BUDGET

BUDGET OF THE UNITED STATES GOVERNMENT

Fiscal Year 2000

THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 2000 contains the Budget Message of the President and information on the President's 2000 budget proposals. In addition, the *Budget* includes the Nation's second comprehensive Government-wide Performance Plan.

Analytical Perspectives, Budget of the United States Government, Fiscal Year 2000 contains analyses that are designed to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective.

The *Analytical Perspectives* volume includes economic and accounting analyses; information on Federal receipts and collections; analyses of Federal spending; detailed information on Federal borrowing and debt; the Budget Enforcement Act preview report; current services estimates; and other technical presentations. It also includes information on the budget system and concepts and a listing of the Federal programs by agency and account.

Historical Tables, Budget of the United States Government, Fiscal Year 2000 provides data on budget receipts, outlays, surpluses or deficits, Federal debt, and Federal employment covering an extended time period—in most cases beginning in fiscal year 1940 or earlier and ending in fiscal year 2004. These are much longer time periods than those covered by similar tables in other budget documents. As much as possible, the data in this volume and all other historical data in the budget documents have been made consistent with the concepts and presentation used in the 2000 Budget, so the data series are comparable over time.

Budget of the United States Government, Fiscal Year 2000—Appendix contains detailed information on the various appropriations and funds that constitute the budget and is designed primarily for the use of the Appropriations Committee. The *Appendix* contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It includes for each agency: the proposed text of appropriations language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the funds needed, and proposed general provisions applicable to the appropriations of entire agencies or group of agencies. Information is also provided on certain activities whose outlays are not part of the budget totals.

A Citizen's Guide to the Federal Budget, Budget of the United States Government, Fiscal Year 2000 provides general information about the budget and the budget process for the general public.

Budget System and Concepts, Fiscal Year 2000 contains an explanation of the system and concepts used to formulate the President's budget proposals.

Budget Information for States, Fiscal Year 2000 is an Office of Management and Budget (OMB) publication that provides proposed State-by-State obligations for the major Federal formula grant programs to State and local governments. The allocations are based on the proposals in the President's budget. The report is released after the budget and can be obtained from the Publications Office of the Executive Office of the President, 725 17th Street NW, Washington, DC 20503; (202) 395–7332.

AUTOMATED SOURCES OF BUDGET INFORMATION

The information contained in these documents is available in electronic format from the following sources:

CD-ROM. The CD-ROM contains all of the budget documents and software to support reading, printing, and searching the documents. The CD-ROM also has many of the tables in the budget in spreadsheet format.

Internet. All budget documents, including documents that are released at a future date, will be available for downloading in several formats from the Internet. To access documents through the *World Wide Web,* use the following address:

http://www.gpo.gov/usbudget

For more information on access to the budget documents, call (202) 512–1530 in the D.C. area or toll-free (888) 293–6498.

GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.

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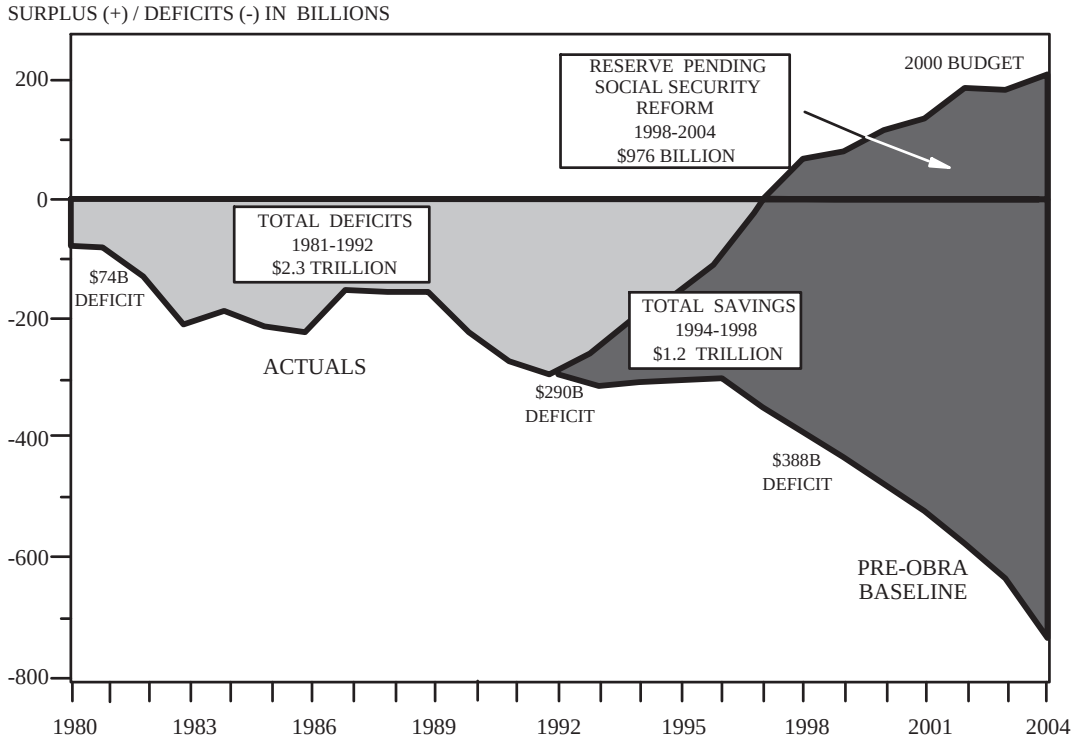
I. THE BUDGET MESSAGE OF THE PRESIDENT

Chart I-1. THE BUDGET IS IN SURPLUS AFTER YEARS OF DEFICITS



Note: OBRA is the Omnibus Budget Reconciliation Act of 1993.

Table I–1. RECEIPTS, OUTLAYS, AND SURPLUS
(In billions of dollars)

	1998 Actual	Estimates										
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Receipts	1,722	1,806	1,883	1,933	2,007	2,075	2,166	2,265	2,364	2,474	2,588	2,708
Outlays	1,653	1,727	1,766	1,799	1,820	1,893	1,958	2,034	2,081	2,154	2,234	2,315
Reserve Pending Social Security Reform	69	79	117	134	187	182	208	231	283	320	354	393
Surplus	0	0	0	0	0	0	0	0	0	0	0	0

THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The 2000 Budget, which I am submitting to you with this message, promises the third balanced budget in my Administration. With this budget, our fiscal house is in order, our spirit strong, and our resources prepare us to meet the challenges of the next century.

This budget marks a new era of opportunity. When I took office six years ago, I was determined to reverse decades of fiscal decline—a time when deficits grew without restraint, the economy suffered, and our national purpose seemed to be undermined. For too many years, the deficit loomed over us, a powerful reminder of the Government's inability to do the people's business.

Today, Americans deserve to be proud and confident in their ability to meet the next set of challenges. In the past six years, we have risen to our responsibilities and, as a result, have built an economy of unprecedented prosperity. We have done this the right way—by balancing fiscal discipline and investing in our Nation.

This budget continues on the same path. It invests in education and training so Americans can make the most of this economy's opportunities. It invests in health and the environment to improve our quality of life. It invests in our security at home and abroad, strengthens law enforcement and provides our Armed Forces with the resources they need to safeguard our national interests in the next century.

This year's budget surplus is one in many decades of surpluses to come—if we maintain our resolve and stay on the path that brought us this success in the first place. The budget forecasts that the economy will remain strong, producing surpluses until well into the next century.

The 21st Century promises to be a time of promise for the American people. Our challenge as we move forward is to maintain our strategy of balancing fiscal discipline with the need to make wise decisions about our investment priorities. This strategy has resulted in unprecedented prosperity; it is now providing us with resources of a size and scope that just a few years ago simply didn't seem possible. Now that these resources are in our reach, it is both our challenge and responsibility to make sure we use them wisely.

First and foremost, in the last year of this century, the task awaiting us is to save Social Security. The conditions are right. We have reserved the surplus, our economy is prosperous, and last year's national dialogue has advanced the goal of forging consensus. Acting now makes the work ahead easier, with changes that will be far simpler than if we wait until the problem is closer at hand.

In my State of the Union address, I proposed a framework for saving Social Security that will use 62 percent of the surplus for the next 15 years to strengthen the Trust Fund until the middle of the next century. Part of the surplus dedicated to Social Security would be invested in private securities, further strengthening the Trust Fund by drawing on the long-term strength of the stock market, and reducing the debt to ensure strong fiscal health. This proposal will keep Social Security safe and strong until 2055. In order to reach my goal of protecting and preserving the Trust Fund until 2075, I urge the Congress to join me on a bipartisan basis to make choices that, while difficult, can be achieved, and include doing more to reduce poverty among single elderly women.

I am committed to upholding the pledge I made last year—that we must not drain the surplus until we save Social Security. It is time to fix Social Security now. And once we have done so, we should turn our efforts to other pressing national priorities. We must fulfill our obligation to save and improve Medicare—my framework would reserve 15 percent of the projected surplus for Medicare, ensuring that the Medicare

Trust Fund is secure for 20 years. It would establish Universal Savings Accounts, using just over one tenth of the surplus to encourage all Americans to save and invest so they will have additional income in retirement. I propose that we reserve the final portion of the projected surplus, 11 percent, to provide resources for other pressing national needs that will arise in the future, including the need to maintain the military readiness of the Nation's Armed Forces, education, and other critical domestic priorities.

Charting a Course for the New Era of Surplus

Six years ago, when my Administration took office, we were determined to create the conditions for the Nation to enter the 21st Century from a position of strength. We were committed to turning the economy around, to reining in a budget that was out of control, and to restoring to the country confidence and purpose.

Today, we have achieved these goals. The budget is in balance for the first time in a generation and surpluses are expected as far as the eye can see. The Nation's economy continues to grow; this is the longest peacetime expansion in our history. There are more than 17 million new jobs; unemployment is at its lowest peacetime level in 41 years; and today, more Americans own their own homes than at any time in our history.

Americans today are safer, more prosperous, and have more opportunity. Crime is down, poverty is falling, and the number of people on welfare is the lowest it has been in 25 years. By almost every measure, our economy is vibrant and our Nation is strong.

Throughout the past six years, my Administration has been committed to creating opportunity for all Americans, demanding responsibility from all Americans and to strengthening the American community. We have made enormous strides, with the success of our economy creating new opportunity and with our repair of the social fabric that had frayed so badly in recent decades reinvigorating our sense of community. Most of all, the prosperity and opportunity of our time offers us a great responsibility—to take action to ensure that Social Security is there for the elderly and the disabled, while ensuring that it not place a burden on our children.

We have met the challenge of deficit reduction; there is now every reason for us to rise to the next challenge. For sixty years, Social Security has been a bedrock of security in retirement. It has saved many millions of Americans from an old age of poverty and dependency. It has offered help to those who become disabled or suffer the death of a family breadwinner. For these Americans—in fact, for all Americans—Social Security is a reflection of our deepest values of community and the obligations we owe to each other.

It is time this year to work together to strengthen Social Security so that we may uphold these obligations for years to come. We have the rare opportunity to act to meet these challenges—or in the words of the old saying, to fix the roof while the sun is shining. And at least as important, we can engage this crucial issue from a position of strength—with our economy prosperous and our resources available to do the job of fixing Social Security. I urge Americans to join together to make that happen this year.

Building on Economic Prosperity

At the start of 1993, when my Administration took office, the Nation's economy had barely grown during the previous four years, creating few jobs. Interest rates were high due to the Government's massive borrowing to finance the deficit, which had reached a record $290 billion and was headed higher.

Determined to set America on the right path, we launched an economic strategy built upon three elements: promoting fiscal responsibility; investing in policies that strengthen the American people, and engaging in the international economy. Only by pursuing all three elements could we restore the economy and build for the future.

My 1993 budget plan, the centerpiece of our economic strategy, was a balanced plan that cut hundreds of billions of dollars of Federal spending while raising income taxes only on the very wealthiest of Americans. By cutting unnecessary and lower-priority

spending, we found the resources to cut taxes for 15 million working families and to pay for strategic investments in areas including education and training, the environment, and other priorities meant to improve the standard of living and quality of life for the American people.

Six years later, we have balanced the budget; and if we keep our resolve, the budget will be balanced for many years to come. We have invested in the education and skills of our people, giving them the tools they need to raise their children and get good jobs in an increasingly competitive economy. We have expanded trade, generating record exports that create high-wage jobs for millions of Americans.

The economy has been on an upward trend, almost from the start of my Administration's new economic policies. Shortly after the release of my 1993 budget plan, interest rates fell, and they fell even more as I worked successfully with Congress to put the plan into law. These lower interest rates helped to spur the steady economic growth and strong business investment that we have enjoyed for the last six years. Our policies have helped create over 17 million jobs, while interest rates have remained low and inflation has stayed under control.

As we move ahead, I am determined to ensure that we continue to strike the right balance between fiscal discipline and strategic investments. We must not forget the discipline that brought us this new era of surplus—it is as important today as it was during our drive to end the days of deficits. Yet, we also must make sure that we balance our discipline with the need to provide resources for the strategic investments of the future.

Improving Performance Through Better Management

Vice President Gore's National Partnership for Reinventing Government, with which we are truly creating a Government that "works better and costs less," played a significant role in helping restore accountability to Government, and fiscal responsibility to its operations. In streamlining Government, we have done more than just reduce or eliminate hundreds of Federal programs and projects. We have cut the civilian Federal work force by 365,000, giving us the smallest work force in 36 years. In fact, as a share of our total civilian employment, we have the smallest work force since 1933.

But we have set out to do more than just cut Government. We set out to make Government work, to create a Government that is more efficient and effective, and to create a Government focused on its customers, the American people.

We have made real progress, but we still have much work to do. We have reinvented parts of departments and agencies, but we are forging ahead with new efforts to improve the quality of the service that the Government offers its customers. My Administration has identified 24 Priority Management Objectives, and we will tackle some of the Government's biggest management challenges—meeting the year 2000 computer challenge; modernizing student aid delivery; and completing the restructuring of the Internal Revenue Service.

I am determined that we will solve the very real management challenges before us.

Preparing for the 21st Century

Education and Training: Education, in our competitive global economy, has become the dividing line between those who are able to move ahead and those who lag behind. For this reason, I have devoted a great deal of effort to ensure that we have a world-class system of education and training in place for Americans of all ages. Over the last six years, we have worked hard to ensure that every boy and girl is prepared to learn, that our 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 another chance at education and training or a chance to improve or learn new skills can do so.

My budget significantly increases funds to help children, especially in the poorest communities, reach challenging academic standards; and makes efforts to strengthen accountability. It proposes investments to end social promotion, where too many public school students move from grade to grade without

having mastered the basics, by expanding after school learning hours to give students the tools they need to earn advancement. The budget proposes improving school accountability by funding monetary awards to the highest performing schools that serve low-income students, providing resources to States to help them identify and change the least successful schools. It invests in programs to help raise the educational achievement of Hispanic students. The budget invests in reducing class size by recruiting and preparing thousands more teachers and building thousands more new classrooms. It increases Pell Grants and other college scholarships from the record levels already reached. My budget also helps the disabled enter the work force, by increasing flexibility to allow Medicaid and Medicare coverage and by providing tax credits to cover the extra costs associated with working.

Families and Children: During the past six years, we have taken many steps to help working families, and we continue that effort with this budget. We 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 to address the health needs of a family member.

I am determined to provide the help that families need when it comes to finding affordable child care. I am proposing a major effort to make child care more affordable, accessible, and safe by expanding tax credits for middle-income families and for businesses to increase their child care resources, by assisting parents who want to attend college meet their child care needs, and by increasing funds with which the Child Care and Development Block Grant will help more poor and near-poor children. My budget proposes an Early Learning Fund, which would provide grants to communities for activities that improve early childhood education and the quality of child care for those under age five. And it proposes increasing equity for legal immigrants by restoring their Supplemental Security Income benefits and Food Stamps and by expanding health coverage to legal immigrant children.

Economic Development: 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, responsiblity and community. Working with the State and local governments and with the private sector, I am determined to help bring our distressed areas back to life and to replace despair with hope. I am proposing a New Markets Investment Strategy which will provide tax credit and loan guarantee incentives to stimulate billions in new private investment in distressed rural and urban areas. It will build a network of private investment institutions to funnel credit, equity, and technical assistance into businesses in America's untapped markets, and provide the expertise to targeted small businesses that will allow them to use investment to grow. I am also proposing to create more Empowerment Zones and Enterprise Communities, which provide tax incentives and direct spending to encourage the kind of private investment that creates jobs, and to provide more capital for lending through my Community Development Financial Institutions program. My budget also expands opportunities for home ownership, provides more funds to enforce the Nation's civil rights laws, maintains our government-to-government commitment to Native Americans, and strengthens the partnership we have begun with the District of Columbia.

Health Care: This past year, we continued to improve health care for millions of Americans. Forty-seven States enrolled 2.5 million uninsured children in the new Children's Health Insurance Program. By executive order, I extended the patient protections that were included in the Patient's Bill of Rights, including emergency room access and the right to see a specialist, to 85 million Americans covered by Federal health plans, including Medicare and Medicaid beneficiaries and Federal employees. Medicare beneficiaries gained access to new preventive benefits, managed care choices, and low-income protections. My budget gives new insurance options to hundreds of

thousands of Americans aged 55 to 65. I am advocating bipartisan national legislation to reduce tobacco use, especially among young people. And I am proposing a Long-Term Care initiative, including a $1,000 tax credit, to help patients, families, and care givers cope with the burdens of long-term care. The budget enables more Medicare recipients to receive promising cancer treatments by participating more easily in clinical trials. And it improves the fiscal soundness of Medicare and Medicaid through new management proposals, including programs to combat waste, fraud and abuse.

International Affairs: America must maintain its role as the world's leader by providing resources to pursue our goals of prosperity, democracy, and security. The resources in my budget will help us promote peace in troubled areas, provide enhanced security for our officials working abroad, combat weapons of mass destruction, and promote trade.

The United States continues to play a leadership role in a comprehensive peace in the Middle East. The Wye River Memorandum, signed in October 1998, helps establish a path to restore positive momentum to the peace process. My budget supports this goal with resources for an economic and military assistance package to help meet priority needs arising from the Wye Memorandum.

Despite progress in making peace there are real and growing threats to our national security. The terrorist attack against two U.S. embassies in East Africa last year is a stark reminder. My budget proposes increased funding to ensure the continued protection of American embassies, consulates and other facilities, and the valuable employees who work there. Our security and stability throughout the world is also threatened by the proliferation of weapons of mass destruction and their means of delivery. The budget supports significant increases for State Department efforts to address this need.

National Security: The Armed Forces of the United States serve as the backbone of our national security strategy. In this post-Cold War era, the military's responsibilities have changed, but not diminished—and in many ways have become even more complex. The military must be in a position to guard against the major threats to U.S. security: regional dangers, such as cross-border aggression; the proliferation of the technology of weapons of mass destruction; transnational dangers, such as the spread of illegal drugs and terrorism; and direct attacks on the U.S. homeland from intercontinental ballistic missiles or other weapons of mass destruction.

Last year, the military and civilian leaders of our Armed Forces expressed concern that if we do not act to shore up our Nation's defenses, we would see a future decline in our military readiness—the ability of our forces to engage where and when necessary to protect the national security interests of the United States. Our military readiness is currently razor-sharp, and I intend to take measures to keep it that way. Therefore, I am proposing a long-term, sustained increase in defense spending to enhance the military's ability to respond to crises, build for the future through weapons modernization programs, and take care of military personnel and their families by enhancing the quality of life, thereby increasing retention and recruitment.

