Emil

WOTC

1 year extension WOTC to 6/30/99

1 year W2W credit to 4/30/00

April 2000

PRESIDENT CLINTON AND VICE PRESIDENT GORE:
THE FIRST BALANCED BUDGET IN 30 YEARS

February 2, 1998

"Tonight, I come before you to announce that the federal deficit -- once so incomprehensibly large that it had 11 zeroes -- will be, simply, zero. I will submit to Congress for 1999 the first balanced budget in 30 years."

President Bill Clinton
January 27, 1998

THE FIRST BALANCED BUDGET IN THREE DECADES. The President's FY99 budget maintains our fiscal discipline while investing in the critical needs of our people. The President's plan reaches balance three years earlier than expected. And it does so by paying for every initiative dollar by dollar consistent with the 1997 Balanced Budget Agreement.

MAINTAINING OUR FISCAL DISCIPLINE AND INVESTING IN OUR PEOPLE. This budget builds on the President's record of fiscal discipline. In 1992, the deficit was $290 billion, job growth was weak, and the unemployment rate was 7.5 percent. The President's 1993 Economic Plan helped cut the deficit 92 percent, from $290 billion in 1992 to $23 billion in 1997 -- its lowest level since 1974. This year, our deficit is projected to be $10 billion, and heading lower. The economy has produced over 14 million new jobs; and the unemployment rate is as low as it has been in 24 years.

- **This budget implements the historic balanced budget agreement reached last year with Congress.** This is the second year of the budget agreement which included $900 billion in net 10-year deficit savings and nearly half a trillion dollars in entitlement savings over 10 years.

- **In a historic shift, this budget delivers surpluses over the next ten years of $1.1 trillion - reserved pending Social Security Reform.**

- **Everything is paid for *dollar by dollar* consistent with the 1997 Balanced Budget Agreement and President Clinton's successful record of fiscal discipline.**

SAVE SOCIAL SECURITY FIRST

- **Over the next two years, President Clinton is firmly committed to strengthening Social Security for the 21st century.** He proposes that we should not spend any of the projected budget surpluses until we have reformed Social Security. This proposal, which continues the fiscally responsible policies that have been the hallmark of this Administration, is intended to reserve the surpluses in case they are needed for Social Security reform.

INVESTING IN THE FUTURE. The President's budget maintains our critical priorities by increasing our investments in health care, education and training, the environment and science and technology. It also establishes important new initiatives, which are all paid for, to help prepare America for the 21st century.

Education/Training/Child Care:

- **Class Size.** Aims to reduce class size to 18 in grades 1-3 by funding 100,000 new teachers by 2005.

- **Head Start.** Increases Head Start funding by $305 million for FY99; Head Start has increased 68%, from $2.8 billion in FY93 to $4.7 billion in FY99. In addition, the numberof slots in Early Head Start is doubled over the next 5 years.

- **After-School Programs.** To provide after-school care for 500,000 children per year, the budget includes an $800 million five-year investment to expand the 21st Century Community Learning Center program.

- **$7.5 Billion Child Care Block Grant Over 5 Years.** Doubles the number of low-income families who receive child care subsidies to more than 2 million by the year 2003.

- **Child Care and Early Learning.** Establishes an Early Learning Fund with $3 billion over five years to provide grants to communities to promote early childhood development and improve child care quality for young children.

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- **Expanding Medicare Coverage.** Provides new options for Americans ages 55 to 65 to obtain health insurance by buying into Medicare through a premium that ensures that this policy is self-financed.

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- **Initiative To Cut Greenhouse Gas Emissions.** A dramatic new $6.3 program of tax cuts and R&D aimed at cutting greenhouse gas emissions. Package contains $3.6 billion in tax cuts for energy efficient purchases and renewable energy, and $2.7 billion in additional R&D spending.

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The President's budget provides about **$24.6 billion of tax cuts over five years** to:

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FOR RELEASE:
Monday, February 2, 1998, 8 a.m.

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PRESIDENT CLINTON PROPOSES FIRST BALANCED BUDGET IN 30 YEARS

Invests in Education, Child Care, Health, Research, Other Priorities; Reserves Budget Surplus to "Save Social Security First"

Speaking from the East Room of the White House, President Clinton today proposed a balanced Federal budget for 1999, marking the first balanced budget in 30 years and bringing an era of exploding deficits to an end.

By reaching balance, the President's budget represents a remarkable turnaround in the Nation's fiscal policy over the last five years. It brings to an end three decades of fiscal chaos, a period in which Americans had lost confidence in their Government and the ability of their leaders to do the people's business.

"We are not only balancing the budget for the first time in a generation, we are reaching balance three years ahead of the schedule we announced last summer with the Balanced Budget Act," the President said. "If we maintain our fiscal discipline, we may very well reach balance this year -- four years ahead of schedule."

The President's $1.7 trillion budget for 1999 is not just balanced, it is balanced the right way. It not only ends the deficit, it reflects the values that Americans hold dear -- the values of opportunity, responsibility, and community. The budget reflects the President's commitment to continue helping working families with their basic needs -- to raise their children, send them to college, and pay for health care.

The budget invests in education and training and in research to raise the standard of living for average Americans. It invests in the environment and in law enforcement to raise the quality of life across the Nation. It invests in communities at home while providing the resources to maintain a strong defense and conduct the international relations that have become so important to the Nation's future.

Reflecting the President's call to "save Social Security first," the budget proposes a reserve for the projected budget surpluses for 1999 and beyond, pending a solution to the long-term financing challenge facing Social Security.

Within tight constraints, the President proposes major initiatives to build on his investments in high-priority areas -- from helping working families with child care to allowing Americans from 55 to 65 to buy into Medicare; from helping States and school districts reduce class size by recruiting and preparing 100,000 more teachers and building more classrooms to addressing global warming. The budget pays for every initiative dollar by dollar.

Challenging times demand innovative solutions, and this budget meets the challenge by proposing three new investment funds for America -- for research, the environment, and transportation -- that will focus attention on these critical priorities. Together, the funds provide $75.5 billion, a $4.7 billion increase over the 1998 level for the programs they contain. Because the funds rely on budget offsets to help finance the spending, they, in effect, apply pay-as-you-go principles to discretionary spending.

The funds are:

- The Research Fund for America, which includes a broad range of investments in knowledge, including programs of the National Institutes of Health, the Centers for Disease Control and Prevention, the National Science Foundation, the National Aeronautics and Space Administration, the Energy Department, the Commerce Department's National Institute of Standards and Technology, Agriculture Department research programs, the multi-agency Climate Change Technology Initiative, and other programs. The budget finances this Fund, in part, through receipts from tobacco legislation and savings in mandatory programs.

- The Environmental Resources Fund for America, which encompasses the multi-agency Clean Water Initiative; the new Land, Water, and Facility Restoration Initiative of the Interior and Agriculture Departments; the Agriculture Department's water and wastewater program for rural communities; and the Environmental Protection Agency's programs for cleaning up hazardous waste sites (within the Superfund) and upgrading clean water and safe drinking water infrastructure. The budget finances the Fund, in part, through an extension of Federal taxes that support the Superfund.

- The Transportation Fund for America, which includes the Transportation Department's highway, highway safety, and transit programs; the Flight 2000 free flight demonstration program; and the Federal Aviation Administration's programs, including Airport Grants. The budget finances the Fund, in part, through a new Federal aviation user fee.

The budget continues the President's efforts to reduce the size and scope of Government. This budget is the smallest Federal budget, as a share of the economy, in 25 years. To date, the Administration has cut the civilian Federal workforce by over 316,000 employees, giving us the smallest workforce in 35 years and, as a share of total civilian employment, the smallest since 1931.

But the Administration set out to do more than cut Government. Under the leadership of the Vice President's National Performance Review, it sought to make Government work, to create a Government that is more efficient and effective, to create a Government focused on its customers, the American people. The Administration has reinvented parts of departments and agencies. Now, it proposes to turn agencies around from top to bottom. For 1999, the Vice President will lead an effort to improve the performance of agencies that interact most with the American people.

Under the 1993 Government Performance and Results Act, Cabinet departments and agencies have prepared individual performance plans that they will send to Congress with the performance goals they plan to meet in 1999. These plans, in turn, form the basis for the first Government-wide performance plan, which the Administration is sending Congress along with this budget.

Investing in Education and Training: Nothing is more important to America's future than education. It has become the dividing line between those who are moving ahead and those who are lagging behind. That is why the President has devoted so much effort to ensure that we have a world-class system of education and training in place for Americans of all ages. Over the last five years, the President has worked hard to ensure that every boy and girl is prepared to learn, that schools focus on high standards and achievement, that anyone who wants to go to college can get the financial help to attend, and that those who need a second chance at education and training or a chance to improve or learn skills can do so.

The budget significantly increases funds to help children, especially in the poorest communities, reach challenging academic standards and makes further progress in implementing voluntary national tests. It proposes to pay for 100,000 more teachers and build more classrooms in order to reduce class size. For higher education and training, the budget increases Pell Grants and other college scholarships from the record levels already achieved; expands College Work-Study to a record one million students; streamlines student loan programs and cuts student fees; and expands access to job placement services, training, and related services for dislocated workers and others. Now that anyone who wants to attend college can find the means through Hope scholarships, Pell Grants, and other assistance that the Administration has worked so hard to enact, the President wants to provide the same universal opportunity for job training and re-training to those who need it.

Supporting Working Families: Over the last five years, the President has worked hard to help working families. Working with Congress, the Administration has cut taxes for 15 million working families, provided a tax credit to help families raise their children, ensured that 25 million Americans a year can change jobs without losing their health insurance, made it easier for the self-employed and those with pre-existing conditions to get health insurance, provided health care coverage for up to five million uninsured children, raised the minimum wage, and provided guaranteed time off for workers who need to care for a newborn or address the health needs of a family member.

Now, with his new Child Care Initiative, the President is determined to provide the help that families need when it comes to finding safe, high-quality, affordable child care. Parents should know that, when they go to work, their children are in safe, healthy environments. The President also proposes to address the problems faced by a particular group of working families -- legal immigrants. In signing the 1996 welfare reform law, the President said that he would try to restore the cuts in benefits for legal immigrants that were not only harsh and unnecessary but that had nothing to do with the fundamental goal of welfare reform -- to move people from welfare to work while protecting children. The budget restores Food Stamps to 730,000 legal immigrants and let States provide health insurance to the children of legal immigrants.

Strengthening Health Care: This past year, the President improved the health care of millions of Americans. Working with Congress, the Administration strengthened Medicare by extending the life of the trust fund until at least 2010 while investing in preventive benefits, introducing more choice of health plans, and strengthening the expanding array of activities to combat fraud and abuse. In addition, the Administration extended health care coverage to up to five million uninsured children, created the Advisory Commission on Consumer Protection and Quality in the Health Care Industry, and later endorsed the Commission's Health Care Consumer Bill of Rights.

With this budget, the President proposes to build on these achievements on a host of important fronts. The President wants to work with Congress to enact national bipartisan tobacco legislation; nothing is more potentially important to the health of our people, particularly children. The budget also proposes to expand health care coverage for some of the most vulnerable Americans aged 55 to 65, to enroll more eligible children in Medicaid, to provide for unprecedented levels of investment in health research, to expand access to powerful AIDS therapies, to expand access to cancer clinical trials, to increase funds for substance abuse treatment and prevention, and to help reduce health-related disparities across racial and ethnic groups.

Protecting the Environment: Last year was a remarkable one for the environment, and the President is determined to build on the progress. Led by the Vice President, the Administration reached an historic international agreement in Kyoto that calls for cuts in greenhouse gas emissions. The Administration also issued new, more protective air quality standards to better safeguard public health; strengthened our citizens' right to know about toxic chemical releases; continued to protect our natural treasures, such as Yellowstone National Park and Florida's Everglades; and made further progress toward the President's goal of cleaning up 900 hazardous waste sites under the Superfund by the end of the year 2001.

The budget proposes an Environmental Resources Fund for America that will support increases for many key environmental programs. It provides for more construction, maintenance, and land acquisition for national parks, forests, refuges, and other public lands; for a new effort to improve the quality of our water; for improvements to community drinking water and wastewater facilities; and for continuing the Administration's efforts to clean up abandoned hazardous waste sites. The budget includes a five-year $6 billion program to prevent global warming, and more resources to protect endangered species, control pollution, and preserve the global environment.

Investing in Infrastructure: The President proposes a Transportation Fund for America, reflecting his commitment to provide the resources to ensure that our transportation infrastructure remains safe, integrated, and efficient enough to serve our growing needs. Investment in infrastructure is good for America because it helps grow the economy, improve safety and public health, strengthen our competitiveness abroad, support our national security, and increase the mobility, access, and choice for Americans who need to travel.

The President believes that we must build upon our vast network of roads, highways, and bridges to meet the demands of the next century for a system that links our various modes of travel, that is cleaner and safer, and that helps bring together and support our urban and rural communities. The budget maintains the Administration's record support for transportation, and the Fund includes all of the Transportation Department's highway, highway safety, transit, and air transportation programs.

Promoting Research: Scientific and technological advances have created a world vastly different from the one our grandparents knew. They have helped generate huge leaps in the speed and economy of transportation, enormous increases in farm productivity, lightning-fast flows of information and services across national borders, and advances in treating and preventing diseases and protecting the environment.

Because the President is committed to America's continued leadership in science and technology, the budget proposes a Research Fund for America, from which many important Federal investments will flow. It includes record increases for the National Institutes of Health, higher funding for the National Science Foundation, new resources to address global climate change, and a wide variety of investments in basic and applied research. These investments are vital; they help the Nation to create new knowledge, train more workers, spur new jobs and industries, address our health care challenges, strengthen our understanding of environmental problems, better educate our children, and maintain a strong national defense.

Enforcing the Law: The President's anti-crime strategy is working. Serious crime is down five years in a row and, in 1996, the Nation witnessed the largest drop in violent crime in 35 years. But, because crime remains unacceptably high, the President believes that we must go further.

The budget expands the Administration's community policing (COPS) program, which is already putting 83,000 more police on the streets toward the President's goal of 100,000 by the year 2000. The budget also proposes a new Community Prosecutors Initiative to help prosecutors prevent crimes from occurring, rather than simply prosecuting criminals after the fact. And it provides the necessary funds to prevent violence against women, to help States and Indian Tribes build prisons, and to address the growing law enforcement crisis on Indian lands. To boost the Administration's efforts to control illegal immigration, the budget provides the resources to strengthen border enforcement in the South and West, to remove illegal aliens, and to expand efforts to verify whether newly hired non-citizens are eligible for jobs. To combat drug use, particularly among young people, the budget expands programs that stress treatment and prevention, law enforcement, international assistance, and interdiction. It builds on the Administration's innovative Drug Courts initiative, proposes School Drug Prevention Coordinators for schools, supports local efforts that target drug-using offenders, expands drug testing, and strengthens the Administration's efforts to make ports and borders more secure from drugs while disrupting drug trafficking organizations overseas.

Strengthening the American Community: Most Americans are enjoying the fruits of our strong economy. But while many urban and rural areas are doing better, too many others have grown disconnected from our values of opportunity, responsibility, and community. Working with State and local governments and the private sector, the President is determined to help bring distressed areas back to life, to replace despair with hope.

The budget expands the President's national service program, giving more Americans the chance to serve their country and help solve problems at the local level while earning money for college. The budget proposes to create more Empowerment Zones and Enterprise Communities that offer tax incentives and direct spending to encourage the kind of private investment that creates jobs, and to provide more capital for lending through the President's Community Development Financial Institutions program. The budget also expands opportunities for homeownership, provides more funds to enforce the Nation's civil rights laws, maintains the Administration's Government-to-Government commitment to Native Americans, and strengthens the partnership that the President has begun with the District of Columbia.

Advancing United States Leadership in the World: Because America continues to have a tremendous stake in world affairs, the budget proposes the necessary funds to maintain national security, to conduct our diplomacy, to promote democracy and free markets abroad, and to increase exports. Last year, the Administration worked with Congress to increase international affairs spending. But, Congress faces an unfinished agenda to provide financial support for, and fulfill America's obligations to, a number of international organizations that benefit our economy and serve other objectives, including the International Monetary Fund (IMF), the United Nations system, and the multilateral development banks.

Congress should continue to support the decisive action of the IMF as well as our leadership in that institution by providing the supplementary contingent IMF funding that the Administration has sought and replenishing the IMF's basic financial resources. Congress also should give the President traditional trade negotiating authority to help fuel our surging exports into the next century. To enhance national security, the budget maintains large-scale funding to support the Middle East peace process, continues assistance to Bosnia to carry out the Dayton Accords, supports NATO expansion, and increases aid to the New Independent States of the former Soviet Union to support the development of democracy and free markets. The budget also proposes a major initiative to provide critical, targeted assistance to African countries that are undertaking difficult economic reforms, increases counter-narcotics aid to Latin American countries, and supports the Summit of the Americas.

Supporting the World's Strongest Military Force: Our military serves as the backbone of our national security strategy, and the President is committed to maintain a strong and capable military that protects our freedoms and our global leadership role as we approach the 21st Century.

The budget continues the Administration's plan to complete the careful resizing of our military forces, to fully support military readiness, to strengthen quality of life programs for our armed forces, and to provide increased funding to modernize our forces as new technologies become available after the turn of the century. The budget reflects the recommendations of the Quadrennial Defense Review and of the Defense Department's recent Defense Reform Initiative to achieve a leaner, more efficient, and more cost-effective organization by improving management and business practices. To implement these improvements, the Defense Department will send legislation to Congress in conjunction with this budget, including a request for two more rounds of base closures and realignments.

