evaluations -- NPRM violates that provision. Retroactive interpretation of waiver inconsistencies could cause states to abandon their waivers.</p> <p>HHS is presupposing what the purpose of a state's waiver is; that is matter for states to determine.</p> <p>HHS does not have the right to require that continuation of waivers be balanced against the objectives of the Act.</p> <p>Commenters have general perspective (somewhat implied) that authority to continue waivers is authority to continue whole program in the demonstration.</p>	<p>States have authority to continue waivers "to the extent" inconsistent with TANF statute; rules address implications re work and time-limit penalty determinations.</p> <p>States may not avoid data collection requirements, child support requirements, or work participation penalties under this provision. States may not expand geographic scope of waiver or scope of families covered.</p> <p>"Waiver" of a work provision would encompass all prior law related to the policies in section 407 (i.e., re allowable activities, hours, exemptions from the denominator, and sanctions). To claim time-limit inconsistency, State would have needed a waiver to reduce or terminate assistance based on passage of time (i.e., have a waiver that created an inconsistency with section 408(a)(7)).</p> <p>HHS will compute and publish information from TANF data collection on participation rates that waiver states would have achieved under TANF rules.</p> <p>HHS will require specific certification by state of its inconsistencies and the applicable alternative work or time-limit policies in effect.</p> <p>States will not be disqualified from penalty relief or expected to abandon waivers as part of corrective action. See "Waivers" section of Preamble and subpart C of Part 260.</p>
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<p>ADMINISTRATIVE COSTS</p> <p>For both federal and state monies, no more than 15% of expenditures may go towards administrative costs.</p>	<p>15% cap applies to the post-transfer amount.</p> <p>Preamble says that eligibility determination costs (but not case management) must be charged to admin costs depending on how workers spend their time.</p> <p>Preamble suggests that contractor costs must be allocated in the same way as agency costs.</p>	<p>States say cap should apply to the pre-transfer amount.</p> <p>States and counties feel the preamble policies will have had program effects—increasing administrative and accounting burdens and discouraging participation of community-based groups in delivery of services.</p> <p>The preamble language does not reflect the changing role of front-line workers. The distinction between eligibility determination and case management is not clear.</p> <p>One union commented that treatment of admin costs should not distinguish between TANF agency and third-party expenditures.</p>	<p>Cap applies to post-transfer amount. [NOTE: For consistency's sake, we would also use post-transfer amounts in determining the base for penalty calculations. This has the effect of reducing maximum penalties by up to 30 percent for states that transfer the maximum amount allowable.]</p> <p>Revise regulatory text to explicitly include eligibility determination within definition of administrative costs. Require state definitions consistent with regulatory framework.</p> <p>Allow contracted services to be charged as program costs; base determinations on nature of contract.</p> <p>See preamble discussion for part 263.0 and regs at §§ 263.0, 263.2, and 263.13.</p>
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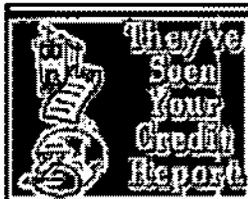
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Dead-Beats Contribute to Poverty

By *Laura Meckler*
Associated Press Writer
Friday, April 23, 1999; 2:39 a.m. EDT

WASHINGTON (AP) — Absentee parents who spend time with their children are more likely to pay child support, the Census Bureau says.

But researchers do not know if the visits make parents more likely to pay up or those who pay are more likely to insist on visits.

In any case, the new statistics, being released today, offer support to projects under way across the country that try to connect fathers with their children, for both emotional and financial reasons.

About three-fourths of those who had joint custody or visitation agreements made payments in 1995. That compares with just 35 percent of those without these agreements.

The report also finds that parents who do not pay support are more likely to have children who live in poverty. It spotlights a striking problem in the era of welfare reform, where child support is supposed to make up some of the money lost when families leave the rolls.

But the Census report is based on data from 1995. Since then, there have been new efforts to collect more money and collections have risen.

Part of the problem is that many of the fathers of these children also are poor.

"They have similar if not more barriers (than low-income women) to getting work," said Michael Kharfen, a spokesman for the Department of Health and Human Services. "A lot of them have jail time."

Overall, the report found that \$17.8 billion was paid in support in 1995. That's 63 percent of the \$28.3 billion that parents said they were owed.

The Census report is the nation's only estimate of all child support paid and owed across the country. HHS releases similar numbers, but those figures only capture parents who pay through the government's collection system, explaining why the HHS collection numbers for 1995 were lower.

But the Census report also concluded that just \$28.3 billion was

owed, whereas HHS says nearly \$50 billion was due that year. That may be because parents responding to the Census questionnaire did not admit all the support owed from previous years.

Other findings in the Census report include:

-- In spring 1996, when the survey was conducted, 22.8 million children under 21 years lived with 13.7 million parents while their other parent lived elsewhere. That's 28 percent of all children under 21 living in families.

-- The vast majority -- 85 percent -- of these custodial parents were women.

-- Mothers were more likely to receive child support from absentee fathers than fathers were from absentee mothers.

-- About seven in 10 custodial parents who were due child support got at least a portion of what was owed. The average received was \$3,732.

-- About four in 10 got everything they were owed.

-- About 32 percent of custodial parents who were owed child support but did not get anything lived below the poverty line. By contrast, about 22 percent of parents who got at least part of what they had coming were poor.

Focusing on custodial mothers, the report found that moms were most likely to receive payments if they were wealthier, white, educated, older than 30 and divorced.

For instance, 62 percent of poor women received at least some of the money, compared with 73 percent of non-poor women. Nearly three out of four white women got something; for blacks it was 59 percent and for Hispanics, 58 percent.

Just over half of women who had never been married got payments versus 73 percent of those who had been divorced.

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FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
Agriculture/Rural Development								
Agriculture:								
County Office S&E and Common Computing Envir.....	2,270	2,377	2,253	2,268	13	-94	-4	-111
Food Safety Initiative (USDA).....	119	151	124	136	5	-27	17	-15
Lands Legacy.....	---	50	---	0	---	-50	0	-50
Clean Water Action Plan.....	1	48	1	6	---	-47	5	-42
Food & Nutrition Srvc/Economic Research Srvc..	12	13.7	17	12	5	3	---	-2
HHS:								
FDA Tobacco Enforcement Activities.....	34	68	34	34	---	-34	---	-34
Food Safety Initiative (FDA).....	158	188	188	183	30	---	25	-5
Other FDA.....	943	1,082	1,049	993	106	-33	50	-89
Subtotal FDA.....	1,135	1,338	1,271	1,210	136	-67	75	-128
Subtotal, Agriculture.....	3,537	3,978	3,696	3,630	159	-282	93	-347

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Commerce/Justice/Sate								
Commerce:								
2000 Census.....	1,239	4,638	4,619	2,915	3,380	-19	1,676	-1,723
NIST ATP.....	204	239	--	227	-204	-239	23	-12
NOAA: Lands Legacy.....	78	183	81	109	3	-102	31	-74
NOAA: Pacific Coast Salmon Initiative.....	--	160	--	100	--	-160	100	-60
NOAA: Environ. Prog. (GLOBE, Clean Water, ESA).....	48	82	41	57	-7	-41	9	-25
Globe (included above).....	3	5	--	3	-3	-5	--	-3
Clean Water Action Plan (included above).....	17	22	15	14	-2	-7	-3	-8
Endangered Species Act (included above).....	28	55	26	40	-2	-29	12	-15
NOAA: Natnl. Polar Orbiting Envir. Satellite Syst.....	65	80	40	80	-25	-40	15	--
Economic Development Administration.....	392	393	388	228	-4	-5	-164	-165
Critical Infrastructure Assurance Office.....	6	6	--	6	-6	-6	--	--
Digital Transition for Public Broadcasters.....	21	35	18	30	-3	-17	9	-5
Justice:								
COPS/21st Century Policing Initiative.....	1,430	1,275	268	325	-1,162	-1,007	-1,105	-950
Core DOJ Law Enforcement (FBI, DEA, USA).....	6,148	6,702	6,373	6,120	225	-329	-28	-582
Immigration and Naturalization Service (INS).....	2,657	3,037	3,021	2,709	364	-16	52	-328
Guam/INS (included above).....	--	19	--	--	--	-19	--	-19
Terrorism and Critical Infrastructure.....	214	266	138	286	-76	-128	72	20
Drug Testing & Intervention Program.....	103	215	103	103	--	-112	--	-112

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Civil Rights Division/Enforcement Partnerships.....	69	82	74	71	5	-8	2	-11
Tobacco Litigation.....	143	189	149	143	6	-40	---	-46
Indian Country Law Enforcement.....	89	124	---	111	-89	-124	22	-13
State:								
Security and Maintenance of U.S. Missions.....	1,081	748	717	583	-364	-31	-498	-165
Advance Appropriation.....	---	3,600	---	---	---	-3,600	---	-3,600
Contributions to International Organizations.....	922	963	843	836	-79	-120	-86	-127
Contributions to International Peacekeeping.....	231	235	200	144	-31	-35	-87	-91
UN Arrears.....	475	446	351	351	-124	-95	-124	-95
State Department Operations.....	3,326	2,928	2,807	2,721	-519	-121	-605	-207
SBA:								
Small Business Loan Program Funding.....	125	148	129	168	4	-19	43	20
New Markets Initiative.....	---	85	---	---	---	-85	---	-85
Disaster Loan Program.....	248	207	201	78	-47	-6	-170	-129
New Budget Authority (included above).....	76	39	139	78	63	100	2	39
Contingent Emergency Funding (included above).....	71	158	---	---	-71	-158	-71	-158
Carryover/Recoveries (included above).....	101	10	62	---	-39	52	-101	-10
Administrative Expenses.....	376	408	321	303	-55	-87	-73	-105
Emergency Funding (included above).....	---	75	---	---	---	---	---	---
Carryover/Recoveries (included above).....	5	---	---	---	---	---	---	---
Business/Disaster Loan Admin. (included above).....	245	292	210	215	---	---	---	---

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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OIA's:								
Equal Employment Opportunity Commission.....	279	312	279	279	—	-33	—	-33
FCC Spectrum Bankruptcy Provision.....	---	-200	---	-200	---	200	-200	---
Legal Services Corporation (LSC).....	300	340	250	300	-50	-90	—	-40
Securities and Exchange Commission (SEC).....	358	363	333	374	-25	-30	16	11
USIA: International Broadcasting Operations.....	384	432	410	386	26	-22	2	-46
Subtotal, Commerce/Justice/State.....	20,839	28,553	22,092	19,943	1,253	-6,461	-897	-8,610

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Defense:								
DoD Military Topline excl. Spectrum (Non-Add).....	250,720	262,933	268,408	264,382	17,688	5,475	13,662	1,449
F-22								
Procurement.....	769	1,852	---	1,852	-769	-1,852	1,083	---
Research and Development.....	1571	1222	1222	1222	-349	---	-349	---
Chemical Demilitarization (OOO/FEMA).....	777	1,169	776	1,024	-1	-393	247	-145
Overseas Contingency Operations Transfer Fund.....	7,305	2,388	1,813	2,088	-5,492	-575	-5,217	-300
GPS.....	192	270	202	270	10	-68	78	---
Medium Extended Air Defense System (MEADS).....	---	49	---	49	---	-49	49	---
LHD-8 Amphibious Ship.....	45	---	---	500	-45	---	455	500
DoD Counter Drug Forward Operating Locations.....	---	43	43	---	43	---	---	-43
National Polar Orbiting Operational Environmental Satellite System (NPOESS).....	65	80	40	80	---	---	---	---
Global AIDS.....	---	10	---	---	---	-10	---	-10
Subtotal, Defense.....	10,724	7,083	4,096	7,085	-6,603	-2,947	-3,654	2

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Energy/Water Development								
Energy:								
Nuclear Waste Disposal (Yucca Mountain).....	358	409	281	365	-77	-128	-3	-54
Weapons Activities.....	4,400	4,508	3,962	4,610	-438	-546	210	102
Defense Envir. Restoration/Waste Mgmt.....	4,321	4,498	4,158	4,552	-163	-340	231	54
Spallation Neutron Source Construction.....	130	214	68	187	-62	-148	57	-27
President's IT2 Initiative (DOE).....	---	70	10	15	10	-60	15	-56
Climate Change Technology Initiative (DOE).....	350	437	317	339	-33	-120	-11	-98
Solar and Renewable Energy (incl. above).....	336	398	309	301	-27	-89	-35	-97
Next Generation Internet.....	15	15	---	---	-15	-15	-15	-15
Corps of Engineers:								
Everglades Restoration.....	29	110	98	92	69	-12	63	-18
California Bay-Delta Ecosystem Restoration.....	75	95	75	50	---	-20	-25	-45
Columbia River Salmon Restoration.....	95	100	65	70	-30	-35	-25	-30
Harbor Services Trust Fund.....	---	-494	---	---	---	494	---	494
TVA:								
Land Between the Lakes.....	7	7	---	7	-7	-7	---	---
Subtotal, Energy/Water.....	9,780	9,969	9,034	10,277	-746	-935	497	308

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Foreign Operations								
Treasury:								
International Narcotics and Law Enforcement.....	261	295	285	215	24	-10	-46	-80
International Assistance Programs:								
Multilateral Development Banks Summary (Non-Add)...	1,451	1,394	902	942	-549	-492	-509	-452
Global Environmental Fund (GEF).....	168	143	50	25	-118	-93	-143	-118
Asian Development Bank & Fund.....	223	191	114	64	-109	-77	-159	-127
African Development Fund.....	128	132	108	5	-20	-24	-123	-127
International Development Association (IDA).....	800	803	569	776	-231	-234	-24	-27
AID Devt Assist/Child Survival and Disease Prog.....	1,781	1,878	1,757	1,783	-24	-121	2	-95
AID Operating Expenses (incl. IG).....	493	553	480	495	-13	-73	2	-58
Peace Corps.....	240	270	240	220	---	-30	-20	-50
Debt Restructuring (HIPC).....	33	370	33	43	---	-337	10	-327
Support for Eastern Europe and Baltic States.....	550	714	393	535	-157	-321	-15	-179
New Independent States (NIS) Assistance.....	847	1,032	725	780	-122	-307	-67	-252
Wye River Memorandum Funding.....	100	500	100	---	---	-400	-100	-500
Economic Support Fund.....	2,433	2,389	2,247	2,196	-186	-142	-238	-194
Peacekeeping Operations.....	77	130	77	80	---	-53	3	-50

FY 2000 FUNDING ISSUES

6/30/99

4:26 PM

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Non-proliferation, anti-terrorism, demining and related programs incl. KEDO.....	198	231	182	175	-16	-49	-23	-56
Global AIDS.....	---	55	---	---	---	-55	---	-55
Subtotal, Foreign Operations.....	8,332	9,686	7,360	7,391	-972	-2,326	-941	-2,295

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Interior								
Agriculture:								
Forest & Rangeland Research.....	197	235	204	187	7	-31	-10	-48
Climate Change Technology Initiative (incl. above)...	---	6	---	---	---	-6	---	-6
Lands Legacy (USDA).....	155	216	40	82	-115	-178	-73	-136
Clean Water Action Plan (USDA).....	281	359	308	276	27	-51	-5	-83
Energy:								
Energy Conservation.....	692	838	696	683	4	-142	-9	-155
Fossil Energy/Clean Coal R&D.....	344	108	24	211	-320	-84	-133	103
Elk Hills Installment Payment.....	36	36	36	---	---	---	-36	-36
HHS:								
Indian Health Service.....	2,242	2,412	2,398	2,324	156	-14	82	-98
Interior:								
Lands Management Ops. (DOI/USDA) non-add.....	[4,260]	[4,509]	[4,479]	[4,373]	[219]	[-30]	[113]	[-136]
Park Service Unrequested Constr. Projects.....	226	194	170	221	-56	-24	-5	27
BIA Indian School Construction & Bond Proposal.....	60	108	61	82	1	-47	22	-26
Tribal Priority Allocations (BIA).....	699	716	698	693	-1	-18	-6	-23
Office of Spec. Trustee for American Indians (Interior)...	66	100	95	79	29	-5	13	-21
Lands Legacy Initiative (DOI).....	225	579	208	179	-17	-371	-46	-400
Everglades Restoration (included above).....	80	80	42	33	-38	-38	-47	-47

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Clean Water Action Plan (DOI).....	348	372	360	348	12	-12	---	-24
Millennium Initiative.....	30	30	---	---	-30	-30	-30	-30
Assistance to Guam (appropriated entitlement).....	5	10	5	5	---	-5	---	-5
OIA's:								
Institute of Museum & Library Services.....	23	34	24	24	1	-10	1	-10
National Endowment for the Arts.....	98	150	98	99	---	-52	1	-51
National Endowment for the Humanities.....	111	150	111	100	---	-39	-11	-50
Smithsonian Institution.....	408	447	438	423	30	-9	15	-24
Subtotal, Interior.....	6,241	7,086	5,969	6,011	-272	-1,117	-230	-1,075

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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.. Labor/HHS								
Education:								
Title I -- Education for the Disadvantaged.....	7,676	7,996			-7,676	-7,996	-7,676	-7,996
Special Education - Part B State Grants.....	4311	2389			-4,311	-2,389	-4,311	-2,389
Advance Appropriation.....		1925			---	-1,925	---	-1,925
After-school -- 21st Century Community Learning Centers.....	200	600			-200	-600	-200	-600
Schools as Centers of Community.....	---	10			---	-10	---	-10
Safe and Drug Free Schools and Communities Act.....	566	591			-566	-591	-566	-591
Reading Excellence Act (America Reads).....	260	286			-260	-286	-260	-286
Gear-Up.....	120	240			-120	-240	-120	-240
Indian Education.....	65	77			-65	-77	-65	-77
Adult Education (Hispanic Education Action Plan).....	385	575			-385	-575	-385	-575
Bilingual and Immigrant Education.....	380	415			-380	-415	-380	-415
Impact Aid.....	854	736			-854	-736	-854	-736
Pell Grants (BA).....	7,704	7,463			-7,704	-7,463	-7,704	-7,463
Balances needed.....	-312	449			312	-449	312	-449
Total, Program Level.....	7,392	7,912	---	---	-7,392	-7,912	-7,392	-7,912
Work-Study.....	870	934			-870	-934	-870	-934
Comprehensive School Reform Demonstration.....	145	175			-145	-175	-145	-175
Voluntary National Tests.....	2	16			-2	-16	-2	-16