Science and Technology: During the last six years, I have sought to strengthen science and technology investments in order to serve many of our broader goals for the Nation in the economy, education, health care, the environment, and national defense. My budget strengthens basic research programs, which are the foundation of the Government's role in expanding scientific knowledge and spurring innovation. Through the 21st Century Research Fund, the budget provides strong support for the Nation's two largest funders of civilian basic research at universities: the National Science Foundation and the National Institutes of Health. My budget provides a substantial increase for the National Aeronautics and Space Administration's Space Science program, including a significant cooperative endeavor with Russia.

My budget also provides resources to launch a bold, new Information Technology Initiative to invest in long-term research in computing and communications. It will accelerate development of extremely fast supercomputers to support civilian research, enabling scientists to develop life-savings drugs, provide earlier

tornado warnings, and design more fuel-efficient, safer automobiles.

The Environment: The Nation does not have to choose between a strong economy and a clean environment. The past six years are proof that we can have both. We have set tough new clean air standards for soot and smog that will prevent up to 15,000 premature deaths a year. We have set new food and water safety standards and have accelerated the pace of cleanups of toxic Superfund sites. We expanded our efforts to protect tens of millions of acres of public and private lands, including Yellowstone National Park and Florida's Everglades. Led by the Vice President, the Administration reached an international agreement in Kyoto that calls for cuts in greenhouse gas emissions. In my budget this year, I am proposing an historic interagency Lands Legacy initiative to both preserve the Nation's Great Places, and advance preservation of open spaces in every community. This initiative will give State and local governments the tools for orderly growth while protecting and enhancing green spaces, clean water, wildlife habitat, and outdoor recreation. I also propose a Livability Initiative with a new financing mechanism, Better America Bonds, to create more open spaces in urban and suburban areas, protect water quality, and clean up abandoned industrial sites. My budget continues to increase our investments in energy-efficient technologies and renewable energy to strengthen our economy while reducing greenhouse gases. And I am proposing a new Clean Air Partnership Fund to support State and local efforts to reduce both air pollution and greenhouse gases.

Law: Our anti-crime strategy is working. For more than six years, serious crime has fallen uninterrupted and the murder rate is down by more than 28 percent, its lowest point in three decades. But, because crime remains unacceptably high, we must go further. Building on our successful community policing (COPS) program, which in this, its final year, places 100,000 more police on the street, my budget launches the next step—the 21st Century Policing initiative. This initiative invests in additional police targeted especially to crime "hot spots," in crime fighting technology, and in community based prosecutors and crime prevention. The budget also provides funds to prevent violence against women, and to address the growing law enforcement crisis on Indian lands. To boost our efforts to control illegal immigration, the budget provides the resources to strengthen border enforcement in the South and West, remove illegal aliens, and expand our efforts to verify whether newly hired non-citizens are eligible for jobs. To combat drug use, particularly among young people, my budget expands programs that stress treatment and prevention, law enforcement, international assistance, and interdiction.

Entering the 21st Century

As we prepare to enter the next century, we must keep sight of the source of our great success. We enjoy an economy of unprecedented prosperity due, in large measure, to our commitment to fiscal discipline. In the past six years, we have worked together as a Nation, facing the responsibility to correct the mistaken deficit-driven policies of the past. Balancing the budget has allowed our economy to prosper and has freed our children from a future in which mounting deficits threatened to limit options and sap the country's resources.

In the course of the next century, we will face new challenges for which we are now fully prepared. As the result of our fiscal policy, and the resources it has produced, we will enter this next century from a position of strength, confident that we have both the purpose and ability to meet the tasks ahead. If we keep our course, and maintain the important balance between fiscal discipline and investing wisely in priorities, our position of strength promises to last for many generations to come.

The great and immediate challenge before us is to save Social Security. It is time to move forward now.

We have already started the hard work of seeking to build consensus for Social Security's problems. Let us finish the job before the year ends. Let us enter the 21st Century knowing that the American people have met one more great challenge—that we have fulfilled the obligations we owe to each other as Americans.

If we can do this—and surely we can—then we will be able to look ahead with confidence, knowing that our strength, our resources, and our national purpose will help make the year 2000 the first in what promises to be the next American Century.

WILLIAM J. CLINTON

February 1, 1999

II. CHARTING A COURSE FOR THE NEW ERA OF SURPLUS

THE FEDERAL GOVERNMENT DOLLAR
FISCAL YEAR 2000 ESTIMATES

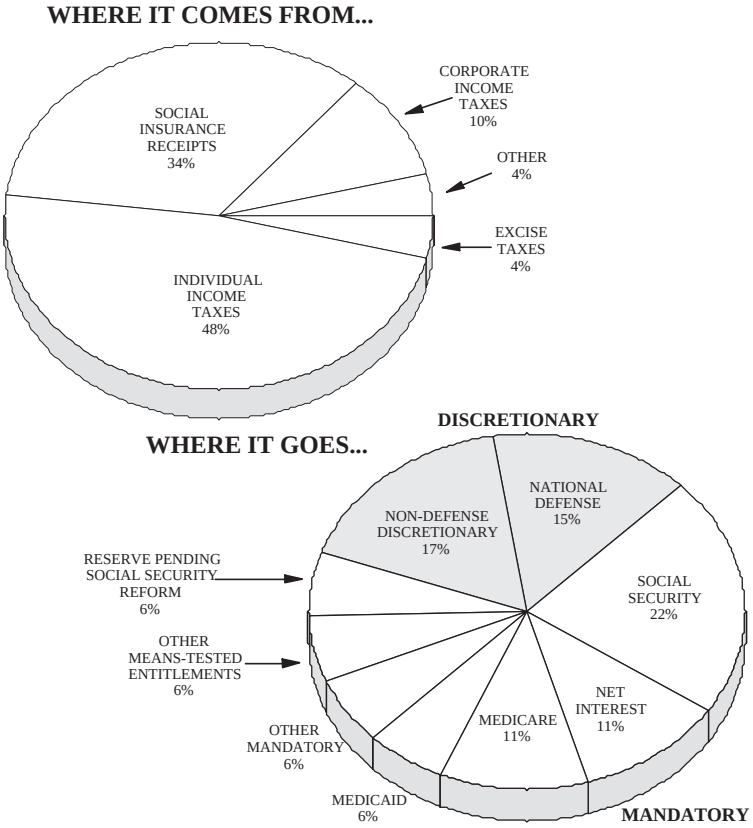


Table II–1. RECEIPTS, OUTLAYS, AND SURPLUS

(Dollar amounts in billions)

	1998 Actual	Estimates										
		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Receipts	1,721.8	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5	2,265.3	2,364.3	2,474.0	2,588.3	2,707.7
Outlays	1,652.6	1,727.1	1,765.7	1,799.2	1,820.3	1,893.0	1,957.9	2,034.0	2,081.5	2,153.5	2,234.3	2,314.7
Reserve Pending Social Security Reform	69.2	79.3	117.3	134.1	186.7	182.0	207.6	231.3	282.8	320.5	354.0	393.1
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On-Budget Deficit(–)	–29.9	–41.7	–12.2	0.2	44.4	31.4	49.8	58.2	103.3	130.7	155.9	188.3
Off-Budget Surplus	99.2	121.0	129.5	133.9	142.3	150.7	157.8	173.1	179.5	189.8	198.1	204.7
		As Percentages of GDP										
Receipts	20.5	20.6	20.7	20.4	20.3	20.1	20.0	20.0	20.0	20.0	20.1	20.1
Outlays	19.7	19.7	19.4	19.0	18.4	18.3	18.1	18.0	17.6	17.4	17.3	17.2
Reserve Pending Social Security Reform	0.8	0.9	1.3	1.4	1.9	1.8	1.9	2.0	2.4	2.6	2.7	2.9
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On-Budget Deficit(–)	–0.4	–0.5	–0.1	0.0	0.4	0.3	0.5	0.5	0.9	1.1	1.2	1.4
Off-Budget Surplus	1.2	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.5

II. CHARTING A COURSE FOR THE NEW ERA OF SURPLUS

> *"Remember where we were six years ago. There were some people who were saying America was in decline. Today, we have a new surplus. We have wages rising to the highest levels in over 20 years. We have the confidence in the country soaring. We have an unprecedented opportunity to build for the future."*
>
> President Clinton
> October 1998

At the close of the 20th Century, our economic success is unparalleled. The Nation is now enjoying the longest peacetime expansion in its history. This sustained economic strength, coupled with the renewed and rising confidence of the American people, has, as the President said recently, given us "an unprecedented opportunity to build for the future."

Reflect, for a moment, on how far we have come. When President Clinton took office seven years ago, the Federal budget deficit had exploded to the point that it dominated the Government's ability to make policy and imposed an insidious burden on our economy. By the close of 1992, the $290 billion deficit—the largest in American history—was projected to continue spiraling upward without restraint. The economy suffered—interest rates were high and job creation stalled. Capital that should been used for productive investments to create new jobs, instead was used to finance the Government's massive deficit-driven borrowing.

Now, in what seems an entirely new world, we can look back with pride at our progress of the past six years, and ahead with confidence as we consider the path of our success. Today, we have lower interest rates, a higher level of investment, and unprecedented prosperity. Our economy has added more than 17 million new jobs. The unemployment rate is the lowest in 28 years, the percentage of Americans on welfare is the lowest in 29 years, and the inflation rate is the lowest in 33 years. And today, more Americans own their own homes than at any time in our history.

By almost any economic measure, 1998 was a remarkable year for the United States. But there is nothing more remarkable than the success of the President's deficit reduction policy, which surpassed even the most optimistic of early predictions. The President's policy allowed the U.S. Government to balance its books for the first time in a generation, producing a budget surplus of nearly $70 billion. Ending an era of red ink, and moving squarely into the black, the Nation can now go forward with confidence, secure in the knowledge that we are well prepared to meet the challenges of the next century. And if we keep our resolve in the 21st Century, we can continue to produce budget surpluses as far as the eye can see.

The President's Agenda: The Path to Surplus

Determined to set America on the right path, the President began his first term spearheading a controversial and courageous program to revive the Nation's economy. His economic strategy was built upon three elements: fiscal discipline; investing in policies that strengthen the American people; and engaging in the international economy.

The President's 1993 economic plan, which he worked with the Congress to enact, was the centerpiece of this strategy. It cut spending, slowed the growth of entitlements, and raised taxes on only the very wealthiest Americans. At the same time, this plan

cut taxes for 15 million working families and made 90 percent of small businesses eligible for tax relief. And it began an ongoing effort to invest in education and training and in research to boost productivity and, thus, promote higher living standards.

His three-pronged plan of deficit reduction, trade expansion, and targeted investments provided resources for people and the economy, ensuring that key investments for the American people strengthened their prospects for the future, while taking broader fiscal measures to put the Nation's economic house on the right track.

Despite critics' predictions that this strategy would fail, causing recession and even larger deficits, the President's plan built the foundation for the great prosperity that is America's today. In the summer of 1997, the President and the Congress joined together in an historic agreement to finish the job of balancing the budget. The results of this bipartisan action, the Balanced Budget Act (BBA), provided the final push, bringing the budget to balance a full four years earlier than projected. Like the President's 1993 plan, the BBA also provided for strategic investments in the American people.

Fiscal Discipline and Investments in a Time of Surplus

Last year's budget maintained fiscal discipline by reserving the surplus until we save Social Security first—and at the same time provided a strategy of targeted investments to help sustain economic growth. For example, last year's budget provided resources for:

- the first year's investment to reduce class size by hiring 100,000 new teachers. Smaller classes ensure that students receive more individual attention, a solid foundation in the basics, and greater discipline in the classroom. In this year's budget, the President proposes investments in this area, ultimately to reduce class size in the early grades to a national average of 18 students.
- investments to protect our economic interests at home by responding to international economies in turmoil. The disruption in financial markets last year lead to economic dislocation in Asia, Latin America, and the Soviet Union. This, in turn, hurt American exporters, farmers and ranchers, who found that markets overseas were beginning to dry up. With President Clinton's leadership, Congress approved nearly $18 billion for the International Monetary Fund, a stabilizing force in the world economy.
- a guaranteed, record-level investment for the next five years in the Transportation Equity Act for the 21st Century to continue rebuilding America's highways and transit systems, which are essential to continue the growth of modern commerce. This legislation also funds programs for highway safety, transit and other surface transportation, while safeguarding air quality, and helping former welfare recipients get to their jobs.

Perhaps the most important accomplishment is what last year's budget did not do—it did not spend the surplus. At the start of last year, the President called on the Nation to "reserve every penny of any surplus until we have taken all the necessary measures to strengthen the Social Security system for the 21st Century." As part of this plan, the President also launched a national nonpartisan dialogue last year to spark honest debate and build consensus about this vital issue, leading up to the next step: resolving the difficult issues of Social Security in a bipartisan fashion.

The prospects for reform are strengthened by the culmination of last year's efforts to create an environment for constructive discussion, by our economy's new record-setting prosperity and by the fact that the surplus has been reserved for this purpose.

Reaping the Benefits

Throughout his Administration, the President also worked with the Congress to establish and build upon significant investments in education and training, the environment, law enforcement and other priorities to help raise the standard of living and quality of life for average Americans both now and in the future. For example, the President's

commitment to funding key domestic investments has:

- Advanced cutting-edge research with an increase last year for the National Institutes of Health of $1.9 billion, for research including intensified work on diabetes, cancer, genetic medicine, and the development of an AIDS vaccine.
- Established the children's health care initiative, the largest investment in health care for children since Medicaid was created. Last year, 47 States began programs designed to provide meaningful benefits to as many as 2.5 million uninsured children.
- Increased Head Start's ability to provide greater opportunities for disadvantaged children to participate in a program which prepares them for grade school. Last year, a boost in Head Start funding put 835,000 children into the program, making further progress toward the President's goal of putting a million children in Head Start by 2002.
- Invested in public schools to help States and communities raise academic standards, strengthen accountability, connect classrooms and schools to the information superhighway, and promote public school choice by opening 900 charter schools.
- Protected and restored some of the Nation's most treasured lands, such as Yellowstone National Park, and the Everglades, provided the funds to conserve others, and accelerated toxic waste clean-ups.
- Built the COPS program to support community policing. This year COPS will reach the goal of putting 100,000 more police on the streets of America's communities. COPS has helped reduce violent crime for six straight years. The 21st Century Policing Initiative, proposed in this budget, will expand on the number of police and provide other law enforcement tools to the community.

Streamlining Government

A key element in the Administration's ability to expanding strategic investments, while balancing the budget, is the reinvention of Government—doing more with less. Efforts led by Vice President Gore's National Partnership for Reinvention have streamlined Government, reduced its work force, and focused on performance to improve operations and delivery of service. And these efforts, by reducing the cost of government operations, have improved the bottom line and contributed to our strong economy.

Since 1993, the Administration, working with Congress, has eliminated and reduced hundreds of unnecessary programs and projects. The size of Government—that is, the actual total of Government spending—has equaled a smaller share of GDP than in any year of the previous two Administrations, and in 2000 will drop to 19.4 percent of GDP, its lowest level since the early 1970s. The Administration has cut the size of the Federal civilian work force by 365,000, creating the smallest work force in 36 years and, as a share of total civilian employment, the smallest since 1933.

The Administration, however, is working to create not just a smaller Government, but a better one, a Government that best provides services and benefits to its ultimate customers—the American people. It has not just cut the Federal work force, it has streamlined layers of bureaucracy. It has not just reorganized headquarters and field offices, it has ensured that those closest to the customers can best serve them.

For 2000, the Administration once again is turning its efforts to the next stage of "reinventing" the Federal Government. It plans to dramatically overhaul 32 Federal agencies to improve performance in key services, such as expediting student loan processing and speeding aid to disaster victims. It also plans to tackle critical challenges, such as ensuring that Government computers can process the year 2000 date change and making more Government services available electronically. (For a full discussion of the Administration's management agenda, see Section IV, "Improving Performance Through Better Management.")

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 2000. These plans provided the basis for the second Goverment-wide Performance Plan which is contained in this Budget. In 2000, for the first time, agencies will submit to the President and Congress annual reports for 1999 that compare actual and target performance levels and explain any difference between them.

Investing in the Future to Save Social Security

In his State of the Union address, President Clinton proposed a framework for saving Social Security; it builds upon our successful fiscal discipline and the resources it has provided to the Nation. The President's plan devotes some of the surplus—62 percent of the unified budget surplus for the next 15 years—to the Social Security Trust Fund, making more than $2.7 trillion available and extending the life of the system through the middle of the next century.

This plan would also tap the power of private financial markets by setting aside roughly one-fifth of the surplus that has been transferred to Social Security for investment in private securities. With these additional contributions, plus the higher returns earned by private investments, this plan will keep Social Security safe and strong until 2055. Then, in a bipartisan effort envisioned by the national dialogue of the last year, the President is urging Congress to join him to make the difficult but achievable choices to save Social Security until 2075. In the context of these tough choices, the President also noted the need to made additional reforms, including reducing the poverty rate for elderly women and other groups on Social Security who are disproportionately vulnerable and removing the barriers to work that are a result of the earnings test.

It is time to fix Social Security now. We are able to do so because the surplus has been saved for Social Security. Last year's commitment still stands—not to drain the surplus until Social Security has been resolved; however, it is also our obligation to look toward the future, and to plan wisely for the time when Social Security reform has been accomplished, and we can responsibly allocate the surplus for other National needs.

Once Social Security is on sound financial footing, we must fulfill our obligation to save and improve Medicare. The President's framework will reserve 15 percent of the projected surplus for Medicare, ensuring that the Medicare Trust Fund is secure for 20 years.

The President is also committed to helping all Americans save and invest so that they will have additional sources of income in retirement. Dedicating just over 10 percent of the surplus will fund new Universal Savings Accounts to help Americans save, allowing them to invest as they choose and receive matching contributions.

And looking ahead to the Nation's other vital needs that will arise in the future, the President's plan will reserve 11 percent of the projected surplus for military readiness, education, and other critical domestic priorities.

This budget builds on the President's efforts to invest in the skills of the American people. It continues his policy of helping working families with their basic needs—raising their children, sending them to college, and expanding access to health care. It also invests in education and training, the environment, science and technology, law enforcement and other priorities to help raise the standard of living and quality of life of Americans.

The President is proposing major initiatives that will continue his investments in high-priority areas—from helping working families with their child care expenses to allowing Americans from 55 to 65 to buy into Medicare; from helping States and school districts recruit and prepare thousands more teachers and build thousands more classrooms to making every effort to fight tobacco and its use among young people.

Families and Children: For six years, the President has sought to help working families balance the demands of work and family. In this budget he proposes a major effort to make child care more affordable, accessible and safe, by expanding tax credits for middle-income families and for businesses to expand their

child care resources, assisting parents who want to attend college meet their child care needs, and increasing funds with which the Child Care and Development Block Grant can help more poor and near-poor children. The budget proposes an Early Learning Fund, which would provide grants to communities for activities that improve early childhood education and the quality of childcare for those under age five.

Health Care: The President has worked hard to expand health care coverage and improve the Nation's health. The budget gives new insurance options to hundreds of thousands of Americans aged 55 to 65 and it advocates bipartisan national legislation that would reduce tobacco use among the young. The President's budget proposes initiatives to help patients, families and caregivers cope with the burdens of long-term care; and it helps reduce barriers to employment for individuals with disabilities. The budget also enables more Medicare recipients to receive promising cancer treatments by participating more easily in clinical trials. And it improves the fiscal soundness of Medicare and Medicaid through new management proposals, including programs to combat waste, fraud and abuse.