PRESIDENT CLINTON'S FY 1999 BALANCED BUDGET
THE FIRST BALANCED BUDGET IN 30 YEARS
Summary Document: February 2, 1998

THE FIRST BALANCED BUDGET IN THREE DECADES. The President's FY99 budget maintains our fiscal discipline while investing in the critical needs of our people. In only the second year of the historic balanced budget agreement that included $900 billion in net 10-year deficit savings and nearly half a trillion dollars in entitlement savings over 10 years, the President's plan reaches balance three years earlier. <u>And it does so by paying for every initiative dollar by dollar consistent with the 1997 Balanced Budget Agreement.</u>

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PRESIDENT CLINTON'S RECORD ON DEFICIT REDUCTION

- **CUT THE DEFICIT BY 92 PERCENT.** President Clinton has reduced the budget deficit by 92 percent -- from $290 billion in FY 1992 to $22 billion in FY 1997. This year the budget deficit is projected to be $10 billion and heading lower. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **LOWEST DEFICIT SINCE 1970 AND FIRST PROPOSED BALANCED BUDGET SINCE 1969.** The deficit has fallen from 4.7 percent of GDP in FY 1992 to 0.3 percent in FY 1997 -- the lowest for any year since 1970. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **LOWEST DEFICIT OF ANY MAJOR ECONOMY EXCEPT FOR CANADA.** The total U.S. deficit in 1997 as a percentage of the economy was lower than for any other major country except for Canada. [OECD, *Economic Outlook*, December 1997.]

- **MAKING GOVERNMENT MORE EFFICIENT.** Federal employment has fallen by 318,000 from its 1993 base and is at its lowest level in three decades. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

AS A RESULT OF PRESIDENT CLINTON'S EFFORTS TO REDUCE THE DEFICIT, ECONOMIC PERFORMANCE HAS IMPROVED DRAMATICALLY:

- **LOWER INTEREST RATES LEADING TO INVESTMENT BOOM.** President Clinton's 1993 Economic Plan cut the deficit and helped cut long-term interest rates and strengthen the economy. Under President Clinton, the 30-year interest rate has averaged 6.9 percent -- down from 8.2 percent under President Bush and 10.3 percent under President Reagan. And with lower interest rates, businesses have invested in the future: business investment has grown by 11 percent per year under President Clinton -- faster than any Administration since John F. Kennedy was President. [Based on data from the Bureau of Economic Analysis, Department of Commerce.]

- **EMPLOYMENT BOOM.** Since January 1993, the economy has added more than 14 million new jobs -- including nearly 2 million new jobs in manufacturing and construction combined. [Based on data from the Bureau of Labor Statistics, Department of Labor.]

- **THE LOWEST COMBINED RATE OF UNEMPLOYMENT AND INFLATION SINCE 1967.** In 1997, the combined rate of unemployment and inflation will the lowest in 30 years. And under President Clinton the combined rate of unemployment and inflation has been the lowest since Lyndon Johnson was President. [Based on data from the Bureau of Labor Statistics, Department of Labor.]

EXPERTS AGREE THAT ECONOMIC PERFORMANCE HAS BEEN REMARKABLE:

- ✔ ***Business Week*:** "Clinton's 1993 budget cuts, which reduced projected red ink by more than $400 billion over five years, sparked a major drop in interest rates that helped boost investment in all the equipment and systems that brought forth the New Age economy of technological innovation and rising productivity." **[5/19/97]**

- ✔ **Alan Greenspan, Federal Reserve Chairman, 2/20/96**: The deficit reduction in the President's 1993 Economic Plan was "an unquestioned factor in contributing to the improvement in economic activity that occurred thereafter."

THE FACTS ON GOVERNMENT SPENDING UNDER PRESIDENT CLINTON

SPENDING IS LOWER TODAY THAN UNDER REAGAN OR BUSH:

- **FEDERAL SPENDING WAS LOWER IN 1997 -- AND IS EXPECTED TO REMAIN LOWER IN 1998 -- THAN IN ANY YEAR SINCE 1974.** Federal outlays as a share of GDP in 1997 were 20.1 percent -- lower than in any year since 1974. And current projections suggest a slight decrease in outlays as a percent of GDP during 1998. Outlays as a share of GDP under President Clinton have been a smaller share of GDP than under Reagan or Bush. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

  ⇒ **SPENDING GROWTH LOWER UNDER CLINTON THAN UNDER REAGAN OR BUSH**

	Federal outlays (% of GDP)	Real growth in Federal outlays (percent per year)
CLINTON	20.1 [1997]	0.5
BUSH	22.5 [1992]	2.6
REAGAN	22.5 [1988]	2.6

[Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **SINCE PASSAGE OF PRESIDENT CLINTON'S 1993 DEFICIT REDUCTION PACKAGE, EXPECTED GOVERNMENT SPENDING BETWEEN 1993 AND 2002 HAS FALLEN BY MORE THAN $1.8 TRILLION.** Compared to the spending path President Clinton inherited in 1993, total spending in 2002 is now projected to fall by 19 percent. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **GROWTH IN TOTAL FEDERAL SPENDING HAS BEEN LOWER UNDER CLINTON THAN UNDER REAGAN OR BUSH.** Real Federal outlays have grown by 0.5 percent per year under President Clinton -- lower than under President Bush (2.6 percent per year) or President Reagan (2.6 percent per year). [Based on data from OMB, *FY 1999 Budget*, February 1998.]

- **WHILE MAINTAINING CRUCIAL INVESTMENTS IN PEOPLE, REAL DISCRETIONARY SPENDING HAS FALLEN UNDER PRESIDENT CLINTON -- A BETTER RECORD THAN UNDER REAGAN OR BUSH.** Real discretionary outlays have *fallen* two percent per year under President Clinton -- under President Bush or Reagan real discretionary outlays *increased* one percent a year. [Based on data from OMB, *FY 1998 Budget*, February 1997.]

- **NON-DEFENSE DISCRETIONARY SPENDING IS NOW A SMALLER SHARE OF THE ECONOMY THAN IN 11 OF THE 12 YEARS UNDER REAGAN OR BUSH.** Non-defense discretionary outlays are now lower than in 11 of the 12 Reagan-Bush years.

Non-defense discretionary outlays are expected to equal 3.4 percent of GDP in 1998. During all the Reagan-Bush years, this ratio dropped this low only once in 1989. [Based on data from OMB, *FY 1999 Budget*, February 1998.]

SOCIAL SECURITY

THE SOCIAL SECURITY SYSTEM. Since its inception in 1935, the Social Security system has proven to be an outstanding success in providing security for the retired and disabled, as well as their families. The elderly poverty rate has fallen from more than 35 percent in 1959 to just 10.8 percent in 1996. It currently provides benefits to about 45 million Americans, and keeps roughly 15 million of them out of poverty. And Social Security benefits represent more than 75 percent of income for elderly households in the bottom 40 percent of the income distribution.

THE LONG-RUN CHALLENGE. The Social Security system, however, is expected to face increasing strains, because the retirement of the baby boomers means that the number of retirees is expected to grow much faster than the number of workers. There are currently just over 3 workers who contribute for every Social Security beneficiary. By 2030, it is expected that there will be only 2 workers for every Social Security beneficiary. According to the intermediate projection of the Social Security Trustees Report, the retirement of the baby boomers is expected to cause the Social Security Trust Fund to start falling by 2019, and to be depleted by 2029 -- after which the Social Security system would be able to finance only 75 percent of current law benefits.

PRESIDENT CLINTON'S APPROACH TO SOCIAL SECURITY REFORM. President Clinton is strongly committed to strengthening Social Security over the next two years. His plan includes:

(1) <u>Putting Our Fiscal House in Order</u>. Before we could begin to address the long-run problems in Social Security, we first had to put our fiscal house in order. Under President Clinton's leadership, we have now done that. The budget deficit has fallen from $290 billion in 1992 to $22 billion last year, and President Clinton's FY 1999 budget will produce balance by next year.

(2) <u>Surpluses Reserved Pending Social Security Reform</u>. As the President emphasized in his State of the Union address, the projected budget surpluses should be reserved pending Social Security reform. Until we address the critical challenge of strengthening the Social Security system and ensuring retirement and disability security for America's hard-working families, the Administration believes that we should not use the projected surpluses for anything else.

(3) <u>Bipartisan Regional Conferences in 1998</u>. The President believes 1998 should be used to engage Americans in an inclusive national debate about Social Security reform. He challenges every American to attend a conference or forum on the issue -- or to organize and host one if there aren't any planned in a given area. The President has asked the AARP and the Concord Coalition to convene bipartisan and balanced regional conferences. The President or Vice President will attend three to four of these conferences, and will also be hosting a conference on private retirement savings in July. The President and Vice President also encourage other groups to organize conferences. The national dialogue should allow all Americans to express their views, and hear the views of others.

(4) <u>White House Conference</u>. At the end of the year, the President will host a bipartisan White

House Conference on Social Security as a culmination of the various conferences, forums, and discussions held throughout the year. The purpose of the White House conference is to bring together the lessons learned from the national dialogue.

(5) <u>Bipartisan Negotiations in January 1999</u>. Following the White House conference at the end of the year, the President and his team will begin negotiations in January 1999 with the bipartisan Congressional leadership over Social Security reform. The President is firmly committed to strengthening the Social Security system.

PRESIDENT CLINTON'S FY 1999 BALANCED BUDGET
TAX RELIEF FOR WORKING FAMILIES

A RECORD OF TAX RELIEF FOR WORKING FAMILIES. Beginning with the tax cut for 15 million working families in 1993, President Clinton has delivered tax relief to make it easier for working families to raise their children and send them to college. The new $500 Child Tax Credit the President pushed for and signed into law last year will help 27 million working families. The President's $1,500 HOPE Scholarship advances his goal of making access to two years of college universal. His Lifetime Learning Tax Credit will help 7.1 million college juniors and seniors, graduate students and working Americans upgrade their skills and education. Because of this strong record, the typical working family of four making the median income now faces the lightest federal tax burden in decades:

> *Consider a middle income family of four making about $53,720 this year. When President Clinton took office, this family paid 16.8 cents on each dollar of income to the federal government to cover income and payroll taxes. Since then, this tax burden has fallen, so that this year, the typical middle-income family will pay 15.5 cents on each dollar of income to the federal government -- the lowest federal tax rate in 20 years . And this burden will fall even further next year, as it reaches 15.1 percent.*

The budget takes the next step and provides $24.6 billion over five years and $56 billion over ten years in tax relief to:

MAKING CHILD CARE MORE AFFORDABLE.

- **The Child and Dependent Care Tax Credit** would be increased for 3 million working families, wiping out income tax liability for most families with incomes below 200% of the poverty line (about $35,000 for a family of four) who have maximum allowable child care expenses. These families will receive an average annual tax cut of $330 at a cost of $5.2 billion over five years.

- **New Business Tax Credits.** The budget also invests one-half billion dollars over five years in a 25 percent tax credit (up to $150,000) for annual building, acquisition, operational or contracting costs to encourage businesses to provide child care for their employees.

INCREASING ENERGY EFFICIENCY AND IMPROVE THE ENVIRONMENT. The budget contains $3.6 billion over the next 5 years in tax cuts for energy efficient purchases and renewable energy:

- **Tax Credits For Fuel Efficient Cars.** The tax package includes tax credits of $3,000 and $4,000 for consumers who purchase advanced-technology, highly fuel efficient vehicles -- expected to total $660 million over the next five years.

- **Tax Credits For Rooftop Solar Systems.** Another tax provision provides a 15 percent credit (up to $2,000) for purchases of rooftop solar equipment -- to provide incentives for meeting the Million Solar Roofs goal.

- **Other Tax Credits For Energy Efficiency.** The tax cuts also include a 20 percent credit (subject to a cap) for purchasing energy-efficient building equipment, a credit of up to $2,000 for purchasing energy-efficient new homes, an extension of the wind and biomass tax credit, and a 10 percent investment credit for the purchase of combined heat and power systems.

PROMOTING EXPANDED RETIREMENT SAVINGS.

- **Payroll Deduction IRAs.** Contributions of up to $2,000 made to an IRA through a payroll deduction would be excluded from the employee's income for tax purposes.
- **Tax Credit for Small Businesses.** To encourage and help small businesses establish pension plans for their employees, the budget also includes a three year tax credit. For the first year of the plan, the credit would be 50 percent of up to $2,000 in administrative and retirement education expenses associated with a new defined benefit plan (including the new SMART plan described below), 401(k), SIMPLE or other pension plan or payroll deduction IRA arrangement. For each of the second and third years, the credit would be 50 percent of up to $1,000 in such costs. The payroll deduction IRA and the tax credit cost $508 million over five years and $945 million over ten years.

- **A New Simplified Defined Benefit Plan for Small Businesses.** The budget also includes a new simplified defined benefit plan for small businesses. This new pension choice, the SMART plan, is designed to be easy to administer and to provide a guaranteed pension benefit to all eligible employees. The proposal costs $304 million over five years and $555 million over ten years.

EXPANDING EDUCATION INCENTIVES.

School Construction. To spur construction and rehabilitation of our public schools, the President proposes Federal tax credits to pay interest on nearly $22 billion in bonds at a cost of $5 billion over five years and $11.6 billion over ten years. Two types of bonds would be authorized: 1) School Modernization Bonds - special 15 year bonds with half targeted to the 100 school districts with the largest number of low-income children and the other half allocated to states; 2) Qualified Zone Academy Bonds -- bonds enacted last year, that encourage public school-business partnerships in high poverty areas, would be expanded.

Employer Provided Education Assistance. The budget also extends and expands the tax exclusion for employer-provided educational assistance. The current exclusion for assistance with undergraduate education is extended for one year to cover courses that begin before June 1, 2001. The tax exclusion is also expanded to assistance with graduate education. This proposal costs $1 billion over both five and ten years.

INCREASING THE LOW INCOME HOUSING TAX CREDIT. To expand and improve the supply of available low income housing, the budget raises the allocation of tax credits to states. Currently, the amount of credits a state can award annually is limited to $1.25 per capita. The President proposes to raise that limit to $1.75 per capita beginning in 1999 at a cost of $1.6 billion over five years and $6.7 billion over ten years. This increase will lead to an additional 150,000 to 180,000 units of affordable housing over five years.

EXTENDING KEY TAX INCENTIVES TO HELP CLEAN UP DISTRESSED COMMUNITIES, MOVE PEOPLE FROM WELFARE TO WORK AND ENCOURAGE RESEARCH AND EXPERIMENTATION:

- **Expensing of Brownfields Remediation Costs.** The budget would make permanent this tax incentive that allows certain environmental remediation costs to be immediately deducted.
- **Work Opportunity Tax Credit.** Set to expire on June 30, 1998, the budget extends this credit to cover employees who begin work before May 1, 2000.
- **Welfare-to-Work Tax Credit.** Designed to encourage employers to hire long-term family assistance recipients, this important credit would be extended for one year and would cover employees who begin work before May 1, 2000.

- **R & E Tax Credit.** To encourage research and experimentation, this credit would be extended for one year through June 30, 1999.

TAX CUTS ARE PAID FOR WITH REDUCTIONS IN UNWARRANTED TAX BENEFITS. ***For example, the budget proposes that firms allocate their export profits between domestic and foreign source income in proportion to their activity in the United States and abroad, to raise $6.6 billion over five years. The budget also proposes to modify reserve rules for annuity contracts and modify corporate owned life insurance rules to more closely reflect the actual economics.***

PRESIDENT CLINTON'S FY 1999 BALANCED BUDGET
EDUCATION: PREPARING OUR CHILDREN FOR THE 21ST CENTURY

MAINTAINING OUR COMMITMENT TO MAKING EDUCATION OUR NUMBER ONE PRIORITY. Building on the historic balanced budget agreement in 1997 which secured the largest education investment in 30 years and the largest investment in higher education since the G.I. Bill in 1945, the President's FY 1999 budget includes the following:

- **Small Classes with Qualified Teachers to Improve Reading in Grades 1-3.** President Clinton is proposing a $12.4 billion initiative over 7 years ($7.3 billion over 5 years) to help local schools provide small classes with qualified teachers in the early grades. This initiative will help ensure that every child receives personal attention, learns to read independently, and gets a solid foundation for further learning. The new initiative will reduce class size from a nationwide average of 22 in grades 1-3 to an average of 18, providing funds to help local school districts hire an additional 100,000 well-prepared teachers. The initiative will also provide funds to states and local school districts to test new teachers, develop more rigorous teacher testing and certification requirements, and train teachers in effective reading instruction practices. School districts will be accountable for demonstrating gains in reading achievement. These steps will help ensure that first through third grade students are receiving high-quality reading instruction in smaller classes from competent teachers.

- **Modern School Buildings to Improve Student Learning.** For students to learn, schools must be well-equipped and be able to accommodate smaller class sizes. To address these and other critical needs, President Clinton is proposing federal tax credits to pay interest on nearly $22 billion in bonds to build and renovate public schools. This initiative provides more than double the assistance of the Administration's earlier school construction proposal, which covered half the interest on an estimated $20 billion in bonds. The tax credits will cost the Treasury $5 billion over 5 years, and more than $10 billion over ten years. Of the $22 billion in bond authority, nearly $20 billion for a new School Modernization Bonds. Half of this bond authority will be allocated to the 100 school districts with the largest number of low-income children, and the other half will be allocated to the states.