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Education Technology.....	698	801			-698	-801	-698	-801
Education Research and Statistics.....	252	320			-252	-320	-252	-320
School Construction (Appropriation).....	---	---	---	---	---	---	---	---
HHS:								
Temporary Assistance for Needy Families (TANF).....	0	-1683			---	1,683	---	1,683
Social Service Block Grant (SSBG).....	0	-600			---	600	---	600
Head Start.....	4,660	5,267			-4,660	-5,267	-4,660	-5,267
National Family Caregiver Support Program.....	---	125			---	-125	---	-125
Home-Delivered Meals.....	112	147			-112	-147	-112	-147
Global AIDS.....	---	35			---	-35	---	-35
Labor:								
Employment Service State Grants.....	762	815			-762	-815	-762	-815
One-Stop Career Centers.....	147	149			-147	-149	-147	-149
Adult Employment and Training.....	955	955			-955	-955	-955	-955
Dislocated Workers.....	1406	1596			-1,406	-1,596	-1,406	-1,596
School-To-Work (Education & DOL).....	250	110			-250	-110	-250	-110
Youth Opportunity Grants (YOG).....	250	250			-250	-250	-250	-250
Youth Activities Grants.....	1001	1001			-1,001	-1,001	-1,001	-1,001
Right Track Partnerships (RTP).....	---	75			---	-75	---	-75

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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OSHA funding.....	353	388			-353	-388	-353	-388
National Labor Relations Board.....	184	210			-184	-210	-184	-210
Subtotal, Labor/HHS.....	34,579	32,464	—	—	-34,579	-32,464	-34,579	-32,464

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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Transportation								
FAA Operations.....	5,557	6,039	5,925	5,908	368	-114	351	-131
FAA Facilities and Equipment.....	2,123	2,319	2,200	2,046	77	-119	-77	-273
GPS.....	---	17	---	---	---	-17	---	-17
Livability - Job Access/Reverse Commute.....	75	150	75	75	---	-75	---	-75
Transportation Community Preservation Program.....	14	48	24	12	10	-24	-2	-36
Other Transportation Livability Initiatives.....	4,207	5,080	4,622	4,629	415	-458	422	-451
FTA Formula Grants (included above).....	2,799	3,310	3,098	3,098	299	-212	299	-212
FHWA CMAQ Program (included above).....	1,408	1,770	1,524	1,531	116	-246	123	-239
NHTSA (Operations and Research) .	161	197	161	169	---	-36	8	-28
Subtotal, Transportation.....	12,137	13,850	13,007	12,839	870	-843	702	-1,011

FY 2000 FUNDING ISSUES

8/30/99

4:26 PM

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<u>Agency/Program</u>	<u>FY 1999</u> <u>Enacted</u> <u>BA</u>	<u>FY 2000</u> <u>Proposed</u> <u>BA</u>	<u>Latest House</u> <u>Action</u> <u>BA</u>	<u>Latest Senate</u> <u>Action</u> <u>BA</u>	<u>House Less</u> <u>Enacted</u> <u>BA</u>	<u>House Less</u> <u>Proposed</u> <u>BA</u>	<u>Senate Less</u> <u>Enacted</u> <u>BA</u>	<u>Senate Less</u> <u>Proposed</u> <u>BA</u>
<u>Treasury/General Government:</u>								
ATF Headquarters.....	---	15	---	---	---	-15	---	-15
IRS Organizational Modernization/ Restructuring & Reform Service Improvements.....	8,268	8,249	8,110	8,191	-158	-139	-77	-58
GSA Federal Buildings Fund.....	293	4	-195	-217	-488	-199	-510	-221
New Obligational Authority (Non-add).....	[5,605]	[5,345]	[5,146]	[5,144]	[-460]	[-197]	[-464]	[-201]
ONDCP Media Campaign.....	185	195	195	146	10	---	-39	-49
EOP-Unanticipated Needs.....	1	1	1	---	---	---	-1	-1
Subtotal, Treasury/General Government.....	8,747	8,464	8,111	8,120	-636	-353	-627	-344

FY 2000 FUNDING ISSL

8/30/99

4:26 PM

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
VA/HUD:								
HUD:								
Incremental Housing Vouchers.....	10,326	11,522	10,540		214	-982	-10,326	-11,522
Homeless Assistance Grants.....	975	1,025	970		-5	-55	-975	-1,025
America's Private Investment Corporation.....	--	37	--		--	-37	--	-37
Empowerment Zones.....	45	20	--		-45	-20	-45	-20
Regional Connections.....	--	50	--		--	-50	--	-50
Brownfields (HUD).....	25	50	20		-5	-30	-25	-50
Youthbuild.....	43	75	43		--	-33	-43	-75
Livability.....	--	100	--		--	-100	--	-100
Regional Empowerment Zones (included above).....	--	50	--		--	-50	--	-50
Abandoned Buildings (included above).....	--	50	--		--	-50	--	-50
HOPWA.....	225	240	215		-10	-25	-225	-240
Fair Housing.....	40	47	38		-3	-10	-40	-47
Climate Change Technology Initiative (PATH).....	10	10	8		-2	-2	-10	-10
VA:								
VA Medical Care.....	17,279	17,306	19,006		1,727	1,700	-17,279	-17,306
General Administration.....	199	206	190		-9	-16	-199	-206
Inspector General.....	36	43	39		3	-5	-36	-43
Minor Construction.....	175	175	102		-73	-73	-175	-175

FY 2000 FUNDING ISSL

8/30/99

4:26 PM

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
Veterans Benefits Administration.....	812	860	849		37	-11	-812	-860
EPA:								
Drinking Water SRF.....	775	825	775		--	-50	-775	-825
Clean Air Partnership.....	-	200	36		36	-164	--	-200
Superfund.....	1,500	1,500	1,450		-50	-50	-1,500	-1,500
Brownfields (included above).....	90	90	90		--	--	-90	-90
Operating Program.....	3,490	3,682	3,487		-3	-195	-3,490	-3,682
Clean Water Action Plan (included above).....	605	630	630		25	--	-605	-630
Climate Change Tech. Initiative (included above).....	109	216	105		-4	-111	-109	-216
Globe (included above).....	0	1	1		1	--	--	-1
Montreal protocol (included above).....	11	21	0		-11	-21	-11	-21
FEMA Disaster Relief Fund.....	1,586	2,777	297		-1,289	-2,480	-1,586	-2,777
BA (included above).....	308	297	297		-11	--	-308	-297
Contigent Emergency (included above).....	1,278	2,480	-		-1,278	-2,480	-1,278	-2,480
FEMA Food and Shelter Program	100	125	110		10	-15	-100	-125
NASA:								
Space Science.....	2,119	2,197	1,932		-187	-265	-2,119	-2,197
Earth Science.....	1,414	1,459	1,173		-241	-286	-1,414	-1,459
Globe included above.....	5	5			-5	-5	-5	-5
Human Space Flight.....	5,480	5,638	5,388		-92	-250	-5,480	-5,638
Space Station (included above).....	2,305	2,483	2,383		78	-100	-2,305	-2,483
Mission Support.....	2,511	2,495	2,269		-242	-226	-2,511	-2,495

FY 2000 FUNDING ISSU.

8/30/99

4:26 PM

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NSF:								
NSF overall funding.....	3,671	3,922	3,647		-24	-275	-3,671	-3,922
Globe (included above).....	2	2	2		--	--	-2	-2
President's IT2 Initiative (included above).....	--	146	35		35	-111	--	-146
CDFI.....	95	125	70		-25	-55	-95	-125
National Service (incl. IG).....	439	549	--		-439	-549	-439	-549
Subtotal, VA/HUD.....	52,092	54,780	52,653		561	-2,127	-52,092	-54,780

7/27/99

FY 2000 APPROPRIATIONS BILLS: LANGUAGE ISSUES

AGRICULTURE

- FDA – RU486 (House)
- Infringement on Executive Authority (re: CIO) (House)
- Infringement on Executive Branch Review (House)

COMMERCE/JUSTICE/STATE

- Jerusalem (Senate)
- Detailees to the National Security Council (Senate)
- Bureau of Prisons/Abortion (Senate)
-  Brady Act (prohibition on changing fee and retaining records) (Senate)
- Rules Outlining Punishable DOJ Employee Conduct ("McDade II") (Senate)

DEFENSE

- Defense Articles and Services Transfer Notification (House/Senate)
- Federal Communications Commission Reporting Requirements (House/Senate)
- MEADS Air Defense System (House)
- India/Pakistan trade restrictions related to nuclear nonproliferation agreements (Senate)
- Alaska/New Mexico public lands set-aside (Senate)

DISTRICT OF COLUMBIA

- Limit on Attorneys' Fees in Special Education Cases (House/Senate)
- Abortion (House/Senate)
- Domestic Partners Act (House/Senate)
- Restriction on City Council Salaries (Senate)
- Voting Representation (House/Senate)
- Parole Policy (Senate)
- Medical Marijuana (House)

ENERGY/WATER DEVELOPMENT

- Wetlands Appeals Process (House)
- Wetlands Nationwide Permit 26 (House)
- Harbor Services Proposal (House/Senate)

FOREIGN OPERATIONS

- Mexico City Abortion Language (not yet in bill)
- NIS (Senate)
- UNFPA (probable House Floor issue)

INTERIOR

- BLM Grazing Permit Extension Nationwide (Senate)
- Grazing Permit Extension at the Lake Roosevelt (WA) National Recreation Area (House has permanent extension; Senate has 20-year extension)
- Delays in National Forest Planning (House/Senate)
- Limitation on Tribal Self-Determination Contracts/Grants (House)
- Permanent Prohibition on Grizzly Bear Reintroduction (MT/ID) (Senate)
- Wildlife Survey Limitation (Senate)
- Additional Delay for the Interior Columbia Basin Ecosystem Management Project (MT/OR/ID/MT) (House/Senate)
- Mining Law Limitation Involving Millsites (Waste Piles) (Senate)
- Columbia River Gorge (WA/ID) National Scenic Area Land Acquisition (Senate)
- Lead Mining in Mark Twain National Forest (MO) (Senate)
- Energy Efficiency Limitation (Cochran Proposal) (Senate)
- Limitation on Receipt of Fair Market Value for Oil from Federal/Tribal Lands (Senate)
- Everglades (FL) Restoration Limitation (House)
- Land between the Lakes (TN) Transfer to the Forest Service (House -- report language)
- American Heritage Rivers Program Limitation (House)
- Prohibition of a New Kankakee River National Wildlife Refuge (IN/IL) (House)
- Gettysburg National Military Park (PA) Visitor Center Relocation (House)
- Cost-sharing for Weatherization (House)
- Denial of Interior Reimbursement to DOC/NTIA for Spectrum Management (House)
- IHS/BIA Contract Support Costs (Senate)

LABOR/HHS/EDUCATION

- No action to date

LEGISLATIVE BRANCH

- No issues identified

MILITARY CONSTRUCTION

- Bluegrass, KY, Chemical Demilitarization Facility (Senate)
- NATO Security Investment Program/Partnership for Peace (House/Senate)

TRANSPORTATION

- States' Allocation of Transit Funding (Senate)
- Prohibition of Work on CAFE Standards (House)
- Prohibition on Funding FAA Controller-in-Charge Differential (House – report language)
- Cap on DOT Support of the Transportation Administrative Service Center (House/Senate)
- Limitations on DOT's informational activities (Senate)

TREASURY/GENERAL GOVERNMENT

- Frozen Foreign Assets (Senate)
- Abortion/FEHBP (House/Senate)
- FEHBP/Cost Accounting Standards (House)
- Professional Liability Insurance (House)

VA/HUD/INDEPENDENT AGENCIES

- No action to date
- Bill and report not yet available, but objectionable Kyoto Protocol language approved (House)

July 23, 1999 (2:37PM)

FY 2000 FUNDING ISSUES

8/2/99

3:23 PM

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
Interior								
Agriculture:								
Forest & Rangeland Research.....	199	235	204	187	5	-31	-12	-48
Lands Legacy (USDA).....	156	218	40	84	-116	-178	-72	-134
Climate Change Technology Initiative (USDA).....	—	6	—	—	—	-6	—	-6
Clean Water Action Plan (USDA).....	281	359	359	287	78	—	6	-72
Energy:								
Energy Conservation.....	628	838	732	683	104	-106	55	-155
Climate Change Technology Initiative (DOE).....	552	667	557	557	5	-130	5	-130
Elk Hills Installment Payment.....	36	36	36	—	—	—	-36	-36
HHS:								
Indian Health Service.....	2,242	2,412	2,397	2,325	155	-15	83	-87
Interior:								
Lands Management Operations (DOI/USDA).....	4,260	4,509	4,459	4,382	199	-50	122	-127
Indian Construction Bond Proposal.....	—	30	—	—	—	-30	—	-30
Tribal Priority Allocations (BIA).....	699	716	698	693	-1	-18	-6	-23
Office of Spec. Trustee for American Indians (Interior)...	66	100	95	79	29	-5	13	-21
Lands Legacy Initiative (DOI).....	225	579	207	179	-18	-372	-46	-400
Clean Water Action Plan (DOI).....	349	373	360	351	11	-13	2	-22
Everglades Restoration (DOI).....	144	151	113	90	-31	-38	-54	-61

FY 2000 FUNDING ISSUES

8/2/99

3:23 PM

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Millennium Initiative.....	30	30	—	—	-30	-30	-30	-30
Unrequested Construct/Maintenance (NPS).....	230	194	169	201	-61	-25	-29	7
Assistance to Guam (appropriated entitlement).....	5	10	5	5	—	-5	—	-5
QIA's:								
National Endowment for the Arts.....	98	150	98	99	—	-52	1	-51
National Endowment for the Humanities.....	111	150	111	112	—	-39	1	-38
Institute of Museum & Library Services.....	23	34	24	24	1	-10	1	-10
Subtotal, Interior.....	10,329	11,807	10,659	10,333	330	-1,148	4	-1,474

FY 2000 FUNDING ISSUES

8/2/99

3:23 PM

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
Energy/Water Development								
Energy:								
Nuclear Waste Disposal.....	169	297	169	242	—	-128	73	-55
Weapons Activities.....	4,400	4,508	4,000	4,610	-400	-508	210	102
Defense Envir. Restoration/Waste Mgmt.....	4,331	4,499	4,158	4,552	-173	-341	221	53
Spallation Neutron Source Construction.....	130	214	66	187	-62	-146	57	-27
President's IT2 Initiative (DOE).....	—	70	—	—	—	-70	—	-70
Climate Change Technology Initiative (DOE).....	350	437	317	339	-33	-120	-11	-98
Solar and Renewable Energy (incl. above).....	267	399	279	301	12	-120	34	-98
Next Generation Internet.....	15	15	—	—	-15	-15	-15	-15
Corps of Engineers:								
Clean Water Action Plan (Corps).....	106	142	117	115	11	-25	9	-27
Everglades Restoration.....	45	129	116	108	71	-13	63	-21
California Bay-Delta Ecosystem Restoration.....	75	95	75	50	—	-20	-25	-45
Kill Van Kull and Newark Bay Channel.....	30	60	40	40	10	-20	10	-20
Columbia River Salmon Restoration.....	95	100	65	70	-30	-35	-25	-30
Subtotal, Energy/Water.....	9,746	10,566	9,125	10,313	-621	-1,441	567	-253

FY 2000 FUNDING ISSUES

8/2/99

3:23 PM

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Commerce/Justice/State								
Commerce:								
Economic Development Administration.....	413	393	388	228	-25	-5	-185	-165
2000 Census.....	1,083	4,512	4,476	2,769	3,393	-36	1,706	-1,723
NOAA: Pacific Coast Salmon Initiative.....	—	160	—	100	—	-160	100	-60
NOAA: Globe.....	3	5	—	3	-3	-5	—	-3
Lands Legacy.....	78	183	—	123	-78	-183	45	-60
Clean Water Action Plan (NOAA).....	17	22	—	14	-17	-22	-3	-8
Climate Change Technology Initiative (NIST).....	—	2	—	2	—	-2	2	—
NIST ATP.....	204	239	—	227	-204	-239	23	-12
Justice:								
* Tobacco Litigation.....	—	20	—	—	—	-20	—	-20
* Civil Rights Division/Enforcement Partnerships.....	69	87	—	71	-69	-87	2	-16
Federal Bureau of Investigations (FBI).....	2,952	3,294	3,111	2,984	159	-183	32	-310
Drug Enforcement Agency (DEA).....	1,228	1,388	1,284	1,188	56	-104	-40	-200
* 21st Century Policing Initiative.....	1,400	1,275	268	495	-1,132	-1,007	-905	-780
Drug Intervention Program.....	—	100	—	—	—	-100	—	-100
Immigration and Naturalization Service (INS).....	2,553	3,037	3,021	2,709	468	-16	156	-328

FY 2000 FUNDING ISSUES

8/2/99

3:23 PM

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State:								
Security and Maintenance of U.S. Missions.....	1,031	748	717	525	-314	-31	-506	-223
Contributions to International Organizations.....	922	963	843	943	-79	-120	21	-20
Contributions to International Peacekeeping.....	231	235	200	281	-31	-35	50	46
UN Arrears.....	475	445	351	244	-124	-95	-231	-202
State Department Operations.....	2,573	2,929	2,817	2,751	244	-112	178	-178
SBA:								
Disaster Loans.....	196	125	253	164	57	128	-32	39
New Markets Initiative.....	—	15	—	—	—	-15	—	-15
Salaries and Expenses.....	289	294	245	251	-44	-49	-38	-43
OIA's:								
Equal Employment Opportunity Commission.....	279	312	279	279	—	-33	—	-33
FCC Spectrum Bankruptcy Provision.....	—	-200	—	-200	—	200	-200	—
FCC Spectrum Broadcaster's Fee.....	—	-200	—	—	—	200	—	200
Legal Services Corporation (LSC).....	300	340	141	300	-159	-199	—	-40
USIA: International Broadcasting Operations.....	352	432	395	343	33	-37	-19	-89
Subtotal, Commerce/Justice/State.....	16,658	21,156	18,789	16,813	2,132	-2,367	156	-4,343