Education: The President has worked to enhance access to, and the quality of, education and training. The budget takes the next steps by continuing to help States and school districts reduce class size by recruiting and preparing thousands more teachers and building thousands more new classrooms. The President proposes improving school accountability by funding monetary awards to the highest performing schools that serve low-income students, providing resources to States to help them identify and change the least successful schools, and ending social promotion by funding additional education hours through programs like the 21st Century Community Learning Centers. The budget also proposes further increases in the maximum Pell Grant to help low-income undergraduates complete their college education and more funding for universal reemployment services to help train or find jobs for all dislocated workers who need help.

Environment: The Administration proposes an historic inter-agency Lands Legacy initiative to both preserve the Nation's Great Places and advance preservation of open spaces in every community. This initiative will give State and local governments the tools for orderly growth while protecting and enhancing green spaces, clean water, wildlife habitat, and outdoor recreation. The Administration also proposes a Livability Initiative with a new financing mechanism, Better America Bonds, to further creation of open spaces in urban and suburban areas, improve water quality, and clean-up abandoned industrial sites. In addition, the budget would restore and rehabilitate national parks, forests, and public lands and facilities; expand efforts to restore and protect the water quality of rivers and lakes; continue efforts to double the pace of Superfund cleanups; and better protect endangered species.

International Affairs and Defense: The President has worked to bring peace to troubled parts of the world, and has played a leadership role in Northern Ireland, Bosnia, and most recently with the Wye River agreement on the Middle East. The budget reinforces America's commitment to peace in the Middle East by providing for an economic and military assistance package arising from the Wye River Memorandum. The work of diplomacy, advancing peace and United States interests, has inherent dangers, as the death toll from the terrorist attacks on two U.S. Embassies in Africa last year reminds us. The budget proposes increased funding to ensure the continued protection of American embassies, consulates and other facilities, and the valuable employees who work there. It also supports significant increases in funding for State Department programs to address the threats posed by weapons of mass destruction. The budget also increases programs that support US manufacturing exports and continues our long standing policy of opening foreign markets.

The mission of our Armed Forces has changed in this post-Cold War era, and in many ways it is more complex. Today, the U.S. military must guard against major threats to the Nation's security, including regional dangers like cross-border aggression,

the proliferation of the technology of weapons of mass destruction, transnational dangers like the spread of drugs and terrorism, and direct attacks on the U.S. homeland from intercontinental ballistic missiles or other weapons of mass destruction. The U.S. Armed Forces are well prepared to meet this mission. Military readiness—the ability to engage where and when necessary—is razor sharp, and the budget provides resources to make sure that it stays that way for years to come. The budget provides a long-term, sustained increase in defense spending to enhance the military's ability to respond to crises, build for the future through programs for weapons modernization, and take care of military personnel and their families by enhancing the quality of life, thereby increasing retention and recruitment.

Looking Ahead

There is much to be proud of in America today. We have not simply put our fiscal house in order by balancing the budget; we have left behind an era in which the budget deficit, as the President said recently, "came to symbolize what was amiss with the way we were dealing with changes in the world." Today we have risen to the challenge of change—by preparing our people through education and training to compete in the global economy, by funding the research that will lead to the technological tools of the next generation, by helping working parents balance the twin demands of work and family, and by providing investment to our distressed communities in order to bridge the opportunity gap.

If the deficit once loomed over us as a symbol of what was wrong, our balanced budget is proof that we can set it right. Not only do we have well-deserved confidence, we have hard-earned resources with which to enter the next century.

Today, we have an opportunity to address the needs of the future. We have an obligation to proceed prudently. The President's plan proposes that most of the surplus be invested in Social Security, thereby saving the system for generations to come. And while the plan honors his pledge of last year not to drain the surplus until Social Security has been saved, it also plans prudently for the future. After Social Security reform is enacted, the President proposes using additional portions of the surplus to strengthen Medicare, to encourage Americans to save, and to provide resources for pressing national needs, including military readiness, education, and other critical domestic priorities.

There is no more pressing issue facing us as a Nation than the need to guarantee that Social Security will be there for generations to come. And there is no better time to act than now while the system is still strong. This is truly an exceptional moment in America—the economy is prosperous, the budget is in balance, and the President's commitment to national dialogue has created conditions for constructive action.

We must seize this moment and work together now, where a solution will be much easier to reach than waiting until the problem is closer at hand. We should take this rare opportunity to enact comprehensive, bipartisan Social Security reform this year—or as the old saying goes, we should fix the roof now while the sun is shining.

It is time, from our position of strength, to meet this challenge. Or as the President recently declared at the White House Conference on Social Security:

> "Our economy is indeed a powerful engine of prosperity. In its wide wake it creates something every bit as important as jobs and growth—the opportunity to do something meaningful for America's future and the confidence that we can actually do it—an opportunity to save Social Security for the 21st Century. I hope history will record that we seized this opportunity."

III. BUILDING ON OUR ECONOMIC PROSPERITY

1. SUSTAINING GROWTH

Six years ago, our economy lagged behind the rest of the world, so we changed course, with a new strategy for economic growth founded on fiscal discipline and lower interest rates. It has worked. It has helped to produce an American economic renaissance with low inflation, low unemployment, low welfare rolls, rising wages, the highest rate of home ownership in history, the first balanced budget since Neil Armstrong walked on the Moon, and the smallest Federal Government since John Glenn [first] orbited the Earth.

President Clinton
October 1998

President Clinton took office in 1993 committed to a policy of fiscal discipline and economic expansion. By nearly every measure, his policy has been a remarkable success. But there is perhaps no better measure of that success than the impressive turnaround in the Federal budget deficit. At the start of his term, the President inherited a Federal budget deficit of $290 billion; six years later, with the President's strategy of fiscal discipline while investing in people, the budget produced a surplus of nearly $70 billion. This accomplishment resulted in the first surplus in a generation, and the largest deficit reduction since the years immediately after World War II, when massive war-time deficits were wiped out by vast contractions in defense spending and strong peace-time growth.

Last year, the Federal Government began to retire some of the Federal debt held by the public, reducing the accumulated total of deficits and the ongoing interest cost of financing them. Again, this is a milestone; not since 1969 did a year end with less debt held by the public than it began. The last budget of this century will preserve these historic achievements.

The private sector of the economy has been the driving force behind this economic progress; but the President's commitment to fiscal restraint has helped create an environment where the private sector of the economy can flourish. During the President's first year in office, financial markets responded to the enactment of his deficit reduction plan by reducing long-term interest rates. Lower interest rates prompted more business investment, leading to faster economic growth, more job creation, and lower unemployment. Interest rates remained near or below the lowest levels of the preceding two decades. The economy continued to thrive, in part because moderate inflation accompanied rapid growth. Indeed, price inflation has dropped during President Clinton's term of office. The decline in the inflation rate, along with the falling unemployment rate, have produced the lowest "misery index" since the 1960s. (This index combines the unemployment and inflation rates.)

The Nation's economic growth continues its record-setting pace. At last year's close, current data indicated that the expansion had stretched to 93 months, breaking the record set in the 1980s for peace-time growth. Like most private-sector projections, the Administration's forecast anticipates that growth will continue, which would put this economy on track early in 2000 to surpass the two-century record for economic expansions set in the 1960s under Presidents Kennedy, Johnson, and Nixon.

Economic Growth and Fiscal Discipline Benefit the American People

From the very start, President Clinton's economic program has been focused on changes that will benefit the American people—their well-being, their economic security, and their prospects for the future. The success of this strategy is clear:

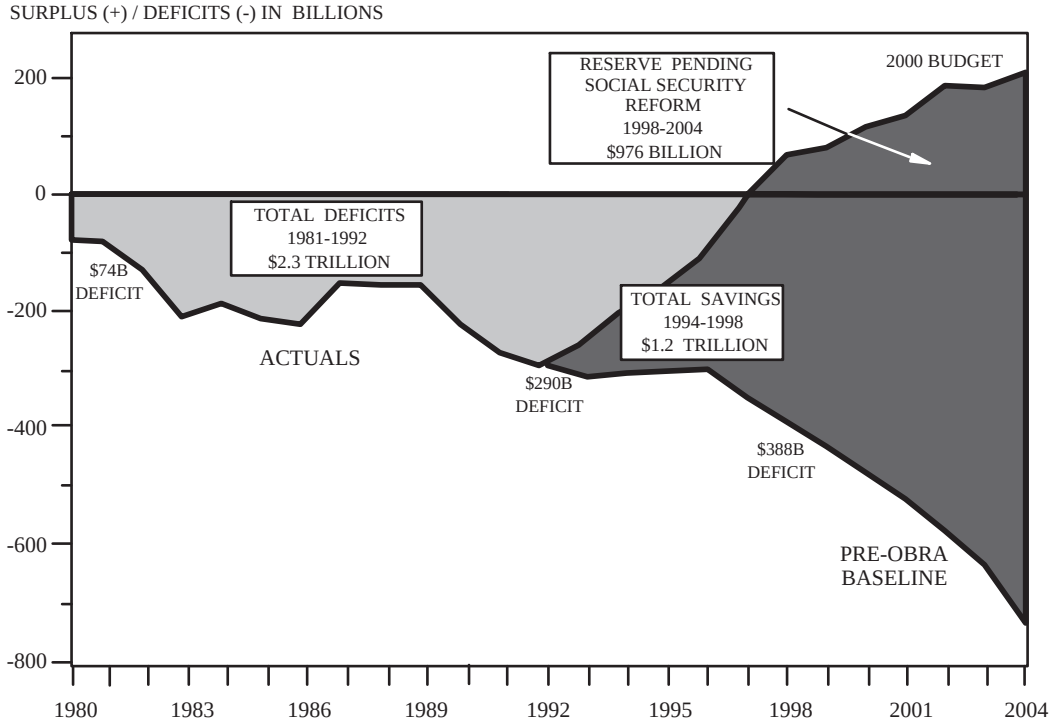
- The economy has created more than 17 million jobs since 1993, nearly all of them in the private sector. Most of them are in the high growth, higher-wage sectors of the economy.
- The unemployment rate is at its lowest in 29 years; the unemployment rates for African Americans and Hispanics are the lowest in the more than quarter-century history of those statistics.
- Work has begun to pay more, reversing a two-decade trend of declining real wages. Instead, inflation-adjusted wages have grown sharply, boosting household incomes throughout the economy. Americans at the lower end of the income scale, those in the poorest 20 percent of households, have seen their incomes (as measured in inflation-adjusted terms) rise in the past four years, after nearly two decades of stagnation and decline.
- Four million people have left the welfare roles in the past six years. Welfare recipients account for the lowest percentage of the U.S. population in 29 years, as more Americans having learned to be self-reliant and productive have entered the work force. A strong economy and plentiful job opportunities have helped make this transformation possible.
- The number of poor people in America has declined by nearly four million from 1993 to 1997. There are 1.6 million fewer poor children in America. The poverty rate has declined sharply as well—from 15.1 percent to 13.3 percent. And crime rates are at the lowest level in 25 years; scholars have argued that a strong economy provides lawful opportunities that are superior to crime, and, therefore, reduces the incidence of crime.
- A record number of Americans now own their own homes, due in large measure to conditions brought about by lower interest rates. More than seven million more families have bought homes since 1992. And 18 million homeowners have taken advantage of the low interest rates to refinance their homes, enjoying a virtual tax cut that saves them hundreds of dollars on their monthly mortgage payments.

Conservative Forecasts: Continued Growth

Continuing its practice of using conservative economic assumptions, the Administration projects that growth will moderate somewhat in 1999, but it will continue at an average pace of two percent per year for the next three years. Last year's unemployment, the lowest in three decades, is likely to rise somewhat, and inflation may increase slightly as well. Still, the Administration believes that the economy can continue to outperform this conservative forecast, as it has for the past six years, if policy remains sound. The expansion is expected to continue, which should sustain many of the economic gains of the last few years. Ultimately, the Administration expects the economy to return to higher but sustainable growth early in the next century, accompanied by low levels of inflation and unemployment.

The longer-term economic and budget outlook is also more favorable than it has been for many years. With prudent fiscal policy, the budget could remain in surplus for many decades. Still, there will be challenges that threaten budgetary stability in the 21st Century. In less than 10 years, the large generation of people born between 1946 and 1964—the "baby-boomers"—will begin to become eligible for retirement with Social Security benefits. A confluence of additional demographic factors will compound the retirement of the baby-boom generation to put intense pressure on the Federal budget through Social Security and the Federal health programs—Medicare and Medicaid. These demographic changes only increase the uncertainty in all long-range economic and budgetary forecasts. Reforms will be needed to preserve the affected programs; and budgetary restraint will be needed to preserve the fiscal soundness that this Administration

Chart 1-1. THE BUDGET IS IN SURPLUS AFTER YEARS OF DEFICITS



has achieved in the past six years. These issues are what prompted the President to declare last year that the surplus must be preserved until the long-term problems of Social Security are resolved.

Budgetary Performance

Twelve years of spiraling budget deficits before President Clinton assumed office increased the public debt by $2.3 trillion. In dollar terms, this was the largest buildup of Federal debt in the Nation's history. Moreover, if President Clinton had not acted, the buildup in debt threatened to reach nearly $7 trillion, or nearly 70 percent of GDP, by 2002. The President set out first and foremost to cut the massive deficit. To that end, the President proposed, and Congress enacted, the Omnibus Budget Reconciliation Act (OBRA) of August 1993, as a solid first step toward fiscal responsibility. At the time, the Administration expected OBRA to reduce the deficit significantly; but budget improvement has far exceeded expectations. Since OBRA was passed, total deficit reduction has been more than twice what was originally projected.

To finish the job, the President worked with Congress to enact the historic and bipartisan Balanced Budget Act (BBA) in mid-1997, with the goal of reaching balance in 2002. The policy of fiscal discipline produced significant results much sooner than expected, as the budget came into balance and then surplus in 1998, four years ahead of projections. The cumulative results of OBRA and the BBA are truly monumental. To appreciate their scope, one need only to recall expectations at the time. The latest projections show total deficit reduction from 1993 to 2003 reaching $4.4 trillion—a sum that exceeds the total amount borrowed from the public by the Government from 1981 to 1992.

The Administration's Deficit Reduction Far Exceeded Projections: Upon OBRA's enactment, the Administration projected that it would reduce the accumulated deficits from 1994 to 1998 by $505 billion. Clearly, it has

exceeded that goal. In fact, last year's surplus combined with the reduced deficits of previous years account for deficit reduction of $1.2 trillion since 1993—more than twice the projected savings when OBRA was enacted (see Chart 1–1).

The Administration has begun to Reverse the Debt Buildup of the 1980s. The Government must finance any deficit it runs by borrowing from the public, thereby accumulating its publicly held debt. As a share of Gross Domestic Product (GDP), Federal debt held by the public reached a post-World War II peak of 109 percent in 1946. Because the economy grew faster than the debt for the next few decades, the debt gradually fell to about 25 percent of GDP in the 1970s. But the exploding deficits of the 1980s sent it back up. In dollar terms, publicly held Federal debt quadrupled, rising from $710 billion at the end of 1980 to $3.0 trillion by the end of 1992. Debt peaked at 50 percent of GDP in 1993, but since then, thanks to the Administration's policy of deficit reduction, the ratio of publicly held debt to GDP has steadily declined. The surplus of 1998 will cut into the dollar amount of the debt held by the public, driving down the ratio of debt to GDP even faster.

Had this Administration done nothing, the debt was projected by both OMB and the Congressional Budget Office (CBO) to approach $7 trillion, or 75 percent of GDP, by 2002. Instead, in 1998, the ratio of publicly held debt to GDP fell about 16 percentage points below projections made before the Administration began pursuing its concerted policy of deficit reduction (see Chart 1–2).

The On-Budget Deficit has Fallen: The unified budget, the measure most commonly used when tallying deficits and surpluses, includes all Government receipts and spending, including Social Security's contributions from workers and their employers and Social Security benefits paid to retirees. Because contributions in recent years have been greater than the Social Security benefits paid out, the trust fund has accumulated a surplus. Under the accounting method of unified budgeting, that surplus is counted and helps to bring down the deficit.

Still, the on-budget (non-Social Security trust fund budget) balance has also followed the remarkable deficit reduction trends of the past six years (see Chart 1–3). The

Chart 1-2. DEBT HELD BY THE PUBLIC HAS BEEN BROUGHT UNDER CONTROL

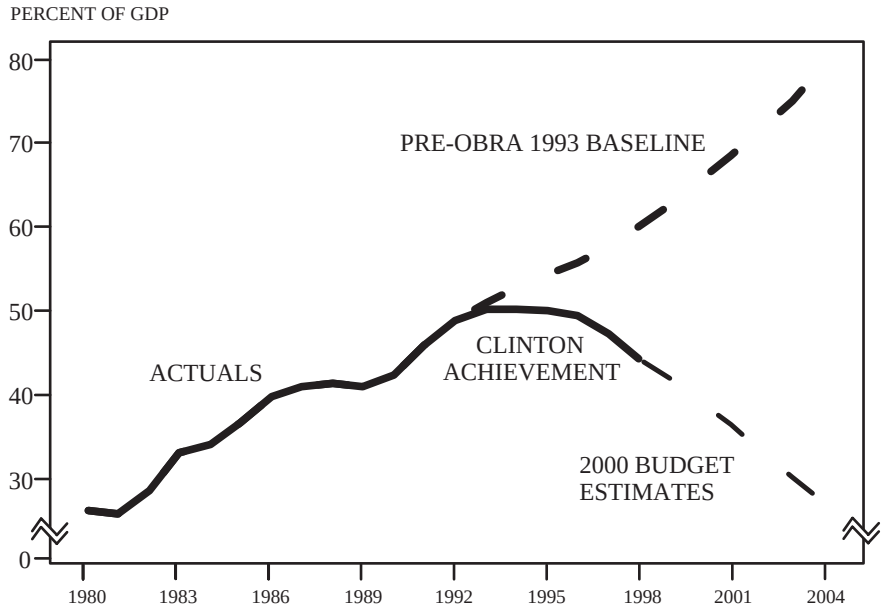


Chart 1-3. THE DEFICIT HAS BEEN REDUCED, COUNTING SOCIAL SECURITY OR NOT

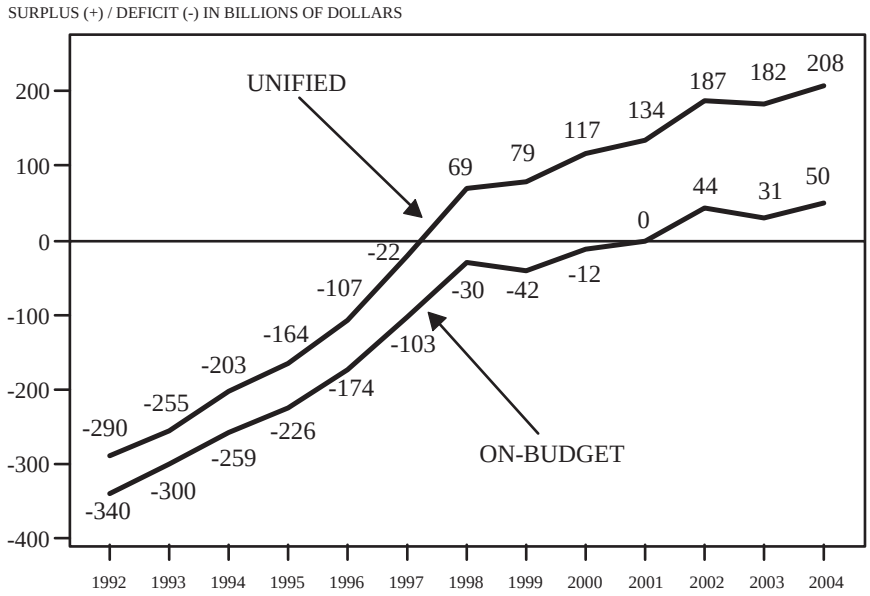
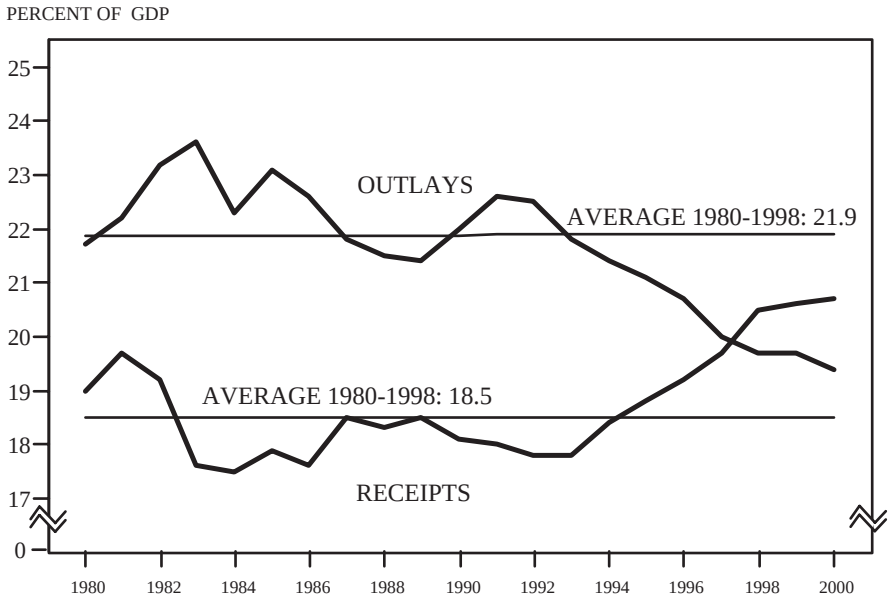


Chart 1-4. THE BUDGET WAS BALANCED BY BOTH CUTS IN SPENDING AND INCREASES IN RECEIPTS



deficit has fallen from $340.5 billion (a post-World War II record) or 5.5 percent of GDP in 1992, to $30 billion in 1998. Thus, although the Social Security surplus helps reduce the overall unified budget deficit, the on-budget deficit has fallen by $310 billion since 1992, and this improvement accounts for 86 percent of the reduction in the unified deficit.