- **Education Opportunity Zones: Helping Students in Poor Communities Reach High Standards.** This initiative will strengthen public schools and help students master the basic and advanced skills where the need is greatest: in high-poverty urban and rural communities where low expectations, too many poorly prepared teachers, and overwhelmed school systems create significant barriers to high achievement. The Education Department will select approximately fifty high-poverty urban and rural school districts with: (1) a demonstrated commitment to use high standards and tests as tools to identify and provide help to students, teachers and schools who need it; (2) a strategy to prevent students from falling behind by ensuring quality teaching, challenging curricula, and extended learning time; (3) programs to end social promotion and turn around failing schools; and (4) evidence of improved student achievement. Added investments in these communities will accelerate their progress and provide models of successful, standards-based reform for the nation. The President's initiative will invest $200 million in FY99, and $1.5 billion over 5 years, in raising achievement and sharing lessons learned with school districts around the country.

- **After-School Learning Opportunities.** The FY99 Budget includes a five-year, $1 billion investment in school-community partnerships that create or expand before - and after-school programs. The Department of Education's 21st Century Learning Center Program, funded at $40 million in FY98, would be expanded to $200 million per year. With a local matching requirement --aided by a $55 million gift from the C.S. Mott Foundation -- this initiative will leverage a total of $2 billion overall for after-school programs.

- **Reduce and Eliminate Student Loan Fees.** Saving students $3 billion over five years, the budget will phase out the fees that students pay on need-based loans (about 60 percent of all student loans), and will reduce fees on other loans by 25 percent. Until 1993, students lost up to 8 percent of their loans in fees to intermediaries and to the Federal government. Already reduced to 4 percent as a result of reforms enacted in 1993, the Administration's new plan would reduce fees on all loans to 3 percent in 1999, and on need-based loans to 2 percent in 2001, 1 percent in 2002, and eliminated completely in 2003.

- **Work-Study.** The Budget includes a $70 million increase in funding for the Federal Work-Study program, bringing the total number of participants to just over one million in the 1999-2000 school year -- reaching that goal one year earlier than planned. This represents a nearly 50 percent funding increase since 1996.

- **Education Technology.** The President's FY 1999 budget includes an increase of $137 million over the 1998 level to ensure that all children have access to the Internet, That teachers know how to use technology effectively, and to broaden access to high quality learning opportunities for adults using the Internet and other new technologies.

    - **Teacher Training in Technology.** This program will ensure that all new teachers entering the workforce can integrate technology effectively into the curriculum and can understand new styles of teaching and learning enabled by technology.

    - **Learning Anytime, Anywhere Initiative.** This initiative makes it easier for Americans who live in remote, rural areas, have a disability, or have competing family and work demands to have access to individualized up-to-date affordable education and training.

- **Early Intervention to Promote College Attendance.** President Clinton will soon announce a long-term effort to bring college opportunity to children in high-poverty areas by providing their families with early information about financial aid and appropriate academic preparation, as well as mentoring and other support services to help the children stay on track through high school graduation and into college.

ACCESS TO HEALTH INSURANCE FOR PEOPLE AGES 55 TO 65

BACKGROUND

Americans ages 55 to 65 face special problems of access and affordability. They face greater risks of health problems, with twice the chances of heart disease, strokes, and cancer as people aged 45 to 54. As people approach 65, many retire or shift to part-time work or self-employment as a bridge to retirement, sometimes involuntarily. Displaced workers aged 55 to 65 are much less likely than younger workers to be re-employed or re-insured through a new employer. As a result, more of them rely on the individual health insurance market. Without the benefits of having their costs averaged with younger people, as with employer-based insurance, these people often face high premiums.

Such access problems will increase, due to two trends: declines in retiree health coverage and the aging of the baby boom generation. Recently, businesses have cut back on offering health coverage to pre-65-year-old retirees; only 40 percent of large firms now do so. In several small but notable cases, businesses have dropped retirees' health benefits after workers have retired. These "broken promise" retirees lack access to employer continuation coverage and could have problems finding affordable individual insurance. Finally, the number of people 55 to 65 years old will rise from 22 million to 35 million by 2010 — or by 60 percent.

POLICY DESCRIPTION

The President has proposed three policy options to improve access to affordable health insurance for targeted groups of Americans ages 55 to 65.

1. Medicare Buy-In for People Ages 62 to 65
The centerpiece of this initiative is the Medicare buy-in for people ages 62 to 65.

- **Eligibility**: People ages 62 to 65 who do not have access to employer sponsored or Federal health insurance may participate.
- **Premium Payments**: Participants would pay two, geographically adjusted premiums:

  - **Pre-65 premium**: The pre-65 premium would be paid monthly between enrollment and when the participant turns age 65. It is the part of the full premium that represents the average Medicare costs for people in this age group. For 1999, it would be around $300 per month and would be updated annually.

  - **Post-65 premium**: The post-65 premium would be paid monthly beginning at age 65 until the beneficiary turns age 85. It is the part of the premium that represents the extra costs if participants are sicker than average. For 1999, it would be around $16 per month for each year of participation (about $48 per month for a person who buys in from age 62 to 65). At the time of enrollment, participants would be told their post-65 premium. The post-65 premium would be re-estimated for future participants to ensure that it reflects actual experience. This premium would be added to their Part B Medicare premium.

This two-part payment plan acts like a mortgage: it makes the up-front premium affordable but requires participants to pay back the Medicare "loan" with interest.

- **Enrollment**: Eligible people would apply at Social Security offices. They would bring proof of their age and eligibility for Medicare when they turn 65. They would do this within 63 days of either turning 62 or losing access to employer-based or Federal insurance (63 days is the maximum time period that a person can be uninsured and still be protected by Health Insurance Portability and Accountability Act).

- **Applicability of Medicare Rules**: Benefits and most protections would be, for paying participants, the same as those of Medicare beneficiaries. Participants would have the choice of fee-for-service or managed care. No Medicaid assistance would be offered to participants for premiums or cost sharing. Medigap policy protections would apply, but the open enrollment provision remains at age 65.

- **Disenrollment**: People could stop buying into Medicare at any time. People who disenroll would pay the post-65 premium as though they had been enrolled for a full year (e.g., a person who buys in for 3 months in 1999 would pay the post-65 premium as though they participated for 12 months). This is intended to act as a disincentive for temporary enrollment. People may only enroll once; for example, a participant may not disenroll at age 63 and re-enroll at age 64.

- **Medicare Trust Fund Impact**: According to the HCFA Actuaries (who also monitor the status of the Trust Funds for the Medicare Trustees), this initiative will not decrease the life of Medicare's Trust Funds. Premium collections will be allocated to the Trust Funds in proportion to spending from those Funds for participants. The Medicare Part B premium and managed care rates for regular Medicare beneficiaries will be calculated independently of the buy-in.

2. Medicare Buy-In for Displaced Workers Ages 55 and Over

In addition to people ages 62 to 65, a targeted group of 55 to 61 year olds could buy into Medicare. The Medicare buy-in would be the same as above, with the following exceptions.

- **Eligibility**: People would be eligible if they are between ages 55 and 61 and: (1) lost their job because their firm closed, downsized, or moved, or their position was eliminated (defined as being eligible for unemployment insurance) after January 1, 1998; (2) had health insurance on their previous job for at least one year (certified through the process created under HIPAA to guarantee continuation coverage); and (3) do not have access to employer sponsored, COBRA, or Federal health insurance. Spouses of these eligible people may also buy into Medicare.

- **Premium Payments**: Participants would pay one, geographically adjusted premium, with no Medicare "loan". This premium represents the average Medicare costs for people in this age group (one premium for age 55 to 59, another for 60 to 61) plus an add-on to compensate for some of the extra costs of participants who may be sicker than average. For 1999, the premium would be $400 per month and would be updated annually.

- **Disenrollment**: Like people ages 62 to 65, eligible displaced workers and their spouses must enroll in the buy-in within 63 days of becoming eligible. Participants continue to pay premiums until they voluntarily disenroll, gain access to employer-based insurance or turn 62 and become eligible for the more general Medicare buy-in. Once they disenroll, they may only re-enroll if they meet the eligibility rules again (e.g., are displaced again).

3. Employer Buy-In (COBRA Continuation Coverage) for Certain Retirees

The President would also help retirees whose former employer unexpectedly drops their retiree health insurance, leaving them uncovered and with few places to turn.

- **Eligibility**: Termination of retiree health benefits (i.e., they were covered but their employer ended that coverage) for retirees age 55 to 64 and their dependents would become a COBRA qualifying event.

- **Premium Payments**: Participants would pay 125 percent of the active employees' premium. This premium is higher than what most other COBRA participants pay (102 percent) to help offset the additional costs of participants.

- **Enrollment**: Participants would enroll through their former employer, following the same rules as other COBRA eligibles.

- **Disenrollment**: Retirees would be eligible until they turn 65 years old. Dependents would be eligible for other related periods of eligibility as other COBRA enrollees.

- **Federal Budget Impact**: There is no Federal budget impact because costs would be paid for by the private sector, primarily through retiree premium contributions.

Medicare Anti-Fraud, Waste and Abuse Initiatives

The Medicare buy-in would produce some costs primarily because Medicare is "loaning" participants part of the premium at ages 62 to 65. Even though in the long-run the buy-in for 62 to 65 year olds is self-financing, the President has proposed a set of anti-fraud, waste and abuse provisions to offset the up-front "loan" and any costs of the displaced workers' buy-in. These policies also are part of the President's ongoing effort to root out fraud and waste in Medicare. Five of the President's anti-fraud, waste and abuse initiatives produce scorable budget savings.

- **Eliminating Excessive Medicare Reimbursement for Drugs**. A recent report by the HHS Inspector General found that Medicare currently pays hundreds of millions of dollars more for 22 of the most common and costly drugs than would be paid if market prices were used. For more than one-third of these drugs, Medicare pays more than double the actual acquisition costs, and in one case pays as high as ten times the amount. This proposal would ensure that Medicare payments be provider's actual acquisition cost of the drug without mark-ups.

- **Eliminating Overpayments for Epogen.** A 1997 HHS Inspector General report found that Medicare overpays for Epogen (a drug used for kidney dialysis patients). This policy would change Medicare reimbursement to reflect current market prices (from $10 per 1,000 units administered to $9).

- **Eliminating Abuse of Medicare's Outpatient Mental Health Benefits.** The HHS Inspector General has found abuses in Medicare's outpatient mental health benefit — specifically, that Medicare is sometimes billed for services in inpatient or residential settings. This proposal would eliminate this abuse by requiring that these services are only provided in the appropriate treatment setting.

- **Ensuring Medicare Does Not Pay For Claims Owed By Private Insurers.** Too often, Medicare pays claims that are owed by private insurers because Medicare has no way of knowing the private insurer is the primary payer. This proposal would require insurers to report any Medicare beneficiaries they cover. Also, Medicare would be allowed to recoup double the amount owed by insurers who purposely let Medicare pay claims that they should have paid, and impose fines for failure to report no-fault or liability settlements for which Medicare should have been reimbursed.

- **Enable Medicare to Negotiate Single, Simplified Payments for Certain Routine Surgical Procedures.** This proposal would expand HCFA's current "Centers of Excellence" demonstration that enables Medicare to pay for hospital and physician services for certain high-cost surgical procedures through a single, negotiated payment. This lets Medicare receive volume discounts and, in return, enables hospitals to increase their market share, gain clinical expertise, and improve quality.

A series of other anti-fraud, waste and abuse actions are proposed as well *(see "Ten-Point Plan," announced by the President on January 24, 1998)*.

CHILDREN'S HEALTH OUTREACH

BACKGROUND

Last year, the President, with bipartisan Congressional support, signed into law the largest single expansion of children's health insurance in 30 years. The Children's Health Insurance Program (CHIP) provides funds for coverage of millions of working families' uninsured children. These families typically have too much income to qualify for Medicaid but too little to afford health insurance. But, to ensure the success of this program, an aggressive campaign to enroll eligible, uninsured children is needed.

In addition, over 3 million children are uninsured but eligible for Medicaid today. Educating families about their options and enrolling them in Medicaid has always been difficult, but it has recently become even more challenging. The number of children enrolled in Medicaid leveled off in 1995 and, according to the Census, dropped by 6 percent in 1996. While some of this decline may be due to the lower number of children in poverty, another reason for this decrease may be families' misunderstanding of their children's continued eligibility for Medicaid that the welfare reform explicitly guaranteed.

POLICY DESCRIPTION

To give States the tools and funding to find and enroll uninsured children, the President's 1999 Budget invests $900 million over 5 years in children's health outreach policies.

- **Fund for outreach**. In welfare reform, a special $500 million pool was created to fund efforts to improve Medicaid enrollment of families affected by welfare reform.

  The President's 1999 Budget includes a proposal that would expand the use of this fund. States would be able to receive a 90 percent matching rate for most outreach activities for <u>all</u> uninsured children, not just those who would have been eligible for welfare. The Federal funds to cover the extra matching (above Medicaid's regular matching amount) would come from this fund. In addition, the proposal would remove the sunset of the fund in 2000 and add another $25 million to assist States with increased outreach activities. This outreach fund would provide States with the resources to simplify enrollment systems, launch ad campaigns, educate community volunteers, and conduct other outreach campaigns to find and help enroll uninsured children.

- **Allowing immediate Medicaid coverage through schools, child care resource and referral centers, and other sites.** The Balanced Budget Act (BBA) of 1997 gave States a new option in Medicaid to grant "presumptive eligibility" to children. Certain children may receive immediate Medicaid coverage on a temporary basis while waiting for a full Medicaid eligibility determination.

  The President's 1999 Budget proposes to make this presumptive eligibility option more flexible and attractive to States. First, it would broaden the definition of who can determine presumptive eligibility to include sites such as schools, child care resource and referral centers, child support enforcement agencies and CHIP eligibility workers. These people are on the front lines in caring for children and could help educate and enroll them in Medicaid. Second, it would eliminate the requirement that States subtract the costs of presumptive eligibility from their CHIP allotments. Instead, these costs would be matched as a regular Medicaid State plan option. Both of these changes would give States greater incentives and flexibility for using this option.

In addition, the Department of Health and Human Services (HHS) has identified a number of ideas and options for States to simplify enrollment and integrate Medicaid and CHIP. This includes encouraging "out-stationing" of eligibility workers; using mail-in, simple applications; and using a joint application form for both Medicaid and CHIP. *(see letter to State Health Officials from HHS, dated January 23, 1998 for details).*

CANCER CLINICAL TRIALS FOR MEDICARE BENEFICIARIES

BACKGROUND

More than 40 percent of Americans will be diagnosed with cancer during their lifetime and more than 20 percent will die from it. Less than three percent of cancer patients participate in clinical trials. Moreover, Americans over the age of 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans. Many scientists believe that higher participation in clinical trials could lead to faster development of therapies for more of those in need, as it often takes between three and five years to enroll enough participants in a cancer clinical trial to make the results scientifically legitimate and statistically meaningful. Older Americans and people with disabilities covered by Medicare frequently cannot participate in cutting-edge cancer clinical trials because the program does not pay for such treatments until they are established as standard therapies.

POLICY DESCRIPTION

The President has proposed a demonstration that would help Medicare beneficiaries access these cutting-edge cancer treatments.

- **Three-Year Demonstration Program for Medicare Beneficiaries.** The proposal would establish a three-year $750 million demonstration program for Medicare beneficiaries to cover the patient care costs associated with certain cancer treatment clinical trials (research studies with patients).

- **Covers Certain Cancer Clinical Trials.** Studies sponsored by the National Institutes of Health (NIH) would qualify. This includes:

  - Trials conducted by NCI programs that oversee and coordinate extramural clinical cancer research;
  - Trials conducted by Cooperative Groups programs;
  - NCI-sponsored trials at NCI-designated cancer centers;
  - NCI grants supporting clinical investigators; and
  - Clinical trials for cancer conducted at other NIH institutes.

After one year, the proposal also allows for amendments and/or additions to this set of trials by the Secretary of Health and Human Services within the same funding constraints, with the advice of the Institute of Medicine's National Cancer Policy Board.

- **Includes Report to Congress Following Three-Year Demonstration.** The proposal includes a review and evaluation of the demonstration by the Secretary of Health and Human Services, in consultation with the Institute of Medicine's National Cancer Policy Board, to consider whether to extend and/or expand the demonstration, no later than 30 months after enactment.

- **No Impact on the Medicare Trust Fund.** The demonstration would be administered by the Health Care Financing Administration, which administers Medicare, but would be funded by $750 million in receipts from tobacco legislation. It would therefore have no effect the financial condition on the Medicare Trust Fund.

- **Builds on the Bipartisan Legislation in the Congress.** Senator Mack and Senator Rockefeller and Representative Nancy Johnson have taken leadership in this area by proposing similar legislation that would provide cancer clinical trial coverage for Medicare beneficiaries.

FUNDS FOR AMERICA

The 1999 President's budget meets the challenge of investing in our future by proposing three new investment funds for America -- for research, the environment, and transportation -- to direct resources to these critical priorities.

- **The Research Fund for America** includes a broad range of investments in knowledge, including research programs of the National Institutes of Health; the Centers for Disease Control; the National Science Foundation; the National Aeronautics and Space Administration; the Energy, Agriculture, and Education Departments; the Commerce Department's National Institute of Standards and Technology; the Department of Agriculture; a multi-agency Climate Change Technology Initiative; and other programs.

- **The Environmental Resources Fund for America** encompasses the multi-agency Clean Water and Watershed Restoration Initiative; the new Land, Water, and Facility Restoration Initiative; the Agriculture Department's water and wastewater program for rural communities; and the Environmental Protection Agency's programs for cleaning up hazardous waste sites (within the Superfund) and for ensuring clean water and safe drinking water.

- **The Transportation Fund for America** includes the Transportation Department's highway, highway safety, and transit programs; the Flight 2000 free flight demonstration program; and FAA programs, including Airport Grants.