FY 2000 FUNDING ISSUES

8/2/99

3:23 PM

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VA/HUD:						
HUD:						
Climate Change Technology Initiative (HUD).....	10	10	8		-2	-2
* Welfare-to-Work Vouchers.....	283	144	—		-283	-144
Economic Development Initiative.....	415	125	20		-395	-105
Homeless Programs.....	975	1,025	970		-5	-55
Brownfields (HUD).....	25	50	20		-5	-30
KOPWA.....	225	240	215		-10	-25
Empowerment Zones.....	45	20	—		-45	-20
EPA:						
EPA Clean Water Action Plan (EPA).....	605	630	630		25	—
Drinking Water SRF.....	775	825	775		—	-50
Clean Water SRF.....	1350	800	1,175		-175	375
Superfund.....	1,500	1,500	1,450		-50	-50
Operating Program.....	3,491	3,682			-3,491	-3,682
Climate Change Technology Initiative (included above)	109	216	105		-4	-111
Globe (included above).....	—	1	1		1	—
Boston Harbor (included above).....	—	—	2		2	2
Brownfields (included above).....	—	90	90		90	0

FY 2000 FUNDING ISSUES

8/2/99

3:23 PM

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NASA:						
Space Science.....	2,119	2,197	1,956		-163	-241
Earth Science.....	1,414	1,459	1,174		-240	-285
Globe included above.....	5	5			-5	-5
Human Space Flight.....	5,480	5,038	5,388		-92	-250
Space Station (included above).....	2,305	2,463	2,363		78	-100
Mission Support.....	2,511	2,495	2,269		-242	-226
NSF:						
NSF overall funding.....	3,671	3,921	3,647		-24	-274
Globe (included above).....	2	2	2		—	—
President's IT2 Initiative included above.....	—	146	35		35	-111
* CDFI.....	95	125	70		-25	-55
* National Service (incl. IG).....	439	549	—		-439	-549
Subtotal, VA/HUD.....	26,537	28,230	22,348		-5,499	-5,882
VA:						
VA Medical Care.....	17,904	18,055	19,748		1,844	1,693

FY 2000 FUNDING ISSUES

8/2/99

3:23 PM

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Foreign Operations								
Treasury:								
International Narcotics Control.....	261	295	285	215	24	-10	-46	-80
International Assistance Programs:								
Global Environmental Facility.....	168	143	50	25	-118	-93	-143	-116
Asian Development Bank & Fund.....	223	191	114	64	-109	-77	-159	-127
African Development Fund.....	128	132	100	5	-28	-32	-123	-127
AID Devt Assist/Child Survival and Disease Prog.....	1,731	1,868	1,749	1,783	18	-119	52	-85
AID Operating Expenses (incl. IG).....	514	533	505	520	-9	-28	6	-13
Peace Corps.....	241	270	240	220	-1	-30	-21	-50
Debt Restructuring (HIPC).....	33	120	33	43	—	-67	10	-77
Eastern Europe and Baltic States.....	430	393	393	535	-37	—	105	142
New Independent States (NIS) Assistance.....	801	1,032	725	780	-76	-307	-21	-252
Wye River Memorandum Funding.....	—	500	—	—	—	-500	—	-500
Economic Support Fund.....	2,378	2,389	2,247	2,195	-131	-142	-183	-194
Peacekeeping Operations.....	77	130	77	80	—	-53	3	-50
Non-proliferation, anti-terrorism, demining and related programs (KEDO).....	198	231	182	175	-16	-49	-23	-56
Subtotal, Foreign Operations.....	7,183	8,227	6,700	6,640	-483	-1,527	-543	-1,587

FY 2000 FUNDING ISSUES

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
Transportation								
FAA Operations.....	5,557	6,039	5,925	5,857	368	-114	300	-182
FAA Facilities and Equipment.....	2,087	2,319	2,200	2,046	113	-119	-41	-273
NHTSA Operations and Research.....	88	—	89	75	1	89	-13	75
Transit Formula Grants.....	4,252	4,638	4,638	4,638	386	—	386	—
Transportation Community Preservation Program.....	14	48	23	12	9	-25	-2	-36
Motor Carrier Safety Grant Program.....	100	155	105	105	5	-50	5	-50
* Job Access/Reverse Commute.....	75	150	75	75	—	-75	—	-75
GPS.....	—	17	—	—	—	-17	—	-17
Subtotal, Transportation.....	12,173	13,368	13,055	12,808	882	-311	635	-658

FY 2000 FUNDING ISSUES

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
Treasury/General Government:								
ATF Headquarters.....	—	15	—	—	—	-15	—	-15
IRS Organizational Modernization/ Restructuring & Reform Service Improvements.....	50	247	158	247	108	-89	197	—
GSA Federal Buildings Fund.....	294	-4	-195	-217	-489	-199	-511	-221
ONDCP Media Campaign.....	185	195	195	96	10	—	-89	-99
EOP-Unanticipated Needs.....	-9	1	1	—	10	—	9	-1
Subtotal, Treasury/General Government.....	520	462	159	126	-361	-303	-394	-336

FY 2000 FUNDING ISSUES

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
Defense:								
Defense Topline - DoD Military (Non-Add).....	250,591	262,709	268,277	264,233	17,686	5,568	13,642	1,524
F-22.....	2,340	3,074	1,571	3,074	-769	-1,503	734	—
Chemical Demilitarization (DOD/FEMA).....	777	1,169	771	1,025	-6	-398	248	-144
Overseas Contingency Operations Transfer Fund.....	1,956	2,388	1,813	2,088	-143	-575	132	-300
GPS.....	229	324	252	320	23	-72	91	-4
Advanced Concept Tech Demo (MEADS).....	89	118	89	122	—	-29	33	4
LHD-8 Amphibious Ship.....	—	—	—	500	—	—	500	500
Next Generation Internet.....	46	40	41	31	-5	1	-15	-9
Subtotal, Defense.....	5,436	7,113	4,537	7,160	-899	-2,576	1,724	47

FY 2000 FUNDING ISSUES

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<u>Agency/Program</u>	<u>FY 1999 Enacted BA</u>	<u>FY 2000 Proposed BA</u>	<u>Latest House Action BA</u>	<u>Latest Senate Action BA</u>	<u>House Less Enacted BA</u>	<u>House Less Proposed BA</u>	<u>Senate Less Enacted BA</u>	<u>Senate Less Proposed BA</u>
----- Agriculture/Rural Development -----								
Agriculture:								
County Office S&E (Common Computing Environment	40	74	—	—	-40	-74	-40	-74
* Food Safety Initiative (USDA).....	—	62	35	44	35	-27	44	-18
Lands Legacy.....	—	50	—	—	—	-50	—	-50
Clean Water Action Plan.....	1	48	1	6	—	-47	5	-42
Climate Change Technology Initiative.....	—	10	—	—	—	-10	—	-10
Women, Infants, and Children Program.....	3,924	4,105	4,005	4,038	61	-100	114	-67
HHS:								
⚡ FDA Tobacco Enforcement Activities.....	—	68	34	34	34	-34	34	-34
Other FDA.....	1,135	1,257	1,227	1,176	92	-30	41	-81
Subtotal FDA.....	1,135	1,325	1,261	1,210	126	-64	75	-115
Subtotal, Agriculture.....	5,100	5,674	5,302	5,298	202	-372	198	-376

Budget FY 2000

THE WHITE HOUSE
WASHINGTON

ECONOMIC TEAM MEETING
August 12, 1999
Cabinet Room; 12:15-1:15pm

AGENDA

- I. Sensitivity of Budget Projection to Economic Variables
- II. Walkthrough of Discretionary Budget Demands
- III. Major Substantive End-game Issues
 - Criteria and elements
 - Six major issues
 - Hypothetical Republican Offers

CRITERIA FOR EVALUATING POTENTIAL BUDGET DEALS

1. Maintain a record of fiscal discipline
2. Keep the economy strong and interest rates low
3. Keep the domestic discretionary budget viable
4. Enact long-term structural reforms, including extending solvency in Medicare and Social Security
5. Prevent fiscal irresponsibility in future years

ELEMENTS OF POTENTIAL BUDGET DEALS

1. Debt Reduction
2. Social Security Solvency
3. Medicare Solvency
4. Medicare Reforms
5. Medicare Prescription Drugs
6. Military Readiness Commitments
7. Strong Domestic Discretionary Path
8. Tax Cuts: Non-exploding, Savings, Middle-class, Responsible Size

SIX MAJOR SUBSTANTIVE END-GAME ISSUES

Question 1: How Large Must the On-budget Surplus Allocation for Discretionary Spending Be? Is \$328 Billion Enough?

Perspective:

1. No. Without The Offsets, We Need \$470 Billion To Reach Our Discretionary Spending Goals.

- Without an agreement on offsets we should not agree to a long-term budget that is not near \$470 billion.
- Even with this amount, non-defense discretionary spending would be cut by 13 percent in real terms in 2009. (Even without counting new increases for veterans and agriculture.)

2. Yes. We Will Look Like Endless Spenders Asking For More Than \$328 Billion When We Have Made This Our Public Demand.

- Even if we do not get offsets this year, with \$328 billion, we could seek yearly offsets to meet caps as we have done successfully each of the last several years.

Question 2: What Is The Test For Whether We Have Satisfied The Fiscal Discipline Test? Is A Lock-Box A Strong Enough Fiscal Achievement To Justify A Larger Tax Cut?

Perspectives:

1. Yes. Lock-boxes Are Significant.

- If we have an acceptable and strong Social Security lock-box then we have committed to pay down \$2 trillion in debt – two-thirds of the unified surplus.
- Therefore, a compromise tax cut would still be part of an enormous fiscal discipline achievement.

2. No. Lock-boxes Are Not Significant.

- All you would be doing is one real fiscally irresponsible thing - - giving a tax cut - - and one symbolic thing that would still leave \$2 trillion to be allocated by future Congresses.
- Only the tax cut is irrevocable fiscal change.

3. No. Don't Need Lock-boxes To Protect Social Security.

- Moving Social Security off-budget will protect Social Security from being raided and lead to debt reduction.
- You don't need a lock box to enforce this.

Question 3: Does a Strong Social Security Lock-Box Pose Too Much Stockman Risk for Domestic Discretionary Spending?

Perspectives:

1. Yes. If On-Budget Surpluses Are Below Projections, There Will Be Greater Pressure To Cut Domestic Spending Than In The 1980s. Why?

- Because in the 1980s the large Reagan tax cut forced the choice between cutting spending or increasing deficits.
- With the present Republican tax cut, if the budget situation becomes worse than projected, domestic spending would be pitted against breaking the Social Security lock-box.

2. No. A Strong Social Security Lock-Box Accomplishes Solvency And/Or Long-term Debt Reduction.

- This is a major accomplishment and Congress will figure out ways in the future to sustain domestic spending without “raiding” Social Security.

Question 4: What Represents a Substantial Medicare Accomplishment?

Perspectives:

1. Reform And Surplus For Solvency And Prescription Drugs.

- Medicare reform must meet the tests of real competition and modernizations along with dedication of the surplus for solvency and a prescription drug benefit that is available and affordable for all beneficiaries.

2. Prescription Drugs And Solvency Only Through Reforms – No Surplus Transfers.

- In the Senate, some Democrats as well as Republicans are resisting any dedication of surplus for solvency as only general revenue IOUs.
- They might agree to a smaller prescription drug package out of surplus and solvency only from reform savings.
- \$75 billion in reforms would extend solvency to roughly 2020.
- With only small amount of surplus for Medicare Prescription drugs, more on-budget surplus could be divided between tax cuts and discretionary spending.

3. Simply Reserve On-Budget Surpluses For Medicare.

- Senate Democrats have so far not agreed to dedicating the surplus for solvency. Conrad-Baucus Amendment simply reserves one-third of the surplus for Medicare.
- This leads to more debt reduction but no solvency.
- If surplus projections prove optimistic even the “reserve” could vanish depending on construction

Issue: Senate Democrats may be more responsive to Medicare solvency where debt reduction leads to interest savings for paying benefits as to special Treasury bonds We need to develop an option for consideration.

Question 5: Are We Willing to Use Social Security Surpluses for Medicare Reform and Solvency?

Perspectives:

1. No. We Should Draw A Hard Line.

- Too many Democrats – Conrad, Dorgan – are purists on Social Security and surpluses. They may not accept anything that “raids” the Social Security surplus.
- Can be portrayed as “raiding” Social Security to make room for a tax cut.
- Breaks the discipline of a Social Security lock-box and could lead to more deterioration.
- Critics could say it is “double counting.”
- Will simply make room for larger on-budget tax cut with less debt reduction.

2. Yes. Best Option For Compromise That Achieves Many of Our Goals.

- Both Republican lock-boxes are for “Retirement Security” – they allow Social Security surpluses to be used for Social Security or Medicare.
- Our initial plan used the Social Security surplus for Medicare.
- “Raiding” the Social Security surplus for Medicare is not as politically potent as claiming it is being used for tax cuts or other spending.
- Substantively it is the only way to make room for a deal – if \$350 billion for Medicare is off-budget this will allow for a compromise decision of \$1 trillion between discretionary and tax cuts.
- More surplus available for non-retirement entitlement issues.
- Could mitigate Stockman risk on discretionary spending.

Question 6: Is Progress On Social Security or Medicare Solvency and Reform Worth Concessions on the Size of Tax Cuts?

Perspectives:

1. Yes. Seize Major Accomplishment – No One Can Predict Future Budgets.

- If we have an opportunity to accomplish structural Medicare reform or a Social Security lock-box for solvency, we should seize such a major accomplishment and not pass it up on concerns of squeezing discretionary spending in later years when even new forecasts in January or July 2000 could show additional surpluses.

2. No. We Should Not Jeopardize Our Fiscal Accomplishments.

- As important as Medicare or Social Security solvency and reform is, it is not worth agreeing to a larger tax cut when our current projection suggests it would squeeze domestic spending or may leave us in a less fiscally stable position.

V. THREE POSSIBLE REPUBLICAN OFFERS

SCENARIO 1: POSSIBLE REPUBLICAN OFFER WITH NO SOLVENCY FROM ON-BUDGET

On Budget:

- Discretionary Spending: \$328 billion
- Tax Cut: \$425 billion
- Prescription Drugs: \$100 billion

Off-Budget:

- Medicare Reform with all savings for solvency: \$75 billion = solvency to roughly 2020

SCENARIO 2: POSSIBLE REPUBLICAN OFFER ON ON-BUDGET DIVISION

On-Budget:

- Discretionary Spending: \$300 billion
- Tax Cut: \$400 billion
- Medicare Reserve: \$200 billion

SCENARIO 3: POSSIBLE REPUBLICAN OFFER ON USING SOCIAL SECURITY SURPLUSES FOR MEDICARE AND DIVIDING ON-BUDGET BETWEEN DISCRETIONARY SPENDING AND TAX CUTS

On-Budget:

- Discretionary Spending: \$375 billion
- Tax Cut: \$475 billion

Off-Budget:

- Medicare Reform, Solvency, And Prescription Drugs: \$350 billion

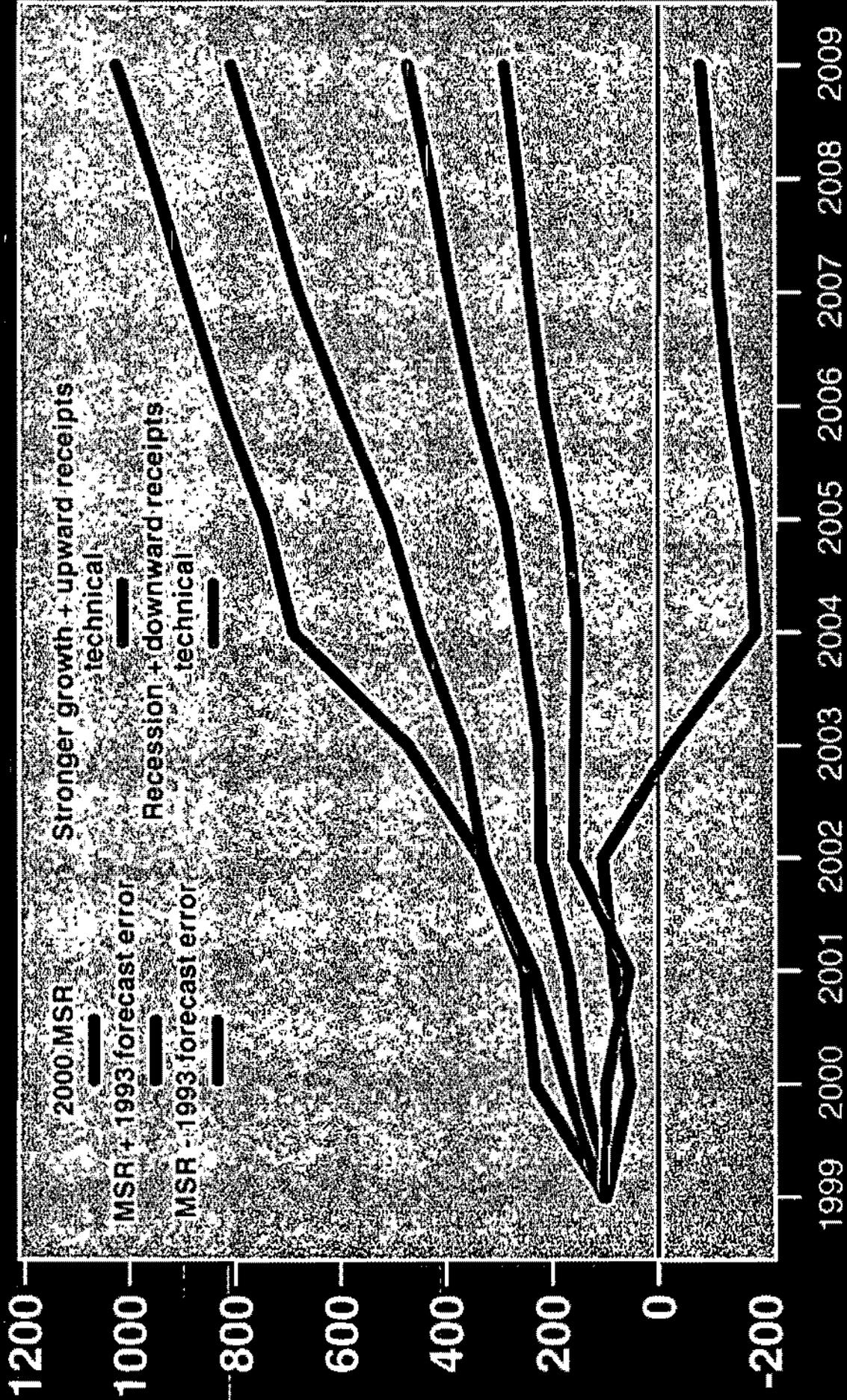
**Scenarios Assume Scoring Using OMB Assumptions*