The Government's Claim on the Economy has been Reduced: In the previous two Administrations, Federal spending was higher as a share of the economy than at any point since the end of World War II, reaching 22.5 percent of GDP in 1992. The defense buildup in the early part of the 1980s, higher Federal interest payments because of increased borrowing from the public, and large increases in the cost of Federal health programs outpaced any efforts to reduce spending during the two previous Administrations. However, this trend has been reversed under President Clinton, who, at the same time, has been able to provide key investments in education, the environment, and more. During the last five years, the ratio of Federal spending to GDP has steadily declined, and in 1998 it was only 19.7 percent, a smaller percentage of the economy than at any time in almost a quarter century (see Chart 1–4).

Economic Growth has Spurred Higher-Than-Expected Federal Receipts: A healthy economy and a booming stock market led last year to a surge of Federal receipts. In the past five years, receipts have been higher and spending lower than projected, leading to more deficit reduction than projected. Last year's unexpectedly strong growth in receipts helped bring the budget into surplus well before expected.

The United States is among World Leaders in Budgetary Performance: In the 1980s, the United States drew criticism for its large budget deficits. Other countries blamed U.S. deficits for driving up interest rates and threatening global economic growth. This Administration, now embarked on an era of surplus, can point proudly to its fiscal policy as a model. The United States is a leader among the G-7 nations; only Canada also runs a surplus (see Chart 1–5). The reason for this outstanding U.S. performance is not high taxes, but low public spending. The share of GDP devoted to taxes is lower in the United States than in any other leading country. And while the United States supports a much larger defense establishment than the other G-7 countries, it is nonetheless able to hold its public spending down to a low share of GDP.

Economic Performance

The Administration's strategy of reducing the deficit while investing in people unleashed the power of the private sector. Shrinking deficits, and now a balanced budget, have freed capital for private investment, encouraging businesses to borrow for improvements and expansion, and encouraging Americans to refinance their homes or buy homes for the first time. Fiscal responsibility has promoted business and investor confidence and enabled the Federal Reserve to maintain low interest rates that, in turn, have helped maintain and strengthen the economic expansion. The surge in business investment shows that these policies are working, and with the budget now balanced and producing a surplus, prospects for continued economic progress are excellent.

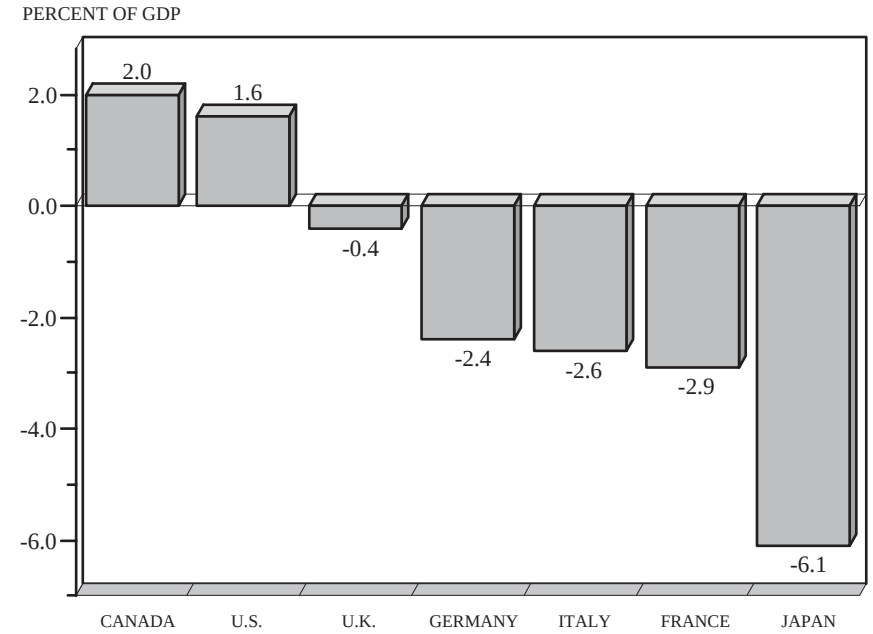
The Expansion Sets a New Record: In December of 1998, current data indicate that the economic expansion entered its 93rd month, setting a new record as the longest in peacetime. And next year, with most experts and the Administration projecting continued growth, the economy will set an all-time record as the longest expansion ever measured.

The Administration's Fiscal Policy has Resulted in a Sound Expansion: Unsustainable Federal deficits, in part, stimulated both of the longer post-war expansions—the first in the 1960s, the second in the 1980s. The economy expanded because the Government expanded, dragging the private sector along.

In these earlier expansions, the fiscal stimulus came at different times. In the 1960s, the deficit was quite restrained early in the decade, but grew sharply after 1965. In the early 1980s, the "structural deficit"[1]

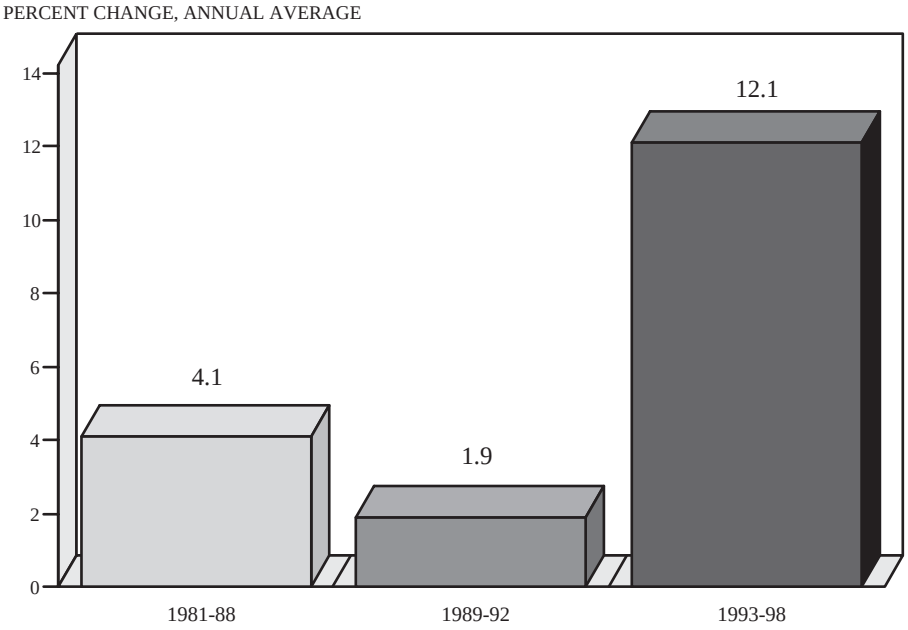
[1] The structural deficit is the deficit that remains after accounting for cyclical changes in the economy as well as purely temporary factors, such as the annual costs and receipts from resolving the thrift crisis.

Chart 1-5. ONLY THE UNITED STATES AND CANADA HAD GENERAL GOVERNMENT SURPLUSES IN 1998



Note: Source OECD Economic Outlook, December 1998

Chart 1-6. EQUIPMENT SPENDING HAS LED THIS EXPANSION



soared to almost five percent of GDP. That large deficit helped pull the economy out of the deep recession of 1981–1982, but the Government's subsequent failure to curb it held up interest rates, led to the financial problems that marked the end of the decade, and likely helped to bring on the recession of 1990–1991.

In contrast, during the current expansion, the reduction and subsequent elimination of the deficit has permitted private investment to propel the economy forward.

This Expansion has been Led by a Strong Private Sector: Since the start of 1993, when President Clinton took office, the economy has grown at an average rate of 3.3 percent per year—faster than under the two previous Administrations. Furthermore, recent growth has been driven by the increased demand for private goods and services. At the same time, the Federal Government's direct claim on GDP (mainly defense and other discretionary spending, excluding transfer payments) has actually shrunk over the past six years at an average rate of 2.2 percent per year. Meanwhile, almost 93 percent of the 17.7 million jobs created during this Administration have been in the private sector (and Federal Government employment has shrunk by 365,000; see Section IV, "Improving Performance Through Better Management").

Business Investment has Led this Expansion: Since the beginning of 1993, the share of the Nation's GDP dedicated to real fixed investment in business equipment has reached record levels. Equipment investment has grown at an annual rate of 12.1 percent, more than three times the annual rate of growth from 1980 through 1992 (see Chart 1–6).

Investment growth is important for two reasons:

- Investment adds to the economy's productive capacity, and a larger economy generates more income leading to higher average living standards. The recent burst of investment has helped lay the economic foundation for continued growth in the next century.
- New equipment contains advanced technology, making workers who use the equipment more productive. Higher productivity permits larger wage increases without threatening higher inflation.

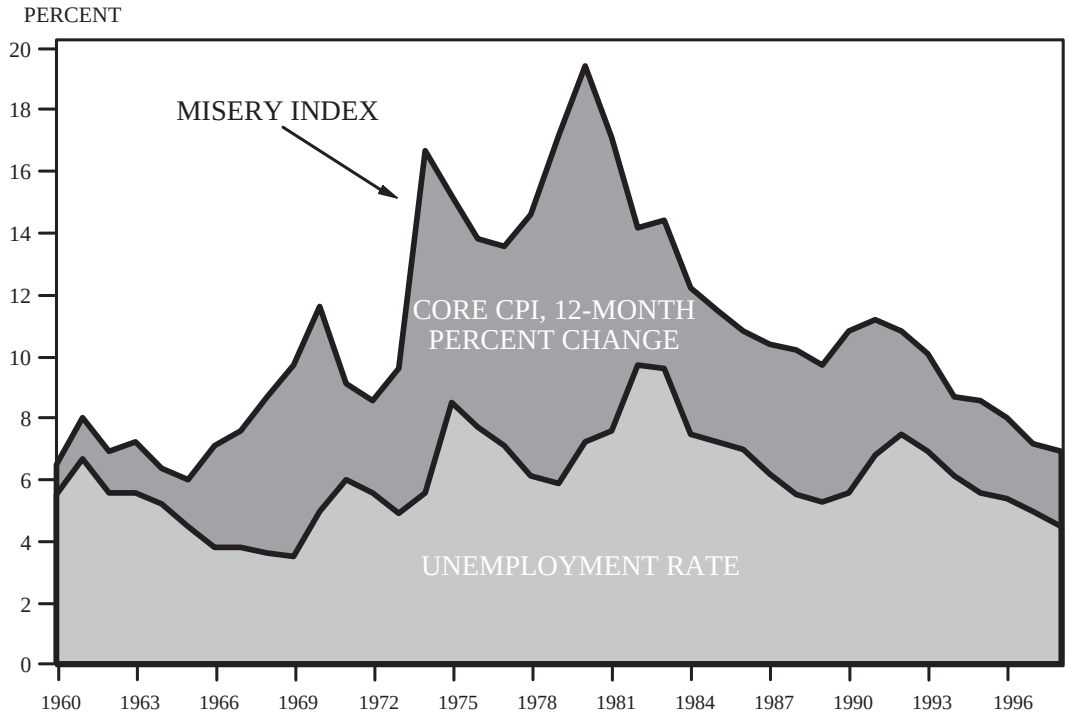
The Misery Index is at the Lowest Levels in 30 Years: In the current expansion, both unemployment and inflation have continued to fall even with the expansion in its eighth year. Last year, unemployment fell to its lowest annual average since 1969, while inflation at 2.4 percent (as measured by the core CPI, excluding the volatile food and energy prices), was virtually unchanged from its 1997 low of 2.2 percent. In fact, core inflation has not been lower since 1966. And the misery index—the sum of the inflation rate and the unemployment rate—is lower than at any time since the 1960s (see Chart 1–7).

Unemployment Rates and Interest Rates are Both Low: Never in the recent past has the combination of interest rates and unemployment been as low as in the past six years. Generally, since President Clinton took office, interest rates have remained near or below the lowest levels of the 1970s and 1980s, with the 10-year Treasury bond rate dropping in October of last year to its lowest level since 1965. It is noteworthy that interest rates have maintained their low level at a time of sustained economic growth and low unemployment, when interest rates might be expected to rise. This dampened unemployment rate signals a robust level of demand in the economy. Relatively low interest rates, along with robust demand, mark the success of the Administration's fiscal policy in the following ways: it reduces the drain on savings, thereby freeing resources for investment, while creating an environment where a prudent monetary policy holds down inflation.

The Near-Term Economic Outlook

The Administration expects the economy to continue to grow in 1999, while inflation will remain low. However, growth is expected to moderate from its recent pace of 3.7 percent per year for the past three years, which is much faster than the economy has been able to sustain in recent decades without higher inflation. The Administration projects a diminished but healthy rate of growth, accompanied by low unemployment and inflation.

Chart 1-7. THE MISERY INDEX IS AT ITS LOWEST SINCE THE 1960s



Domestic Economic Strength at a Time of International Turmoil

Though the American economy remains strong, last year there were some troubling developments in the world economy. The dislocations in financial markets that began to spread in Thailand, Korea, Indonesia, and elsewhere in Asia in 1997 developed into a severe economic downturn; and Japan, which had not fully recovered from the collapse of the bubble economy in the early 1990s, has fallen back into recession. The effects spread to Russia and threatened Latin America; the decision of the Russian Government in August to delay repayment of some of its debt further roiled world financial markets. Concern spread to the United States last summer, but a combination of decisive action by the Federal Reserve and new resources provided to the International Monetary Fund (IMF) helped contain the spread of the crisis. Conditions have not returned to their status prior to the August upheaval, and risks remain, but in the United States, most companies in need of credit have been able to return to the capital markets, and stocks have recovered their lost value.

Despite the disruptions in financial markets, the U.S. economy slowed very little following the economic weakness in Asia and Russia in 1998. Growth through the first three quarters of the year held up extremely well, at a 3.7 percent annual rate—which exceeds the mainstream estimate of the economy's potential growth rate of about 2.4 percent. Despite a declining trade balance, strong consumer and investment demand combined to keep the economy healthy.

Though the economy has outperformed the mainstream forecast for the past six years, the Administration continues to use mainstream projections, in which the growth of domestic demand moderates in 1999. Consumer demand has been outpacing income growth, and cutting into personal saving. With the saving rate now near zero, it is likely that consumption spending will grow more slowly in the future. Business profits,

which were rising strongly through 1997, have fallen over the past four quarters. Although profits are expected to stabilize, the abnormally rapid growth is not projected to return. Furthermore, business utilization of capital is currently estimated to be below its long-run average, suggesting less pressure to invest in additional capacity.

Highlights of the Economic Projections

The budget relies on conservative economic assumptions that are similar to those of private forecasters, as well as CBO. Currently, the consensus among these other forecasters is that the economy is due for some moderation in growth, and over the next few quarters the growth rate could average about 2.0 percent, as the unemployment rate retreats somewhat from its current three-decade low. Eventually, however, the economy should rebound and return to rates of growth nearer to potential, estimated by mainstream forecasters at around 2.4 percent per year. The Administration believes that if the Nation maintains the sound economic policies of the past six years, with budgets in surplus for the foreseeable future, economic performance could be even better than this. Recent experience suggests that sound policy decisions are rewarded with superior economic performance. Under this Administration, the economy has consistently outperformed the consensus forecast. However, in making budget projections, experience shows that it is prudent to follow conservative assumptions.

Real GDP: Real GDP growth is expected to average 2.0 percent on a fourth-quarter-over-fourth-quarter basis for the next three years. It is highly unlikely that growth will be this smooth over this period, but the Administration believes that growth over the next three years will average this rate. For 2002–2007, the Administration's estimate of potential growth is 2.4 percent. Beginning in 2008, the rate of growth is expected to slow gradually as the retirement of the baby-boomers begins to cut into the growth in the labor supply.

Unemployment: The unemployment rate is projected to rise gradually to 5.3 percent. This is a mainstream estimate of the threshold level below which inflation would be expected to accelerate. Once the unemployment rate reaches this level, it is expected to stabilize there.

Inflation: After rising by 1.6 percent in 1998, the CPI is expected to pick up at a rate of 2.3 percent in 1999, and to maintain this rate for the rest of the projection period. Special factors have been holding down consumer price inflation recently, including falling prices for oil and other imported goods. The world economic crisis has reduced prices in world markets which has redounded to the benefit of American consumers, and American businesses that use foreign goods and services as inputs. The chain-weighted price index for GDP is also expected to increase somewhat faster than 1998's low rate. After rising 0.9 percent in 1998, it is projected to increase 1.9 percent in 1999, and 2.1 percent in 2000 and thereafter.

Interest Rates: Interest rates on Treasury debt last year fell to extremely low levels, under five percent, due to the financial crisis. As financial markets stabilize, and as special factors reducing inflation dissipate, interest rates should increase somewhat. In the Administration projections, the 91-day Treasury bill rate is 4.2 percent next year, and it rises to 4.4 percent by 2002 and thereafter. The yield on 10-year notes is projected to rise gradually from 4.9 percent next year to 5.4 percent in 2003 and afterwards.

The medium-term projections shown in Table 1–1 are intended to represent average behavior for the economy, not a precise year-to-year forecast. In some years, growth could be faster than assumed; in other years, it could be slower. Similarly, inflation, unemployment, and interest rates could fluctuate around the values assumed. But the assumptions are expected to hold on average, and thus to provide a prudent basis for projecting the budget.