Together, these deficit-neutral funds provide $75.5 billion in 1999, a $4.7 billion increase over 1998 levels, all of which is requested as discretionary appropriations. The financing of these Funds applies the principle of pay-as-you-go in the Budget Enforcement Act -- which applies to mandatory spending -- to discretionary spending as well. All three funds are deficit neutral, and are financed with a combination of transfers within the discretionary caps and specific mandatory savings and revenue proposals. For 1999, the Funds are financed as follows:

- **The Research Fund for America** is financed through funds available under the discretionary caps, receipts from tobacco legislation, and savings from VA tobacco reform.

- **The Environmental Resources Fund for America** is financed through funds available under the discretionary caps and a renewed Federal tax to support the Superfund.

- **The Transportation Fund for America** is financed through funds available under the discretionary caps.

The use of mandatory offsets for discretionary spending is permissible under current scorekeeping rules and precedents. Mandatory offsets were used in both the FY 1996 (the sale of the U.S. Enrichment Corporation and debt collection reform) and FY 1997 (spectrum receipts and reform of the bank insurance funds) appropriations processes to fund important discretionary programs. Alternatively, Congress may choose to specifically authorize mandatory offsets for the purposes of these new Investment Funds. The Administration intends to work with the Congress to determine the best approach.

ENVIRONMENT AND NATURAL RESOURCES

The 1999 budget requests $31.5 billion in discretionary spending for high-priority environmental and natural resource programs, $1.4 billion, or five percent, more than the 1998 enacted level. The budget includes a major initiative to begin addressing climate change through higher research spending and new tax incentives to spur energy efficiency and develop low-carbon technologies. The budget also proposes an innovative, deficit-neutral financing mechanism for many key environmental restoration programs -- the Environmental Resources Fund for America -- that supports two additional initiatives: water quality, and land/facility restoration.

- **Climate Change Technology Initiative.** The budget provides a five-year, $6.3 billion package of tax incentives and research spending to reduce the Nation's emissions of greenhouse gases. The 1999 increase is $0.9 billion, roughly doubling the 1998 enacted level, as a down-payment on the President's five-year commitment. Approximately $2.7 billion of the $6.3 billion package is R&D spending to develop more fuel-efficient automobiles and trucks, energy-saving technologies for commercial buildings and homes, more energy-efficient industrial processes, and renewable energy sources such as biomass, wind, photovoltaics, and fuel cells. The remaining $3.6 billion of the $6.3 billion package are tax incentives to stimulate the adoption of more efficient technologies in buildings, vehicles, and power generation.

  For highly fuel-efficient vehicles, a tax credit of $4,000 would be available in the year 2003 for vehicles that get three times the base fuel economy for their class. A tax credit of $3,000 would be available in the year 2000 for vehicles that get two times the base fuel economy for their class. Both tax credits would phase out over time (the $3,000 credit by 2006; the $4,000 credit by 2010).

- **Environmental Resources Fund for America.** The budget proposes the Environmental Resources Fund for America, a mechanism to use PAYGO offsets to pay for increases in high priority discretionary environmental programs. The Fund provides $7.7 billion, 14 percent above 1998, for key environmental restoration programs. The Fund includes:

  Land, Water, and Facility Restoration Initiative: The budget proposes an increase of $92 million, eight percent more than in 1998 (and $961 million, 16 percent, over 5 years) for construction and maintenance for national parks, forests, refuges, public lands, and Indian schools. In addition, the initiative includes a 43 percent increase in land acquisition spending over the next five years from the Land and Water Conservation Fund (LWCF) and a 12 percent increase over five years from the Historic Preservation Fund. The LWCF request in 1999 is at the 1998 enacted level of $270 million, excluding the $699 million in one-time priority land acquisition funding in the 1997 budget agreement.

  Clean Water and Watershed Restoration Initiative: The budget includes $2.2 billion, a $568 million or 35 percent increase over 1998, for a multi-agency initiative to restore and protect the Nation's waterways by preventing polluted runoff, protecting public health, and ensuring community-based watershed management. Within this total, the budget proposes $143 million, the full amount authorized, for California Bay-Delta watershed restoration activities and $282 million, 24 percent more than in 1998, to continue the Administration's support for restoring the Everglades.

Water Quality Infrastructure: The budget proposes $1.85 billion in capitalization grants for Drinking Water State Revolving Funds (SRFs), which make low-interest loans to help municipalities address water quality. Of this amount, the budget includes $1.1 billion in grants for the Clean Water SRFs and $775 million for the Safe Drinking Water Act SRFs. The funding levels for the two SRFs make progress toward the Administration's goal of providing sufficient capital for the funds to provide $2.5 billion a year in financial assistance to municipalities over the long run.

USDA Water 2000: The budget provides funds for USDA's Water 2000 initiative -- to bring safe drinking water to rural Americans with some of the Nation's most serious problems of water availability, dependability, and quality -- within its $1.3 billion for rural water and wastewater grants and loans.

Superfund Cleanups: The budget proposes $2.1 billion for Superfund, a 40 percent increase over 1998. These funds will help meet the President's pledge to double the pace of Superfund cleanups, bringing the total number of cleanups to 900 by the end of 2001.

- **EPA's Operating Program.** The budget proposes $3.6 billion, an eight percent increase over 1998, for EPA's operating program, which includes most of EPA's research, regulatory, partnership grants (with States and Tribes), and enforcement programs. The program represents the backbone of the Nation's efforts to protect public health and the environment through sound science, standard setting, enforcement, and other means, ensuring that our water is pure, our air clean, and our food safe.

- **Brownfields Redevelopment Initiative.** The budget proposes to extend the President's Brownfields initiative, which promotes cleanup and redevelopment of abandoned land -- usually in inner cities -- contaminated from previous industrial use. EPA would receive $91 million (+$3 million over 1998) for grants to communities for site assessment and redevelopment planning, and for revolving loan funds to finance clean up efforts at the local level. HUD would receive $50 million, $25 million more than in 1998, to leverage State, local, and private funds for redeveloping cleaned-up sites and creating jobs. The budget also proposes to extend the targeted tax incentives to spur Brownfields cleanup.

- **Endangered Species Act.** The budget provides $113 million, a $36 million increase over 1998, for DOI's endangered species program, mainly for the Administration's new reforms to encourage private landowners to protect species. The budget also includes $40 million, a $10 million increase over 1998, for the National Oceanic and

Atmospheric Administration's endangered species program, mainly focused on habitat conservation planning.

- **Multilateral and Bilateral Environmental Assistance.** The budget proposes $322 million, three percent more than in 1998, for bilateral and multilateral environmental assistance. Bilateral assistance includes U.S. Agency for International Development (USAID) activities to address topics such as biodiversity, and to implement USAID's five-year, $1 billion commitment to help developing countries address climate change. Multilateral assistance funds U.S. voluntary contributions to the UN environmental system and other international environmental activities.

- **Global Environment Facility (GEF).** The budget provides $300 million for U.S. obligations to the GEF, which is the world's leading institution for protecting the global environment from climate change, extinction of valuable species, and the oceans' fish population. This proposal includes $193 million for U.S. contributions previously due and $107 million for an initial contribution to replenish the GEF between 1999 and 2002.

- **Federal Facilities Cleanup and Compliance.** The budget provides $6.1 billion, an increase of $275 million over 1998, for the Department of Energy's Environmental Management program for cleaning up Federal facilities contaminated with radioactive or hazardous waste left over from over 40 years of research, production, and testing of nuclear weapons. The budget also includes $4.4 billion for Department of Defense clean-up activities on military bases, a decrease of $450 million from 1998 largely due to the completion of one-time projects and clean-ups at closed military bases.

CLIMATE CHANGE TECHNOLOGY INITIATIVE

Last fall, the President announced a nine-point plan to begin addressing climate change, including a five-year, $5 billion package of tax incentives and R&D spending to spur energy efficiency and help develop low-carbon energy sources. With the historic agreement in Kyoto in December to reduce greenhouse gas emissions, the President is now proposing a $6.3 billion initiative over 5 years -- $2.7 billion in increased spending and $3.6 billion in tax incentives. For 1999, the budget includes $473 million in increased spending on climate-change related technologies ($1.292 billion vs. $819 million in 1998) and $421 million in tax incentives. The total first-year initiative is $894 million, and covers the following areas:

BUILDINGS

- ***Accelerate the deployment of existing technologies*** through better labeling of highly efficient technologies and appliances, through the Partnership for Advanced Technologies in Housing (PATH), and through tax credits for the purchase of certain highly efficient building equipment and for the purchase of highly-efficient new homes. PATH will be a cooperative effort by HUD, DOE, and EPA to work with the building industry and communities to develop and deploy the best available housing technologies and practices.

  The tax cuts include a 20 percent credit (subject to a cap) for purchasing energy-efficient building equipment, a credit of up to $2,000 for purchasing energy-efficient new homes, an extension of the wind and biomass tax credit, and a 10 percent investment credit for the purchase of combined heat and power systems.

- ***Million Solar Roofs.*** Last June the President announced an initiative to encourage the installation of one million solar hot water and photovoltaic installations on buildings over the next 10 years. DOE will fund cost-reduction R&D for rooftop solar systems, and will establish partnerships with communities and builders. In addition, the budget includes a 15 percent tax credit (up to $2,000) for purchases of rooftop solar equipment -- to provide incentives for meeting the Million Solar Roofs goal.

- ***DOE is also increasing its research*** on building systems modeling and on major components such as advanced heat-pumps, cooling systems, furnaces, and lighting.

INDUSTRY

- ***DOE will intensify its partnerships with industry*** on technology roadmaps and plans to reduce energy consumption and secure early reductions in greenhouse gas emissions. Partnerships currently exist with the aluminum, steel, glass, paper and forest products, metal casting, and chemicals industries. Cost-shared R&D with industry teams and consortia will be enhanced, and complementary efforts will be undertaken by EPA, USDA, and DOC (NIST), leading to voluntary industry greenhouse gas reductions.

- ***Combined heat and power*** is an advanced form of cogeneration that integrates power generation with the provision of useful thermal energy in a factory or building. This initiative combines R&D with a 10 percent tax credit for investments.

- ***Fluorine recovery tax credits.*** Tax credits are proposed for certain investments to remove or recycle fluorine and fluorocarbon compounds that are potent greenhouse gases.

TRANSPORTATION

- ***The Partnership for a New Generation of Vehicles (PNGV)*** is a government-industry effort to develop a safe, clean, and affordable car that gets up 80 miles per gallon. Production prototypes are planned for 2004. DOE is the largest player, followed by EPA, DOC, NSF, and DOT. In 1999, the combined request for PNGV-related work in those agencies is $277 million, up from $227 appropriated in 1998. The budget also proposes tax credits to encourage the purchase of this type of highly-efficient vehicle.

- ***Tax Credits For Fuel Efficient Cars.*** The budget includes tax credits of $3,000 and $4,000 for consumers who purchase advanced-technology, highly fuel efficient vehicles -- expected to total $660 million over the next five years.

- ***Partnerships for Light and Heavy Trucks.*** Similar government-industry efforts are proposed to develop more efficient diesel engines for both light trucks and heavy trucks.

- ***Sustainable Transportation*** promotes alternatives to single-occupancy vehicle travel, modeled after the approach adopted by Portland, Oregon. Programs in EPA and DOE will be coordinated with existing and planned DOT programs, and a tax law amendment is proposed to equalize treatment of employee parking and transit benefits.

ELECTRICITY

- ***Renewable energy.*** DOE will expand research partnerships in technologies such as wind, photovoltaics, geothermal, biomass, and hydropower to accelerate price reductions and improve performance. The 1999 budget proposes a $100 million increase for solar and renewable energy R&D -- a 37 percent increase over 1998 -- and a 5-year extension is proposed for the tax credit for electricity produced from wind and biomass.

- ***Electricity Restructuring.*** DOE and EPA will work with States and utilities to ensure that the restructuring does not impede the adoption of renewable energy technologies.

- ***Nuclear power-plant life extension.*** DOE will initiate an R&D effort addressing the critical technology needs to allow currently-operating nuclear power plants to safely extend their operating lifetimes by 10 to 20 years, which will make the transition to other low-carbon energy sources, such as solar and renewable energy, much easier.

- ***Innovative coal combustion technologies.*** In 1999, DOE will initiate a research program on innovative new approaches to coal combustion that offer the possibility of much lower carbon emissions than existing technologies.

CARBON REMOVAL AND SEQUESTRATION.

- ***Sequestration R&D.*** Research is being funded on biological and physical methods of removing carbon dioxide (CO_2) both from combustion gases and from the atmosphere.

CROSSCUTTING ANALYSIS AND RESEARCH

- ***Emissions credits, incentives, and trading.*** EPA will evaluate options for a domestic trading system and early reduction program in industry, based on industry consultations.

- ***Program and science assessments.*** DOE will lead efforts to assess the implications of new research results produced by the Global Change Research Program.

RESEARCH AND DEVELOPMENT

The 1999 budget provides a total of $78.2 billion for research and development (R&D) investments -- a three percent increase over 1998. Civilian R&D comprises 48 percent of this total, continuing a gradual increase in emphasis on non-defense R&D. The budget provides $16.7 billion for basic research and $16.4 billion for applied -- increases of eight and five percent, respectively, over the 1998 levels. The budget provides $14.5 billion for university-based research, or six percent more than in 1998. The centerpiece of the Administration's continuing commitment is the proposed Research Fund for America (RFA), from which many of the research dollars will now flow.

RESEARCH FUND FOR AMERICA

- Reflecting the President's commitment to ensuring long-term stability and growth for civilian research programs, the budget proposes a Research Fund for America that will support a wide range of Federal science and technology activities. The budget proposes $31 billion for the Fund, representing an eight-percent increase for these activities over the 1998 level. By 2003, the Fund will grow by 32 percent.

HIGHLIGHTS BY AGENCY

- **Department of Defense (DoD).** The budget provides $37 billion for DoD research and development -- a one-percent decrease from 1998. Highlights include the Dual Use Applications Program and the Commercial Operations and Support Savings Initiative, which promote development of dual-use technologies and adapt cost-saving commercial technology for military uses. The budget also supports Advanced Concept Technology Demonstrations, which harness technology and innovation for military use, at less cost.

- **National Institutes of Health (NIH).** The budget provides a $1.15 billion increase for NIH, the largest ever, to a proposed $14.8 billion agency funding level that will support greater research on diabetes, brain disorders, drug demand reduction, genetic medicine, disease prevention strategies, and the development of an AIDS vaccine. Within this level, the budget provides a 10 percent increase in cancer research at NIH, highlighting renewed efforts to prevent, detect, and, ultimately, cure cancer. From 1999 to 2003, the NIH budget will grow by nearly 50 percent and cancer research at NIH will grow by 65 percent.

- **National Aeronautics and Space Administration (NASA).** The budget provides $13.5 billion for NASA in 1999 -- a one-percent decrease from 1998 -- and supports various ongoing activities, including: $2.1 billion for Space Science -- a three percent increase over 1998, leading to more robotic exploration of the solar system; $1.4 billion for Earth Science (formerly Mission to Planet Earth), which explores the influence of natural processes and human activities on the environment; $389 million for Advanced Space Transportation Technology, including funds for the X-33 and

X-34 reusable launch vehicle technology demonstrations; $786 million for NASA's Aeronautics Research and Technology programs, including Aviation Safety R&D; and $760 million in future-year funds to support launch vehicles that would lower NASA's launch costs. The budget also includes $2.3 billion for the International Space Station.

- **Department of Energy (DoE).** The budget provides $7.2 billion in R&D funding for DoE -- an eleven percent increase over 1998. The budget includes resources for science research and nuclear fusion programs, for constructing the National Spallation Neutron Source, for the international partnership on the Large Hadron Collider, and for DoE research under the Climate Change Technology Initiative.

- **National Science Foundation.** The budget provides $3.7 billion, 10 percent more than in 1998, for NSF, whose broad mission is to promote science and engineering research and education across all fields and disciplines. The $344 million increase is NSF's largest ever.

- **Department of Agriculture (USDA).** The budget provides $1.4 billion for R&D at USDA and includes support for the Agricultural Research Service, the Economic Research Service, and Cooperative State Research, and Forest Service programs. The budget also requests $130 million (+25 percent) for USDA's high-priority National Research Initiative, and proposes a new Food Genome Initiative expanding efforts to understand the genomes of important plants, animals and microbes.

- **Department of the Interior (DOI).** The budget provides $807 million for Interior's U.S. Geological Survey -- a 6 percent increase over 1998 -- for natural resource and environmental sciences in clean water, natural hazards reductions, and wildlife biology and habitat.

- **Department of Commerce (DoC).** The budget provides $1.1 billion for R&D at DoC -- essentially equal to the 1998 level -- and includes funding for the National Institute of Standards and Technology (NIST) Advanced Technology Program, construction of an Advanced Measurement Laboratory on the NIST campus in Gaithersburg, Maryland, and Oceanic and Atmospheric Research activities.

- **Department of Veterans Affairs (VA).** The budget provides $0.3 billion to VA's research program to conduct basic clinical, epidemiological, and behavioral studies across the entire spectrum of scientific disciplines. Research will focus on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma, health systems, special populations (including Persian Gulf veterans), and military occupation and environmental exposures.

MULTI-AGENCY INITIATIVE HIGHLIGHTS

- **Climate Change Technology Initiative.** The budget includes a five-year R&D program to reduce the Nation's emissions of greenhouse gases. Led by the Department of Energy and the Environmental Protection Agency, the effort also includes activities of the National Institute of Standards and Technology and the Departments of Agriculture and Housing and Urban Development. The budget proposes a combined $2.7 billion increase over five years for these agencies for R&D on energy efficiency, renewable energy, and carbon-reduction technologies. The budget also proposes $3.6 billion in tax incentives over five years to stimulate the adoption of more efficient technologies in buildings, industrial processes, vehicles, and power generation.