Budget - FY 2000

	Page
I. Budget Sensitivity Analysis.....	1
II. Discretionary Spending Analysis	
Alternative Discretionary Levels.....	4
Potential Discretionary Requirements.....	5
Comparisons to 1999 Enacted Plus Inflation.....	6
Offsets.....	7
III. Administration Budget Policy -- OMB/CBO Scoring.....	8

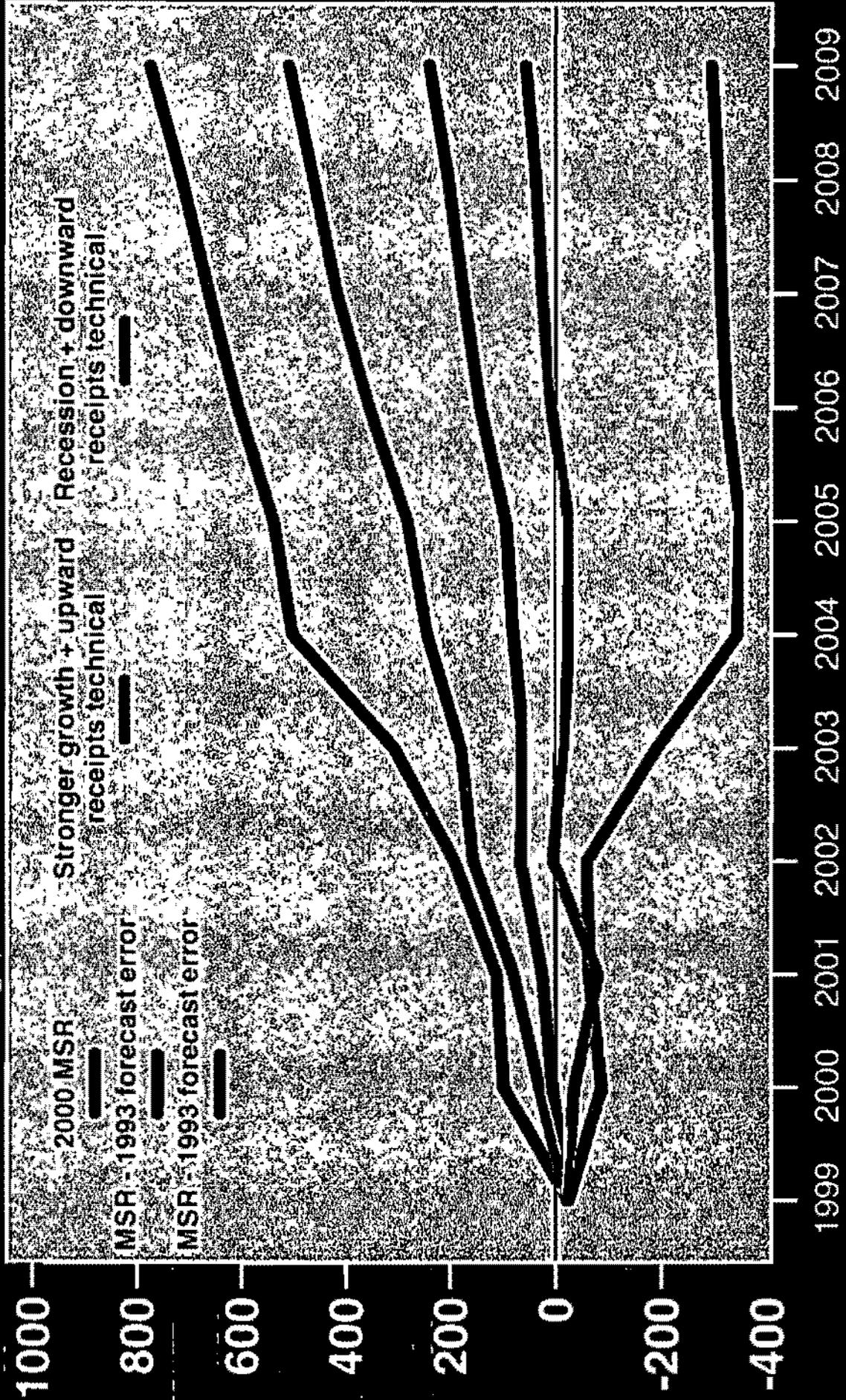
Unified Surplus/Deficit Projections

SURPLUS(+) / DEFICITS(-) IN BILLIONS



On-Budget Surplus/Deficit Projections

SURPLUS(+) / DEFICITS(-) IN BILLIONS



SENSITIVITY OF MSR SURPLUS TO REAL GDP GROWTH AND INTEREST RATES
(In billions of dollars)

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	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>00-09</u>
2000 MSR unified surplus.....	142	168	220	223	254	286	343	389	428	473	2,926
Unified budget impact of:											
0.5% higher real growth.....	4	14	26	40	55	73	93	116	141	154	717
0.5% lower real growth.....	-4	-14	-26	-39	-55	-72	-91	-112	-137	-163	-713
1.0% higher interest rates.....	-6	-13	-15	-16	-16	-16	-14	-13	-10	-7	-126
1.0% lower interest rates.....	6	13	14	15	15	14	12	10	7	4	109
Resulting unified surplus for:											
0.5% higher real growth.....	147	182	246	263	309	360	437	504	569	627	3,643
0.5% lower real growth.....	138	154	194	183	199	215	252	276	291	310	2,213
1.0% higher interest rates.....	137	155	205	207	237	271	329	376	417	466	2,800
1.0% lower interest rates.....	148	181	234	238	268	300	355	399	435	477	3,035
2000 MSR on-budget surplus.....	5	24	65	58	79	94	142	174	203	240	1,083
On-budget impact of:											
0.5% higher real growth.....	3	10	20	30	42	55	71	88	107	113	539
0.5% lower real growth.....	-3	-10	-20	-30	-41	-54	-69	-85	-104	-124	-541
Resulting on-budget surplus for:											
0.5% higher real growth.....	8	35	85	88	121	149	212	262	310	353	1,623
0.5% lower real growth.....	2	14	46	28	37	39	73	89	99	116	543

Note: all economic changes assumed to begin in 2000 Q1.

ALTERNATIVE DISCRETIONARY LEVELS
(outlays in billions of dollars)

	<u>2000</u>	<u>'00-'04</u>	<u>'00-'09</u>
CBO inflated capped baseline.....	580	2,905	6,127
OMB technicals and higher growth rate.....	-1	3	32
OMB capped baseline.....	579	2,908	6,158
Administration policy proposals:			
Increases financed by offsets.....	18	73	142
Surplus allocation.....	--	138	328
Administration policy.....	597	3,118	6,628
Potential additions:			
Veterans.....	1	5	10
Agriculture.....	3	15	30
Emergencies.....	<u>10</u>	<u>50</u>	<u>100</u>
Subtotal, potential additions.....	14	70	140
Administration policy plus potential additions.....	611	3,188	6,768

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POTENTIAL DISCRETIONARY REQUIREMENTS
(in billions of dollars)

	<u>2000</u>	<u>'00-'04</u>	<u>'00-'09</u>
Surplus allocation.....	-	138	328
Increases financed by offsets.....	18	73	142
Potential additions (agriculture, veterans, emergencies).....	14	70	140
Shift to CBO base assumptions.....	<u>-1</u>	<u>3</u>	<u>32</u>
Subtotal, increases.....	31	283	641
Related debt service.....	<u>1</u>	<u>34</u>	<u>172</u>
Total.....	32	317	814

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05:44 PM

COMPARISONS TO 1999 ENACTED PLUS INFLATION
(outlays in billions of dollars)

	<u>2000</u>	<u>'00-'04</u>	<u>'00-'09</u>
1999 enacted plus inflation.....	595	3,135	6,700
Comparison to 1999 enacted plus inflation:			
OMB capped baseline.....	-16	-227	-541
Administration policy without offsets.....	-16	-89	-213
Administration policy with offsets.....	2	-17	-71
Administration policy plus potential additions.....	16	53	69
Administration policy without offsets -- compared to '99 enacted plus inflation:			
Defense.....	0.6%	1.3%	4.9%
Non-defense.....	-6.0%	-6.6%	-10.4%
Total.....	-2.9%	-2.9%	-3.3%
Administration policy with offsets -- compared to '99 enacted plus inflation:			
Defense.....	0.6%	1.3%	4.9%
Non-defense.....	0.2%	-2.1%	-6.2%
Total.....	0.4%	-0.5%	-1.1%

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OFFSETS
(savings in billions of dollars)

	<u>2000</u>	<u>'00-'04</u>	<u>'00-'09</u>
Federal tobacco taxes.....	-8	-34	-66
Tobacco recoupment policy.....	0	-9	-25
Superfund tax extensions.....	-2	-6	-13
Health care savings.....	-1	-5	-10
FAA user fees.....	-1	-5	-8
Change in military retirement contributions.....	-1	-6	-13
Other.....	<u>-4</u>	<u>-4</u>	<u>-6</u>
Total, offsets for discretionary.....	-17	-70	-142
Paygo balances allocated to defense.....	-3	-5	-5

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ADMINISTRATION BUDGET POLICY -- OMB/CBO SCORING
(10 year estimates in billions of dollars)

	OMB Mid-Session	<u>\$250 billion tax cut</u>	
	<u>Policy</u>	<u>OMB</u>	<u>CBO</u>
Available on-budget surplus.....	1,083	1,076	996
Tax cut including related debt service.....	287	287	286
Discretionary:			
Defense -- Administration Policy.....	127	322	339
Nondefense -- Administration Policy -- 6.7% below 1999 level plus inflation.....	201	148	162
Offsets including tobacco -- if not enacted caps are even tighter.....	*	-147	-118
Total.....	328	323	383
Potential additions:			
Veterans.....	---	10	10
Agriculture.....	---	30	30
Medicare BBA adjustments.....	**	15	15
Medicare:			
Prescription Drugs.....	46	46	111
Solvency.....	328	255	27
Interest cost.....	95	110	134
Resulting Deficit.....	---	---	---
 Memorandum			
Allowance for average cost of defense, natural disasters and other contingencies.....	100	100	100

* The Administration's total discretionary proposal includes \$147 billion of offsets.

** Mid-Session Medicare policy includes \$7.5 billion for BBA adjustments

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DESCRIPTION

- **Available on-budget surplus.** In the Midsession Review, the Administration estimates an on-budget surplus of \$1,083 billion based on your policies prior to Social Security and Medicare reform over ten years. CBO estimates a current-policy baseline on-budget surplus of \$996 billion over the same period, a difference of \$87 billion. OMB scoring of a \$250 billion tax cut is based on an OMB baseline on-budget surplus of \$1,076 billion. Administration policy proposals are responsible for the \$7 billion difference between the OMB policy and baseline surplus estimates.
- **Tax cut including related debt service.** The Midsession Review includes the Administration's \$250 billion tax cut (and associated \$37 billion debt service cost). The \$1 billion difference in the OMB and CBO scoring of debt service costs for this tax cut is the result of slightly different assumptions about interest rates.
- **Discretionary.** The Midsession Review allocates a total of \$328 billion of the on-budget surplus for critical national needs like military readiness and education. The Administration non-defense discretionary level over ten years is more than 6 percent below an inflated 1999 funding level and in 2009 alone is 13 percent below the 1999 inflated level.

The differences in defense funding result from the fact that a large portion of the Administrations defense increase is funded within the underlying policy before allocating the surplus. The larger amounts are measured from a current policy baseline which does not reflect these underlying changes. To accommodate these aggregate levels, it is also necessary that our offsets, such as the Administration tobacco policy, be enacted and scored or the spending limits will be even tighter. The Administration's discretionary levels are tight and should represent a floor rather than a ceiling.

- **Possible Added Costs.** Although the Midsession Review does not specifically include funding for additional increases in Veterans and Agriculture, such costs will need to be accommodated within an overall fiscal policy. If not separately accounted for, Veterans and Agriculture spending would create pressure under the caps in the future or require on-going spending outside the caps. Similarly, the BBA adjustments would reduce the on-budget surplus if not offset.

The funding levels included are illustrative estimates and do not reflect a policy recommendation. The Agriculture funding level reflect current estimates of an Agriculture package based on the three concepts we discussed -- crop insurance, an safety net targeted to small farmers, and short-term solutions that do not lead to long-term payments. Medicare provider payment adjustments to BBA reforms are shown at \$15 billion. The Midsession Review included \$7.5 billion for these adjustments.

- **Medicare.** The Administration's prescription drug proposal is included under each scenario. CBO has scored the cost of this proposal at \$111 billion, \$65 billion more than OMB scoring. Under OMB and CBO baseline scoring, Medicare transfers would have to be reduced to ensure that the budget does not go into deficit.
- **Interest Costs.** Interest costs under either OMB baseline or CBO scoring of the \$250 billion tax cut proposal would be higher than in the Administration's policy due to the higher spending levels.
- **Resulting Deficit.** The Midsession Review provided a balanced approach that provides for Social Security and Medicare solvency, prescription drugs, investments in critical national priorities, and debt reduction while ensuring on-budget balance. As is noted above, under OMB and CBO baseline scoring, Medicare transfers would have to be reduced to ensure that the budget does not go into deficit.
- **Memorandum – Potential additional costs: Allowance for average cost of defense, natural disasters and other contingencies.** Although emergencies and other contingencies are not scored in advance, the costs when they occur reduce the on-budget surplus. Recently, Congressional critics of the tax cut have complained that any allocation of the surplus must include an allowance for annual emergency spending requirements. It is estimated that such an allowance would cost roughly \$10 billion annually.

MIDSESSION REVIEW FACTS

June 28, 1999

SOCIAL SECURITY:

Budget-FY
2000

- **Transfers to the Social Security Trust Fund.** All Social Security surpluses will go to debt reduction. The interest savings from the debt reduction will then be transferred to the Social Security trust fund starting in 2011. Beginning in 2011:
 - 100 percent of the transfers to the Social Security trust funds will be used to purchase equities until 15 percent of the Trust fund's assets are in equities. At this point, no more equities will be purchased.
 - The approximate time period for equity purchases is from 2011-2014.
 - For 2014 and beyond, the annual transferred amount will be used by the Social Security trust fund to purchase U.S. Government Treasury bonds.
- **Social Security Exhaustion Date.** Under the new framework, the Social Security exhaustion date is 2053. The change in the actuarial balance is 1.27 relative to the baseline imbalance of 2.07
- **Share of Total Stock Market the Social Security Trust Fund will hold.** The average share of the stock market owned by the Social Security Trust fund from 2011-2040 is 3.3 percent. The maximum amount that could be owned by the Trust Fund during this period is 4.0 percent.

BUDGET:

Shares of On-Budget Surplus (netting out financing costs)

5 year--2000-2004:

- Social Security -- n/a
- Medicare -- 23 percent
- USA -- 12 percent
- Discretionary -- 64 percent

10 year--2000-2009

Social Security -- n/a
Medicare -- 39 percent
USA -- 26 percent
Discretionary -- 34 percent

15 year--2000-2014

Social Security -- 23 percent
Medicare -- 33 percent
USA -- 23 percent
Discretionary -- 22 percent

On-Budget Surplus Totals (in billions)

	February 1999	Mid-Session Review	Difference
5 year	114	231	117
10 year	750	1083	333
15 year	2153	2868	715

Off-Budget Surplus Totals (in billions)

	February 1999	Mid-Session Review	Difference
5 year	714	776	62
10 year	1659	1843	183
15 year	2701	3067	366

Unified Budget Totals (in billions)

	February 1999	Mid-Session Review	Difference
5 year	828	1007	179
10 year	2410	2926	516
15 year	4854	5935	1081

5-year Amounts for Programs (in billions)

Program	February 1999	Mid-Session Review
Medicare	124	50
USAs	96	26
Discretionary	138	138

10 and 15 year Amounts for Programs (in billions)

	February 1999	Mid-Session Review
10-year Medicare	350	374
15-year Medicare	686	794
10-year USAs	272	250
15-year USAs	536	540
10-year Discretionary	318	328
15-year Discretionary	481	522

DEBT REDUCTION

In the 1980s, The Federal Debt Quadrupled. Under Presidents Reagan and Bush, the debt held by the public quadrupled. As a share of GDP, the publicly held debt increased from 26 percent in 1981 to 50 percent in 1993. When President Clinton took office, the debt-to-GDP ratio was projected to rise to nearly 80 percent by 2003, according to the Congressional Budget Office.

Publicly held debt as share of GDP

- 1981 -- 26 percent
- 1993 -- 50 percent
- 2003 -- 80 percent (projected when president took office)

Instead of rising, debt has decreased substantially and is projected to continue decreasing in the future. Today, we have the first budget surplus in a generation and the debt is \$1.7 trillion lower today than projected in 1993.

Since President Clinton took office, debt held by the public has decreased substantially. The publicly held debt as a share of GDP has dropped from 50 percent in 1993 to 44 percent in 1998. Under the President's framework to save Social Security and strengthen Medicare, the publicly held debt as a share of the economy will be just 0.26 percent by 2014 and will be eliminated by 2015. This has not happened since President Jackson.

Publicly held debt as a share of GDP

- 1998 -- 44 percent
- 2014 -- 0.26 percent
- 2015 -- eliminated

For every family, the publicly held debt will be \$291,000 lower in 2014 than projected when the President took office. Because of this fiscal responsibility, interest rates will be lower by an estimated 2.5 percentage points or more.