Table 1–1. ECONOMIC ASSUMPTIONS [1]

(Calendar years; dollar amounts in billions)

	Actual 1997	Projections						
		1998	1999	2000	2001	2002	2003	2004
Gross Domestic Product (GDP):								
Levels, dollar amounts in billions:								
Current dollars	8,111	8,497	8,833	9,199	9,582	10,004	10,456	10,930
Real, chained (1992) dollars	7,270	7,539	7,717	7,872	8,029	8,208	8,404	8,606
Chained price index (1992 = 100), annual average	111.6	112.7	114.4	116.8	119.3	121.8	124.4	127.0
Percent change, fourth quarter over fourth quarter:								
Current dollars	5.6	4.5	4.0	4.2	4.1	4.5	4.5	4.5
Real, chained (1992) dollars	3.8	3.5	2.0	2.0	2.0	2.4	2.4	2.4
Chained price index (1992 = 100)	1.7	0.9	1.9	2.1	2.1	2.1	2.1	2.1
Percent change, year over year:								
Current dollars	5.9	4.8	4.0	4.1	4.2	4.4	4.5	4.5
Real, chained (1992) dollars	3.9	3.7	2.4	2.0	2.0	2.2	2.4	2.4
Chained price index (1992 = 100)	1.9	1.0	1.5	2.1	2.1	2.1	2.1	2.1
Incomes, billions of current dollars:								
Corporate profits before tax	734	721	724	739	765	787	826	867
Wages and salaries	3,890	4,146	4,349	4,526	4,701	4,892	5,106	5,331
Other taxable income [2]	1,717	1,763	1,815	1,863	1,921	1,980	2,051	2,126
Consumer Price Index (all urban): [3]								
Level (1982–84 = 100), annual average	160.6	163.1	166.7	170.6	174.5	178.5	182.6	186.8
Percent change, fourth quarter over fourth quarter	1.9	1.6	2.3	2.3	2.3	2.3	2.3	2.3
Percent change, year over year	2.3	1.6	2.2	2.3	2.3	2.3	2.3	2.3
Unemployment rate, civilian, percent:								
Fourth quarter level	4.7	4.6	4.9	5.1	5.3	5.3	5.3	5.3
Annual average	5.0	4.6	4.8	5.0	5.3	5.3	5.3	5.3
Federal pay raises, January, percent:								
Military [4]	3.0	2.8	3.6	4.4	3.9	3.9	3.9	3.9
Civilian [5]	3.0	2.8	3.6	4.4	3.9	3.9	3.9	3.9
Interest rates, percent:								
91-day Treasury bills [6]	5.1	4.8	4.2	4.3	4.3	4.4	4.4	4.4
10-year Treasury notes	6.4	5.3	4.9	5.0	5.2	5.3	5.4	5.4

[1] Based on information available as of early December 1998.
[2] Rent, interest, dividend and proprietor's components of personal income.
[3] Seasonally adjusted CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.
[4] Beginning with the 1999 increase, percentages apply to basic pay only; adjustments for housing and subsistence allowances will be determined by the Secretary of Defense.
[5] Overall average increase, including locality pay adjustments.
[6] Average rate (bank discount basis) on new issues within period.

The Near-Term Budget Outlook

The Administration projects that the budget surplus first achieved in 1998 will continue in 1999 and subsequent years. With no change in policy, the surplus should reach $79.3 billion dollars in 1999 and $117.3 billion dollars in 2000. All economic projections contain uncertainty, and this is true for budget projections as well. The further into the future the projections go, the more uncertain they are.

The Long-Term Budget Outlook

For many years, it was traditional to make budget projections for a total of five years—the budget year and the four beyond. In recent years, however, attention has focused on intervals of 10 years and even longer, especially when it is necessary to consider longer-term issues involving the aging of the population, like Social Security. Because the problems with that system will not even begin to appear until 2008, toward the close

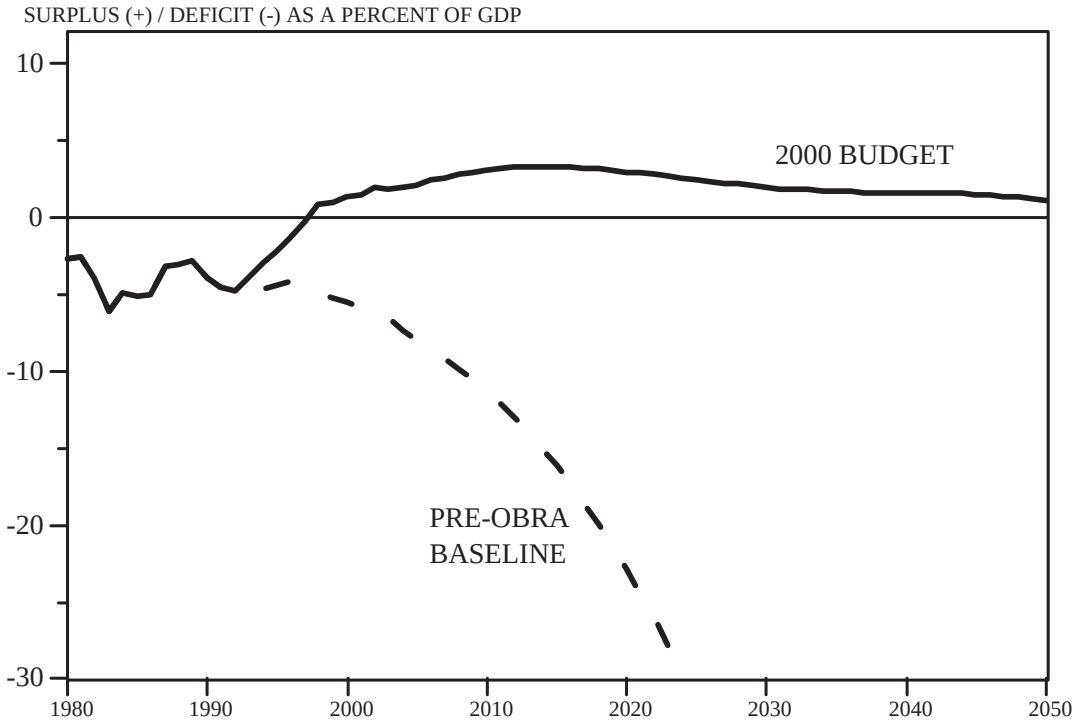
of the current 10-year budget window, the projections must be pushed out many decades into the future to examine the full problem.

The unexpectedly swift success in reducing the budget deficit since the passage of OBRA in 1993 also bodes well for our long-run projections. Without the changes enacted in OBRA, the Federal deficit would have continued to spiral out of control, reaching over 30 percent of GDP shortly after 2020. Projections in the 1997 Budget estimated a budget surplus for 2002, which was projected to last for about 20 years. However, the current long-run projection of the budget shows the surplus could continue for many years to come. Reform of Social Security is one of the most important challenges remaining to safeguard our hard won fiscal stability over time. In that context, maintaining fiscal discipline and using resources for strategic investments must be balanced.

The beneficial long-term results of these projections depend on prudent policy and on avoiding sustained adverse economic shocks. Permanent economic or technical shocks could knock the projections off track. However, ordinary business cycles should not affect the projections over the long run. In a typical cycle, a slowdown is preceded and followed by more rapid growth, and the budget regains in the rebound what it lost in the slowdown. (For more details on the long-run budget projections see *Analytical Perspectives*, Chapter 2, "Stewardship.")

Thanks to the policy initiatives taken by the Clinton Administration and the BBA, the budget provides a firm foundation to reform Social Security and put it on a solid long-term basis. Restoring confidence in this vital program is a key Administration priority. The long-term budget outlook summarized here offers the opportunity to get the job done.

Chart 1-8. THE IMPROVED BUDGET OUTLOOK PROVIDES A UNIQUE OPPORTUNITY TO SAVE SOCIAL SECURITY



Investing in Federal Statistics

Our democracy and economy demand that public and private leaders have unbiased, relevant, accurate, and timely information on which to base their decisions. Data on real Gross Domestic Product, the Consumer Price Index, and the trade deficit, for example, are critical inputs to monetary, fiscal, trade, and regulatory policy. They also have a major impact on government spending, budget projections, and the allocation of Federal funds. Taken together, statistics produced by the Federal Government on demographic, economic, and social conditions and trends are essential to inform decisions that are made by virtually every organization and household.

Despite these critical uses, rapid changes in our economy and society, and funding levels that do not enable statistical agencies to keep pace with them, can threaten the relevance and accuracy of our Nation's key statistics. Without improvements proposed in this budget, it will become more difficult for our statistical system to mirror accurately our economy and society, which, in turn, could undermine core government activities, such as the accurate allocation of scarce Federal funds. Fortunately, the most serious shortcomings of our statistical infrastructure could be substantially mitigated by proposals set forth in the Administration's budget. These initiatives are documented in greater detail in Chapter 11 of *Analytical Perspectives*, "Strengthening Federal Statistics."

2. SAVING SOCIAL SECURITY

> *"For 60 years, Social Security has meant more than an ID number on a tax form, more than even a monthly check in the mail. It reflects our deepest values, the duties we owe to our parents, to each other, to our children and grandchildren, to those who misfortune strikes, to our ideals as one America."*
>
> President Clinton
> April 1998

Social Security is one of the most successful Government programs in United States history. Since its creation more than 60 years ago, Social Security has formed the bedrock of retirement security for Americans. Social Security is more than a retirement program, though. It is a promise, a guarantee. For millions of Americans who grow old after a lifetime of work, who become disabled or suffer the death of a family breadwinner, Social Security has meant that America will stand by them.

Right now, the future of Social Security is uncertain. The pending retirement of 76 million baby boomers will put new financial pressure on the Social Security system. By early in the next century, the Social Security trust fund will have to start drawing on its own reserves in order to pay beneficiaries, reversing the self-financing nature of the system that has existed since its inception. As this trend continues to grow, some thirty years into the 21st Century, Social Security will have only enough resources to cover 72 cents on the dollar of currently promised benefits. Put simply, if no changes are made, Social Security will eventually go broke.

In order to preserve the system that so many Americans rely upon, the President is urging the Nation to take measures this year. In 1998, he has led the way with a series of regional bipartisan forums to build public awareness about the nature and scope of the problem, and to build public consensus for solutions.

This year, the Administration intends to work with Congress on a bipartisan basis to fix Social Security, guided by the five principles he stated last year. The time to act is now. First, if we take measures today, the changes to fix Social Security will be far simpler than if we confront the problem after it has grown. Acting now provides the opportunity to take advantage of America's strong economy and the Government's first budget surpluses in a generation. The future of Social Security presents a huge challenge for America, but with serious effort and bipartisan engagement, it is a challenge we as a Nation are well prepared to meet.

A Long-term Commitment to Workers and Their Families

Nearly every American is touched by Social Security at some point in their lives, either as a recipient of benefits or as a relative of a beneficiary. Social Security, officially known as Old-Age, Survivors, and Disability Insurance (OASDI), provides families with comprehensive protection against loss of income due to the retirement, disability or death of a wage earner.

While most Social Security beneficiaries are retired workers, Social Security is more than a retirement program. Nearly one third of Social Security beneficiaries are disabled workers and their families, or survivors of deceased workers (see Table 2–1). Many beneficiaries would face a high risk of poverty without the income protection provided by Social Security.

Principles for Social Security Reform

The President has announced five principles with which to evaluate proposals for correcting Social Security's long-range imbalance.

First, any reform should strengthen and protect Social Security for the 21st Century. The basic program has been one of this Nation's greatest successes, and it should not be abandoned.

Second, reform should maintain universality and fairness in the program. For half a century, Social Security has been a progressive guarantee for citizens.

Third, Social Security must provide a benefit that people can count on. Regardless of the ups and downs of the economy or the financial markets, Social Security must provide a solid and dependable foundation of retirement security.

Fourth, Social Security must continue to provide financial security for disabled and low-income beneficiaries. Social Security is not just a retirement program. It is also a disability insurance and life insurance program. One out of three Social Security beneficiaries is not a retiree.

Fifth, Social Security reform must preserve America's fiscal discipline.

When President Roosevelt signed Social Security into law, most seniors were poor. Shortly before Roosevelt established the program, one elderly person sent a letter begging him to end the "stark terror of penniless old age." Since then, Social Security benefits have significantly improved the well-being of the Nation. The poverty rate among the elderly declined by 64 percent over the past three decades, in large part due to Social Security. In 1967, 29.5 percent of the Nation's senior citizens lived in poverty. By 1997, that figure had dropped to 10.5 percent.

Social Security was founded on two important principles: social adequacy and individual equity. Social adequacy means that benefits will provide a certain standard of living for all contributors. Individual equity means that contributors receive benefits directly related to the amount of their contributions. These principles still guide Social Security today.

Social Security was originally designed to provide a continuing source of income to help eligible workers maintain a household when they retired. In 1935, personal savings, family support, and State welfare programs were the main sources of income for those age 65 and older who did not work.

Table 2–1. SOCIAL SECURITY PROVIDES UNIVERSAL BENEFITS

(Thousands of OASDI Beneficiaries)

	2000 Estimate
Retired workers and families:	
Retired workers	27,941
Wives and husbands	2,850
Children	447
Survivors of deceased workers:	
Children	1,932
Widowed mothers and fathers with child beneficiaries in their care	214
Aged widows and widowers, and dependent parents	4,822
Disabled widows and widowers	193
Disabled workers and families:	
Disabled workers	4,939
Wives and husbands	186
Children	1,459
Total	**44,983**

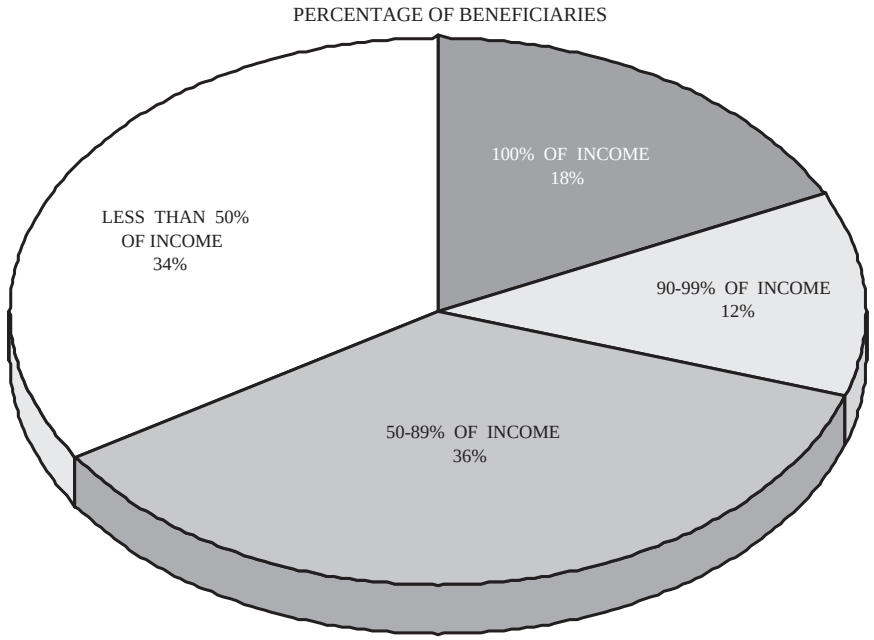
Before Social Security, about half of those over 65 depended on others, primarily relatives and friends, for all of their income. The same was often true for people with disabilities. Today, two thirds of those over age 65 get at least half of their income from Social Security (see Chart 2–1). Social Security benefits account for about 40 percent of all income that goes to the elderly population. For an average-wage worker retiring in 1998, Social Security replaced more than 40 per cent of his or her pre-retirement earnings. With Social Security, the vast majority of those over age 65 and those with disabilities can live relatively independent lives. Moreover, their families no longer carry the sole responsibility of providing their financial support.

Disability Insurance (DI) provides income security for workers and their families when workers lose their capacity to work due to disability. Before DI, workers often had no such protection, although in some cases employees whose injuries were job-related may have received State worker's compensation benefits. Congress enacted DI in 1956 to protect the resources, self-reliance, dignity, and self-respect of those suffering from non-work-related disabilities. DI protection can be extremely valuable, especially for young families who could not sufficiently protect themselves against the risk of the worker's disability.

Social Security is especially important for women, who make up 60 percent of all Social Security beneficiaries, and an even greater percentage—72 percent—of all beneficiaries over age 85. Benefits to spouses of retirees and survivors of deceased workers are a critical source of old-age income for women, who are more likely to take time out of the paid workforce to raise children or care for aging parents.

Social Security also makes up a larger share of retirement income for women than it does for men. The program accounted for 51 percent of the total income of elderly unmarried women in 1996, including widows. It provided 39 percent of the income of

Chart 2-1. SHARE OF OASI BENEFICIARIES WHO RELIED ON SOCIAL SECURITY FOR A GIVEN PORTION OF THEIR INCOME, 1996



elderly unmarried men, and 36 percent of income of elderly married couples. Moreover, women are more likely to rely on Social Security for all of their retirement income (see Table 2–2).

Social Security plays a larger role in women's retirement income than men's for several reasons. First, women live longer on average, and the inflation-indexing of Social Security benefits protects their buying power over time. Second, women on average have lower lifetime earnings than men due to the fact that women in general take more years out of the work force, are more likely to work part-time, and are more likely to earn lower wages than men, even in year-round full-time work. Because women have lower earnings, the progressive nature of the Social Security benefit formula enhances the role of these benefits in women's retirement income. Finally, women are less likely than men to retire with private pensions, and their pensions are smaller than those received by men, again due to lower lifetime earnings. While the differences between men's and women's work patterns and earnings are expected to shrink in next few decades, they are not expected to disappear entirely.

Program Trends

Growth in Retirement Benefits: Social Security is facing financial stress due to changing demographics and its own financing structure. The program is largely "pay-as-you-go"—current retirement benefits are financed by current payroll contributions. Such financing worked well in the past, when five workers paid for every retiree. However, when the large baby boom generation retires, eventually only two workers will pay for every retiree (see Chart 2–2). Furthermore, while the system's financial burden will increase greatly with the baby boomers' retirement, the Social Security Trustees do not expect demographic trends to improve markedly in later periods.

Two demographic factors are especially important. Baby boomers and subsequent generations are having fewer children and are expected to live longer than previous generations. In 1957, women had an average of 3.7 children, compared to 2.02 today. In 1935, life expectancy was 63 years for females, 60 for males. By contrast, baby boomers on average have a much longer life expectancy—73 years for females and 67 for males. The life expectancy for people born in 2000 is 80 years for females, 74 years for males. The longer people live, the longer they will collect Social Security. The longer that people spend in retirement, the larger the pool of retirees who need to be supported at any one time, and the fewer there are working who can contribute to provide that support.

Growth in Disability Benefits: Social Security's disability component has grown rapidly since its inception. The program provided about $48 billion to 6.2 million disabled beneficiaries and their family members in 1998, compared to $57 million for 150,000 disabled workers in 1957.