- **US Global Change Research Program.** The budget provides $1.9 billion -- essentially equal to the 1998 level -- to increase understanding of climate change and variability, atmospheric chemistry, and ecosystems.

- **Large Scale Networking and High End Computing.** The budget provides $850 million for this R&D effort, originally called High Performance Computing and Communications, which the Administration has restructured to focus on clearer goals, milestones, and performance measures. As part of this effort, the budget includes $110 million for the Next Generation Internet Initiative.

- **Partnership for a New Generation of Vehicles (PNGV).** The budget provides $277 million -- a 22-percent increase over 1998 -- for this cost-shared, industry partnership. Federal funding focuses mainly on development of production prototype vehicles three times more fuel efficient than today's cars, with no sacrifice in comfort, performance, or price.

OTHER HIGHLIGHTS

- **US/Mexico Foundation.** The budget provides $5 million to enhance U.S. and Mexican science and technology strengths by supporting research, training, and human resource development directed at problems common to both countries.

- **Global Learning and Observations to Benefit the Environment (GLOBE).** The budget provides $14 million for GLOBE, an international K-12 education and science partnership linking schools and scientists to make and interpret environmental measurements and share information over the Internet.

- **Education Research Initiative.** The budget provides $50 million per year for five years for a partnership between the Education Department and the National Science Foundation to support research focused on the best approaches to raising student achievement through, for example, learning technologies, and innovative approaches to reading and mathematics instruction that take advantage of the latest research findings in cognitive research, and research on brain development in young children.

HEALTH RESEARCH
IN THE RESEARCH FUND FOR AMERICA

BACKGROUND

Recent progress in biomedical research has ensured that many of the diseases Americans faced a generation ago can now be prevented or treated. Smallpox has been eradicated from the entire world and polio is gone from the Western Hemisphere. There are new therapies for some of the most devastating diseases, such as AIDS. These successes would not have occurred without a strong sustained support of biomedical research. Even more breakthroughs are in sight. For example, new knowledge about both genetics and the structure of tumors may enable scientists to pinpoint more effective treatments for prostate, breast, and ovarian cancer. There are also new opportunities to learn more about preventing diseases. Finally, there are new possibilities to determine how to translate cutting edge discoveries into practical, improved care.

POLICY DESCRIPTION

To build on this progress and new possibilities, the "21st Century Research Fund" contains an unprecedented, multi-year commitment to improve health care research. It contains new funding for investments in biomedical research, prevention research, and research to improve health outcomes. In 1999 alone, this Fund contains:

- **An Historic $1.15 Billion Investment in Biomedical Research.** To build on the progress in biomedical research, the Fund contains a historic up-front investment in biomedical research — a $1.15 billion increase in FY 1999 — and proposes an increase in NIH funding of nearly 50 percent over the next five years. Under the President's proposal, the NIH will devote over $20 billion to biomedical research in 2003. This increases funding at all of the Institutes at NIH, including a 65 percent increase in cancer research funding.

  - **$25 Million Increase in New Prevention Research.** The Fund also includes a new Prevention Research Program at CDC to identify interventions that prevent diseases.

  - **$25 Million Increase In Quality and Health Outcomes Research.** Research at the Agency of Health Care Policy and Research (AHCPR) bridges the gap between what scientists know and the health care Americans receive. In FY1999, total funding for AHCPR would increase by $25 million to a total of $171 million. Funding for health care quality improvement, which will address the scientific research recommendations of the President's Quality Commission, would double from $15 million to $30 million.

  - **$300 Million Increase In Veteran's Research**. The Budget provides $300 million to VA's research program to conduct basic clinical, epidemiological, and behavioral studies across the entire spectrum of scientific disciplines. FY 1999 research will focus on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma, health systems, special populations (including Persian Gulf veterans), and military occupation and environmental exposures.

RESTORING BENEFITS TO VULNERABLE GROUPS OF LEGAL IMMIGRANTS

The President believes that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of society. Upon signing the 1996 welfare law, he pledged to work toward reversing the harsh, unnecessary cuts in benefits to legal immigrants that had nothing to do with moving people from welfare to work. As part of last year's Balanced Budget Act (BBA), the President worked with Congress to restore Medicaid and Supplemental Security Income (SSI) to hundreds of thousands of disabled and elderly legal immigrants. In the 1999 budget the President proposes to restore Food Stamp benefits to vulnerable groups of legal immigrants and to provide States the option to provide health assistance to immigrant children.

FOOD STAMP BENEFITS

The 1999 budget proposes to restore Food Stamp benefits for vulnerable groups of legal immigrants. The President's proposals would provide Food Stamp benefits to an additional 730,000 legal immigrants in 1999 at a cost of $2.5 billion over 5 years. Specifically, benefits would be restored for:

- Families with children. This provision restores eligibility to families with children without regard to the immigrant's date of entry into the U.S. It will assist hundreds of thousands of families with citizen children and legal immigrant parents who are now depending upon only a partial Food Stamp benefit for the citizen children. Restoration of benefits to families with children will ensure that children receive the nutrition they need to become healthy, productive members of our society.

- Immigrants with disabilities and elderly immigrants age 65 and older. This provision parallels the action taken in the BBA for SSI and Medicaid. Consequently it applies to those who entered before welfare reform was enacted. Immigrants who have already come to the U.S. should not be penalized when they have played by the rules.

- Refugees and asylees. The current law exemption for refugees, asylees, and those whose deportation has been withheld would be extended from 5 to 7 years. The Nation admits refugees and asylees for humanitarian reasons and many need more time to naturalize than the current exemption provides. This provision parallels the action taken in the BBA for SSI and Medicaid.

- Hmong immigrants from Laos who came to the U.S. after the Vietnam war. This provision recognizes the unique history and special needs of this group.

- Certain Native Americans living along the Canadian and Mexican borders. This provision also parallels a similar provision for SSI and Medicaid in the BBA that corrects an oversight in the welfare reform law.

The Administration's proposal would first require immigrants to seek assistance from those who sponsored the immigrant into the country. Recent immigrants whose sponsors signed the new legally binding affidavits of support would be ineligible for Food Stamps unless the sponsor became destitute. When support is unavailable from an immigrant's sponsor, the Nation should provide a safety net for vulnerable groups of immigrants who are legal, permanent residents of our country.

HEALTH COVERAGE

The 1999 budget also proposes to provide States the option to provide health care coverage through Medicaid and the Children's Health Insurance Program (CHIP) for legal immigrant children. This provision gives States the option to provide health coverage through Medicaid and CHIP to legal immigrant children regardless of when they entered the country. States currently have the option to cover legal immigrant children who entered the country <u>before</u> the 1996 Welfare law was enacted. The 1999 budget extends this option to allow states to cover immigrant children who entered the country <u>after</u> the 1996 welfare law was enacted.

For this purpose, the budget provides an additional \$230 million over five years in Medicaid. State spending would be matched at Medicaid matching rates. The budget would also allow states to cover immigrant children through their current CHIP allotment. To give States flexibility, States can chose to cover immigrant children through either Medicaid or CHIP, or through both programs.

This policy provides access to needed medical care for low-income, legal immigrant children who become seriously ill or who have an accident. This policy would also provide access to preventative health care services for a very vulnerable population. The President's proposal does not undermine the central goal of welfare reform -- which is to move adults from welfare to work -- but, would instead allow immigrant children to get the best possible start in life.

HIV/AIDS

The 1999 budget continues the Administration's strong record of support for HIV/AIDS throughout the government:

HHS DISCRETIONARY AIDS FUNDING UP 8 PERCENT

The budget provides $3.8 billion for discretionary HIV/AIDS activities at the Department of Health and Human Services, an increase of 8 percent over 1998 and an 83 percent increase over FY 1993. Total funding for HHS HIV/AIDS activities, which includes both mandatory -- Medicaid, Medicare and Social Security -- and discretionary activities -- NIH and Ryan White -- is $9.7 billion, an 8 percent increase over 1998 and an 85 percent increase over the 1993 level of $5.2 billion.

RYAN WHITE AIDS TREATMENT GRANTS UP 14 PERCENT

The budget includes $1.315 billion for Ryan White AIDS Treatment Grants, a $165 million (14 percent) increase over 1998 and a 241 percent increase over the 1993 level. Included in this amount is a $386 million set-aside for grants to State AIDS Drug Assistance Programs (a 35 percent increase over the 1998 level of $286 million, and a 642 percent increase since the set-aside began in 1996, which will help ensure that low-income people with HIV/AIDS have access to powerful combination therapy drugs.

HUD HOUSING OPPORTUNITIES FOR PEOPLE WITH AIDS (HOPWA) UP 10 PERCENT

The budget includes $225 million for HOPWA, a $21 million (10 percent) increase over the 1998 level of $204 million and $125 million (125 percent) over the 1993 level of $100 million.

NIH AIDS RESEARCH UP 7.7 PERCENT

The budget includes $1.731 billion for AIDS research activities at the NIH, a 7.7 percent increase over 1998 and a 62 percent increase over 1993. In May 1997, the President challenged the scientific community to develop an AIDS vaccine within the next ten years. As a leader in biomedical research, NIH will spearhead the scientific community's efforts to meet the President's challenge.

CDC HIV AND STD PREVENTION ACTIVITIES INCREASED BY $15 MILLION

The budget includes $15 million in new resources at CDC for HIV prevention (+$5 million) and other sexually transmitted disease activities (+$10 million), as part of the President's initiative to address racial health disparities. The budget has increased resources for CDC HIV Prevention activities by 28 percent since 1993.

FAX COVER

Income Maintenance Branch
Office of Management and Budget
Executive Office of the President
Washington, D.C. 20503

To: Cynthia Rice

Organization:

Fax Number:

From: Keith

Date/Time:

Number of Pages: Cover +

Notes:

Call me & I'll try to explain

KF

Income Maintenance Fax Number: (202) 395-0851
Voice Confirmation: (202) 395-4686

FY 1999 Budget
HHS Notes on the OMB Passback
Administration for Children and Families

FY 1998

OMB staff stated that the FY 1998 enacted level for ACF is $8,096 million, including VCRTF.

FY 1999

OMB staff stated that the FY 1998 passback level for ACF is $7,518 million in discretionary budget authority, which includes the proposed LIHEAP and SSBG rescissions.

- **Head Start** -- OMB staff stated that budget authority of $4,489 million supports the President's commitment to one million slots in FY 2002. This funding level will support adding 36,000 slots in FY 1999. The FY 1999 level assumes no set-asides on real increases, the Head Start Transition function will be supported by the Department of Education, and provides a 50% COLA increase in FY 1999 and beyond. The FY 1999 passback continues the 5% Early Head Start set-aside, but requires that HHS and OMB develop a specific target of slots to be created. In addition, this funding level provides sufficient resources for HHS to support Head Start's participation in the new birth cohort in the Early Childhood Longitudinal Study and for HHS participation in additional years of tracking to evaluate Head Start's impact on school performance.

Proposed Head Start Participation Path, FYs 1999 - 2003 (Slots)

FY1999	FY2000	FY2001	FY2002	FY2003
872,000	908,000	954,000	1,000,000	1,000,000

- **LIHEAP** -- OMB staff stated that the FY 1999 passback includes funding of $658 million for LIHEAP, a rescission of $442 million. OMB staff note that the TANF block grant includes existing authority to provide energy assistance to low-income households with dependents.

- **Children and Family Services (other than Head Start)** -- OMB stated that total budget authority is $ 1,262 million. Child Welfare, developmental disabilities, child abuse, Native American, Adoption Opportunities, and runaway & homeless youth are maintained at the FY98 enacted levels. The FY 1999 passback level assumes no mandatory research rescission and $10 million in discretionary funding for research activities. Funding for the Adoption Initiative is included within the Adoption Opportunities level.

- **Violence Against Women Act Programs/VCRTF** -- OMB stated that the FY 1999 level ($105 million) funds VAWA programs at the FY 1998 enacted level (including $10 million for Family Violence).

- **Community Services --** OMB stated that the Community Services Block Grant is maintained at the FY 1998 enacted level ($491 million). Funding for other Community Services activities is not assumed.

- **Refugee and Entrant Assistance --** OMB stated that the FY 1999 level is $360 million, reflecting information from the State Department of a decrease in the number of refugees that are expected to be served in FY 1999 and other technical factors.

- **Child Care & Development Block Grant --** OMB stated that the FY1999 passback funds CCDBG at the FY 1998 enacted level of $1,003 million.

- **Social Services Block Grant --** OMB stated that the passback assumes a $358 million rescission in FY 1999. HHS will compile data for OMB on SSBG performance, based on existing SSBG annual State statutory reporting requirements.

FY 2000-2003

OMB staff stated that total passback levels for ACF rise annually for FY 2000-2003. OMB noted that outyear levels assume freezes at the FY 1999 passback level in all programs except Head Start.

FY 1999 Budget
HHS Notes on the OMB Passback
Administration for Children and Families

FY 1998

OMB staff stated that the FY 1998 enacted level for AoA is $865 million.

FY 1999

OMB staff stated that the passback level for AoA is $865 million in discretionary budget authority, maintaining FY 1998 enacted levels.

- OMB staff advised that funding for meals and supportive services should be maintained at at least the FY 1998 enacted levels.

- The proposed transfer of the Community Services Employment for Older Americans (CSEOA) program from DoL is not assumed.

FY 2000-2003

OMB staff stated that total AoA levels are held constant at the FY 1999 level between 2000-2003.

[redacted] 12/24/97 04:15:48 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP

cc: Laura Emmett/WHO/EOP, Julie A. Fernandes/OPD/EOP, Leanne A. Shimabukuro/OPD/EOP, Andrea Kane/OPD/EOP

Subject: Update on legal immigrants and the budget

Elena, I think you know all of this anyway, but here's what I know. The agreement is to spend $2.5 billion on benefit restorations to legal immigrants. The initial list was:

- (1) food stamps for legal immigrant families with children, regardless of date of entry;
- (2) food stamps for refugees and asylees for 7 years instead of 5;
- (3) Medicaid/CHIP for children who entered the country after the law was signed; and
- (4) food stamps for the Hmong (a compelling group who fought in the Vietnam War).

Most of the cost ($2 billion) is the first item.

However, immigration advocates that OMB consulted objected strenuously -- particularly Greenstein. They were delighted with the size of the package, but felt we were making a big tactical mistake by leaving out the disabled and elderly (who cost $400 million). Our rationale for doing so was that they already benefitted from the major SSI/Medicaid restorations enacted this summer, so it's time to help a new group. Greenstein's response is that (1) the disabled/elderly are the Ag Committee's top priority and, if we don't propose this restoration, Congress will have an excuse to ignore this issue altogether; (2) we are spending a lot of money on prospective restorations for families with children that are unlikely to be enacted; and (3) the disabled/elderly are compelling enough that leaving them out entirely leaves us vulnerable as debate on this proceeds.

OMB's solution is a partial restoration for the disabled/elderly -- the non-disabled elderly over 75, and the disabled. This is paid for by deeming sponsor income for those with affidavits of support, plus some other money OMB dug up.

Draft for Discussion Purposes Only
December 2, 1997

OPTIONS FOR CHILD CARE INITIATIVE

I. **Tax System**. Options for investing in child care through the tax system include:

A. *Child and Dependent Care Tax Credit.* Modify the Child and Dependent Care Tax Credit (CDCTC) by raising the top rate and moving the phase-out range. One option considered would raise the top rate from 30 percent (current law) to 50 percent and move the phase-out range from $10,000-$28,000 (current law) to $30,000-$59,000, indexed for inflation thereafter. Presently, the CDCTC phases down from a high of 30 percent at $10,000 or less of income to 20 percent at more than $28,000 of income (a phase out rate of one percentage point per $2,000 of income). Under this option, the credit would phase-out at a rate of one percentage point per $1,000 of income, from a high of 50 percent at $30,000 or less of income to 20 percent at more than $59,000. This option would cost $5.2 billion through the year 2003; less expensive options, using different rates and phase-out ranges, are also available. The credit could also be made refundable.

B. *Tax Credits to Corporate Sector.* Provide a tax credit to businesses that incur costs related to providing child care services to their employees. Qualifying expenses could include those a business incurs to build or expand a child care facility, operate an existing facility, train child care workers, reserve slots at a child care facility for employees, or provide child care resource and referral services to employees. Under one option, the credit could cover 50% of qualified costs incurred, but could not exceed $150,000 per year. This option has been estimated by the Joint Committee on Taxation to cost $2.6 billion over five years.

II. **Child Care and Development Block Grant**. Options for increasing federal investment in the Child Care and Development Block Grant (CCDBG) include:

A. *Distribute additional funding to States by current CCDBG formula without restriction.*

B. *Require that states set benchmarks to access additional funding.* To access additional funding, states would be required to set benchmarks, concerning, for example, eligibility and priority (i.e. targeting) levels, copayments, and reimbursement rates. While states would have considerable flexibility in setting the benchmarks, continued additional funding would be contingent on progress toward meeting the benchmarks.

A possible recommendation is to increase the investment by $4 billion over five years, which would provide subsidies for approximately 280,000 children per year. Less money would mean proportionately fewer additional children subsidized.

III. **<u>Quality/Early Learning</u>**. Options for increasing federal investment in the quality of child care and early learning include:

A. *Child Care Provider Training.* Increase federal investment in the training of child care providers. Options include:

1. *Child Care Provider Scholarship Fund.* Announced by the President, the Child Care Provider Scholarship Fund will enable states to provide scholarship funds to students working toward a child care credential. Eligible child care workers must commit to remaining in the field for at least one year for each year of assistance received and will earn increased compensation or bonuses when they complete their course work. The President announced an investment of $250 million over five years.