Table 5. FRAMEWORK FOR SOCIAL SECURITY AND MEDICARE REFORM

(Dollar amounts in billions)

	Subtotal 2000-2004	Subtotal 2000-2009	Total 2000-2014
Reserve pending Social Security and Medicare reform	1,007	2,926	5,935
Off-budget	776	1,843	3,067
On-budget	231	1,083	2,868
Social Security and debt reduction lockbox (off-budget)	776	1,843	3,067
Allocation of on-budget surplus:			
Transfer to extend Social Security solvency and reduce debt (based on interest savings)	0	0	543
Transfers to strengthen Medicare and reduce debt	50	374	794
Universal Savings Accounts	26	250	540
Discretionary investments:			
Military readiness	55	127	183
Investments for a secure future	55	127	183
Children and education trust fund	28	74	156
Total discretionary investments	138	328	522
Financing costs	16	132	469
Total on-budget allocation	231	1,083	2,868
Total allocation of reserve	1,007	2,926	5,935
Off-budget	776	1,843	3,067
On-budget	231	1,083	2,868
Remaining on-budget surplus	0	0	0
Memorandum, net debt reduction ¹	720	2,028	4,238

¹ Net debt reduction includes Social Security surplus, Medicare transfers, and other means of financing. See Table 21.

• *Investment in national needs.* The framework would allocate \$522 billion over fifteen years for investments in critical national needs. Increased resources for military readiness would ensure that the Nation's defense forces maintain high levels of performance. Investments in other priorities for a secure future would ensure sufficient funding for essential government functions such as veterans affairs, environmental protection, health research, farm security, and protecting Americans at home and abroad. Finally, a new trust fund for children and education would strengthen the Nation's ability to raise educational achievement and improve the health and well-being of children. These investments would begin in 2001. Like the other components of the program, these funds are contingent on Social Security and Medicare reform. The Administration

is committed to "save Social Security first" by maintaining existing budget rules that will reserve the entire surplus both off-budget and on-budget until the enactment of Social Security and Medicare reform.

Social Security and Medicare Transfers, Debt Reduction, and Trust Fund Solvency

The Administration's budget framework reserves the off-budget surplus for Social Security through a lockbox mechanism which ensures that each dollar of off-budget (i.e. Social Security) surplus is used to reduce publicly held debt by one dollar. By reducing publicly held debt, the lockbox also reduces future interest costs on that debt. Reducing interest payments over time frees up on-budget resources which can be transferred to the Social Security Trust Fund to extend its solvency.

Table 6. ALLOCATION OF BUDGET RESOURCES, 2000-2014
(Dollar amounts in billions)

	Mid-Session Review	
	Surplus Amount	Percent of Total
Amount of surplus available:		
Off-budget	3,067	
On-budget	2,868	
Total	5,935	
Allocation for debt reduction and equity purchase through Social Security:		
Off-budget	3,067	
On-budget	543	
Total	3,609	66%
Allocation of remaining on-budget surplus:		
Transfers to strengthen Medicare and reduce debt	794	15%
Universal Savings Accounts	540	10%
Discretionary investments	522	10%
Total	1,856	
Total allocation of surplus excluding financing costs:		
Off-budget	3,067	
On-budget	2,399	
Total	5,466	100%
Financing costs		
	469	
Total allocation of surplus including financing costs:		
Off-budget	3,067	
On-budget	2,868	
Total	5,935	

The transfers to Social Security begin in 2011. The Administration's policy to reserve off-budget surpluses will yield \$543 billion in interest savings which will be transferred to Social Security between 2011 and 2014. Cumulative debt reduction of \$3.7 trillion will reduce net interest costs by \$189 billion each year by 2015. Therefore, the \$189 billion will be transferred to Social Security in 2015 and every year thereafter. Budget enforcement rules will ensure that these on-budget transfers, and the corresponding transfers for Medicare, reduce the measured on-budget surplus and cannot be used for other purposes.

As proposed in the budget in February, these transfers to Social Security will be invested in corporate equities, until equity holdings reach a limited share of the trust fund. Although the transfers invested in equities do not reduce the publicly held debt, the corporate equities are nonetheless an economic asset that will be used to finance future benefits. Transfers above the equity limit will reduce debt held by the public, giving the Social Security Trust Fund a claim against future general revenues. We will be able to meet this claim precisely because we are reducing the publicly held debt and future Federal interest obligations by an equal amount.

Table 11. 15-YEAR BUDGET TOTALS

(In billions of dollars)

	Budget Estimates										Projections ¹					Total		
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	00-04	00-09	00-14
February Budget Policy Pending Social Security and Medicare Reform:																		
Receipts	1,883	1,933	2,007	2,075	2,166	2,265	2,364	2,474	2,588	2,708	2,828	2,950	3,072	3,197	3,325	10,064	22,464	37,835
Outlays	1,766	1,799	1,820	1,893	1,958	2,034	2,081	2,154	2,234	2,315	2,399	2,486	2,578	2,676	2,789	9,236	20,054	32,981
Unified surplus	117	134	187	182	208	231	283	320	354	393	429	464	495	520	536	828	2,409	4,854
On-budget	-12	0	44	31	50	58	103	131	156	188	221	253	284	312	333	114	750	2,153
Off-budget	129	134	142	151	158	173	179	190	198	205	208	211	211	208	203	714	1,659	2,701
Mid-Session Policy Pending Social Security and Medicare Reform:																		
Receipts	1,914	1,963	2,034	2,113	2,206	2,313	2,420	2,536	2,657	2,784	2,908	3,035	3,165	3,299	3,437	10,230	22,940	38,783
Outlays	1,772	1,795	1,815	1,890	1,952	2,026	2,076	2,147	2,229	2,311	2,386	2,464	2,558	2,659	2,768	9,224	20,013	32,849
Unified surplus	142	168	220	223	254	286	343	389	428	473	522	571	608	640	669	1,007	2,926	5,935
On-budget	5	24	65	58	79	94	142	174	203	240	279	324	360	394	428	231	1,083	2,868
Off-budget	137	144	154	165	175	193	202	215	225	233	243	246	248	246	241	776	1,843	3,067
Changes from the February Budget to the Mid-Session:																		
Receipts	31	30	27	38	40	47	55	62	69	77	80	85	93	103	112	166	476	949
Outlays	6	-4	-6	-3	-6	-8	-5	-6	-5	-4	-13	-21	-20	-17	-20	-12	-41	-132
Unified surplus	25	34	33	41	46	55	61	68	74	80	93	106	113	119	133	179	517	1,081
On-budget	17	24	21	26	29	36	38	43	47	52	58	71	76	82	94	117	333	715
Off-budget	8	10	12	14	17	19	22	25	27	29	34	35	36	38	39	62	183	366
Mid-Session Policy with Social Security and Medicare Reform:																		
Receipts	1,914	1,963	2,034	2,110	2,183	2,284	2,372	2,488	2,608	2,732	2,852	2,977	3,107	3,240	3,378	10,204	22,689	38,243
Outlays	1,772	1,818	1,867	1,940	2,001	2,082	2,140	2,215	2,301	2,386	2,467	2,555	2,652	2,768	2,869	9,399	20,523	33,824
Social Security lockbox ²	137	144	154	165	175	193	202	215	225	233	243	356	386	417	451	776	1,843	3,696
Medicare lockbox	5	0	12	5	7	10	29	59	83	113	142	67	68	65	58	30	324	723
Available unified surplus	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
On-budget	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Off-budget	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

¹ Projections for 2010 through 2014 are an OMB extension of detailed agency budget estimates through 2009² Includes earnings.

Table 22. FEDERAL DEBT WITH SOCIAL SECURITY AND MEDICARE REFORM
(In billions of dollars)

	Estimates									Projections					
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Debt held by the public:															
Debt held by the public, beginning of period	3,653	3,531	3,404	3,255	3,101	2,933	2,744	2,525	2,262	1,964	1,625	1,249	944	637	335
Debt reduction from:															
Off-budget surplus:															
Surplus pending Social Security and Medicare reform	-137	-144	-154	-165	-175	-193	-202	-215	-225	-233	-243	-246	-248	-246	-241
Social Security solvency transfers	0	0	0	0	0	0	0	0	0	0	0	-107	-125	-145	-166
Returns on investment of transfers ¹	0	0	0	0	0	0	0	0	0	0	0	-3	-14	-27	-43
Medicare solvency transfers	-5	-0	-12	-5	-7	-10	-29	-59	-83	-113	-142	-67	-68	-65	-58
Less purchase of equities by Social Security trust fund ¹	0	0	0	0	0	0	0	0	0	0	0	110	139	172	209
Other financing requirements ²	21	17	17	16	15	13	12	11	9	8	8	8	8	9	9
Total changes	-122	-127	-150	-154	-167	-189	-219	-263	-298	-339	-376	-305	-307	-302	-291
Debt held by the public, end of period	3,531	3,404	3,255	3,101	2,933	2,744	2,525	2,262	1,964	1,625	1,249	944	637	335	44
Less market value of equities	0	0	0	0	0	0	0	0	0	0	0	-110	-248	-420	-629
Debt held by the public, less equity holdings, end of period	3,531	3,404	3,255	3,101	2,933	2,744	2,525	2,262	1,964	1,625	1,249	834	388	-85	-585
Debt held by Government accounts:															
Debt held by Government accounts, beginning of period	1,962	2,172	2,377	2,612	2,848	3,096	3,363	3,667	4,012	4,394	4,823	5,299	5,822	6,374	6,949
Increase prior to Social Security reform	205	204	222	230	240	254	271	280	289	299	310	315	318	317	314
Social Security and Medicare solvency transfers	5	0	12	5	7	10	29	59	83	113	142	173	193	210	224
Earnings on solvency transfers invested in Treasury securities	0	0	1	1	2	2	3	6	11	17	25	35	42	48	55
Less purchase of equities by Social Security trust fund ¹	0	0	0	0	0	0	0	0	0	0	0	-110	-139	-172	-209
Total changes	210	204	235	236	249	266	304	345	382	429	476	523	552	575	593
Debt held by Government accounts, end of period	2,172	2,377	2,612	2,848	3,096	3,363	3,667	4,012	4,394	4,823	5,299	5,822	6,374	6,949	7,543
Plus market value of equities	0	0	0	0	0	0	0	0	0	0	0	110	248	420	629
Debt and equities held by Government accounts, end of period	2,172	2,377	2,612	2,848	3,096	3,363	3,667	4,012	4,394	4,823	5,299	5,932	6,622	7,369	8,172

¹ Includes accrued capital gains.

² Primarily credit programs.

Note: Projections for 2010 through 2014 are an OMB extension of detailed agency budget estimates through 2009.

Additional Requirements and Initiatives

	<u>00</u>	<u>(Outlays)</u>	<u>5-Year</u>
● Mandatory Reproposals:			
– Child Care and Early Learning	1.2		9.3
– Medicare Buy-In	0.1		2.1
– Superfund Orphan Shares	0.2		1.0
– Other	0.7		5.1
● Tax Reproposals:			
– Affordable Child Care	0.3		5.6
– Energy Efficiency/Climate Change	0.4		4.4
– School Construction	0.2		5.0
– Expiring Provisions	1.0		3.5
– Other	1.3		5.9
● Expiring Programs:			
– Welfare-To-Work	0.2		5.6
– COPS	1.2		3.6
● New Initiatives			

2000 Budget Goals

- **Save Surplus for Social Security**
- **Fulfill Prior Commitments**
- **Adequately Fund Core Government**
- **Finance Initiatives**

Initiatives Summary
(in millions of dollars)

	Amount
FY 2000 Budget Initiatives, New Money	2,630
FY 2000 Budget Initiatives Funded in Base	755
Unallocated Education	700
Total Initiatives Resources	4,085

FY 2000 BUDGET INITIATIVES

Agency/Policy Area	12/17 Discussion	Policy Council Preferred Level	
CEQ			
Costal Salmon	100		
Lands and Livability	500	570	JP: Find +70
Clean Air Fund	0	250	Tax?
Subtotal	600		
HHS			
Long-Term Care	150		
AIDS	28		
CBC AIDS	50		
Mental Health (SAMSHA)	65		
Race and Health	50		
CDC	60		
Children's Hospital	40		
Tobacco -- PH CDC	27		
Tobacco -- FDA	34		
Tobacco -- Public Health Education	15		
Food Safety	30	40	
Subtotal	549		
Education			
Adult Literacy	190		
Social promotion	350		
Quality	18		
Urban/Rural Computing	60		
Charter Schools	10		
Stay in College	25		
Title I Accountability	0		
Technology for Disabled	35		
Native Americans	10		
Education Research	0	50	JP: not to NSF
Unallocated Education	-700		
Subtotal	-2		
Labor			
Universal re-employment	235	250	
Youth employment	150	170	
FMLA/Paid Leave	8		
Child Labor			
Enforcement			
Standards	40		
Equal Pay	20		
Manufacturing Assistance	0	55	Gene: 100 for mfg jobs
NLRB	[10]		
Subtotal	453		

FY 2000 BUDGET INITIATIVES

Agency/Policy Area	12/17 Discussion	Policy Council Preferred Level	
Urban Initiative	115	150	
SBA			
Treasury			
Subtotal	115		
HUD Abandoned buildings	50		
Treasury			
Firearms	15		
Americorps	70	80	→ From: LT cap/Americorps
Child Labor			
Microcredit	0	10	
Information Technology			
DARPA	[100]		
NSF	[35]		
DOE	[70]		
Digital Library	10	20	GENE + 10
Subtotal	10		
Energy			
Climate Change	75		
Russia	[260] 300	535 ⁺ 235	
Subtotal	75		
Agriculture			
Integrated Ecosystems Sciences	45	50	
VA			
Smoking cessation	[90]		
Homeless vets	[50]		
Subtotal	0		
Justice			
COPS II	650		
Coerced abstinence	[100]		
Offender Justice	[40]		
Subtotal	650		
Total	2,630		

The HHS Appeal

- ◆ **Following Through on Presidential Initiatives**
 - ◆ Tobacco, Health Research, Head Start, Food Safety, Drug Abuse Treatment
- ◆ **Strengthening Public Health**
 - ◆ FDA Modernization, Chronic Disease, Bioterrorism
- ◆ **Enhancing the Health of All Americans**
 - ◆ Safety Net, Racial Health Disparities, Native American Health, Violence Against Women, Elderly
- ◆ **Providing Sufficient Program Support**
 - ◆ All HHS Agencies and a modernized HCFA

Medicaid Recoupment

- ◆ **The Tobacco Agreement reimburses States for Medicaid costs that are partly Federal costs.**
- ◆ **HHS has an obligation to the taxpayers to recoup the Federal share of these costs. In 2000 alone no less than \$4 billion is Federal taxpayer money.**
- ◆ **Medicaid Recoupment can finance both the HHS appeal and other appropriate investments.**

Following Through on Presidential Initiatives

Health Research

Continue the long-range expansion plan for NIH, AHCPR health services, CDC prevention research. (+\$1.2 billion)

Head Start

Continue on the path towards serving one million children in 2002. (+\$100 million)

Food Safety

Improve the safety of fruits, vegetables, seafood; reduce disease with faster response to outbreaks. (+\$67 million)

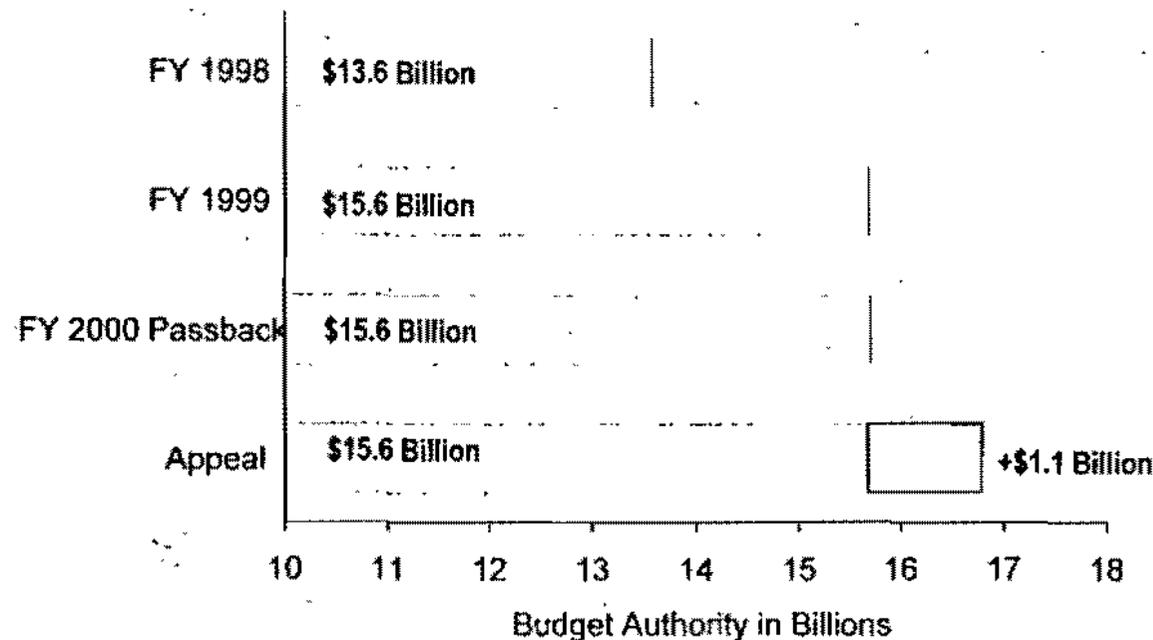
Tobacco

Enhance enforcement of FDA rule and reduce children's access to tobacco. (+\$50 million)

"Deglamorize tobacco" - and provide the science base for tobacco control activities. (+\$154 million)

Following Through on Presidential Initiatives Health Research - NIH, AHCPR, CDC

- ◆ This Administration committed to and should follow through on long-term expansion
- ◆ Appeal continues 5-year, 50% NIH growth plan with even annual growth



Strengthening Public Health Countering Bioterrorism

We must improve the nation's readiness for the medical needs resulting from a bioterrorist attack, in the following areas: (+\$193 million)

- ◆ **Public Health and Medical Infrastructure (+\$156 million)**
 - ◆ Employ more epidemiological intelligence and laboratory specialists
 - ◆ Purchase rapid communication systems and lab equipment
 - ◆ Train medical and lab staff to detect lethal agents
- ◆ **Research and Development (+\$33 million)**
 - ◆ Ensure an effective defense against the health consequences of bioterrorism and develop better treatment
- ◆ **Medical Response Capability (+\$3 million)**
 - ◆ Better equip and train our National Medical Response Teams and local Metropolitan Medical Strike Teams

Enhancing the Health of All Americans: Improving Native American Health

- ◆ Indian people have the Nation's worst health status.
 - ◆ 5 year mortality rate increases in alcoholism (+15%), diabetes (+35%), HIV (+200%), and cancer (+11%).
- ◆ We need an additional \$205 million to:
 - ◆ Increase medical services - e.g., reduce current 30 to 90 day waiting period for alcoholism services; respond to the 2% annual growth rate in the Indian service population.
 - ◆ Bring sanitation and clean water to 1,800 more homes
 - ◆ Continue construction of hospitals (Navajo), and support Tribal Joint Ventures to build own facilities.
 - ◆ Support Tribal Self-Determination by funding 95% of tribal contract support costs.