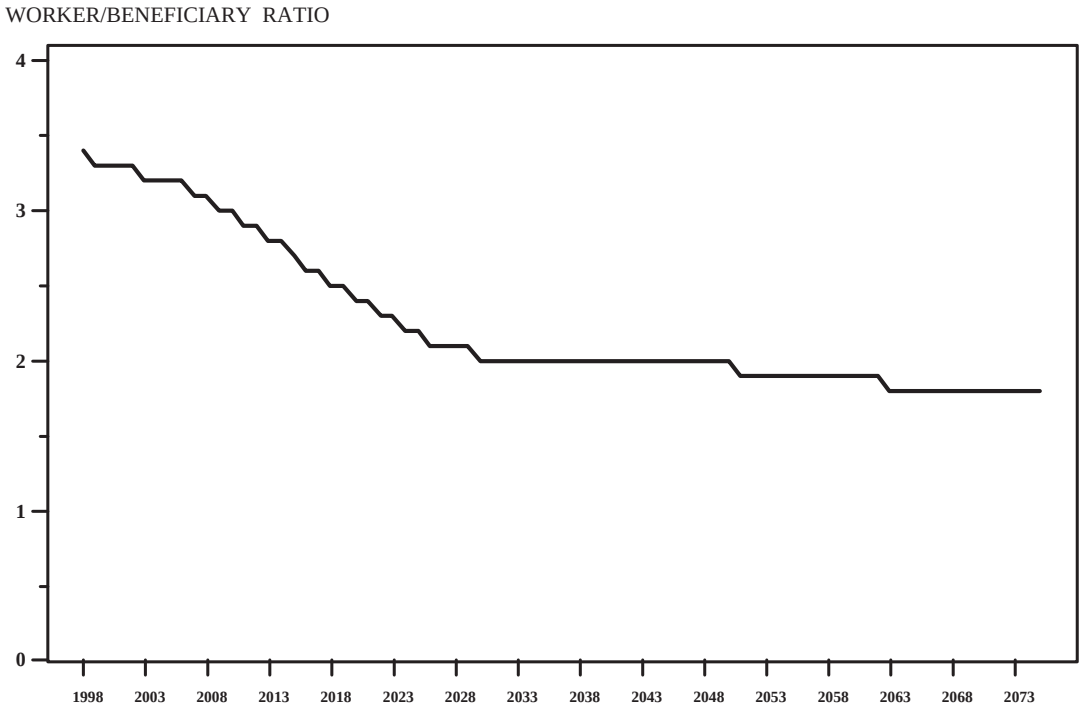
What has caused the program growth? Laws, regulations, and court decisions over the years have expanded eligibility for benefits. Recently, more and more baby boomers are reaching the age at which they are increasingly prone to disabilities, and the number of women insured has risen. As the caseload grows, it becomes more important

Table 2–2. SOCIAL SECURITY IS CRUCIAL TO RETIREMENT INCOME

(Percentage of those over age 65 who relied on Social Security for their entire income, 1996)

	Social Security is sole income source
Unmarried women	25%
Unmarried men	20%
Married couples	9%

Chart 2-2. COVERED WORKERS PER SOCIAL SECURITY BENEFICIARY



to ensure that those on the rolls are all, in fact, eligible for benefits. To maintain DI's integrity, the Administration proposes to maintain support for additional continuing disability reviews—periodic reviews of individual cases that ensure that only those eligible continue to receive benefits.

In any given year, very few DI beneficiaries return to work. Many are just too severely disabled to work. Others, however, could work and want to work, but they face significant obstacles to doing so. To address this problem, the budget includes a comprehensive package of proposals to help disabled beneficiaries enter or re-enter the work force (see Chapter 3, "Investing in Education and Training").

The Long-range Challenge

Social Security is designed to be self-financed; its most important revenue source is the payroll tax. Current economic and demographic forecasts indicate, however, that revenues will fall short of expenditures in the next century unless corrective action is taken. The combined OASI and DI trust funds are not in balance over the next 75 years—the period over which the Social Security Trustees have traditionally measured Social Security's well-being. The projected financial shortfall is largely due to the demographic trends discussed above. In their 1998 report, the Trustees estimated that starting in 2013, annual tax revenues coming into the trust funds will fall short of benefit payments.

For many years, annual tax revenues going into the combined trust funds have exceeded benefit outlays, a situation projected to continue through 2012. The excess revenues are invested in special interest-bearing Treasury securities. These securities, like regular Treasury securities, are backed by the full faith and credit of the U.S. Government. The trust funds are credited with the amount of principal as well as the interest paid on the securities. However, with no changes to current law, beginning in 2013, the program

will use interest income from these trust fund reserves to help pay benefits. Starting in 2021, payroll tax and interest income will no longer be sufficient. The program will need to spend the principal held in reserve in order to meet benefit obligations. The Trustees forecast that the reserves will run out in 2032. At that point, annual payroll tax revenue will be sufficient to pay about 72 percent of benefits promised under current law.

The long-range fiscal health of the trust fund is determined by economic as well as demographic factors. Such things as productivity improvements contribute to economic growth, which in turn bolsters revenues coming into the trust funds as workers enjoy low unemployment rates and higher real wages. However, even under optimistic assumptions about future productivity improvements and real wage growth, the demographic forecasts indicate that there simply will not be enough workers in the labor force to cover the expected retirement costs of the baby boom and subsequent generations.

The President believes it is critical to address this financing shortfall now, for several reasons. First, addressing the issue now expands the number of options available for dealing with the problem. Second, there is time to engage in careful deliberation and develop a well-thought-out plan that protects vulnerable populations. Third, the healthy American economy and existence of a budget surplus provides a rare opportunity to tackle the problem from a position of strength. Finally, making decisions now will allow individuals sufficient time to adjust their retirement planning, if necessary. Guided by the principles he described last year, the President believes the Administration and Congress can fulfill America's long-standing promise to future generations.

The President's Framework to Save Social Security

In his State of the Union address, the President unveiled his proposal to save Social Security by using some of the projected budget surplus to strengthen the system and by investing a portion of the surplus in equities to raise the rate of return. These actions will substantially improve the program's fiscal position, strengthening it until mid-century. It will require tough choices and a bipartisan approach to fix Social Security, and to reach the President's overall goal of saving the Trust Fund at least until 2075. During this year, the President will work with the Congress to restore the system to fiscal health, and to address his other priorities including protections for the elderly at high risk of poverty.

Devote 62 percent of the budget surplus for the next 15 years to Social Security: The Administration proposes to set aside 62 percent of the projected unified budget surplus of the next 15 years for Social Security. This amounts to more than $2.7 trillion in additional resources available to meet future Social Security benefit obligations.

Increase returns through private investment: The Administration proposes tapping the power of private financial markets to increase the resources to pay for future Social Security benefits. Roughly one-fifth of the unified budget surplus set aside for Social Security would be invested in corporate equities or other private financial instruments. Because only about one-fifth of the surplus set aside for Social Security would be invested in equities, the share of the stock market held by the Trust Fund would be limited. A mechanism to insulate investment decisions from political considerations would be developed. Under this plan, most of the surplus funds set aside for Social Security would continue to be invested in special Treasury securities.

Provide additional fiscal reforms: The proposals described above will extend the life of the Social Security Trust Fund until 2055—but do not achieve the President's goal of saving Social Security for 75 years. The President has called for a bipartisan effort with all to make the difficult, but sensible and achievable choices to save the system through 2075.

Reduce elderly poverty: Although Social Security has made great strides in reducing poverty in the past 30 years, some groups among the elderly still face high poverty rates. Elderly widows, for example, experience a poverty rate of 18 percent, nearly eight percentage points higher than the general population of the same age group. The President will work to see that Social Security protections for elderly women and other especially vulnerable beneficiaries are improved.

Encourage work: Social Security's rules discourage retired individuals from working because benefits are reduced when a retiree's earnings exceed a certain level. In 1996, the President and the Congress raised that level of earnings—so that by the year 2002, retirees could earn as much as $30,000 before their benefits would be affected. The President believes that an overall Social Security solvency agreement should remove the barriers to work that are a result of the earnings test.

Pay down the debt: This program will continue the Administration's policy of fiscal responsibility, through which, for the first time in 29 years, the Federal Government last year actually reduced the amount of debt that it must finance with the public. The contributions to the Social Security Trust Fund will further reduce the level of publicly-held debt by two-thirds, to the lowest percentage of GDP since 1917. This will add to the Nation's savings and help our economy continue to grow.

IV. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

IV. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

> *We made a decision that was profoundly important, that the way Government works matters, that we could not maintain the confidence of the American people and we could not have ideas that delivered unless the Government was functioning in a sensible, modern, and prudent way.*
>
> President Clinton
> December 1998

On September 30, 1998, President Clinton announced that the Federal budget had reached balance and produced a surplus for the first time in a generation. Without this Administration's early and firm commitment to streamlining and reinventing Government, it would not have been possible to eliminate the deficit. "After all," Vice President Gore has said, "it is our progress in reinventing and downsizing Government, while improving it, that has enabled us to balance the budget, cut taxes for families, and invest properly in key priorities for the future."

Reinventing Government—the goals of improving the quality of services that Americans rightfully expect, while reducing the size of the Government that delivers them—seems an almost contradictory notion. How to do more with less? The answer is that the Government must meet the needs of the American people by improving its management and the performance of programs—much as U.S. business has done in the face of competitive pressure over the last quarter century. From the start, Vice President Gore, working with the departments, agencies, inter-agency working groups, and worker representatives, and drawing on the expertise of the private sector, has led an unprecedented effort to make the Federal Government more efficient and effective while also reducing its size.

From 1993-1998, the Administration has cut the Federal civilian work force by 365,000 full-time equivalent employees (FTEs). Based on the number of Federal employees on the payroll, the work force is the smallest it has been since the Kennedy Administration. Working with Federal employees, the Administration has eliminated wasteful spending and cut numerous outdated Government programs. These efforts have saved the American people more than $136 billion. Today, we have a smaller, more efficient Government that provides the services the American people have come to count on: protecting the environment; improving our schools; and providing retirement benefits to seniors, to name only a few. To recognize the Federal employees who help the Government operate more efficiently and better serve the American people, the President proposes a 4.4 percent pay raise, the largest increase since 1981, for civilian employees and military members.

The Clinton-Gore Administration relies on several key strategies to achieve its reinvention goals. Key among them are the National Partnership for Reinventing Government (NPR), Priority Management Objectives (PMOs), and inter-agency management groups.

Founded at the start of the Administration, the NPR (then the National Performance Review) has empowered Federal employees and managers and they have responded by improving services and cutting costs. It counts among its many successes the Food and Drug Administration's (FDA's) streamlined drug approval process, the Defense Department's (DOD's) reduction of many military specification buying standards, and the Federal Aviation Administration's (FAA's) improved safety procedures. NPR will concentrate on fostering customer-oriented, results-driven organizations that focus on performance.

PMOs focus the Administration's efforts to meet some of the Government's biggest management challenges. They are specific management initiatives covering a wide range of concerns, ranging from meeting the year 2000 computer challenge to implementing the restructuring of the Internal Revenue Service (IRS). The Administration also engages inter-agency groups (discussed later in this Section) to marshal resources across the Government to address concerns important to Americans.

Six years out, there is measurable success, more to be done, and a determination to realize the President's vision of a Government that functions in a "modern, sensible, and prudent way."

Internet addresses in this Section refer the reader to websites where work is described in greater detail.

NPR: Changing the Government

NPR has consistently pursued initiatives to build a Government that works better, costs less, and gets the results that matter to the American people. NPR efforts have led to operational improvements in agencies that affect everyday American life, such as better customer service at the Social Security Administration (SSA), and improvement in delivery of services, including the provision of water, food, and shelter to disaster victims by the Federal Emergency Management Agency.

In the coming year, NPR will focus on the following four major initiatives designed to improve Government services to all Americans:

(1) Working to deliver results Americans care about: In 1998, the NPR launched an effort with 32 agencies to increase their focus on customers and achieve results that matter to Americans. These High Impact Agencies (HIAs) interact directly with the public. The HIAs have defined specific commitments to improve service delivery and agency operations. Table IV–1 includes examples of the specific commitments made by many of the HIAs. This focus on customers will build on the agencies' strategic and annual performance plans discussed in Section VI. Additional information on the HIAs' efforts is available on the NPR website, www.npr.gov.

(2) Developing customer and employee satisfaction measures that will supplement agency program results: A key initiative in improving Government performance, the Government Performance and Results Act (GPRA), was enacted by Congress in 1993. This Act increases the accountability of Government agencies by requiring them to define measurable performance goals and report on their achievements.

In 1999 and 2000, the Administration intends to reinforce GPRA efforts by increasing the use of customer satisfaction goals in annual plans of selected agencies. For agency programs dealing directly with the public, customer satisfaction is a key measure. The Administration will also conduct the second annual employee satisfaction survey for Federal workers and use the data to monitor progress in bringing the benefits of reinvention to all Federal workers. Employee satisfaction also affects agency performance—satisfied employees mean better Government services, products, and benefits to the public.

(3) Improving American life in ways that no one Government program could accomplish alone: The Administration will pilot test strategies to provide seamless service delivery in areas of greatest concern to Americans, effectively creating a system of one-stop shopping for important Government services. People interested in help finding jobs or in improving public health in their community should be able to obtain that help swiftly and easily. The Administration is committed to using partnership approaches among Federal, State, and local programs to achieve the outcomes most Americans expect from their government.

Table IV–1. STRATEGIES TO ACHIEVE HIGH IMPACT AGENCY GOALS

Between now and January 1, 2001, agencies with great impact on Americans will:

I. Partner to get results that Americans care about that no agency can achieve alone. For example:

- In partnership with the airline industry, three Federal agencies (the Animal and Plant Health Inspection Service (APHIS), Customs, and the Immigration and Naturalization Service (INS)) will obtain advance information on 80 percent of international air passengers to expedite the overall flow of passengers with no loss in enforcement.
- The Food and Drug Administration will work closely with industry, health care providers, and the consumer to ensure that 75 percent of all consumers receiving new drug prescriptions will be given useful and readable information about their product.
- The Food Safety and Inspection Service will collaborate closely with other public health agencies that are members of the President's Food Safety Council to reduce food-borne illnesses by 25 percent, between 1997 and 2000. As a first step, they will work together in 1999 to develop a common approach and coordinate budgetary resources.

II. Create electronic access and processing in government. For example:

- The number of States issuing food stamps by electronic benefit transfer will increase from 22 in 1997 to 42 in 2000.
- An electronic trademark application will be placed on the Patent and Trademark Office's website. Trademark customers will be able to file applications and related papers electronically.
- By October 2000, the Department of Education will enable three million students and families to submit their Federal student aid applications electronically. This doubles the current annual number.

III. Manage with a set of measures that balance customer satisfaction, employee satisfaction, and business results. For example:

- The Veterans Health Administration (VHA) shows continuing improvement in patient satisfaction with the care they receive. In 1995, 60 percent of patients rated their care as very good or excellent. That number rose to 75 percent in 1998. The goal for 1999 is 79 percent. The 2000 goal is 83 percent and the 2003 goal is 95 percent.
- By 2001, the VHA will expand its adherence to clinical guidelines to cover 95 percent of common diseases among veterans compared to 76 percent in 1997.
- The Federal Emergency Management Agency will increase individual customer satisfaction with the assistance application process from 84 percent in 1995 to at least 90 percent in 2000.

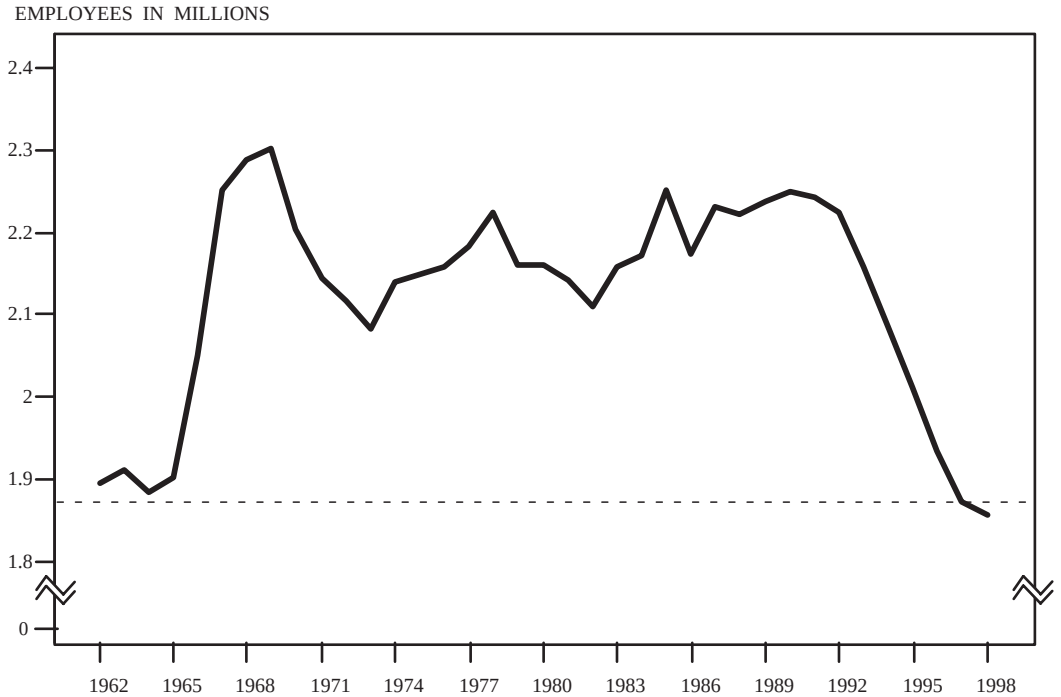
Note: Information on specific HIAs is available on agency websites.

One example of such partnerships is the establishment this year by Executive Order of a Food Safety Council, committed to reducing the incidence of food-borne illnesses. To improve the well-being of children, the Federal Government will also enter into 10 partnerships with State and local governments to devise new ways, under current law, to increase flexibility in the use of Federal program dollars and to redirect administrative savings for services and results. Successful partnerships will demonstrate measurable improvements in the lives of children. This performance partnership initiative has four components: 1) establishment of a results-driven accountability system, working with the Federal Interagency Forum on Child and Family Statistics, that will focus on key indicators of child well-being, such as immunization coverage, infant and child mortality, high school graduation rates, teen birthrates, youth crime rates, and child health insurance coverage; 2) identification of ways to consolidate planning and reporting for programs with related goals and greater flexibility in administering grant funds; 3) development of recommendations for new ways, within current law, through which administrative savings from discretionary grant programs might be pooled to establish a local Child Well-Being Investment Fund for innovations and priority programs; and 4) sharing of lessons learned through a "how-to" manual detailing strategies to reduce administrative costs and allow local flexibility.

(4) Allowing Americans to do business with the Government electronically: In 1997, the Administration announced the Access America initiatives to enable Americans to do business with the Government electronically. Recently, Vice President Gore launched Access America for Students, which pilots the integrated, computerized delivery of Government services to postsecondary students. This program will include services such as student loan applications and renewals, online address changes, veterans' educational benefits, campus admissions and services, and electronic income tax filing. Access America for Students will

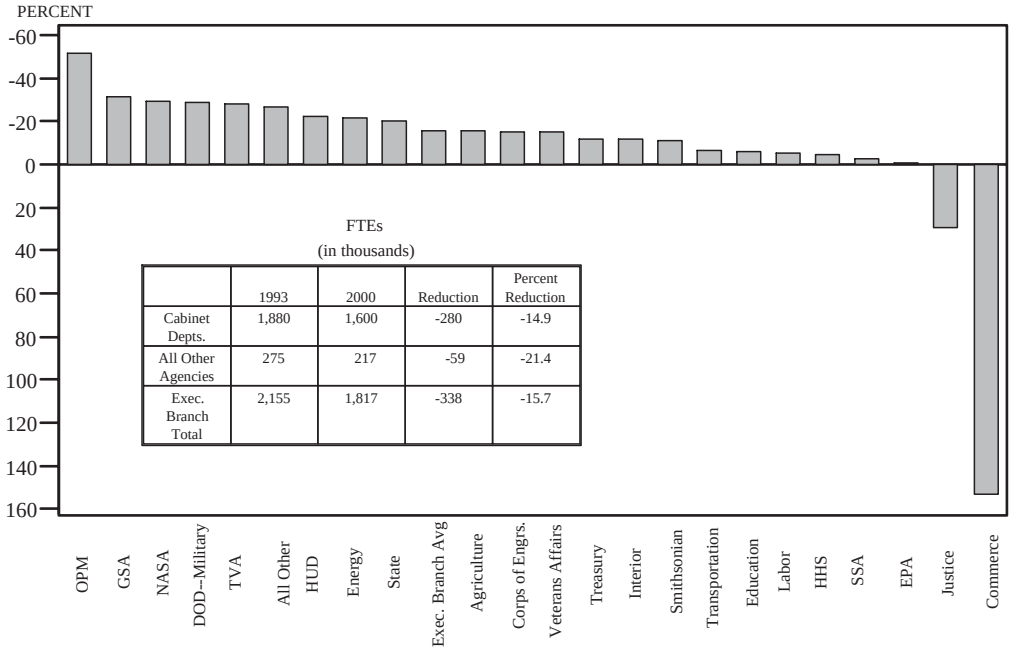
Chart IV-1. ACTUAL CIVILIAN EMPLOYMENT IN THE EXECUTIVE BRANCH, 1962 - 1998

(Excluding Postal Service)



Note: Data is end-of-year count.