2. *Expand the Child Care Apprenticeship Training Program.* Expand the Child Care Apprenticeship Program to fund the training of child care workers toward a degree equivalent to the Child Development Associate degree, with on the job observation and practice. The Department of Labor has asked for an appropriation of $10 million for FY 1999.

B. *Consumer Education and Research.* Establish a new fund to support consumer education, technology development and utilization, data and research. Uses for the new funding would include research and demonstration projects, a National Center on Child Care Statistics, a national child care hotline, and a consumer education campaign to help parents select safe and healthy care.

C. *Standards Enforcement and Licensing Support.* Establish a fund for states to improve and enforce state child care health and safety standards. Activities supported would include increasing unannounced visits to licensed child care centers and family day care homes, and improving state licensing of child care settings.

D. *Early Childhood Education.* Increase investment in early childhood education and learning activities. Options for the funding mechanism include:

1. *Early Childhood Education Fund.* Establish a grant program to support specific activities to improve safety, quality, and learning for young children in child care. The fund would support, among other things, health and safety improvements and parental involvement in child care. Options for the funding mechanism include:

a) *Combined local/state funding for early childhood education activities.* 50 percent of the fund would be passed through states to local collaboratives and 50 percent would be state discretionary dollars. The local funds could be allocated by states by formula or through a competitive grant process, but states would be required to use child poverty as one of the major factors in distributing the dollars. States would have considerable flexibility with their 50 percent of the funds, but would be required to set benchmarks concerning child care standards in the areas of education, health and/or safety. The fund would require a modest (e.g. 20 percent) cash match for the state funds. There would be no match for the local funds.

b) *Funding for Local Collaboratives through States.* Funding would entirely pass through states to local collaboratives through a state-administered competitive grant program, with a modest (e.g. 20 percent) state match. States would have considerable flexibility in administering the grant program, but would be required to use child poverty as one of the major factors in distributing the dollars.

c) *Funding for Local Collaboratives through Federal Competitive Grant Program.* Funding would pass directly from the Federal government to local collaboratives through a federally-administered competitive grant program. The feasibility of this mechanism would depend on the level of funding for the program.

2. *Head Start / Early Head Start.* Increase the Early Head Start (children 0-3) set-aside (5 percent under current law), while increasing overall funding in Head Start to ensure that boosting the set-aside does not reduce the resources available for children 3-5. Early Head Start funds activities other than child care, such as parent training in child development, home visits, and family support services. One option would be to double the set-aside to enable more than 50,000 additional children to receive Early Head Start services in 2002 (relative to current law).

<u>Possible recommendations for funding the above package of initiatives fall within the range of $1.5 to $4 billion over five years</u>.

IV. <u>School-Age Opportunities</u>.

A. *Increasing Federal Investment in School-Age Programs.* Options for the funding mechanism include:

1. *Invest in a Two-Pronged School-Age Initiative.* Both expand the existing 21st Century Community Learning Centers program for public-school based programs and establish a new fund for community-based agencies to increase supply of school-age opportunities. The 21st Century Community Learning Program provides start-up funds to school-community partnerships to establish before- and after-school programs for school-age children at public schools. The expansion would support school-based programs in targeted high-need communities, further concentrate on providing enriching after-school programming for children, and require an increased local match to ensure that programs become self-sustaining after receiving start-up funding. Creating a fund for community use would support non-school-based programs; funds would pass through the states (by CCDBG formula with matching and benchmark-setting requirements) to communities, with 50% targeted to areas with high concentrations of poverty.

2. *Expand and Modify the 21st Century Community Learning Centers program.* Expand the existing 21st Century Community Learning Centers program and modify it so that non-school-based efforts are eligible for support.

3. *Expand the existing 21st Century Community Learning Centers program.*

B. *Coordination of Federal Efforts.* Set up a multi-agency task force to focus on youths during after-school hours in three to five pilot sites. The task force would gather and organize this information by the purpose for which it may be used, rather than by the agency administering it, to be of better use to communities seeking to determine what assistance is available.

<u>Possible recommendations for funding the initiatives above fall within the range of $.5 to $1.5 billion over five years.</u>

V. **<u>Stay-at-Home Parents</u>.**

A. *Leave Options for Working Parents.*

1. *Expand the reach of the Family and Medical Leave Act* (FMLA) to cover businesses with 25 or more employees. This could also be done incrementally. Presently, FMLA covers employees of businesses with 50 or more employees.

2. *Expand the period of time for FMLA* from 12 weeks (current law) to 24 weeks.

3. *Provide paid parental leave coverage* for a limited amount of time for working parents below a set income level. For example, a new paid leave plan could provide 6 weeks of paid leave to all new parents who have been in the workforce either part-time or full-time for one year and whose family income is below $50,000, at a cost of $1 billion per year. This plan would use the unemployment insurance system to provide the leave payments, but would be paid for by the federal government.

B. *Demonstration Project to Support Stay-at-Home Parents.* Establish a demonstration project for innovative approaches by states to enable parents to stay at home during their children's first years of life and supporting them in their role as their children's first teacher, such as through home visitation.

C. *Tax Credits.* Options include:

1. *Expand the child tax credit for families with children of a certain age.* For example, families with children 0 to 3 years of age could receive an additional $250, at a cost of roughly $6.5 billion over 5 years, or families with children 0 to 1 year of age could receive an additional $500, at a cost of roughly $4.67 billion over 5 years.

2. *Modify the Child and Dependent Care Tax Credit* (CDCTC) to cover certain kinds of expenses for those parents who stay at home to raise a child.

Call: Laura / Not to Gen

Note for email

1) false dicotomy between
"welfare families and working families"

→ welfare families that need child care
are working families

~~→ [illegible]~~

→ many low income ~~[illegible]~~ single women ~~[illegible]~~
cycle on and off of welfare,
use welfare as unemployment insurance.
there is no bright line between these
populations

→ Do we really want to treat two
women making $12,000/year
~~diff~~ — one who was on welfare
one who was not — differently?

Bruce N. Reed
12/04/97 10:52:17 AM

Record Type: Record

To: Diana Fortuna/OPD/EOP

cc: See the distribution list at the bottom of this message

Subject: Re: Budget options on restoring more benefits to legal immigrants

You're right -- these wouldn't be at the top of my list for new mandatory spending, but if we do something, the food stamps idea sounds good.

Message Copied To:

Elena Kagan/OPD/EOP
Cynthia A. Rice/OPD/EOP
Andrea Kane/OPD/EOP
Jeanne Lambrew/OPD/EOP
Laura Emmett/WHO/EOP

Record Type: Record

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

cc: Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP, Jeanne Lambrew/OPD/EOP, Laura Emmett/WHO/EOP

Subject: Budget options on restoring more benefits to legal immigrants

We're meeting tomorrow morning with Barbara Chow, who will unveil OMB's preferred options to restore additional restorations to legal immigrants. They have been tight-lipped on this, but the staff just walked me through their recommended options orally. I still have no paper. The invite list includes Mickey Ibarra, Maria Echaveste, Doris Matsui, and others who will approach this more from a constituency perspective and less from a policy perspective.

The proposed restorations total $3 billion over 5 years:

1. **Food Stamp State Option** **$1.2 billion over 5 years**
They want to give states the option of offering food stamps to legal immigrants, both those who were here before the law was signed and new entrants. We would pay 50% of the cost. They think this is more saleable politically than a simple restoration. A few states are already doing this with 100% state money.

2. **Medicaid/Child Health State Option** **$0.2 billion over 5 years**
This was our proposal from last year, with CHIP added in. CHIP doesn't cost anything since it's a block grant. It says that states can choose to offer Medicaid or CHIP to children who entered after the law was signed, and we'll pay our regular share of each program.

3. **Refugees and food stamps** **$0.2 billion over 5 years**
Refugees are eligible for benefits for the first 5 years in this country. We lengthened that to 7 years for SSI in the BBA. This would offer refugees the same 7 year exemption for food stamps.

4. **SSI and Medicaid** **$1.4 billion over 5 years**
This is what we did NOT get in our package last year: SSI and Medicaid for new entrants who become disabled after entry. This is a slightly tougher policy than last year because it requires deeming of sponsors' income.

I am assuming your guidance is that you are not particularly anxious to spend $3 billion dollars this way, particularly given competing needs like child care. I think it would be nice to do something on food stamps, and the state option is clever. On the other hand, as Cynthia notes, it seems unlikely Congress will do these. While the same could have been said of last year's proposals, we had the impetus of the balanced budget and the impending SSI cutoffs to pressure them. Next year we have little or no leverage legislatively, and all the cutoffs have happened. Anyway, if you have any guidance, let me know.

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Elena Kagan/OPD/EOP, Cynthia A. Rice/OPD/EOP, Andrea Kane/OPD/EOP

cc: Laura Emmett/WHO/EOP
Subject: Legal immigrant food stamps

OMB floated to Greenstein that nice option OMB developed on giving states the option to offer legal immigrants food stamps, with a 50% federal match. Greenstein dislikes it. He argues it's a bad precedent to make it optional and have the federal share be less than 100%. They say hunger groups will boo it down. So Chow is talking to Lew about whether they should return to earlier options of covering just families with children and maybe refugees. It's too bad because it was a neat option with possible political appeal, and it would cover 2/3 of the population by leveraging state money ($1.2b federal, $1.2b state). Maybe groups could be persuaded.... but if not I don't think we want to offer something they will denounce.

Fallback options are: Covering all families with children at $1.9 billion; covering all families with children under 7 costs $0.7 billion; covering only the kids but not parents in all families at $0.6 billion.

IMPACT OF THE BALANCED BUDGET ACT ON BENEFITS TO IMMIGRANTS

(dollars in billions)

NOTE: Estimates below show scoring of Welfare Reform and Balanced Budget Act (BBA) at times of enactment. Relative differences in savings by program will vary from prior estimates because of changes in baselines and technical assumptions.

	Welfare Reform (savings in FY 1997 baseline)		BBA (costs of restored benefits with FY 1998 midsession baseline)		Affect of Welfare Reform after adjusting for benefit restorations in BBA (savings in draft FY 1999 baseline)	
	FY 2002	Five Years 1998-2002	FY 2003	Five Years 1999-2003	FY 2003	Five Years 1999-2003
SSI	- 3.6	-15.6	2.2	11.0	-0.8	-2.7
Food Stamps	-0.7	-3.2	NA	NA	-0.7	-3.2
Medicaid	-1.6	-5.0	0.8	3.6	-1.2	-3.9
Total	-5.8	-25.2	3.0	14.6	-2.7	-9.8
	Number of Individuals made Ineligible FY 2002		**Number of Individuals with Eligibility Restored (Affect in FY 2003)**		**Number Still Ineligible After BBA (Affect in FY 2003)**	
SSI	590,000	NA	355,000	NA	140,000	NA
Food Stamps	1,000,000	NA	0	NA	775,000	NA
Medicaid	440,000	NA	NA	NA	350,000	NA

1.2 50% FS

.2 CHIP + Mcaid
Kids

.2 Ref FS 7yrs

1.4 SSI + Mcaid
New Entrants

Paul J. Weinstein Jr. 10/27/97 04:22:04 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc:

Subject: Tentative FY99 Budget Process Schedule for Wednesday Meeting

Budget Schedule

1. The OMB Director's review through November. These are internal meetings.

2. Cross-Cuts potentially to occur the week prior to Thanksgiving.

3. Agency passbacks the week of Thankgsiving.

4. Agency appeals to the Director starting the first week of December.

5. Budget options presented to President mid-December.

6. Final NEC budget meetings with POTUS third week of December.

Message Sent To:

Bruce N. Reed/OPD/EOP
Michael Cohen/OPD/EOP
Thomas L. Freedman/OPD/EOP
Jose Cerdà III/OPD/EOP
Christopher C. Jennings/OPD/EOP
Elena Kagan/OPD/EOP
Jennifer L. Klein/OPD/EOP
Cynthia A. Rice/OPD/EOP

Paul J. Weinstein Jr. 10/27/97 01:34:41 PM

Record Type: Record

To: See the distribution list at the bottom of this message

cc: Laura Emmett/WHO/EOP, Cathy R. Mays/OPD/EOP
Subject: Budget/State of the Union Meeting

There will be a meeting in Bruce's office at 9:00 this Wednesday to discuss DPC priorities for the FY99 budget and State of the Union. Please come with your list of priorities. Please make copies. Thanks.

Message Sent To:

Michael Cohen/OPD/EOP
Jose Cerda III/OPD/EOP
Christopher C. Jennings/OPD/EOP
Jennifer L. Klein/OPD/EOP
Thomas L. Freedman/OPD/EOP
Cynthia A. Rice/OPD/EOP

Barry White
10/23/97 09:41:45 AM

Record Type: Record

To: Larry R. Matlack/OMB/EOP

cc: cynthia a. rice/opd/eop, maureen h. walsh/omb/eop
Subject: Re: Youth Opportunity Saturation Grants

Two more thoughts:

There has been money in DOL in "pilots and demos" for start-up grants for YOA, called Kulik Grants, after a late DOL/ETA employee. The FY 1998 appropriation will continue to provide money for this purpose (around $20-25 m), in anticipation of the full program in 1999.

I haven't [yet] had any time to look at the Welfare to Work competitive grant papers, but one thing I'd like to see is some preference given for WTW grants to sites with YOA grants, so we get adults and youth addressed in some systematic way with these big globs of money. If Justice still has a "weed and seed" program running, or some other sort of neighborhood-based crime reduction thing, that would be good to wrap in as well. And there may be others, like housing experiments. Plus the advertised, if reportedly not yet realized, benefits of EZ/EC. The point being, that it might be nice to see if we can really learn something big here for how to deal with whole defined deep poverty areas, and not pretend that by carving up families and people's needs in Washington-conceived arbitrary ways, we really do any permanent good. Who knows, we might learn something important in a few years.

Larry R. Matlack 10/23/97 09:27:26 AM

Record Type: Record

To: Cynthia A. Rice/OPD/EOP

cc: Maureen H. Walsh/OMB/EOP, Barry White/OMB/EOP
Subject: Re: Youth Opportunity Saturation Grants

Maureen Walsh will call you to give you more substance on this than I can (she's not in today). But, crudely and in short, here's an outline:

The grants would be targeted on very small areas -- not a city or a JTPA SDA, but a community within a city or SDA. The areas would be EZ/EC areas or similar to EZ/ECs (despite what the VP's office may think, the grants are not necessarily exclusively going to EZ/ECs). High poverty areas often have unemployment rates for out-of-school youth approaching 80%. Experience suggests that one of the problems getting youth to participate, and participate seriously, in limited-availability programs is negative peer pressure. By saturating these small areas with the interventions, all out-of-school youth would be eligible (in theory, at least), thus minimizing the negative peer pressure. The goal, of course, is to reduce the unemployment rate among out-of-school youth.

The request is for $250 million. The grants would be for five years and require an increasing local match. I believe the plan is to have the Fedral share phase out over 5 years -- 100% federal in year one, declining by 20% a year thereafter -- with the goal of the program becoming self-sustaining in year six. Each grant would be for somewhere in the $10-15 million range. Thus, only 15-20 or so communities would receive grants in the first year (Maureen can clean up the numbers if I've got them wrong). Each subsequent year one or two more communities could receive grants as the local match for the existing grants increases and frees up the federal money for new grants. Thus, after five years, there would be some 35 or so areas that had received grants and were now self-sustaining or were receiving federal support at the moment.

We hope to get the money in the FY 1998 appropriation, but it won't be available until October 1, 1998, at best if we do. The appropriations bill also will include language requiring that the program be authorized before next spring or summer. We expect that hurdle to be jumped when the job training reform bill is passed this spring. DOL is running a few test sites with its pilot and demonstration funds at the moment.

What's your interest, aside from intellectual curiousity?

Barry White
10/24/97 06:53:16 PM

Record Type: Record

To: Bruce N. Reed/OPD/EOP, Gene B. Sperling/OPD/EOP

cc: See the distribution list at the bottom of this message
Subject: Issues for the OMB Director's Review: HHS/ACF, HHS/AOA, Ag/FCS, SSA : DISCRETIONARY SPENDING ONLY

In the absence of a PAD, I invite you to sit down with me and Keith Fontenot to go over the issues to be presented to the Director of OM in the Director's Review session for the FY 1999 Budget that will cover discretionary budget issues in HHS/ACF; HHS/AOA; Agriculture/FCS; SSA.

This will be your opportunity to hear how we are thinking about the issues and to influence that thinking by sharing your advice and counsel, which we will reflect in our materials for the Director (even if we don't agree with you).

At the session, we will show you the agencies' requests compared to recent budget history, to the current estimate of the outcome of the FY 1998 appropriation, and to the OMB Planning Guidance.

You will also, of course, be free to raise any discretionary spending issues for these agencies not on our list that you believe should be. About two weeks later, we will do a comparable session on issues for mandatory programs in these agencies; I will notify interested parties separately for that meeting.

Given the timing for preparation of the Director's Review materials, we need to do this not later than Thursday, October 30. I propose we do it at 10:00 am. We will use Ken Apfel's old office; 260 OEOB.

Please contact Iratha Waters in my office by e-mail or phone (5-6150) to confirm your attendance. If enough people need a later time that day (other than 1:30 to 3 pm), we can do that as well.

If I have missed anyone else in the White House staffs whom you know would have an interest in these budget issues, my apologies; please share this invitation with them and let me know of their interest.