	FY 99 Enacted	Passback	\$500 million Placeholder	\$1.4 Billion Over Passback	Total
*Initiatives agreed to with the policy councils.					
\$500 million Placeholder Distribution					
*21st Century Community Learning Centers (After School).....	200	250	350	0	600
*Community Computer Centers.....	10	10	60	0	70
*Charter Schools (Pback incl. \$21M from Magnet and Worksite)..	100	131	19	0	150
*Stay in College Initiative (presumed to be in SEOG).....	619	619	25	0	644
*ED/NSF Research Initiative.....	0	0	25	0	25
*Adult Education/Literacy (other portion funded below).....	0	0	21	0	21
Total (\$500 million Placeholder).....	929	1,010	500	0	1,510
OMB Distribution of the \$1.4 billion Over Passback					
*Indian Teacher Training.....	0	0	0	10	10
*Adult Education/Literacy.....	385	385	0	176	561
*Assistive Tech & Accessibility (w/in NIDRR and Assistive Tech).....	0	0	0	23	23
*Other Assistive Technology (non-add).....	0	0	0	12	12
(\$2M in DoD, \$2M in GSA, \$8M in various large agencies)					
Title I Grants to LEAs.....	7,676	7,676	0	300	7,975
Pell Grants (BA).....	7,704	7,659	0	212	7,871
Vocational Education (State Grants).....	1,031	890	0	141	1,031
Rehabilitative Services.....	0	(48)	0	48	0
America Reads.....	260	260	0	50	310
GEAR UP.....	120	200	0	40	240
Perkins Loans (Capital Contributions).....	100	60	0	40	100
Special Education.....	5,334	5,334	0	100	5,434
Impact Aid.....	864	631	0	74	705
AP Course Expansion.....	4	4	0	38	42
FIE (\$10 M for DC School Reform, Passback level \$11M less b/c of Charter/Worksite Transfer).....	147	79	0	10	83
Bilingual Education (Hispanic Initiative).....	380	380	0	35	415
TRIO (Hispanic Initiative).....	600	600	0	50	650
Migrant Education (Hispanic Initiative).....	355	355	0	25	380
HEP and CAMP (Hispanic Initiative).....	13	13	0	3	16
Comprehensive School Reform (Hispanic Initiative).....	120	120	0	20	140
Hispanic Serving Institutions (Hispanic Initiative).....	28	28	0	5	33
Total (\$1.4 Billion Over Passback).....	26,056	25,636	500	1,400	27,536
Other ED programs.....	7,069	6,808	0	0	6,808
Total, Department of Education (BA).....	33,119	32,443	500	1,400	34,343
{Incl \$500M Placeholder in Passback}.....		500	-500	N/A	N/A
Total, Department of Education (BA).....		32,943	0	1,400	34,343

	FY 99 Enacted	Passback Proposed Setback
Other ED Programs:		
Education reform:		
Goals 2000.....	491	491
School-to-Work.....	125	55
Education Technology Programs (w/ocal Comm. Computing Ctrs)	668	721
Total, Education reform.....	1,304	1,267
Other Title I -- Education for the disadvantaged:		
Even Start.....	135	125
Other Title I.....	72	48
Total, Title I -- Education for the disadvantaged.....	207	173
School improvement programs:		
Eisenhower Professional Development.....	335	335
Innovation Strategies.....	375	0
Safe and Drug Free Schools.....	568	566
Class Size Reduction.....	1,200	1,300
Other School improvement programs.....	231	233
Total, School improvement programs.....	2,709	2,434
Indian Education.....	66	57
Special Institutions.....	138	136
Other Vocational and Adult Education:		
Tech-Prep Education.....	105	106
Discretionary Voc. ED programs.....	16	18
State Grants for Incarcerated Youth Offenders.....	17	12
Total, Voc. and Adult Education.....	140	136
Other Student financial assistance:		
Work Study.....	870	934
Perkins Loan Cancellations.....	30	40
LEAP.....	25	25
Total, Student financial assistance.....	925	999
Higher education:		
FIPSE.....	50	23
Teacher Quality and Recruitment.....	75	75 + Troops
Learning Anytime Anywhere Partnerships.....	10	10
Other Higher Education.....	408	427
Total, Higher Education.....	543	535
Howard University.....	214	214
Education, research, statistics and improvement:		
Research, Statistics, and Assessment.....	252	247
Other Ed. research, statistics and improvement.....	66	66
Total, Ed. research, statistics and improvement.....	318	313
Federal Administration:		
Civil Rights.....	66	71
Other Federal Administration.....	441	452
Total, Federal Administration.....	507	523
Total, Other ED Programs.....	7,069	6,808

Hispanic Initiative

(BA, millions)

	FY98 Enacted	FY99			FY00		FY00 \$1.4 Billion over Passback	
		President's Budget	Enacted	Add to FY98 Enacted	Passback	EO Appeal	OMB Distribution	Add to FY99 Enacted
State agency migrant program	305.473	354.689	354.689	49.216	354.689	380.000	380.000	25.311
Demonstrations of comprehensive school reform	120.000	150.000	120.000	0.000	120.000	190.000	140.000	20.000
High school equivalency program (HEP)	7.634	10.000	9.000	1.366	9.000	9.000	10.000	1.000
College assistance migrant program (CAMP)	2.081	5.000	4.000	1.919	4.000	4.000	6.000	2.000
Bilingual education instructional services	160.000	168.000	160.000	0.000	160.000	180.000	160.000	20.000
Bilingual education professional development	25.000	50.000	50.000	25.000	50.000	65.000	65.000	15.000
Adult education	360.551	394.000	385.000	24.449	385.000	420.000	582.000	197.000
Hispanic-serving institutions	12.000	28.000	28.000	16.000	28.000	30.000	33.000	5.000
Federal TRIO programs	529.667	583.000	600.000	70.333	600.000	650.000	650.000	50.000
Total, Hispanic Initiative	1,522.406	1,742.689	1,710.689	188.283	1,710.689	1,928.000	2,046.000	335.311
Title I grants to local educational agencies	7,375.232	7,767.000	7,676.020	300.788	7,676.020	8,076.020	7,976.020	300.000
Bilingual education support services	14.000	14.000	14.000	0.000	14.000	14.000	14.000	0.000
Total, Hispanic Initiative (NEC count)	8,911.638	9,523.689	9,400.709	489.071	9,400.709	10,018.020	10,036.020	635.311

TALKING POINTS -- INITIATIVES

12.17.98

I. EDUCATION

A. ESEA: Memo in the next few days on ESEA. Major recommendations:

- * Require states to intervene in low-performing schools; set \$ aside for what TX is doing (Title I)
- * Strengthen teacher accountability: require testing for new teachers, phase out the use of teachers aides in Title I, phase out emergency certification & teaching out-of-field
- * Require states & districts to end social promotion with clear benchmarks at elementary, middle, and high school, including a high school skills test.

B. End Social Promotion/Expand After School: Cover another 500,000 kids in after-school, and give districts a strong incentive to end social promotion the right way, by providing mandatory after-school and summer school.

C. Teachers: \$18m for troops-to-teachers program / alternative certif & recruitment

D. Charters: Modest increase (25-50m)

II. HEALTH CARE

~~CDC~~

A. Superbug/Bioterrorism: \$60m to CDC to strengthen emergency preparedness at hospitals and make sure there's public health infrastructure in place to respond to a terrorist attack. Develop anthrax vaccine. Timely.

B. Long-Term Care: 3 pieces to complement LT tax credit:

- Family caregiver program designed to help low-income families that don't make enough to benefit from the tax credit (respite services, adult day care, and one-stop counseling & referral)
- Funds to step up federal & state enforcement of nursing home quality
- A little bit of \$ to educate Medicare beneficiaries about LT care options outside Medicare

C. AIDS: An increase for Ryan White and ADAP (\$100m), and \$50m we've already promised the CBC to target the HIV epidemic in minority community.

D. Mental Health-- \$65m for mental health services thru SAMSHA; Mrs. Gore WH conf

E. Race and Health -- Keeps the commitment you made in race initiative to reduce racial disparities in cancer, diabetes, heart disease (immuniz, HIV, infant mortality)

F. Childrens' Hosp -- \$40m to give children's hospitals the kind of assistance w/graduate medical education that other hospitals get thru Medicare.

G. Tobacco/CDC -- \$27m to CDC for counteradvertising and research, to make sure the state settlement \$ is spent on programs that work.

H. Tobacco/FDA -- \$34m to double FDA's enforcement budget to reduce youth access (still in effect despite CT rulings). #1 priority for public health groups.

M. Educ. Research.

K. Food Safety -- \$30m to increase inspections at high-risk food mfgs and inspections of food imports.

FMLA/Paid Leave -- research and demos

E.

VA Medical Centers

C.

- Treating + Housing

CRIME

- COPS - ^{have} 10,000 cops - ^{reverse} some for ^{1-yr} practices, some targeted to hot spots ^{to keep cops on job thru 2000}
- PREVENTION
 - Certainty of Punish / alternatives to incarceration
 - Drug Testing - Treatment for prisoners (Coerced Abstinence)
 - Add training + supervision to that
 - BOP Model Program: 35% of ^{fed.} prisoners in some edc every day
 - State % is much lower
 - BOP/MJ proposal to increase

- COMM. PROSECUTORS

- TECHNOLOGY

- CRIME-FIGHTING TECHNOLOGIES

- BRADY RECORDS

- CRIME LABS

[ATF GUNS]

FY 2000 Discretionary Budget Status

Agencies settled or about to settle:

Commerce

Defense

Energy

EPA

Interior

Justice

Labor

NASA

Transportation

Treasury

Corps of Engineers

FEMA

Legal Services Corporation

NEA/NEH

NSF

OPM

SBA

SSA

Other small agencies

Possible appeals:

Agriculture

Education

HHS

HUD

State/International Affairs

Veterans

Department of Defense
Bridging the Gap
(\$ in billions)

	FY_2000
Original DoD Overguidance Request	19.2
DoD Revised Request	13.0

	FY_2000
DoD Revised Request	13.0
White House Initiatives	0.2
Adjusted Request	13.2

<u>Adjustments Agreed to by DoD</u>	
Offsets	-3.2
Incremental funding for Military Construction	-3.2
PAYGO Balances	-2.9
Expiring Balances/Rescission	-1.6
Defer facilities funding request	-0.8
Alternative Scoring for Retirement Compromise	-0.6
Absorb some pay table reform costs	-0.4
Additional budget authority (no outlays)	-0.5
Remaining Gap	0.0

Initiatives Summary
(in millions of dollars)

	Amount
FY 2000 Budget Initiatives, New Money	2,630
FY 2000 Budget Initiatives Funded in Base	755
Unallocated Education	700
Total Initiatives Resources	4,085

FY 2000 BUDGET INITIATIVES

Agency/Policy Area	12/17 Discussion	Policy Council Preferred Level
CEQ		
Costal Salmon	100	
Lands and Livability	500	570
Clean Air Fund	0	250
Subtotal	600	
HHS		
Long-Term Care	150	
AIDS	28	
CBC AIDS	50	
Mental Health (SAMSHA)	65	
Race and Health	50	
CDC	60	
Children's Hospital	40	
Tobacco -- PH CDC	27	
Tobacco -- FDA	34	
Tobacco -- Public Health Education	15	
Food Safety	30	40
Subtotal	549	
Education		
Adult Literacy	190	
Social promotion	350	
Quality	18	
Urban/Rural Computing	60	
Charter Schools	10	
Stay in College	25	
Title I Accountability	0	
Technology for Disabled	35	
Native Americans	10	
Education Research	0	50
Unallocated Education	-700	
Subtotal	-2	
Labor		
Universal re-employment	235	250
Youth employment	150	170
FMLA/Paid Leave	8	
Child Labor		
Enforcement Standards	40	
Equal Pay	20	
Manufacturing Assistance	0	55
NLRB	[10]	
Subtotal	453	

40
 → Medicine Suit

→ Educ. scholarship \$

FY 2000 BUDGET INITIATIVES

Agency/Policy Area	12/17 Discussion	Policy Council Preferred Level
Urban Initiative	115	150
SBA		
Treasury		
Subtotal	115	
HUD Abandoned buildings	50	
Treasury		
Firearms	15	
	<i>Gen shows Yalta gun tracing initiative</i>	
Americorps	70	80
Child Labor		
Microcredit	0	10
Information Technology		
DARPA	[100]	
NSF	[35]	
DOE	[70]	
Digital Library	10	20
Subtotal	10	
Energy		
Climate Change	75	
Russia	[260]	535
Subtotal	75	
Agriculture		
Integrated Ecosystems Sciences	45	50
VA		
Smoking cessation	[90]	
Homeless vets	[50]	
Subtotal	0	
Justice		
COPS II	650	
Coerced abstinence	[100]	
Offender Justice	[40]	
Subtotal	650	
Total	2,630	

cc: Gene
EK
Mike
+ return.

**MOVING THE PRESIDENT'S AGENDA FORWARD:
FUNDAMENTALLY IMPROVING AMERICAN EDUCATION**

We need to continue to create a new sense of direction in America's schools.

A \$2.2 billion increase over FY1999 (\$2.4 billion over passback) is the minimum required to make fundamental improvements in education such as getting high standards and accountability into schools and classrooms. This investment, along with our school construction proposal in the tax arena, would demonstrate our continued support for creating real momentum for school change and accelerating serious education reform (reauthorization of ESEA and the redesign of Title I with more rigorous accountability this coming year).

Our new initiatives, such as Class Size Reduction, After-School, Reading, Teacher Quality and Recruitment, and GEAR-UP require a second installment in FY2000 in order to ensure permanency beyond the first year. Otherwise, our legacy will be nothing more than a series of small, one-time programs.

Also, because many of these initiatives are forward funded, this FY2000 budget will literally hit the schools in the Fall of 2000.

Our proposal basically has four parts:

- A \$700 million package to support high standards and improving the basics tied to stronger accountability in schools and classrooms. This includes such items as putting in place report cards rating public schools and action to encourage improvement of poor schools through Title I, improving reading and the basics and support to raise standards through Goals 2000 expansion.
- \$300 million to accelerate school change and serious education reform – including the expansion of new initiatives like the doubling of GEAR-UP and After-School, continued efforts to improve Safe and Drug-Free Schools, expanding charter schools, and turning around schools through expansion of Obey-Porter.
- \$500 million to provide leadership to help address the massive need for quality teachers that measure up to high standards – including the second installment for Class Size Reduction; more than doubling funds to recruit new teachers to the neediest schools, strengthen State teacher certification standards, and hold teacher education schools accountable for preparing high-quality teachers; improving math instruction; and strengthening the ongoing professional development of current teachers.
- \$600 million to create high hopes and access to college by expanding Pell Grants, TRIO, College Work-Study and Tech-Prep Vocational Education.

The Department's alternative proposal would provide a \$2.2 billion increase over the FY1999 level – down from our original requested increase of \$3.8 billion.

Additional measures we want to take would urge schools take a more active role in encouraging more parents and families to get involved in their child's education.

	<u>1999</u>	<u>2000 Proposal</u>	<u>Change</u>	
SUPPORT HIGH STANDARDS AND THE BASICS AND STRONGER ACCOUNTABILITY IN SCHOOLS AND CLASSROOMS				
Title I Grants to LEAs – (includes report cards to rate schools on their progress)				
	\$7,676.0	\$8,026.0	+\$350.0	
Reading Excellence Act	\$260.0	\$310.0	+\$50.0	
Even Start	\$135.0	\$185.0	+\$50.0	
Goals 2000	\$491.0	\$541.0	+\$50.0	
Tough Courses in High School	\$4.0	\$20.0	+\$16.0	
Earlier Identification to Help Young Children with Reading and Behavioral Problems	----	\$50.0	+\$50.0	
Special Education – Preschool, Infants and Toddlers, State Improvement	\$779.2	\$841.4	+\$62.2	
Research to Improve Early Reading and Mathematics Instruction	----	\$75.0	+\$75.0	
ACCELERATE SCHOOL CHANGE AND SERIOUS EDUCATION REFORM				
GEAR-UP	\$120.0	\$200.0	+\$80.0	
21 st Century Community Learning Centers	\$200.0	\$350.0	+\$150.0	
Safe and Drug-Free Schools	\$566.0	\$613.0	+\$47.0	
Charter Schools	\$100.0	\$110.0	+\$10.0	AGREE
Comprehensive School Reform Demonstrations (Obey-Porter)	\$145.0	\$195.0	+\$50.0	
ADDRESS THE MASSIVE NEED FOR QUALITY TEACHERS THAT MEASURE UP TO HIGH STANDARDS				
Class Size Reduction (40,000 teachers)	\$1,200.0	\$1,450.0	+\$250.0	
Teacher Quality and Recruitment	\$75.0	\$150.0	+\$75.0	
Eisenhower Professional Development	\$335.0	\$410.0	+\$75.0	
Improving Math Instruction	----	\$50.0	+\$50.0	
Bilingual Professional Development	\$50.0	\$65.0	+\$15.0	
Technology Teacher Training	\$75.0	\$75.0	----	AGREE
Middle School Teacher Training	----	\$30.0	+\$30.0	AGREE
CREATE HIGH HOPES AND PATHWAYS TO COLLEGE				
Pell Grants	\$7,704.0	\$8,109.0	+\$405.0	
<i>Pell Grant Maximum Award</i>	\$3,125	\$3,225	+\$100	
Perkins Loans Capital Contributions	\$100.0	\$100.0	----	
TRIO	\$600.0	\$650.0	+\$50.0	
Tech-Prep and Vocational Education	\$1,154.2	\$1,179.7	+\$25.5	
College Work Study	\$870.0	\$934.0	+\$64.0	AGREE
TOTAL INCREASE OVER FY1999			+\$2.2 BILLION	

NOTE: School Construction cost in FY2000 is \$215 million, thus the total Education increase over FY1999 would be \$2.4 billion, the same as the decrease in cost for student loans in FY2000.