Chart IV-2. CIVILIAN FTE CHANGES ON A PERCENT BASIS, 1993 - 2000 CABINET DEPARTMENTS AND SELECTED INDEPENDENT AGENCIES



FTEs (in thousands)

	1993	2000	Reduction	Percent Reduction
Cabinet Depts.	1,880	1,600	-280	-14.9
All Other Agencies	275	217	-59	-21.4
Exec. Branch Total	2,155	1,817	-338	-15.7

Notes: The Executive Branch total excludes Postal Service. The 1993 base, which is the starting point for calculating the 272,900 FTE reduction required by the Federal Workforce Restructuring Act, is 2.2 million. The Department of Commerce includes 64,000 temporary hires for decenial census.

be carefully constructed to ensure the privacy and security of all users. Other Access America programs are planned for users of other Government services (e.g., senior citizens). Additional information on Access America is available at www.gits.gov.

Streamlining the Government

Two fundamental changes in the Federal work force have combined to create a leaner, more efficient Government. First, the Administration has cut the overall size of the Government by 16 percent. Second, the Administration has given Federal employees the authority to propose and carry out significant improvements in agency programs. These changes have led to the elimination of many internal rules, establishment of customer service standards, creation of agency reinvention labs, and improved labor-management relations.

The Administration's accomplishments in downsizing Government are unprecedented since the demobilization after World War II. As Chart IV–1 shows, this is the smallest Federal work force in 36 years. The savings have been used to help pay for a variety of initiatives authorized by the 1994 crime bill, including the successful effort to put 100,000 new local police officers on the streets.

Almost all of the 14 Cabinet Departments and large independent agencies are cutting their work forces. For example, the General Services Administration (GSA) is reducing FTEs by 31 percent by streamlining its lines of business. The Justice Department's growth reflects the Administration's expanded war on crime and drugs. The decennial census is temporarily increasing the size of the Commerce Department's payroll (see Chart IV–2).

Reducing the size of Government is just one measure of success. Acquiring and retaining the right mix of people with the best combination of skills is a challenge to all employers, and the Government is no exception. Streamlining organizations is never easy, but a partnership with Federal employee unions has made change possible. As agencies

continue reinventing themselves to be more effective and responsive to America's needs, they will require management tools to restructure their work forces and achieve greater efficiencies. The Administration will support agencies if they need—as in the case of DOD, the Department of Energy (DOE), and the IRS—separate authority to restructure their work force with voluntary separation incentives. The Administration will also seek renewal of the authority to offer voluntary separation incentives to support downsizing efforts in those areas where cost/benefit analysis indicates that it would be beneficial.

Creating Powerful Incentives to Manage for Results

A new tool—the Performance-Based Organization (PBO)—was developed to help the Government operate more efficiently. Proposed by the Administration, and enacted by the Congress, the first PBO was mandated to improve the efficiency and delivery of student financial assistance.

PBOs encourage a group of Government executives in an organization to bear responsibility for its level of performance. These executives commit to meet tough annual performance goals, and if successful, they can receive substantial bonuses. To help them meet these goals, executives can exercise greater flexibility in hiring, compensation, and procurement. During the 106th Congress, the Administration will develop legislation to establish additional PBOs, including the FAA Air Traffic Services, the Seafood Inspection Service, the Patent and Trademark Office, the Rural Telephone Bank, the Defense Commissary Agency, the National Technical Information Service, the St. Lawrence Seaway Development Corporation, Federal Lands Highway, and the U.S. Mint.

Tackling Government's Biggest Management Challenges

To create a clear set of priorities for management efforts, the Administration has selected 24 key issues, listed in Table IV–2, to be PMOs. These were chosen as areas in need of real change, and will receive ongoing attention from the Administration.

There are six new initiatives while 18 continue from last year's budget. PMOs are coordinated by OMB with assistance from the NPR and inter-agency working groups. This assures that objectives receive senior management attention. Periodic reporting and review of these objectives provide an opportunity for corrective action as necessary throughout the year.

Strengthening Government-Wide Management

1. Manage the year 2000 (Y2K) computer problem: There is no more immediate management challenge facing governments and industries world-wide than the impending shift of dates from the year 1999 to the year 2000. A year ago, 27 percent of the Federal Government's mission-critical systems were Y2K compliant. At the end of 1998, more than double that number—61 percent—met that standard. The Administration has set March 31, 1999, as the deadline for all mission-critical systems to be Y2K ready.

Under the direction of the President's Council on Year 2000 Conversion, agencies are reaching out to private sector organizations, State and local governments, and international institutions. External Y2K activities have been organized to focus on key sectors, including energy, telecommunications, and financial institutions. In December 1998, the U.S. Government helped organize a United Nations conference of Y2K coordinators from over 100 countries.

The Administration also recognizes a critical need for industry to share its Y2K experiences and solutions with each other and with the public. Accordingly, the Administration proposed and the Congress enacted the Year 2000 Information Disclosure Act, which encourages companies to share information about possible Y2K solutions.

In 1999, agencies will focus primarily on testing their systems and their interactions with other systems, and will develop contingency and continuity of operations plans. In 2000, agencies will focus on assuring that Federal programs continue to deliver uninterrupted service to the public.

Table IV–2. PRIORITY MANAGEMENT OBJECTIVES

STRENGTHENING GOVERNMENT-WIDE MANAGEMENT

1. Manage the year 2000 (Y2K) computer problem
2. Use results to improve program management
3. Improve financial management information
4. Protect critical information infrastructure
5. Strengthen statistical programs
6. Implement acquisition reforms
7. Implement electronic Government initiatives

IMPROVING STEWARDSHIP OF ASSETS

8. Better manage financial portfolios
9. Better manage real property

IMPROVING PROGRAM OPERATIONS AND INTEGRITY

10. Verify that the right person is getting the right benefit
11. Use competition to improve operations

IMPROVING PROGRAM MANAGEMENT

12. Modernize student aid delivery
13. Improve DOE contract management
14. Strengthen the HCFA's management capacity
15. Implement HUD reform
16. Resolve disputes over Indian trust funds
17. Implement FAA management reform
18. Implement IRS reforms
19. Streamline SSA's disability claims system
20. Revolutionize DOD business affairs
21. Improve management of the decennial census
22. Manage risks in building the International Space Station
23. Improve security at diplomatic facilities around the world
24. Reengineer the naturalization process and reduce the citizenship application backlog

2. Use results to improve program management: GPRA makes Government agencies more accountable by focusing managers and policy makers on agency performance. GPRA can fundamentally change how the Government carries out its programs and makes funding decisions. The Act requires Federal agencies to periodically develop long-range strategic plans and annually prepare performance plans and performance reports. The annual plans set specific performance targets for an agency's programs and activities. The combination of GPRA plans and reports introduces an unprecedented degree of managerial and institutional accountability for accomplishing program goals. Key to achieving success is making the plans useful to the Congress, the President, and agency management.

In 2000, agencies will submit to the Congress and the President the first of their annual reports on program performance. These reports, covering 1999, will compare actual performance to the performance target levels in the annual plans for that year, and provide an explanation for any goal not met. With these reports, the first cycle of GPRA implementation will be complete.

During 2000, agencies will also be revising and updating strategic plans for submission

to the Congress and OMB by September 2000. All GPRA plans and reports are publicly available, and can often be found on individual agency websites.

Budgeting for Results is an effort to display and budget for all the resources used by Federal programs in a way that allows the costs to be systematically compared with the benefits provided. Although all costs are reflected somewhere in the budget, these costs are not all associated with the individual programs that use the resources. Some costs may be paid by other components within the Government. Thus, some of the basic information necessary for effective decision making is not readily available. In the coming year, efforts will continue toward making Budgeting for Results a reality.

3. Improve financial management information: In March 1998, for the first time in the history of the United States, the Government issued audited financial statements presenting the results of its operations. While the audit disclosed financial system weaknesses and problems in fundamental record-keeping in a number of areas, the Government's efforts to provide a full accounting is unprecedented. Bringing problems to light will force improvements. Improvement has already begun as illustrated by Table IV–3, which presents the anticipated results of audits of the financial statements of the 24 largest Federal agencies in 1998. These show that the Administration has already made substantial progress in improving financial management. Recognizing more must be done, the President directed agencies to resolve systems and record-keeping problems during 1999—with the goal being an unqualified report on the Government's 1999 financial statements, which will be issued in March 2000.

4. Protect critical information infrastructure: Last year, Presidential Decision Directive 63, Protecting America's Critical Infrastructures, launched a program to counter risks to the increasingly interconnected national infrastructures, such as telecommunications, banking and finance, energy, transportation, and essential Government services. These infrastructures are particularly vulnerable to disruptions—whether deliberate or accidental—to the computer systems that support them. The goal for 2000 is increased security for Government systems. The Federal Government should be a model of infrastructure protection, linking security measures to business risks and agency mission.

The goal for 2003 is a reliable and secure private information system infrastructure. The Administration will work with private industry, which owns the vast majority of the Nation's infrastructure, to meet common protection goals. Care will be taken to preserve privacy, and regulation will be used only if there is a material failure of the market to protect the health, safety, or well being of the American people.

5. Strengthen statistical programs: The Government spends more than $3 billion each year to produce statistical measures of our economy and society that help decision makers in the public and private sectors. These data are used for everything from spotting important trends in public health to projecting the impact of future demographic shifts on the Social Security system. In 1998, to improve access to, and the quality of, Government statistical data, the Administration: 1) sponsored a bill to permit limited sharing of

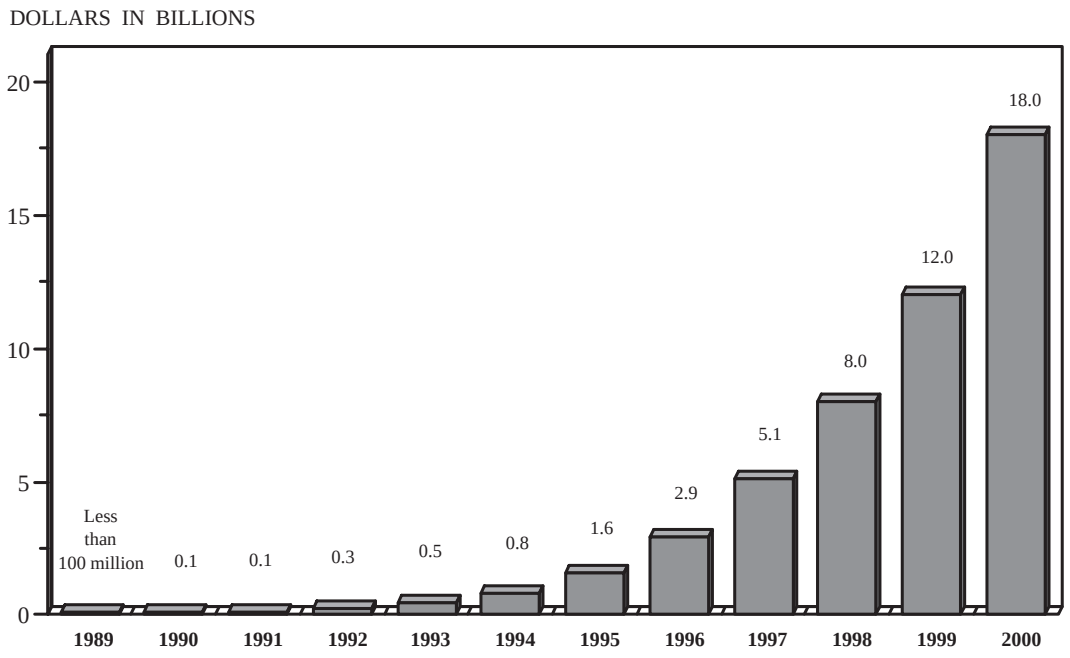
Table IV–3. CFO Agency Financial Statement Performance Goals

Financial Statements	1997 Actual	Estimate		
		1998	1999	2000
Audits Completed	23	24	24	24
Agencies with Unqualified Opinion	11	14	20	23
Agencies with Unqualified and Timely Opinion	8	12	20	23

confidential data among selected agencies solely for statistical use with appropriate safeguards; 2) doubled (to 28) the number of Federal agencies whose data series are indexed on www.fedstats.gov; and 3) published innovative inter-agency thematic reports based on federally-collected statistics, including *America's Children: Key National Indicators of Well-Being,* and *Changing America: Indicators of Social and Economic Well-Being by Race and Hispanic Origin*. In 1999, the Administration will continue to seek passage of legislation for statistical data sharing, and continue work on the American Community Survey to provide comparable demographic, economic, and housing data for small geographic areas. In 2000, the Administration will begin implementing the newly revised 1998 Standard Occupational Classification.

6. Implement acquisition reforms: The Federal Government is the Nation's largest buyer of goods and services, purchasing almost $200 billion annually. In the past six years, the Congress and the Administration have initiated numerous acquisition reforms to maximize the taxpayer's buying power. Contractors are increasingly being held responsible for results and measured on their performance when competing for future work. Agencies are buying commercial products and services rather than costly Government-unique solutions. The buying process continues to be streamlined, paperwork reduced, and results measured. In 1999, the Government will have 60 percent of Government purchases below $2,500 made by credit card—bypassing more paper intensive and time consuming procurement processes. By 2000, this rate will increase to 80 percent (see Chart IV–3). By 2000, over $23 billion in services contracts will be converted to Performance-Based Service Contracting (PBSC). Pilot programs demonstrated price reductions averaging 15 percent in nominal dollars, and agency satisfaction with contractor performance rose by 18 percent. Also by 2000, all major agencies will have systems which record contractors performance. This information will be a key

Chart IV-3. FEDERAL PURCHASE CARD PROGRAM GROWTH



Note: The average annual growth in the Federal Purchase Card Program is over 75 percent since its inception in 1989.

determinant to better manage contracts and successfully select contractors.

7. Implement electronic Government initiatives: As discussed in the Vice President's 1997 Access America Report, today's most important infrastructure improvement needed to promote electronic access to Government services is the ability to authenticate users over open networks like the Internet. The Government Paperwork Elimination Act of 1998 promotes Federal agency use of electronic signatures to verify identities and integrity of information and establishes the legal validity of electronic documents. In 1999, the Administration will work with the private sector to develop guidelines for implementing the Act. In 2000, the Administration will issue those guidelines, incorporating lessons from the Access America projects. Additional mission performance improvements from specific information systems investments are discussed in Chapter 22 of *Analytical Perspectives*.

Improving Stewardship of Assets

8. Better manage financial portfolios: The Federal Government currently underwrites more than $1 trillion in loans, primarily to students, homebuyers, and small businesses. The Government must better serve these customers and protect its interest in obtaining efficient and timely repayment. Using electronic commerce and the Internet, the Government will test streamlined processes for student loan applications and electronic drawdown to those who qualify. Privacy will be protected though the use of electronic signatures. The Government will also begin sharing information electronically to better manage its single-family home loans, and if successful, will apply the same model to other lending programs. By 2000, the Debt Collection Improvement Act, which requires agencies to refer debt over 180 days delinquent to the Treasury Department for collection, will be fully implemented with the help of a Government-wide offset program, private collection agencies, and asset sales.

9. Better manage real property: The Government owns billions of dollars worth of real property, including office buildings, hospitals, laboratories, and military bases. The Administration will pursue a number of initiatives, and where necessary, will submit legislation to:

- continue DOD's successful housing privatization program that augments each Federal dollar with two or more private sector dollars to construct and manage housing, thereby enabling the department to improve the quality of military family housing three times faster than would otherwise be possible;
- allow the Department of Veteran Affairs (VA) to sell unneeded property and keep the proceeds to improve direct care and services to veterans, with a share of the proceeds being used to provide assistance grants to local homeless populations; and
- amend the Federal Property and Administrative Services Act of 1949 to improve real property management, including allowing agencies to exchange or sell unneeded property and retain a share of the sales proceeds for other property investments.

Improving Program Operations and Integrity

10. Verify that the right person is getting the right benefit: It is important to ensure that beneficiaries get the benefits to which they are entitled and that errors in providing benefits are minimized. Agencies can shorten application review times and strengthen program integrity by sharing information among Government programs. For instance, in 2000, HUD will begin verifying tenant-reported income against other Federal income data. This will help ensure that housing assistance goes to those entitled to these benefits. Also in 2000, the Department of Education will propose legislation to permit the use of income information in the National Directory of New Hires to verify income reported on student loan applications and to identify income received by student loan defaulters. This could lead to an estimated savings of over $450 million.

In 1999, the Administration will support improved Federal and State program information sharing to minimize erroneous payments

at benefit determination; to eliminate unnecessary burdens on applicants by coordinating information collection and verification; to protect individual privacy; and to enable customers to use secure and convenient electronic application processes.

11. Use competition to improve operations: Competition has become a cornerstone of the business strategy for DOD. DOD will compete over 200,000 positions (in accordance with OMB Circular A–76 procedures), including more than 100,000 positions between 2000 and 2005. Savings will result from: 1) reengineering work that stays in-house; and 2) contracting out, which has shown savings of 30 to 40 percent. Other agencies are identifying potential commercial activities, which will provide a basis for implementing the Federal Activities Inventory Reform Act of 1998 (FAIR). Inventories are due to OMB by June 30, 1999, under the Act.

Improving Program Implementation

12. Modernize student aid delivery: Each year, nearly nine million students receive a total of $50 billion in aid through six major Federal student financial assistance programs. These programs are separately authorized—with unique features—and have evolved information and other management systems that are not always consistent with one another. To improve and streamline the management of these programs, the Higher Education Amendments of 1998 authorized the Government's first ever Performance Based Organization (PBO). During 1999, this PBO will work with a broadly representative group of lenders, students, and program intermediaries to develop a five-year performance plan to modernize student aid delivery. The goals will include:

- improving service to students and other participants in the student aid process;
- reducing costs of administering the programs;
- integrating and improving program information and delivery systems; and
- developing open, common, and integrated delivery and information systems.

13. Improve DOE contract management: More than 90 percent of DOE's budget is spent through contractors who are responsible for the operation, management, and safety of DOE facilities. Making more effective use of Performance Based Service Contracts (PBSC) and competition would improve DOE's mission attainment and could potentially save up to $1 billion. In 1999, DOE will focus on PBSC conversions for two management and operating contracts and 10 service contracts to increase work accomplished and lower costs. Also, DOE will compete four of the eight major expiring contracts.

14. Strengthen Health Care Financing Administration's (HCFA's) management capacity: HCFA is responsible for the stewardship of many of the most important social programs run by the Federal Government, including Medicare, Medicaid, and the Children's Health Insurance Program (CHIP). HCFA faces the formidable challenge of modernizing its administrative infrastructure, meeting pressing statutory deadlines for program change from the Balanced Budget Act (BBA) and the Health Insurance Portability and Accountability Act (HIPAA), and perhaps most important, the need to be highly responsive to its customers.