Message Copied To:

FOLEY_M @ A1@CD@LNGTWY
Diana Fortuna/OPD/EOP
Cynthia A. Rice/OPD/EOP
Emil E. Parker/OPD/EOP
Barbara Chow/WHO/EOP
Elena Kagan/OPD/EOP
Sanders D. Korenman/CEA/EOP
Jonathan Weiss/OVP @ OVP
Keith J. Fontenot/OMB/EOP
Jennifer L. Klein/OPD/EOP
Iratha H. Waters/OMB/EOP

File - Budget - Admin - FY 99

8

ACF, FCS, & SSA -- FY 1999 Budget

Discretionary Guidance and Agency Request Levels

Budgetary Resources in Millions	FY 1997 Enacted	FY 1998 Budget	FY 1998 Conference	FY 1999 Guidance	FY 1999 Request	FY 1999 Initiatives
HHS Administration for Children and Families & Administration on Aging						
LIHEAP *	1,215	1,000	1,000	936	1,000	
Refugee and Entrant Assistance	422	396	419	370	396	
Child Care & Development Block Grant	19	1,000	953	936	1,000	
Head Start	3,981	4,305	4,305	4,568 **	4,634	
Other ACF Services ***	1,383	1,194	1,313	1,118	1,214	
Violent Crime Trust Fund	20	99	93	93	102	
Social Services Block Grant	120	0	-81	-81	0	
AoA Programs	830	838	861	785	963	
Supportitive services (non-add)	*301*	*301*	*310*	*286*	*311*	
Meals (non-add)	*470*	*470*	*482*	*446*	*549*	
All Other (non-add)	*60*	*68*	*57*	*53*	*50*	
ACF/AoA Subtotal	**7,969**	**8,832**	**8,842**	**8,725** *	**9,308**	**0**

* The FY 1999 advance appropriation for LIHEAP is $1.1 billion.

Budgetary Resources in Millions	FY 1997 Enacted	FY 1998 Budget	FY 1998 Conference	FY 1999 Guidance	FY 1999 Request	FY 1999 Initiatives
USDA Food and Consumer Service						
WIC	3,806	4,108	3,924	4,108	3,945	
Commodity Assistance Programs						
Soup Kitchens/Food Banks (TEFAP Admin)	90	45	45	27	45	
Commodity Supplemental Food Program	76	86	96	52	100	
Food Donation Programs for Selected Groups	141	141	141	85	131	
All Other	118	138	116	83	143	13 Food Safety
FCS Subtotal	**4,231**	**4,518**	**4,322**	**4,355** *	**4,364**	**13**
Social Security Administration, Budget for Administrative Resources						
Ongoing Operations and Automation Investment	6,134	6,285	6,169	5,934	6,477	
Additonal CDRs (Discretionary Cap Adjustment)	310	290	290	240	240	
SSA Subtotal	**6,444**	**6,575**	**6,459**	**6,174** *	**6,717**	**0**

* caps

** Was '99 column in '98 budget part of path to goal (1 million kids in H.S. by 2002)

*** Runaway/Adoption/Homeless Youth/Comm. Services Block Grant

**** USDA Child hunger mandatory initiative

Tuesday Directors Review

$5 bi. Presidential pot discretionary

Cynthia A. Rice   10/17/97 04:35:07 PM

Record Type: Record

To: Elena Kagan/OPD/EOP, Michael Cohen/OPD/EOP

cc:
Subject: Barry White comment on our urban proposal

Barry said he's scheduled the Department of Education's "director's review" in a couple of weeks and it would very helpful to know more of what we want to spend new money on by then.

He said this to me at a meeting he hosted on the Department of Labor's budget request. He will be hosting one of these before each of the director's review meetings, to give White House policy staff the opportunity to weigh in on the Department's proposed new spending initiatives.

Cynthia —

Did you get any paper on Labor's request? Did anything interesting and/or important come up?

Elena — , right column Elena —

This table shows their discretionary proposals above current spending. One is more spending to implement Kennedy-Kassebaum — I alerted Chris. Another is more $ for Job Corps, which Jonathan Orzag said has been promised to certain members of Congress. Under "Youth Opportunity areas" is $250 million that Congress has already →

"advance appropriated" to start October 1, 1998 for 20 ~~[illegible]~~ "saturation models" competitive grants for youth employment - I'm getting more information from OMB.

The general tenor, as you know, is that there's only $ to do the highest of Presidential priorities.

EPARTMENT OF LABOR -- FY 1998 BUDGET

17-Oct-97
01:09:00 PM

g:\data\fy99bud\exopmeet.wk4

Programs		FY 1996 Actual	FY 1997 Request	FY 1997 Enacted	FY 1998 Request	FY 1998 Estimate	FY 1999 Guidance	FY 1999 Request	FY 1999 Initiatives
JOB TRAINING PROGRAMS:						based on approps			all discr.
Job Training Partnership Act									
Adults:									
II-A Grants to States	BA	850	947	895	1,064	925	925	1,092	
III Dislocated Workers	BA	1,092	1,293	1,286	1,351	1,351	1,351	1,386	
Indians, migrants, vets	BA	136	131	136	139	140	139	139	
Other Adult Programs	BA	47	43	47	45	93	41	58	25
Total Adults	BA	2,125	2,414	2,364	2,599	2,509	2,456	2,675	25
Youth:									
Summer Jobs	BA	625	871	871	871	871	871	871	
II-C Grants to States	BA	127	127	127	130	130	130	192	59
School-to-Work	BA	170	200	200	200	200	125	125	
Youth Opportunity Areas	BA	0	250	0	250	[250]	250	250	
Job Corps	BA	1,094	1,154	1,154	1,246	1,246	1,263	1,338	60
New Programs: YFC, YOU	BA	0	0	0	0	0	0	0	
Total Youth	BA	2,016	2,602	2,352	2,697	2,447	2,639	2,776	119
Total JTPA	BA	4,141	5,016	4,716	5,296	4,956	5,095	5,451	144
Older Americans Employment	BA	373	419	463	440	440	425	440	[15]
Employment Service:									
Employment Service Grants	BA	821	848	824	843	825	825	892	35
One-Stop Shopping	BA	110	150	150	150	150	100	150	13
Veterans Employment Servic	BA	148	157	157	157	157	157	231	60
UI Administration Grants	BA	2,307	2,564	2,341	2,630	2,481	2,321	2,564	8
						year 2000; integrity			
SALARIES AND EXPENSES AGE									
Enforcement Agencies:									
Pension and Welfare Benefits Adm	BA	67	85	77	84	82	84	114	29
Employment Standards Administrat	BA	265	306	290	314	301	314	333	9
Occupational Safety and Health Ad	BA	304	341	325	348	336	348	379	20
Mine Safety and Health Administra	BA	196	204	197	206	203	206	220	6
Total	BA	832	936	889	952	922	952	1,046	64
Program Agencies:									
ETA Program Operations	BA	124	121	122	142	132	142	157	11
Bureau of Labor Statistics	BA	343	372	361	380	380	380	400	10
Pension Benefit Guaranty Corporati	BA	11	0	10	11	10	10	11	1
Total	BA	478	493	493	533	522	532	568	22
Overhead Agencies:									
Departmental Management	BA	142	146	144	152	152	152	179	23
Inspector General	BA	48	47	47	47	46	47	59	7
Assistant Secretary for Veterans' E	BA	22	22	25	25	25	25	26	1
Total	BA	212	215	216	224	223	224	264	31
Total Salaries and Expenses	BA	1,522	1,644	1,598	1,709	1,667	1,708	1,877	117
TOTAL DOL	BA	9,422	10,798	10,249	11,225	10,676	10,631	11,605	377

20+ saturation competitive grants

new, advance approps

"maintain participant levels"

$50 mi 2 new centers expand 2 ctr create 2 @ donations

add day care $10 mi

Not a request supposed to flat line

Labor Mkt Grant

"staffing"

HIPA

PARTMENT OF LABOR -- FY 1998 BUDGET

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	Programs		FY 1996 Actual	FY 1997 Request	FY 1997 Enacted	FY 1998 Request	FY 1998 Estimate	FY 1999 Guidance	FY 1999 Request	FY 1999 Initiatives
	JOB TRAINING PROGRAMS:									
107	**Independent Agencies**									
108	Corporation for National and Commu									
109	VA-HUD (Nat'l. & Com.	BA	402	546	402	549	428	543	543	
110	Service Programs)	O	300	465	297	372	349	398	398	
111										
112	L-HHS (Domestic Vol.	BA	198	226	214	260	240	256	256	
113/114	Programs)	O	180	215	207	240	228	250	250	
115	Total CNCS	BA	600	772	616	809	668	799	799	0
116		O	480	680	504	612	577	648	648	0
117										
118	National Labor Relations Board (NLR									
119		BA	170	181	175	186	175	179	205	
120		O	166	181	177	186	175	178	202	
121	Federal Mediation and Conciliation Se									
122		BA	33	33	33	33	33	33	38	
123		O	31	32	32	33	33	33	36	
124	Federal Election Commission (FEC)									
125		BA	26	29	28	34	32	28	38	
126		O	26	29	28	34	31	29	37	
127	National Mediation Board (NMB)									
128		BA	8	8	8	8	8	8	8	
129		O	8	8	8	8	8	8	8	
130	Occupational Safety and Health Revie									
131		BA	8	8	8	8	8	8	8	
132		O	7	8	8	8	8	8	8	
133	Federal Mine Safety and Health Revie									
134		BA	6	6	6	6	6	6	6	
135		O	6	6	6	6	6	6	6	

Mandatory issues

UI
TAA

DOL $1 bi over expected 1998

1) re-request those not appropriated $600
2) inflation
3) "initiatives". $400

Not $ in discretionary caps to give all programs inflation adjustment

$ GPRA Low Wage [illegible]
NOOAC

CENTER ON BUDGET AND POLICY PRIORITIES

To: Frank Raines, Gene Sperling, John Hilley, Jack Lew, Larry Summers, Melanne Verveer, Sylvia Mathews

From: Bob Greenstein

Subject: Forthcoming Budget Decisions On Mandatory Spending Initiatives

Date: December 8, 1997

In the next few weeks, you will be making decisions on the FY 1999 budget, including decisions on which initiatives to include in the mandatory spending area. I am writing to urge inclusion of two modest initiatives of substantial importance to low-income children and their families and to recommend against substantial parts of another initiative that may be on the table. Related to these specific recommendations is a larger concern that the budget package may focus so heavily on middle-class children that it provides inadequate assistance to children in low-income working families, the families that need help most, as well as to other low-income households. This memo focuses primarily on three areas:

- The need for food stamp restorations for targeted groups of low-income legal immigrants;
- The desirability of providing two new state Medicaid options — an option to cover low-income working parents whose children are eligible for Medicaid (in part so mothers who have left welfare for work but are uninsured don't have to return to welfare to secure coverage if they become ill) and an option to allow states to lengthen the current 12-month period during which "transitional Medicaid coverage" is provided to families that have left welfare for work; and
- Weaknesses in USDA's proposed child nutrition initiative, along with a discussion of one part of the initiative that may warrant consideration but can be accomplished at a reduced cost.

The question of adequate provision for low-income families in the budget package takes on added importance due to what I understand to be a likely decision to propose enlarging the Dependent Care Tax Credit without making it refundable. I understand the political concerns about refundability; the purpose of this memo is not to criticize a decision not to seek refundability. But it should be recognized that expanding the DCTC in this manner will fail to touch something like the bottom two-fifths of young children. A family of four with two children and child care costs of $200 a month would receive no

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benefit from a DCTC expansion until its income surpassed $28,000 (in 1998), and the increased relief such a family received would not even equal $5 a week — a tiny share of family child costs — until its income reached nearly $30,000. If the family's child care costs for its two children are $400 a month — a more realistic amount — it would receive no relief until its income reached $31,000, and it would not get even $5 a week of relief until its income reached nearly $33,000.

These income levels are close to the median income for families with young children. Hence, the DCTC expansion under consideration would miss most of the bottom half of children. This makes it all the more important to include initiatives in the budget that address problems of families at lower income levels. I understand you plan to increase funding for the child care block grant, which would assist families below the DCTC threshold. That would help, but the mandatory spending initiatives need to do more than that to aid families on the lower rungs of the economic ladder.

My concern that the budget package may not have adequate provision for low-income families is heightened by recent Census data which demonstrate that the safety net for children weakened in 1996 — and that this was the principal reason the poverty rate failed to decline last year despite substantial economic growth.

The Poverty Data

Census data released two months ago show that poverty failed to decline in 1996. More detailed examination of these data shows that economic growth, by itself, *did* reduce poverty — the "pre-transfer" poverty rate (i.e., the poverty rate before government benefits are taken into account) declined. But among those who would be poor in the absence of the benefit programs, the proportion lifted out of poverty by the programs fell in 1996, and that offset the positive effects of economic growth. The net result was no change in the poverty rate.

These figures are for 1996. The safety net weakened further in 1997 as a result of changes in eligibility for benefits among such groups as less-disabled children previously on SSI and legal immigrants who were dropped from the food stamp program. As you know, most legal poor immigrants who are not elderly or disabled were not protected by the immigrant restorations in this year's budget law.

Recommendation #1: Food Stamps and Legal Immigrants

The Administration won an outstanding victory this year in securing the continuation of SSI for elderly and disabled legal immigrants who were about to be terminated. But there is important, unfinished business here.

This year's immigrant restorations did not include food stamps. As you may recall, last year at about this time, the immigration groups, the Hispanic Caucus and we recommended to you some immigrant benefit restorations in SSI, Medicaid, and food stamps. Because of the Administration's concerns that the cost of this package would be at a level that would lead Congress to dismiss the immigrant proposals, the Administration removed the food stamp pieces of this proposal. At the time, none of us would have predicted that Congress would adopt as much of the Administration's immigrant benefit proposals as it did; the assumption was that these proposals would be cut back sharply on the Hill. As one senior Administration official recently said to me: "In hindsight, had we left in the food stamp proposals, we probably would have won them, too."

Let me be clear that I am not being critical of last year's decision on this matter, given what appeared to all of us at the time to be the political realities. But considerable need remains in this area, as a spate of compelling news stories in recent months about the effect of the immigrant food stamp cut-offs indicates. Moreover, poor immigrant families that are not elderly and disabled — and in particular, legal immigrant families with children in which the parents work for very low wages — were not touched by this year's budget law. Some of these poor immigrants are now encountering substantial hardship as a result of the loss of food stamps.

Among those sharply affected are poor *citizen* children whose parents are legal immigrants. Although these children remain eligible for food stamps, the removal of their parents from the program has meant that the food stamp benefits their families receive have been slashed 50 percent or 70 percent in many cases. Some 600,000 poor children who are U.S. citizens are in families whose food stamp benefits have been cut deeply for this reason, resulting in less food for all family members, including the children. Overall, more than one million people, including both citizens and legal immigrants, are members of households whose food stamps were terminated or substantially cut because of the new food stamp immigrant rules.

There is now an opportunity to address this problem. New mandatory savings you are likely to put in the budget, including further savings to be secured in the food stamp program by establishing new rules governing how states are reimbursed for food stamp administrative costs, create room for mandatory spending initiatives. I would strongly urge that restorations of food stamp assistance for targeted groups of needy immigrants be a priority on the mandatory initiatives list.

The question may be raised whether such restorations would gain support on Capitol Hill and have chance of enactment. Fortunately, the chances of enactment look good.

- In its final week, Congress came within a hair's breadth of passing legislation to save $1.25 billion over five years from changing the rules for reimbursing state food stamp administrative costs. Despite pressures from agricultural and rural interest groups to spend large amounts of these savings on agricultural research, crop insurance, and the Fund for Rural America, it became quite clear in the final days of the Congressional session that a significant amount of this funding — probably $400 million to $500 million — would be used for food stamp restorations for legal immigrants if the bill went to conference. On the Senate side, Senators Harkin and Leahy proposed to Senator Lugar that $500 million be used in conference for legal immigrants, and Senator Lugar was close to this number, himself. Moreover, Lugar has since said publicly that he wants to push this legislation reducing federal expenditures for food stamp administrative costs when Congress reconvenes and to make agricultural research and food stamps for immigrants the two principal places where the money goes. On the House side, Rep. Charles Stenholm made clear to other Members in the final days of the session, including members of the Hispanic Caucus, that he would work in conference for at least $400 million of these savings to go for legal immigrants; the Hispanic Caucus and a number of other liberal members were pushing Stenholm for a higher number for immigrants, and his only concern with going higher was difficulty in fitting all four "pieces" (i.e., agriculture research, crop insurance, Fund for Rural America, and food stamps for immigrants) into the $1.25 billion total available under the bill. At one point in the final week of the session, Hispanic Caucus chair Xavier Becerra blocked the bill from going forward in the House as part of an effort to push the immigrant number up. In addition, Rep. Stenholm's staff has told us Stenholm also spoke with House Agriculture Committee chairman Bob Smith during the final days of the session and that Smith was amenable to putting some of the savings from this legislation into immigrant food stamp restorations. (Also of note, Republican staff of both the Senate and House Agriculture Committees believe the legal immigrant cuts are the one place where the welfare law's food stamp cuts went too far.)

I should note that these developments do not mean that only $400 million to $500 million in restorations could pass, but rather that this was about the amount that could be secured in a $1.25 billion savings package that had primarily to satisfy agricultural interests. That this much was likely to be secured from such a vehicle when providing funds for immigrants meant *lowering* the amounts the agricultural constituencies would get is itself an indication of some growing strength for food stamp immigrant restorations. Senator Lugar's recent statement is another indication.

- On November 24, some 47 Senators sent a letter to OMB director Raines and Secretary Glickman calling for inclusion in the President's forthcoming budget of restorations of various cuts in food assistance programs. The letter names as its first priority the restoration of food stamps for legal immigrant refugees, asylees, children, and elderly and disabled people.

- A House bill featuring immigrant food stamp benefit restorations (known as the "Hunger Has a Cure" bill) has 140 sponsors in the House, including 24 Republicans.