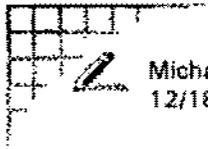
EDUCATION DEPARTMENT FY 2000 BUDGET APPEAL

December 21, 1998

FY99 Final	FY 2000 <u>OMB Passback</u>	FY2000 <u>ED Appeal</u>	Increase <u>Over FY99</u>
\$33.1 B	\$32.9 B	\$35.3 B	\$2.2 B

- ED's appeal includes funding for further class size reduction.
- Our school construction proposal is included on the tax side and costs \$215 million in FY2000.
- ED's appeal also includes \$2.4 billion in mandatory student loan savings in FY2000 alone. *Thus, in FY2000 there would still be no increased costs from education.*

<u>Education Appeal</u>	<u>FY2000</u>
Discretionary increase	+\$2.2 billion
School construction (tax proposal)	+\$0.2 billion
<u>Mandatory student loan savings</u>	<u>-\$2.4 billion</u>
Net increase in education	\$ 0



Michael Cohen
12/18/98 01:05:06 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP
cc: Elena Kagan/OPD/EOP
Subject: Teacher Recruitment Scholarships

Elena and I just discussed the teacher recruitment scholarship initiative that you and I discussed after yesterday's budget meeting. Here's what we are thinking:

In light of the President's interest in this, and notwithstanding the apparently strong Congressional disinterest, we should proceed with our original idea of increasing funding for the Teacher Quality and Recruitment program and including appropriations language that would allocate something like 50% of the funds to teacher recruitment scholarships rather than the 10% in current law. In this way, we get credit for what we propose, and can fight with the Congress over the allocation later.

The current appropriations provides a total of \$75 Million, of which 7.5 million goes to scholarships. If we go this route, I would argue for adding 75 to double the total funding, or perhaps 100 million (the Department's request). That would give us 35-50 million in new recruitment/scholarship funding. My back-of-the-envelope calculations suggest that we would provide 7,500-10,000 new scholarships, up from the current 1400. (leave plenty of room for rounding error here!)

I ran this idea passed Barbara earlier today--she was lukewarm, largely because of the Congressional opposition we expect. I think she can be turned around, however.

What do you think?



Jose Cerda III

12/17/98 03:54:33 PM

Record Type: Record

To: Cathy R. Mays/OPD/EOP

cc:

Subject: Prisoner Rehab Programs

CM: Wanted to get this to BR before his 4pm w/the President. Any chance you can get it to him?
jc3

----- Forwarded by Jose Cerda III/OPD/EOP on 12/17/98 03:55 PM -----



Jose Cerda III

12/17/98 03:52:00 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP

cc: Leanne A. Shimabukuro/OPD/EOP

Subject: Prisoner Rehab Programs

Bruce:

Per your request:

What we've done:

Over the past couple of years, most of our efforts to train and educate prisoners have come in the form of improvements in the Federal Bureau of Prisons (BOP) programs and grants to the states for comprehensive treatment (The Republican majority in Congress has not supported funding for other programs, such as the boot camps we originally proposed). Specifically, we've accomplished the following:

-- **BOP.** Last year BOP, through its Federal Prison Industries (FPI) employed about 20,000 inmates -- or about 25% of its prison population. BOP inmates also spent more than 11 million classroom hours in such programs as literacy, occupational/vocational training, English-as-a-Second Language, parenting, health promotion, release readiness and other continuing adult education. In fact, on a typical day, about 35% of the federal inmate population is involved in some type of education program. And in 1998, more than 6,000 federal inmates received their GED -- an increase of 25% from the previous year.

-- **Residential Substance Abuse Treatment (RSAT) in the States.** The Crime Bill authorized between \$30 and \$75 million per year for long-term residential drug treatment in state prisons. These programs fund between 6 and 12 months of substance abuse treatment -- set apart from the general prison population -- and are required to provide aftercare services that include education and job training.

What we propose doing in FY 2000:

The FY 2000 budget offers several opportunities to expand education and training for prisoners. These include:

-- **Certainty of Punishment.** This \$40 million initiative, designed to promote alternatives to incarceration for young offenders (up to age 25), will allow us to fund innovative community-based correction programs that can include long-term community service, work programs linked to victim restitution, and other alternatives to incarceration that link job training with accountability (drug testing, compensating victims, day reporting, electronic monitoring, passing GED, paying child support). If the President wants, we can specifically design a program under this initiative that is focused on employing offenders.

-- **Coerced Abstinence.** The FY 2000 budget will include some \$200 million in drug testing and treatment that can be further linked w/education and training. Although the \$50 million in Drug Courts and \$65 million in RSAT funds can be strengthened to specifically include education and training components, the \$85 million in new funds offers the best opportunity to do what the President wants. Since most of these will go to fund state drug testing and treatment plans, we can essentially use this new program to replicate much of what the Federal BOP already does (see above).

-- **Prison Work Demonstration.** We can also add to the budget a proposed DOJ initiative to fund a \$6 million Prison Work demonstration program that: (1) develops model "Prison at Work" programs that systematically improve prison employment in the states (only about 10% of state prisoners work); and (2) funds "Model Industry" innovation grants to test new methods to increase inmate employment (i.e., new production methods, targeting new portions of the prison population, etc.).

Other ideas to consider:

Finally, there are a few more avenues that we can look into that don't necessarily require new funds or legislation. They include:

-- **Fatherhood programs.** An estimated 60% of the persons in prisons are fathers. How can we tap into the support for fatherhood programs to work w/this population.

--- **Welfare-to-work.** Localities can chose to use their welfare-to-work grants to target ex-offenders. What more can we do to get cities to focus on this population. Already, the Mayors are saying they want to focus on keeping ex-drug offenders clean when they are released from state prisons. Are they will to commit some of their W2W dollars for this purpose?

4. Prisons at Work Demonstration Program \$6,000,000

State prisons in the United States currently house 1.2 million inmates, 1 million of whom are between the prime working ages of 20 and 64. Yet only 78,000, or 6.5 percent of the total, work in jobs that produce marketable goods and services. The United States economy is operating at full employment levels while, at the same time, our prisons stockpile 2.5 billion untapped labor hours every year. Many economists wonder whether this huge labor force might help the U.S. keep its manufacturing and other jobs here.

Prison employment programs also prepare inmates for meaningful re-integration into the community by teaching them marketable trades and skills. In addition, inmates develop work ethic, pride, responsibility, and motivation. Together these learned skills give recently released offenders an alternative to criminal industries which, in turn, can lead to lower recidivism rates. A study titled "Crime and Poverty: Some Experimental Evidence from Ex-Offenders," R.A. Berk, K.J. Leinihan, and P.H. Rossi, confirmed previous findings from an unpublished paper, *Recidivism Among Federal Prison Releases in 1987: A Preliminary Report*, by Harer, M.D., showing that ex-offenders with jobs commit fewer crimes than ex-offenders without jobs. Between 1979 and 1992, inmates employed in prison-based joint ventures certified by the Department of Justice earned over \$28.6 million, with contributions of \$5 million to offset the cost of their incarceration, \$3.2 million in federal and state taxes, \$1.7 million in victim compensation, and \$1.9 million toward support for their families. These combined deductions of nearly \$11.9 million represent a return to society of \$0.41 for every dollar these inmates earned (NIJ's *Program Focus*, November 1995). The financial argument alone is compelling in its support for prison employment programs, and the potential benefits to society in terms of reduced recidivism rates merely add further weight to this position.

Despite these compelling reasons to increase inmate employment, no State employs more than 10 percent of its inmate workforce in the production of marketable goods or services. This is because efforts to increase utilization face many obstacles, including the realities that: (1) prisons aren't designed like factories; (2) security and safety considerations constrain efficient work arrangements and overall productivity; (3) correctional managers are trained for supervising and housing inmates, not for producing and marketing products; (4) many inmates are unskilled and poorly trained for producing marketable goods and services; (5) prison industries are constrained by law and policy in the types of products they can produce; and (6) prisons are often not conveniently located for interaction with private sector partners.

The Federal government has over 60 years experience in developing and managing prison employment programs which, in 1997, produced over \$500 million in goods and services sold to the U.S. government. The Federal government, and NIJ in particular, can build upon federal experience and expertise in administering prison-industry programs to develop national models and strategies to assist State prison systems in increasing inmate employment and transitioning offenders to full-time employment upon release.

To achieve this, NIJ envisions a long term demonstration program that will concurrently employ two strategies: a model "Prison at Work" program and a "Model Industry" innovations grant program. In three "Prison at Work" sites, NIJ will work intensively, over several years, to remove barriers to employment and to increase the number of inmates employed. In "Model Industry" innovation sites, NIJ will offer incentive grants to test innovative prison employment experiments within 40-60 State prisons. Together, the two "Prison at Work" programs comprehensively apply state-of-the-art strategies in three prisons while also hosting 40-60 laboratories to develop and test new approaches that improve the state-of-the-art.

Model "Prison at Work" demonstration sites. NIJ will enter into long term partnerships with three State prison systems with the goal of systematically improving prison employment over a 5-year period. NIJ will work with the demonstration sites to gradually remove all obstacles to employment. Some obstacles require management analysis and reformation. Others might require legislation to remove restrictions on production for prison products. Other changes might be structural -- requiring redesign and reconfiguration of prison space -- or technological -- requiring new solutions to monitoring inmates working outside prison walls. The partnerships will sustain focus on the list of barriers and the goal of significant increases in employment.

Through a combination of technical assistance and demonstration funds, NIJ will help prison officials develop the plans, financing, training, management structures, incentives, and legislation needed to implement changes within designated prisons. During the implementation phase, on-site analysts and evaluators will monitor progress, identify technical assistance needs, and document processes as well as results. Interim assessments will review the results of individual actions and modify them as appropriate. NIJ estimates the cost of these efforts at \$3 million annually, over the projected five years of the program.

"Model Industry" innovation grants. NIJ will award 10 "Model Industry" innovation grants per year to demonstrate and test innovative approaches to increasing inmate employment. Grant awards will require that prisons demonstrate new production methods, target new portions of their inmate populations, support prison operation needs through internal production, develop restorative approaches for neighboring communities, or test new marketing approaches. NIJ estimates the cost of this project at \$2 million annually.

Advocates of work in prisons suggest that, besides producing revenue and defraying the cost of their imprisonment, working inmates are easier to manage. Many economists agree that with prison work experience, released inmates are more likely to be employed, and less likely to recidivate after release. NIJ proposes to test these assertions over the life of the program. NIJ will conduct a multi-site outcome evaluation, spanning both programs, of the following two questions:

1. Do inmates who participate in full-time work while in prison have better job success and recidivate less than idle inmates after release?

2. How does increased prison employment affect the structural and behavioral climates within prisons?

In addition to this evaluation, each "Model Industry" innovation grant will contain its own internal evaluation and documentation of results and outcomes. NIJ estimates the cost of program evaluation at \$500,000 annually.

NIJ will provide substantial amounts of technical assistance for the sites in both the demonstration and innovation components. Much of this assistance will come in the form of expert consultants on issues such as facility conversion, financial and market analysis, management training, etc. NIJ estimates the cost of this assistance at \$300,000 annually.

NIJ will also disseminate information and findings in the form of publications, national conferences, etc., to inform policy makers and practitioners of what works, what doesn't, and what's promising in prison employment approaches. NIJ will also take its findings and develop one or more national prison employment models that can be replicated in State prisons. NIJ estimates the cost of this dissemination at \$200,000 annually.

To fulfill the mission of the "Prisons at Work" program, NIJ requests three additional positions. These personnel requirements -- in terms of numbers and skills of staff -- derive from NIJ's experience in other large scale demonstration/evaluation programs: Breaking the Cycle, a \$7 million/year longitudinal demonstration project; and Law Enforcement and Family Support, a \$2 million annual innovation grant competition.

A project director will: (1) oversee work and progress of the entire project and supervise staff; (2) oversee and plan the evaluation of the programs and project; (3) be responsible for strategic planning; and (4) maintain contacts with Federal partners.

A "Prison at Work" Demonstration program director will: (1) be responsible for planning, selecting, and managing 3 prison demonstration sites; (2) work with federal partners and prison industries to inform project; (3) work closely with prison staff to ensure program goals are met; and (4) coordinate information exchange among 3 sites.

A "Model Industry" Innovation program director will: (1) be responsible for annual solicitation, including writing the solicitation, coordinating peer reviews, making recommendations, and notifying applicants; (2) manage up to 10 grants to test innovative prison employment strategies; (3) hold annual grantee conference to exchange information; and (4) develop publications that coalesce experiences in all program sites to inform practitioners and policy as to what works, what doesn't, what's promising in prison employment models.

PERFORMANCE MEASUREMENT TABLE: PRESENTED BY INITIATIVE AND PROGRAM

INITIATIVE: Building Knowledge								
PROGRAM/ORG UNIT: Prisons At Work Demonstration Program/National Institute of Justice (Justice Assistance Account)								
MISSION: To establish demonstration programs in prisons to remove barriers to employment and to increase the number of inmates employed.								
PERFORMANCE INDICATOR INFORMATION			PERFORMANCE TARGETS AND ACTUAL RESULTS					
Type of Indicator	Performance Indicators	Data Source	1997 Actual	1998 Final Plan	1998 Actual	1999 Initial Plan	1999 Current Plan	2000 Plan
Input	1. Appropriation (in millions)	Congress						\$6M
	2. New positions	OJP/OBMS						3
	3. Number of applications for "Prison at Work" demonstration project.	NIJ file						5
	4. Number of applications for "Model Industry" Innovation Grants.	NIJ file						20
	5. Number of applications to evaluate program.	NIJ file						3
Output/Activity	6. Number of awards for "Prison at Work" demonstration sites.	NIJ file						3
	7. Number of awards of "Model Industry" Innovation Grants.	NIJ file.						10
	8. Number of awards to evaluate program.	NIJ file.						3
Intermediate Outcome	9. Number of publications/conferences produced	NIJ file						1
End Outcome	10. Number of prison employment programs established.	Final prog reports & outreach efforts.						53
A. Definitions of Terms or Explanations for Indicators and Data Sources:								
B. Issues Affecting 1998 Program Performance.								
C. Issues Affecting Selection of 1999 and 2000 Plans. FY 2000 Plan assumes authorized amount of \$6,000,000.								

THE WHITE HOUSE
WASHINGTON

12-14-98

BRUCE/ELENA:

THIS DOT-PROPOSED INITIATIVE SEEMS TO RESPOND PRETTY DIRECTLY TO THE PRESIDENT'S RECENT COMMENTS. IT SEEKS \$6 MILLION TO DEVELOP MODEL "PRISON AT WORK" PROGRAMS TO SYSTEMATICALLY IMPROVE PRISON EMPLOYMENT & "MODEL INDUSTRY" INNOVATION GRANTS. UNFORTUNATELY, FUNDING FOR THIS PROGRAM WAS LOST WITH THE PRISON FUNDING, BUT WE COULD ALWAYS STEAL \$6 MILLION FROM SOMEWHERE ELSE.

THOUGHTS?

JZC

Tax Meeting Agenda

December 16, 1998

- I. Discuss starting point package -- modify on pay-as-you-go basis.**

- II. Prioritize how package would be shaved if insufficient offsets.**

- III. Prioritize how package would be modified/added to if additional offsets are found.**

Existing Tax Cut Package

PROPOSAL	5 YEAR COST (IN BILLIONS OF \$)
I. Child Care	
a. Dependent Care Tax Credit (DCTC)	5.1
b. Tax Credit for Employers	0.5
II. School Construction	5.0
III. Employer Provided Education (Sec. 127)	1.0
IV. Low Income Housing Tax Credit	1.6
V. Climate Change	3.6
VI. Pensions	0.9
VII. Extenders (R&E, WOTC, WTW, etc.)	3.3
VIII. International and Puerto Rico	1.4
IX. \$2,000 Severance Pay Exemption	0.8
TOTAL	\$24.2 billion
I. Savings: ½ year extenders	-1.6
II. Drop Severance Pay	-0.8
TOTAL	\$21.8 billion

New Tax Cut Proposals

PROPOSAL	5 YEAR COST (IN BILLIONS OF \$)
I. Long-term Tax Credit	5.2 phase in
II. Tax Credit for the Disabled	0.7 phase in
III. Small Business Health Purchasing Cooperatives	0.2
IV. Stay at Home Moms (add to child care)	0.6 0.8 + 1.25
V. Tax Credit for Work-site Schools	0.2
VI. Tax Credit for Workplace Literacy	0.2
VII. Eliminate 60-month limit on interest deduction	0.3
VIII. Green Bonds	0.7
IX. Fund of Fund Tax Cut	0.9
X. Personal Credits and AMT	0.8
XI. Employee Telecommuter Expense	0.3
TOTAL	\$10.1 Billion
TOTAL OF 2 TAX PACKAGES	\$31.9 Billion

Items Not Discussed at the Last Meeting	
Option	5 Year Cost (billions)
Steel	na

Proposals Left On the Table/Below the Line from Last Meeting	
Option	5 Year Cost (billions)
Tax Credit for Work-Site Schools	na -- likely small
Tax Credit for Workplace Literacy	less than 0.2
Liberalize Lifetime Learning Tax Credit	Option Range: 2.8; 7.1
Exclusion for Americorp Education Awards	na -- may raise very small amount
Home Ownership Tax Credit	Roughly 0.5
CDFI Tax Credit	About 0.1
Financial Security (one new small tax item)	na -- likely small
Cap Gains Exclusion -- Land for Conservation	na -- likely small
Pensions -- WTW (DOL proposal)	na

Proposals Taken Off the Table at the Last Meeting	
Option	5 Year Cost (billions)
Lifetime Learning Savings Accounts	About \$10 billion over ten years
WTW-WOTC Longer Extensions	Permanent -- roughly 2.5
Modify R & E Credit (Small business, consortia)	na -- likely small
Farm and Ranch Risk Management Accounts	na
Pensions (DOL proposals EZs, EITC)	na
Oil and Gas Marginal Wells (DOE)	na
HUD (multi-family exit, LIHTC carveout, elderly tax credit)	na

LARRY - How does this look?