In addition, 20 organizations, including the national immigrant advocacy and constituency organizations, some of the major religious groups, and all of the major anti-hunger organizations, recently sent the President a letter emphasizing that this is their top priority for the Administration's budget. Among other things, this means the anti-hunger and religious groups accord food stamp immigrant benefit restorations higher priority than USDA's child nutrition proposals.

What to Do in the Immigrant Benefits Area?

I would urge inclusion of the following changes.

- *Refugees and asylees*: The balanced budget act makes refugees and asylees eligible for SSI and Medicaid for their first *seven* years in the country, instead of their first *five* years as the welfare law provided. Refugees and asylees are the poorest groups of immigrants; they have no sponsors, and in many cases, had to leave their possessions behind when they fled their native lands. Recognizing that they cannot apply for citizenship until they have been in the U.S. for four years and nine months and that it can take up to two years to naturalize, this year's budget agreement exempts them from SSI and Medicaid bans on immigrants newly entering the country for their first seven years here.

  In the food stamp program, however, refugees and asylees still are disqualified after five years. For many working poor refugee families not comprised of elderly or disabled people, food stamps have been their principal source of government assistance. There is no sound justification for casting them off food stamps at the five-year point and making it difficult for them to feed their families while they are caught in INS naturalization backlogs. Food stamp rules in this area ought to conform to the SSI/Medicaid rules; there should be a uniform seven-year exemption across SSI, Medicaid, and food stamps. This change enjoys support on the Agriculture Committees. It costs $213 million over five years, according to CBO.

- *Families with children*: Immigrant families with children generally were not helped by this year's victories on immigrant benefit restorations. For many of these families — especially working poor immigrant families with children — food stamps were the main source of public support.

  The best approach here would be to restore eligibility for families with children. If that is considered too costly, the next best approach would be to reinstate food stamp eligibility for children and for *working* parents (i.e., parents working at least half time).

  Covering parents as well as children would help several hundred thousand citizen children whose parents are poor legal immigrants; their family's food stamp benefits would rise back to a reasonable level. This proposal is particularly important in California, where restoring food stamps only for elderly and disabled immigrants would do little because SSI recipients in the state are categorically ineligible for food stamps. I also would note that covering children and working parents also is quite important in Texas, where cash assistance benefits under TANF are very low and the preponderance of poor families — citizen and immigrant alike — are families with working parents.

Given the difficulty of securing benefit restorations for immigrants who entered the country on or after August 22, 1996 (the date the welfare law was signed), you could limit this restoration to immigrants present in the country before that date, although it would be better not to include such a limitation in the budget and to let yourselves be negotiated down by Congress to an 8/22/96 restriction. (Covering families with children, without limiting eligibility to those here on August 22, 1996, should cost about $2 billion over five years. Covering children and *working* parents reduces the cost somewhat, as does including an 8/22/96 restriction.)

- *Conform the food stamp treatment of the elderly and disabled to the Balanced Budget Act's treatment of these groups for SSI and Medicaid.* There is considerable support for this proposal as well, which is seen by a number of people on the Hill (including some key Ag. Committee Republican members and staff) as simply conforming the food stamp treatment for these groups to their treatment under SSI and Medicaid, as agreed to in this year's budget deal. It is hard to explain why indigent 85-year-old disabled immigrants should have their SSI restored but their food stamps cut off. The cost of this proposal should be about $400 million to $500 million.

- *Reinstate eligibility for the Hmong.* This idea also attracted support in the final days of the session. Of all immigrant groups, the Hmong seem to be the group having the most difficulty acculturating. They consequently have an extremely high poverty rate, and the cut-off of food stamps appears to be causing severe hardship and distress among them. (Among other things, suicides have been reported.) There also is a second issue here. Many of the Hmong fought alongside U.S. armed forces in Southeast Asia and were promised adequate treatment in return. The Balanced Budget Act includes a Congressional resolution stating that Hmong veterans should be considered as veterans of the U.S. armed forces, but USDA's General Counsel has preliminarily indicated it has no statutory authority to treat Hmong veterans like veterans of the U.S. armed forces, and the Hmong have been cut off food stamps. A number of Hmong leaders have decried the food stamp cut-off as a betrayal by a U.S. Government that promised to take care of them when we abandoned the war in which they were aiding us. Most proposals to spend some of the food stamp administrative savings in the final days of Congress included a proposal to reinstate eligibility for the Hmong, which CBO has estimated to cost $75 million over five years. (There is a question as to whether this requires legislation or could be done administratively. If administrative action is possible, that is preferable.)

As a group, these proposals would cost approximately $2 to $3 billion over five years, with the cost declining over time. One question that would have to be addressed is whether to limit restorations for groups other than the refugees and asylees to those present in the country before August 22, 1996. You might want to continue adhering to the principled position you took in fashioning the FY 1998 budget that old and new entrants should not be treated differently if they are in need. On the other hand, I would urge against such a course if it meant that for budgetary reasons, you would have to propose covering fewer of the immigrant groups mentioned above; since the chances of securing agreement on the Hill to reinstate food stamps for people entering after 8/22/96 (other than refugees and asylees) would be slim, I would recommend against proposing to do so *in lieu* of covering key categories of needy immigrants.

I'd like to raise one other immigrant benefit issue. Last year, the Administration proposed reinstating Medicaid eligibility for low-income legal immigrant children who arrive on or after August 22, 1996. The Senate adopted this proposal, which costs only a few hundred million dollars over five years. The Senate reconciliation bill also gave states the option to cover such children under the child health block grant. These provisions fell out in conference due to House opposition (and as part of the process of securing House agreement to the broad reinstatement of SSI eligibility for elderly and disabled immigrants). I think it's worth trying again here; this is the area where chances of securing some assistance for these children are strongest. Some governors would like the ability to cover these children and should be supportive of such a proposal. Some health care provider groups seeking to avert costs for uncompensated care also might help, especially if large Medicare and Medicaid budget changes do not divert their attention this year as they did last year.

Recommendation #2: State Medicaid Options

In a world of welfare time limits, it becomes especially important for those who work their way off welfare to avoid returning periodically to the welfare rolls, as happened so frequently in the past. Such recidivism disrupts the movement of these parents up the wage scale. It also uses up their "time" on public assistance, with the result that they could exhaust their "time" and be ineligible for aid when the next recession hits and jobs for low-skilled individuals are much harder to find.

Thanks to Medicaid policy changes over the past decade and this year's budget law, a low-income working mother whose *child* gets sick does not have to return to welfare to get health care coverage for the child. But if the mother herself becomes quite sick, quitting her job and returning to welfare often is the only way she can get insurance.

We ought to address this. In our view, dealing with this problem should be the next incremental step in extending health insurance. We can't be as effective in moving people from welfare to work if we leave these low-income working mothers uninsured.

The need here is considerable. Census data for 1996 show that half — 49 percent — of poor adults who live with children and earn at least what half-time minimum wage work pays (about $4,700 in 1996) are uninsured throughout the year. Some 37 percent of adults raising children who have at least this level of earnings and total household income between 100 percent and 150 percent of the poverty line are uninsured. Continued erosion of employer-based coverage suggests these figures are likely to grow further in the years ahead.

"Transitional Medicaid assistance" (TMA), which is supposed to enable parents who work their way off welfare to retain Medicaid coverage for a year, does not help that much. TMA is complex to administer and doesn't work well; many who are eligible for it are not enrolled. And it lasts only a year. Research shows that almost half of mothers who leave welfare are uninsured three years after leaving it and that almost two-thirds of low-income women who cease being covered under Medicaid become uninsured.

This matter can be addressed in a relatively non-controversial manner, *without creating a federal mandate or a new entitlement program*, by establishing two new state Medicaid options and making modest changes in transitional Medicaid assistance so it is easier for states to administer and for families to use. One option would allow states to cover parents up to some income limit (such as 133 percent or 185 percent of the poverty line) if their children also are covered under Medicaid. This would give states the option of covering low-income working parents along with their children. Moreover, it would allow states to cover working poor parents who have remained independent of cash aid, as well as those who formerly had been on public assistance. And as a result, it would enable states to cover two-parent as well as single-parent families, unlike TMA which is largely limited to single-parent families. This option would be of particular value in rural areas, where wages tend to be lower and the proportion of working families with low incomes consequently is higher. It would be purely optional for states, and there would be no enhancement in the Medicaid matching rate.

We also recommend three changes in transitional Medicaid assistance: 1) establishing a state option allowing states to continue TMA — which now ends 12 months after a family leaves welfare for work — for a longer period, such as an additional 12 or 24 months; 2) simplifying the complex and cumbersome TMA reporting requirements that make it difficult for states to administer and for families to use; and 3) either extending TMA, which sunsets at the end of 2001, or making it permanent. We've sent a more detailed paper to Administration health policy experts describing these proposed Medicaid options and TMA changes more fully.

A number of governors engaged in welfare reform efforts would likely welcome such options as strengthening their welfare-to-work efforts. States also should favor changes to ease administration of TMA and extend it beyond 2001.

Because the principal proposals here would be state options rather than mandates, costs should not be too large. (We do not have cost estimates for these proposals.)

Another advantage of these proposals is that they should have little "crowd-out" effect. Most researchers agree there is little crowd-out at the income levels that would gain coverage here, in part because coverage is so low at these levels. In addition, the proportion of an employer's work force that might gain Medicaid eligibility under these options would generally be too small for these policies to influence employer behavior very much. Even among low-wage employers, workers who do not live with children and workers in two-earner families generally would not qualify, making it difficult for employers to abandon coverage. Any crowd-out effect would be much smaller than the crowd-out effect that would likely be engendered by extending government-financed coverage for children to levels significantly above the 200 percent of poverty line limit that the child health block grant sets.

Recommendation #3: Issues Related to USDA's Child Nutrition Package

I would urge caution regarding large parts of the hefty $3.8 billion child nutrition package that USDA has submitted. I have been heavily involved in most efforts to expand the USDA food assistance programs since 1972, including virtually every expansion of child nutrition programs over the past 25 years. But in my view, most of the proposals in the USDA package are of dubious merit and should not be accorded high priority.

The child nutrition programs are sound programs that have expanded very substantially over the years. They are mature programs that already provide building blocks for your education and child care initiatives. By and large, these programs are not where additional resources are most needed; I would not like to see you put a lot of money here that could better be used elsewhere.

Nor does the Administration need to add a lot of new money to these programs for political reasons. You have an excellent track record for having stood up resolutely — and successfully — to Republican efforts to convert these programs to block grants.

Most of the USDA proposals — such as those in the school breakfast, summer feeding, nutrition education, and nutrition research areas — can be set aside. I think some of the proposals related to the Child and Adult Care Food Program may have merit and warrant consideration for inclusion in your child care package. The useful proposals in that area can be done for less money than USDA has requested.

Proposals Not Warranting Priority Consideration

The principal USDA recommendation would make school breakfasts free through the third grade for children at *all income levels*; about half of USDA's $3.8 billion proposal consists of money for this and a few much smaller school breakfast program liberalizations. The school breakfast program is healthy, has been growing rapidly — the number of schools in the program has skyrocketed from 20,000 in 1977 to 37,000 in 1987 and nearly 70,000 in 1997 — and doesn't need an infusion of new federal funds. Most schools in low-income areas already are in the program, and 80 percent to 90 percent of all elementary school children with low incomes attend a school with a breakfast program. Breakfast is free to all children in these schools with family incomes up to 130 percent of the poverty line ($20,865 for a family of four) and is available for a nominal price (30 cents) to children with incomes between 130 percent and 185 percent of the poverty line, now about $30,000 for a family of four. The proposal to make breakfast free at all income levels would primarily subsidize middle-income children who don't need free breakfasts — the children newly subsidized would consist primarily of middle-income students who already eat a school breakfast and pay the regular charge and those middle-income students who now eat breakfast at home with their families but would eat at school instead if school breakfasts were free. "Buying out the base" and inducing some middle-income children to eat at school rather than at home do not constitute important social advances that justify the use of a sizable chunk of your limited resources.

Furthermore, USDA evaluations have shown that 94 percent of children in kindergarten through third grade already eat breakfast on a given day and that the presence of the school breakfast program does not increase this number. When a breakfast program is established in a school, the proportion of children eating at home falls by essentially the same amount that the proportion eating at school rises. (The nutritional quality of the meal does improve somewhat, on average.)

Supporters of the proposal to make school breakfasts free at all income levels argue that a study by Harvard researchers found educational benefits to such an approach. The so-called Harvard study, however, is a series of overheads produced for USDA last month by two Harvard Medical School faculty members and paid for by the Kellogg cereal company and part of the dairy lobby. The overheads present "findings" from several schools where breakfasts were provided free to all children, but one cannot determine from the overheads how some of the data were collected, how rigorous the methodology was, or how valid the results are.[1] Furthermore, the text contained in these overheads appears to recommend greater use of an option *already available under current law*, through which schools with mostly poor children can serve breakfasts free to all children. This is different than enacting new legislation to make school breakfasts free to children from families making $50,000, $100,000, or $150,000 a year. At most, the information in these overheads might suggest carrying out a small, rigorous pilot project testing universal free breakfasts in a modest number of schools, at a cost of a few million dollars.

The USDA child nutrition package also would spend almost $300 million raising the amounts that Summer Food Program operators are paid for meals they serve to

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[1] Another universal breakfast study conducted in a few schools in Minnesota has similar problems. It consists largely of impressions of teachers, parents, and children who were interviewed and lacks data produced under methodologies that rigorous evaluations employ.

children in low-income areas during summer months when school is out. This, too, is low priority. The theory behind the proposal seems to be that the welfare law reduced the amounts these programs are paid for each meal served and that reversing this change is needed to prevent big drops in program participation. Data recently made available, however, show that the number of meals served in the program actually *increased* this summer by 12 million meals, a nine percent rise. The welfare law's reduction in meal reimbursement rates in this program did not depress participation.

Another half billion dollars would go for a variety of nutrition education and research activities and for added funding for the administrative costs of various state, local, and private agencies that administer various food programs. None of this seems high priority compared to competing uses for the limited amount of mandatory money available. Many of these proposals seem to be ways to augment with mandatory funds the discretionary funding the budget will include for various USDA agencies. In addition, it isn't clear that we know how to spend larger amounts of nutrition education funding in an effective enough manner to make this a priority use for scarce resources.

Child and Adult Care Food Program Proposals

The USDA package also proposes an array of expansions in the Child and Adult Care Food Program, which subsidizes meals served in child care settings. Unlike USDA's other child nutrition proposals — which are not really needed to support other budget initiatives — some of the proposals in this area dovetail with your child care initiative and warrant consideration. The cost of the proposals in this area can be reduced.

One major component of the USDA proposals in this area would facilitate the provision of federal subsidies for meals served to children in after-school-care settings located in schools. Schools currently can get subsidies for such meals, but the application and reimbursement procedures are more cumbersome. *The key question here is to what extent facilitating access to these meal subsidies will cause growth in the supply of after-school care provided in schools.* If the effect on supply is small, the funds might better be spent directly increasing the supply of adequate-quality child care for low- and moderate-income families. If the effect on supply would be more substantial, this proposal should be considered. I don't know what the likely effects of streamlined access to these meal subsidies on the supply of after-school care in schools would be.

The need for after-school care is most acute in low-income areas. There are likely to be fewer other resources available in these communities to provide such care. In addition, there is a greater need in these areas to provide after-school activities to keep youth out of danger and out of trouble. There also is evidence from academic studies that some mothers in poor areas are reluctant to accept jobs that don't allow them to be home when school lets out, because they fear their children may be in danger from street violence, drugs, or gangs if the children are left unsupervised.

Given the need to limit costs and the uncertainty concerning the effect these meal subsidies would have on the supply of after-school care, I'd recommend making available in low-income areas (rather than in all areas) the new procedures USDA has proposed to streamline school access to these subsidies. (In the child nutrition programs, low-income areas are defined as those where at least half of the children have family incomes below 185 percent of the poverty line, now about $30,000 for a family of four.) Schools in middle-income areas would retain an entitlement to subsidies for meals served in after-school settings, but they would continue using the current procedures for obtaining the subsidies.

I'd apply the same thinking to another, related USDA proposal — a proposal to extend the provision of federal meal subsidies to meals served to children *aged 13-18* in after-school care. This proposal applies both to after-school programs located in schools and to programs run outside schools; currently, federal reimbursements in both types of programs are available only for meals served to children under 13. This proposal may have merit in poor areas where there is a need to provide after-school activities for teens to keep them off the streets and out of trouble. There is, however, no need for such a step in non-poor areas. Moreover, we should avoid spending money to provide federal subsidies for serving snacks to upper-middle-income children who participate in their school's chess club (or a similar activity) after school lets out.

The approach recommended here, which envisions dropping most other proposals in the Child and Adult Care Food Program area as being of lower priority, would restrain costs. (A few other, very small USDA proposals with a total cost of about $25 million over five years appear useful.) It also should be noted that a small amount of financing could be secured in the child nutrition area by reproposing a $200 million savings provision that was part of both the vetoed 1995 reconciliation bill and the FY 1997 Clinton budget but fell out of the final welfare law. (Politically, the savings from this provision can be applied only to food programs in schools, since these savings come from the school food programs.) Some small additional savings in the child nutrition programs from minor changes in "rounding rules" also may be feasible to use for offset purposes.

Conclusion

I am concerned the Administration's package of mandatory spending and tax cut initiatives will provide resources primarily for middle-income families and not be of sufficient assistance to low-income families. The proposals recommended here (for food stamp restorations to legal immigrants and state Medicaid options to cover more low-income working parents and families) along with an increase in funding for child care programs targeted on low- and moderate-income families would help to address this problem.