Cynthia A. Rice

12/16/98 12:14:35 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Laura Emmett/WHO/EOP

cc:

Subject: Excess Profits Tax

Treasury is completing their options and scores but I got a verbal run-down. Here's a summary, I have more details on assumptions if you want them:

Size of Excess Profits

Treasury thinks we could credibly argue that the industry's making \$2.5 billion a year in excess profits. The possible range is \$1.5 billion a year (Gary Black's estimate) to \$4 billion a year. At a volume of 20 billion, a \$4 billion excess profit equals \$.20 per pack.

Tax Options

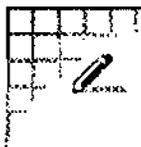
Option 1: Tax the excess profits based on company's reported profits (revenues minus costs). This will be scored somewhat low, because tax policy types assume companies could re-arrange their accounting practices to lower the reported profits.

Option 2: Tax company revenue at a level that would capture the estimated excess profits. The scoring of this option will be more robust, and this tax is more likely to be passed onto price. However taxing revenue would give opponents the opportunity to argue it assumes inflated profits. This option is one that has been used for the oil industry.

Treasury is scoring these options now and they say they'll have paper in the next day or two.

→ This is much warmer than I could get from Treasury
Tax policy. Option 2 is basically more excise tax.
I suspect KERR will have some reservations. Talisman has
paper.

L.



Bruce N. Reed
12/11/98 05:34:16 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP

cc:

Subject: DPC estimates

EDUCATION	559	000	
Social Promotion	350		
Title I / Acct Fund	200		
Charters	009		
HEALTH	453	090	
Bioterr/Superbug	060		015
LT Care	150		
AIDS	078		
Mental Health	075		
Race & Health	050		
Rural	000		025
Children's Hosp.	000		040
Food Safety	040		010
TOBACCO	128	075	
FDA	034		032
Cessation	050		040
CDC	024		003
Medicare suit	020		
MISCELLANEOUS	108	040	
Welfare	010		
Women/Children	018		
Americorps	080		020
Equal Pay	000		020
CRIME	565	210	
COPS II	550		100
Guns	015		010
Certainty/Abstinence	000 (earmarked)		100
TOTAL	1.813B		
PREVIOUS TOTAL	2.228B		
SAVINGS			0.415

	Request	Possible Settlement Range	
		Low	High
CEQ			
	Costal Salmon	125	100
	Lands and Livability	500-750	375
	Clean Air Fund	250	250
HHS			
	CDC	75	60
	Long-Term Care	150	150
	AIDS		28
	CBC AIDS		50
	Mental Health (SAMSHA)	75	65
	Race and Health	50	50
	Children's Hospital	40	40
	Tobacco -- PH CDC	27	27
	Tobacco -- FDA	66	32
	Educational Research	25	10
	Food Safety	50	40
Education			
	Adult Literacy	255	110
	Social promotier	350	350
	Quality		18
	Urban/Rural Computing	75-100	60
	Shift general Ed Tech increase		[25]
	TLC		41
	Charter Schools	9	5
	Stay in College	50-100	25
	Title I Accountability	250	0
	Technology for Disabled	40-60	35
	Native Americans	10	10
	Education Research	25	
Labor			
	Universal re-employment	300	210
	Youth employment	212	170
	FMLA/Paid Leave	8	8
	Child Labor		
	Enforcement	3	
	Standards	40	40
	Equal Pay	20	20
	NLRB	10	10
			458
			458
Urban Institute Initiative			
	SBA	238	150
	Treasury	25	150
HUD Abandoned buildings			
		100	50
Treasury			
	Firearms	25	15
Americorps			
		100	80
Child Labor			
		20-30	
Microcredit			
		10	10
Deduct Education			
			-500
Total			2502
			2592

2.6 - 2.7
+ 1.0 - 1.0

3.6 ABOL

Edvc-Class

COLUMBINE: LEARNING FROM THE TRAGEDY

Since the shootings, the public has been engaged in a debate over how to prevent further tragedies from occurring. Solutions range from placing a copy of the ten commandments in every classroom, to installing metal detectors at every school entrance. While both of these are radical solutions, they focus on passive versus active prevention. Do we teach our children that violence does not resolve conflicts? Do we try identifying troubled children in advance? Or do we work to restrict minors from having access to weapons?

Fully 91 percent support providing character education — including manners and values — in public schools, and intensity is high (66 percent strongly support). Additionally, 81 percent support establishing community policing in schools as a way of identifying early warning signals and preventing discipline problems or safety hazards from erupting into greater tragedies (55 percent strongly support).

Providing character education — including manners and values — in public schools.

Do you strongly support, somewhat support, somewhat oppose, or strongly oppose this proposal?

	All	Dem.	Rep.	Ind.	GenX	Suburban
Strongly support	66	59	67	71	57	53
Total support	91	85	94	92	92	84
Total oppose	7	14	4	6	6	13

Establishing community policing in schools as a way of identifying early warning signals and preventing discipline problems or safety hazards from erupting into greater tragedies.

Do you strongly support, somewhat support, somewhat oppose, or strongly oppose this proposal?

	All	Dem.	Rep.	Ind.	GenX	Suburban
Strongly support	55	51	66	49	65	48
Total support	81	76	84	82	90	86
Total oppose	15	19	12	17	9	11

4. Educational Solutions

Even though Americans do not see a lack of funding as the biggest problem facing the schools, they do believe that we need to make additional commitments to public education — smaller classes and better trained and paid teachers are at the top of their list. Additional popular solutions were placing more emphasis on discipline and character, as well as setting higher school standards.

* POSSIBLE COMMENT

Q: What do you think is the best way to improve the public schools?

	All	Dem.	Rep.	Ind.
More funding to reduce class size and raise teacher salaries	22	25	15	22
More parental and community involvement in the schools	20	20	25	18
More emphasis on discipline and character	18	20	22	14
Higher standards	17	19	13	19
More competition between public and private schools	6	2	7	8
Less federal government involvement	6	5	4	9
More choice among public schools	5	3	10	4

Voters demonstrated support for a range of unique and sometimes dramatic proposals, particularly those aimed at improving teacher quality. Eight in ten strongly supported testing all teachers periodically to make sure they are competent and qualified to teach, while two-thirds supported both paying teachers based on the value that they bring to the classroom and empowering schools to remove low-performing teachers.

Other strong proposals included strengthening community colleges to prepare students who will not attend a four-year college, but still require some post-high school education (73 percent strongly support), and providing character education (66 percent strongly support). Overall, 12 out of 16 proposals enjoyed more than 60 percent support.

5. Charter Schools

Charter schools remain the sleeper of the educational reform movement. They are popular in concept, but still not widely known or understood. A majority doesn't know what charter schools are (37 percent think that they are private schools), but two-thirds of those who venture an opinion of them have a positive impression of them. We described, over six in ten (63 percent) overall favor charter schools, and only a quarter (26 percent) oppose them. While Democrats are slightly less likely to favor charter schools (54 percent favor, 29 percent oppose), critical groups that represent the electorate of the future—GenXers and Wired Workers—are more likely to favor charter schools. Three in four GenXers (76 percent) and Wired Workers (73 percent) favor charter schools.

Furthermore, just over half of respondents indicated that they would consider sending their child to a charter school while a third (32 percent) would not. Again, GenXers and Wired Workers are more supportive of charter schools (76 percent and 73 percent, respectively) than the rest of the electorate, indicating a willingness on the part of the workers of tomorrow to look toward new solutions to improve quality of education.

Q: Charter schools are public schools that are run by teachers, parents, or private companies and financed by the state on a per-pupil basis. They are held accountable for achieving educational results, and in return they receive waivers that exempt them from many of the restrictions and bureaucratic rules that apply to traditional public schools. Given this, do you favor or oppose charter schools?

	All	Dem.	Rep.	Ind.	GenX	Wired Workers
Favor	63	54	74	67	76	73
Oppose	26	29	18	28	18	19

Q: Would you consider sending your child to a charter school, or not?

	All	Dem.	Rep.	Ind.	GenX	Wired Workers
Yes	55	44	67	60	65	67
No	32	41	22	31	30	23

6. Bridges to a Solid Start and a Strong Completion

Americans support educational measures that address not only elementary and secondary education, but also measures that increase opportunities for preschool and post-secondary students.

Universal Preschool

Support for universal preschool is overwhelming, with 85 percent supporting the idea. A similar number, nearly nine in ten, believe that a program that would allow all children to have the opportunity to attend preschool should be an important priority, and six in ten believe it should be a very important priority. Out of those with children under seven in ten believe that it should be a very important priority.

In America

BOB HERBERT

Any Day Now

The presumed candidate sits serenely before her specially invited audience. She nods every now and then. When she speaks, it's mostly platitudes, delivered in a monotone. There is no feeling of spontaneity, no sense of Hillary Rodham Clinton descending from her privileged status as First Lady into the real world of the people she hopes to represent in the Senate.

She flies in, hurries from one appearance to another, then flies back to her world. There was a report last night that the Clintons may be interested in a house in Greenburgh, in Westchester County. If that's true, it's not a moment too soon.

There are those who think the carpetbagger problem is no big deal. They are deluded. I hear Democratic voters speaking resentfully about it all the time. A typical comment is: "Who does she think she's fooling with that Yankee cap?"

When Robert Kennedy won his Senate seat in 1964 he ran nearly two million votes behind Lyndon Johnson, who carried the state by 2.7 million votes in his landslide victory over Barry Goldwater. Arthur Schlesinger Jr. reminds us that even though Kennedy ran far behind the President, he was "greatly helped" by Johnson's landslide. Mrs. Clinton will have nothing like those coattails to hang onto.

On Monday the First Lady made an appearance in the Bedford-Stuyvesant section of Brooklyn. The stop was part of her fifth "listening tour" of New York and her first appearance before a mostly black audience.

Bed-Stuy is an area she will carry with approximately 100 percent of the vote. The residents like her, and there is no way to overstate their dislike of Rudolph Giuliani. But Mrs. Clinton needs even more than 100 percent of the vote from neighborhoods like Bed-Stuy. She needs huge turnouts. And to get them she'll have to do what she's not doing now — roll up her sleeves, step forward and begin to honestly and openly cultivate the voters. Like Robert Kennedy, who offered the gift of hope and was revered in Bed-Stuy, Mrs. Clinton will have to give the people a reason to be excited about her.

The same goes for the rest of the state, which will be a much harder sell than Bed-Stuy. I suspect that when the snooze-a-thon listening tours mercifully end, Mrs. Clinton and her advisers will try to come up with other ways to shield her as

much as possible from the rough-and-tumble of politics in New York.

That would be understandable. There are sharks in these waters. Just ask Rick Lazio. But it would be a mistake. At some point the real Hillary Clinton will have to emerge. Running for the Senate is not for the inauthentic or the faint of heart, and it can't be done from afar.

I keep hearing that there's a lot of time until the election. Forget it. Each passing day is a lost opportunity. Mrs. Clinton has got to work this entire enormous state, and she has to generate the kind of enthusiasm that will translate into big poll numbers, especially among women and ethnic minorities.

At the moment, a number of things

Waiting for Mrs. Clinton to emerge.

look problematic for Mrs. Clinton. One, the Republicans are getting their act together and uniting behind Mr. Giuliani, who is already popular upstate, in the suburbs and, ominously for any Democrat, in the city. Two, whenever Mrs. Clinton establishes a residence here, speculation about the state of her marriage will soar. Fair or not, that will feed into the very real problem of Clinton fatigue. And three, there is already grumbling among blacks in New York City (Al Sharpton — remember him?) that Mrs. Clinton, like her husband in 1992, may try to finesse the black vote. That is, she may dance at arm's length with the black electorate — close enough to win black votes, but not so close that she offends white voters.

The main reason for Mr. Giuliani's popularity (there is general agreement that it's not his personality) is the sense that he has taken control of the city and improved the quality of life. There is no sense yet that Mrs. Clinton is in control of anything. I'm learning, she says.

Well, it's time to get rid of that script. Tell us that you're running for the Senate, and tell us why. Show us the real Hillary Clinton. Coyness never won anything in New York. □

The New York Times

THURSDAY, AUGUST 12, 1999

UP - Evaluations

Hype About Hunger

By Heather Mac Donald

The Federal entitlement bureaucrats are in despair at their shrinking empire. First, the 1996 welfare law made work a prerequisite for cash assistance. Now the latest bad news: people are shunning food stamps. Since 1996, the food stamp rolls have dropped nearly 30 percent, more than the decrease in official poverty. Many former welfare recipients are deciding to go it on their own.

This move toward self-sufficiency should be cause for celebration. Instead, the food stamp bureaucracy and its supporters in Congress are determined to snuff it out. The Agriculture Department has begun an advertising blitz promoting food stamps: Representatives William J. Coyne of Pennsylvania and Sander M. Levin of Michigan have introduced legislation that would pay community groups to do stamp "outreach."

Predictably, the advocates have trotted out the most powerful appeal to buttress their case for expanding the rolls. "Kids are going hungry," announced Representative Levin on ABC News. Hunger "is actually getting worse," warned Representative Coyne.

Heather Mac Donald is a contributing editor at the Manhattan Institute's City Journal.

Disturbing claims, if true, but concrete evidence for them is nonexistent. In fact, the Agriculture Department's own data show that the number of households experiencing any hunger, however fleeting, over the course of a year dropped slightly from 1995 to 1996, even as the food stamp rolls plummeted. Clearly, hunger (or its lack) is not related to food stamp use.

Fewer food stamp users doesn't mean kids are starving.

Nevertheless, the Agriculture Department now requires states to hook people up to food stamps on their first visit to a welfare office, after advocates complained that local welfare workers were discussing work and other means of support with applicants before signing them up.

To buttress their case, hunger doomsayers point to a 14 percent increase in food bank use in 1998 in 21 out of 30 cities. A shift toward food banks would be expected, however, given that government now usually requires some work from aid seekers, whereas food pantries still offer something for nothing.

But Agriculture Secretary Dan Glickman himself has provided the most powerful rebuttal of the alleged hunger crisis. Last October, when hunger was supposedly "getting worse," Mr. Glickman was decrying the "quiet epidemic" of childhood obesity, an epidemic that plagues poor children, especially black and Hispanic children, at a far higher rate than middle-class youngsters. Food deprivation is not the main nutritional problem facing the poor today — too much of the wrong food is.

Contrary to the repeated assertions of the advocates, food stamps are mainly another welfare subsidy, rather than a nutrition program. Only 30 cents of every food stamp dollar buys additional food, according to the sociologist Peter Rossi, who has studied food assistance for the Federal Government; the rest merely substitutes for ordinary income. Food stamps legally purchase gum, candy, soda, chips and every other item in the ever-expanding larder of junk food. The only way to make food stamps a guaranteed nutritional program is to get rid of them and replace them with balanced food baskets, which food pantries can offer.

If the growing stigma against welfare has rubbed off onto food stamps, so much the better for the poor. Food pantries — ideally ones that ask for something in return — are in fact a wiser response to temporary hunger than expanding the rolls, for independence is a better guarantee of eating well than entitlements can ever be. □

Victims Suing Victims

By Makau Mutua

WITH the help of American lawyers, about 2,500 Kenyan and Tanzanian victims of the American Embassy bombings a year ago have announced their intention to sue the United States Government if it does not compensate them for their pain and suffering. These suits are appropriate and necessary.

The Clinton Administration has alleged that Osama bin Laden was responsible for the bombings. Regardless of who was responsible, more than 200 Kenyans and 11 Tanzanians, as well as 12 Americans, were killed. The attacks also permanently blinded or otherwise maimed about 6,000 people, mostly Kenyans.

Nevertheless, Washington has shown insufficient interest in assisting the African victims. It has provided Kenya with \$42.3 million, but Kenyans say that most of the money has gone for the reconstruction of two nearby office buildings destroyed in the blast, not to the victims and their families.

If the class-action lawsuits are filed,

Makau Mutua is a professor of law and director of the Human Rights Center at the State University of New York at Buffalo.

they would most likely be based on a claim of negligence. Washington has known for decades that its diplomatic outposts might be bombing targets. The State Department itself has acknowledged that a number of its embassies are vulnerable to attack. In fact, the House voted in July to authorize \$1.4 billion to improve embassy security. Government reports before

Africans hurt in the embassy bombings deserve compensation.

and after the bombings indicated that the Nairobi and Dar es Salaam embassies were among the least secure, and the American Ambassador to Kenya, Prudence Bushnell, asked for security help.

Thus, the victims' lawyers are likely to argue that the United States was negligent on at least two counts: first, it failed to provide adequate security in the face of a known and foreseeable danger, and second, it may have known the two embassies were targets or were under surveillance by attackers, yet it failed to warn Kenyans and Tanzanians. An American-

appointed panel that investigated the bombings pointed to a "collective failure" by successive administrations and Congress that left embassies vulnerable to attack.

American critics of the proposed lawsuits argue that it is wrong to go after the Government since it and Americans were also victims. They say the victims should go after the alleged attackers instead. But under tort law, it is not only the direct wrongdoer who faces liability. Those who have a particular relationship to the victims or possess certain knowledge might be liable, too, even though they are not directly responsible for the wrongful act itself.

American conduct after the bombings embittered Kenyans in particular. Kenyan lawyers claimed that Ms. Bushnell ordered the embassy compound sealed immediately after the explosion, denying local rescuers access. Stunned and traumatized Kenyans saw her claim on national television that she took the action to prevent looting. Had the bombing occurred in Britain, many Kenyans believe, President Clinton would have personally traveled there.

Bitterness aside, both Kenyans and Tanzanians have been gracious hosts for American missions. The American response to the victims' plight may change that. Yes, a suit may further complicate this relationship. But it is the one avenue that victims have in an effort to rebuild their lives. Perhaps the best resolution would be an amicable settlement. □