HCFA has begun the process of management change through its recent reorganization. However, further reform is needed. HCFA, HHS, and OMB have together begun the development of a reform initiative that will increase HCFA's flexibility to operate as a customer centered prudent purchaser of health care while also increasing accountability. This initiative has five components: 1) management flexibilities (e.g., evaluation of personnel needs and flexibilities); 2) increased accountability to constituencies (e.g., regular reports to the Congress and the Administration, creation of an outside advisory board); 3) program flexibilities (e.g., new authorities and greater use of existing authorities to pay for services at market rates, enter into selective contracts, and engage in competitive bidding); 4) structural reforms (e.g., re-engineering the relationship between HCFA's central and regional offices and between HCFA and HHS; contracting out functions); and 5) contractor reform (e.g., promoting competition in Medicare claims processings, introducing contract terms

that allow more flexibility for the Federal Government).

HCFA's core functions—modernizing Medicare, detecting fraud and abuse, providing beneficiary and provider education, implementing legislative changes, processing claims, providing increased beneficiary choices, and managing Federal and State Medicaid and CHIP programs—are vital and continue to expand. To meet these expanding programmatic challenges, as well as the challenges of continuous management reform, it is critical to move toward a stable source of funding for HCFA. As HCFA and HHS move down the road toward achieving fundamental reform and begin to accomplish some of the basic objectives noted above (e.g., contractor reform), the Administration will review legislative proposals to increase the stability of HCFA's funding.

15. Implement HUD reform: HUD's comprehensive reforms are geared toward producing improvements in agency operations—so that all tenants can live in safe and well-managed housing. These reforms include: clarifying the mission of each employee; cleaning up the data in existing management and financial systems; integrating these disparate management and financial systems where possible; and enhancing accountability in HUD programs. For instance, by 2000, HUD will initiate an independent, on-going assessment of all public housing and Section 8 projects. Projects that fail to meet reasonable private sector benchmarks for safety and financial integrity will be referred to a newly established HUD Enforcement Center for intensive oversight and technical assistance. If a project's safety and financial status do not improve, new management will be installed, or Federal assistance to the project will end. By 2000, HUD will also begin periodic customer and employee satisfaction surveys. The results of these surveys will be used to monitor progress in implementing meaningful HUD reform.

16. Resolve disputes over Indian trust funds: The Department of the Interior (DOI) is responsible for managing nearly $3 billion in trusts the Federal Government holds for the Indian Tribes and individual Native Americans. In 1998, DOI verified over half of all individual trust accounts, and conversion of these accounts to a commercial accounting system will be completed by the end of 1999. The Administration will also re-introduce legislation to settle disputed tribal trust balances that resulted from decades of mismanagement, and consolidate highly fractionated ownership of Indian lands. In 2000, DOI will:

- develop and negotiate settlement offers with Tribes whose accounts lack full documentation, and develop formula-driven settlement payments for Tribes that accept these offers;
- double the number of pilot projects to consolidate ownership of fractionated lands; and
- complete verification of the remaining one-third of all trust asset account data and finalize the conversion to the new commercial trust asset management system.

17. Implement FAA management reform: The safety of the flying public depends on the FAA—its air traffic controllers, technology, and preparation for future challenges. FAA has begun an 18-month pilot project to link pay increases for some staff to the achievement of their performance targets. In 1999, FAA will evaluate the overall impact of the first three years of its personnel reform. FAA will also continue to develop its cost accounting system to allow more business-like operations and management improvements. By early 2000, FAA will complete replacement of en route air traffic controller workstations and begin purchasing modernized airport terminal radar. FAA will continue to develop promising free flight technologies to improve air traffic control efficiency and effectiveness.

18. Implement IRS reforms: The IRS is modernizing its organization and its information technology to better serve over 200 million taxpayers and enhance its productivity by encouraging quality work. Major portions of the IRS' modernization plans were mandated by the Internal Revenue Service Restructuring and Reform Act of 1998. The new focus is captured by the IRS' revised mission statement: Provide America's taxpayers top quality service by helping them

understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. The basic outline of the new structure was completed in August 1998. The IRS Commissioner expects to announce the final design and implementation plans on April 15, 1999. The new organization and system improvements will be implemented over the following two and a half years. At the same time, IRS is modernizing its information technology to better support its new organization. In December 1998, IRS awarded a prime contract for information technology modernization. This is a long-term partnership between IRS and private industry to deliver the modernized financial and information systems needed to support IRS' new customer oriented organization.

19. Streamline SSA's disability claims system: SSA has undertaken a multi-year redesign project to improve service delivery for the millions of individuals filing for, or appealing decisions on, disability claims. SSA is providing all its adjudicators with uniform training, instructions which clarify complex policy areas, and an improved quality assurance process. Initial results indicate that these changes are helping SSA make more accurate disability determinations earlier in the claims process. SSA is also pilot testing modifications designed to streamline the disability applications process and increase claimant interaction with SSA at both the initial claim and hearing levels. Implementation of pilot modifications that prove successful will begin in 1999 and 2000.

20. Revolutionize DOD business affairs: DOD is changing the way it does business. Just as industry was forced to change to be competitive, so too must DOD upgrade its business operations to effectively support future national security strategy. DOD will adopt better business processes, pursue commercial alternatives, consolidate redundant functions, and streamline organizations to reduce overhead and apply resultant savings to fund modernization and quality of life programs. For example:

- DOD has devolved day-to-day program management functions from the Office of the Secretary of Defense to the military departments and defense agencies so that it could concentrate on policy and oversight responsibilities.
- DOD competitive sourcing initiatives will produce savings of over $6 billion from 1998 to 2003, with annual recurring savings thereafter of more than $2 billion.
- DOD will also improve the work environment, and benefit the lives of Department personnel, by establishing a career transition office for military personnel, establishing a Chancellor for Education and Professional Development, reengineering travel procedures, and streamlining the shipment of household goods.

21. Improve management of the decennial census: The goal of the decennial census is to conduct the most accurate census in U.S. history. The Census Bureau's plan will implement strategies to conduct a thorough and complete census. Specifically, management improvements include: user-friendly forms; a telephone questionnaire assistance program; language assistance; and using state-of-the art statistical sampling techniques. In 1999, preparations include developing the master address list, printing the questionnaires, and opening local census offices. In 2000, the census becomes operational. Activities will include hiring 300,000 temporary field staff, staffing the local census offices, and conducting non-response follow up and integrated coverage measurement.

22. Manage risks in building the International Space Station: The United States has the lead role in the international effort to build the International Space Station. The cost of U.S. participation has escalated because of technical difficulties, new work requirements, performance shortfalls, and Russian delays and shortfalls. In 1999, the program will continue to address cost and schedule performance problems in its key contracts, strengthen contract management and cost controls, and further reduce risks from potential Russian shortfalls. In 2000, the program begins a transition from development activities to orbital operations and research, seeking to take advantage of commercial practices, products, and services. The first two components of the space station were launched successfully in November and December of 1998. Additional 1999 launches

will prepare the orbital platform for the first permanent crew in January of 2000. Assembly will continue through 2004.

23. Improve security at diplomatic facilities around the world: The State Department received $1.4 billion in 1999 emergency funds to implement a broad program of security enhancements in response to terrorist bombings in Kenya and Tanzania and related threats directed at U.S. diplomatic and consular facilities overseas. Achieving global upgrades and maintaining that readiness at the Department's overseas posts poses a significant management challenge. Follow-on efforts will include significant investments in overseas facilities to ensure continued protection of U.S. Government employees working overseas. Long-range capital planning, including a review of future security requirements by a panel of experts and careful use of resources, will ensure that these investments meet cost, schedule, and performance goals of the program.

24. Reengineer the naturalization process and reduce the citizenship application backlog: The Immigration and Naturalization Service (INS) is redesigning its naturalization process to ensure service and benefits are provided with complete integrity and in a timely manner. At the same time, INS is addressing a backlog of 1.8 million pending applications for citizenship.

INS is committed to completing the naturalization process reengineering in 2000 and reducing the citizenship backlog—which currently requires applicants to wait upwards of 20 months to naturalize—to a 12-month wait-time in 1999 and a six to nine month wait-time by the end of 2000.

Using Inter-agency Groups to Improve Performance

To achieve the Administration's goal of making fundamental change in the operation of Government, inter-agency groups have been extensively used to lead crosscutting efforts. These groups draw together operational, financial, procurement, integrity, labor relations, and systems technology experts from across the Government. They establish Government-wide goals in their areas of expertise, and they marshal the resources within individual agencies to meet those goals. Several of these groups were established for the first time by this Administration, including the President's Management Council and the National Partnership Council. Other interagency groups are described in Table IV–4.

The President's Management Council (PMC): The PMC consists of the Chief Operating Officers of all Federal departments and the largest agencies. The PMC provides leadership for the most important Government-wide reforms. Council priorities include: streamlining agencies without unnecessarily disrupting the work force; identifying criteria and recommending methods for agency restructuring; identifying performance measures to support electronic commerce and performance-based service contracting; facilitating development of customer service standards; supporting labor-management partnerships; and leading GPRA implementation.

The National Partnership Council (NPC): President Clinton established the NPC in October 1993 to enlist the Federal labor unions as allies in reinvention and to shift Federal labor relations from adversarial litigation to cooperative problem solving. Members of the NPC include: representatives of Federal employee unions and Federal managers and supervisors; the Federal Mediation and Conciliation Service; the Federal Labor Relations Authority; the Office of Personnel Management; OMB; DOD; and the Department of Labor. In 2000, NPC will continue developing methods to evaluate partnerships and their effect on agency productivity and service. The results of this research will guide individual agencies in evaluating and promoting their efforts. More information on the NPC can be found on its website: www.opm.gov/npc.

Table IV–4. MAJOR INTER-AGENCY GROUPS

Council Name/Membership	Council Priorities/Recent Activities
Chief Financial Officers (CFO) Council: The CFOs and Deputy CFOs of the 24 largest Federal agencies and senior officials from OMB and Treasury. http://www.financenet.gov	• 1998 activities included interagency projects on GPRA implementation, electronic commerce, grants management, and human resources development. • Upcoming priorities include: achieving an unqualified opinion on the Government-wide consolidated financial statements; improving financial management systems; addressing GPRA implementation issues; improving management of receivables; modernizing payments and business methods; and improving the administration of Federal assistance programs.
Chief Information Officers (CIO) Council: The CIOs and Deputy CIOs for 28 major Federal agencies, two CIOs from small Federal agencies, and representatives from OMB and two information technology boards. http://cio.gov	• The Council develops recommendations for information technology management policy; identifies opportunities to share information resources; and supports the Federal Government's development of an information technology workforce. • Priorities for the coming year include: defining an inter-operable Federal information technology architecture; ensuring information security practices that protect Government services; leading the Federal year 2000 conversion effort; establishing sound capital planning and investment practices; improving the information technology skills of the Federal work force; and building relationships through outreach programs with Federal organizations, the Congress, industry, and the public.
President's Council on Integrity and Efficiency (PCIE): The 27 Presidentially-appointed Inspectors General (IGs), the Vice Chair of the agency-appointed IG council, and other key integrity officials. http://www.ignet.gov	• Priorities include mounting collaborative efforts to address integrity, economy, and effectiveness issues that transcend individual agencies. Recent efforts included a review of the controls of the Federal Electronics Benefits Transfer System and agency progress in debt collection. Current efforts include a project on non-tax delinquent debt. • Another priority is increasing the professionalism and effectiveness of IG personnel across the Government by setting standards for OIG work; maintaining professional training for OIG staff; and assisting OIGs as they confront new professional challenges such as GPRA implementation.
Electronic Processes Initiatives Committee (EPIC): Senior policy officials from DOD, GSA, Treasury, and OMB. http://policyworks.gov/org/main/me/epic/	• The PMC established EPIC to further the use of electronic commerce technologies and processes within the Government. • Its goals are to: facilitate electronic commerce and implementation of the Paperwork Elimination Act through the use of digital signatures to authenticate users and transactions; support integrated, commercially-based electronic buying and paying systems in the Government; improve citizen access to Government information and services through technology; improve financial management and reporting to assure taxpayers that Government resources are efficiently utilized; and foster the use of current technology, such as "smart cards", to improve business and administrative processes in the Government.

Table IV–4. MAJOR INTER-AGENCY GROUPS—Continued

Council Name/Membership	Council Priorities/Recent Activities
Federal Credit Policy Working Group: Representatives from the major credit and debt collection agencies and OMB. http://www.financenet.gov/financenet/fed/fcpwg	• Provides advice and assistance to OMB, Treasury, and Justice in formulating and implementing Government-wide credit policy. • Upcoming priorities are to: use the Internet for loan application processing and portfolio status reporting; share data among agencies to validate application and specially collected data; do asset valuation and sale of loans delinquent over one year; implement revised write-off policies and procedures; and develop common portfolio performance measures.
Procurement Executives Council: Senior procurement executives from major Federal agencies.	• An inter-agency forum for improving the Federal acquisition system. • Its priorities are improving the Federal acquisition work force; offering easier access to Government business to all segments of the private sector; promoting electronic commerce; and reducing government unique requirements.
Inter-agency Alternative Dispute Resolution Working Group (ADR): The Attorney General, representatives of the heads of all Cabinet Departments, and others with significant interest in Federal dispute resolution. http://www.financenet.gov/financenet/fed/iadrwg	• President Clinton established the ADR in May 1998 to assist Government agencies in making greater use of consensual methods for resolving disputes, including mediation, neutral evaluation, arbitration, and other processes. • The Attorney General has called upon experts throughout the Government to help other agencies establish new ADR programs in four areas: contracts and procurement; workplace disputes brought by Federal employees; claims arising from civil enforcement initiated by Government agencies; and monetary claims by citizens against the Government. A goal for 1999 is to assist each participating agency in establishing at least one new ADR program.
Joint Financial Management Improvement Program (JFMIP): A joint effort of GAO, OMB, Treasury, and OPM, with a rotating representative from another agency. http://www.financenet.gov/financenet/fed/jfmip/	• During 1998, JFMIP issued draft revised system requirements for Federal financial, human resource, and payroll systems; completed plans to redesign the testing and qualification process for commercial off-the-shelf accounting system software for Federal agencies; and issued guidance on core competencies in financial management. • In 2000, JFMIP will publish new financial system testing and qualifying processes and update other financial systems requirements.

V. PREPARING FOR THE 21st CENTURY

3. INVESTING IN EDUCATION AND TRAINING

We must redouble our efforts to make sure every American child, regardless of race, ethnicity, or income, has access to the finest public elementary and secondary schools in the world. This is the fair and right thing to do, because we live in an information age in which education is everything. If we believe in the value that every American should share in the bounty of prosperity, then every American deserves a first-class education.

President Clinton
September 1998

A century ago, as the economy was shifting from agriculture to manufacturing, the way that Americans lived and worked changed dramatically. Today, the economy has shifted once again—this time from manufacturing to information and technology. These changes have been, in many ways, the engine of our economic growth. Yet Americans who have not had access to education and training to prepare them for this new economy risk being left behind.

For the past six years, the President has worked hard to ensure that all Americans have the tools they need for the 21st Century. Education and training have been the cornerstone of the Administration's efforts. After World War II, American workers could enjoy basic economic security with just a high school diploma. But in the late 20th Century, the workplace demands workers with the analytical skills to reason and adapt quickly, especially to innovations in technology. The need for highly educated workers will continue to increase, making the quality of our educational system in the next century the key to the success of our people, our economy, and our Nation.

The Clinton Administration has launched new initiatives and built on existing programs to: provide children in the early grades with the attention and instruction they need to acquire fundamental skills; enable all students to reach their full potential; make available resources to pay for postsecondary education to all who need them; ensure that those who need another chance at education and training, or who need to improve or learn new skills during their working lives, get those opportunities; and ensure that States and communities receiving Federal funds can use them more flexibly with fewer regulations and less paperwork.

In order to strengthen elementary and secondary school education, the Administration proposed, and worked with Congress to enact, new laws in 1994 that have built the foundation for a fundamental restructuring of K–12 education programs. These efforts include: Goals 2000, which helps States and school districts set and meet challenging educational standards; the Improving America's Schools Act, which focuses on student achievement, helps students reach challenging standards, and expands public school choice through charter schools initiatives; and the School-to-Work Opportunities Act, which financed the first efforts toward State-wide systems to link high school students more effectively to high-skill careers and postsecondary education. In 1998, the President proposed an inititive on class size which took an important first step toward adding 100,000 new teachers to the classroom by 2005.

Expanding access to, and preparing students for, postsecondary education is a central part of the President's education agenda. The Administration has: increased the maximum Pell Grant award to $3,125 in 1999, up 36 percent from $2,300 when President Clinton took office; established the Direct Student Loan program, which reduced costs and increased efficiency in the $41 billion loan

programs and which offered income-contingent repayment options to students; made higher education more affordable through the proposal and enactment of the Hope Scholarship and Lifetime Learning tax credits; and helped students in high poverty schools prepare for and attend college through the GEAR-UP program.

To improve and expand job training and employment services, the Administration has more than doubled the resources devoted to assisting dislocated workers. In addition, the Administration proposed, and worked with the Congress to pass, the Workforce Investment Act, to streamline the job training system, empower people with individual training accounts, enhance accountability, and increase customer information and choice. The Administration also proposed and obtained funding for the Youth Opportunity Grants program to provide intensive, comprehensive education and training services to raise significantly the employment rate of young people in high poverty areas.

The budget builds upon this record. It includes: $1.4 billion for the second annual installment of support to States and school districts to hire new teachers in the early grades; $22 billion in school construction and modernization bonds, financed through tax credits to investors; $600 million for after-school and summer programs, increasing funding three-fold; a $320 million increase for Title I—Education for the Disadvantaged to support increased accountability for educational achievement; and other increases for serving dislocated workers and enhancing one-stop career centers. The budget includes resources to enhance public school choice, advance the Hispanic Education Agenda, and improve adult education.

A central part of the President's efforts to increase accountability is the focus on ending social promotion, the practice of promoting students from grade to grade without regard to whether they have mastered the skills and met academic standards required to succeed at the next grade level. The budget provides $600 million for 21st Century Community Learning Centers, tripling funding for after-school and summer school programs, to end social promotion the right way—by giving students the tools they need to succeed.

Elementary and Secondary Education

The budget increases support for key Education Department programs to help all children in school, especially those in high-poverty areas, achieve at higher levels (see Table 3–1). Early in 1999, the Administration will transmit to Congress its reform proposal for the reauthorization of the Elementary and Secondary Education Act. That proposal will focus on improving accountability to raise the educational achievement of all students, especially those in low-income communities. The budget includes the proposals below that will prepare the way for these broader reforms. (For information on Head Start, see Chapter 4, "Supporting Working Families.")

Performance Accountability: All children deserve to attend high quality public schools. When schools fail to help children reach rigorous standards of academic achievement, they must be held accountable for their performance. The budget includes $200 million in Title I to hold States and school districts more accountable for raising student achievement. States will use funds to fix their lowest performing schools through a variety of approaches including bringing in new management and teachers. Funds will also be used to ensure that students receive extra educational help while the school is being reformed. The increase described below for new funds for after-school and summer school activities is an integral part of this initiative.

21st Century Community Learning Centers/After-School and Summer School Programs: The budget proposes to triple this program to $600 million, as part of a comprehensive approach to fix failing schools and help end social promotion the way successful schools do it—without harming the children. School districts will have a competitive advantage for these new funds if they combine before- and after-school, as well as summer school programs, with other resources that support State and school commitments to high standards, more qualified teachers, smaller classes and accept accountability for increasing

Table 3–1. THE BUDGET INCREASES RESOURCES FOR SELECTED EDUCATION AND TRAINING PROGRAMS BY $5 BILLION, OR 10.9 PERCENT OVER 1999, AND BY A TOTAL INCREASE OVER 1993 OF 101 PERCENT

(Dollar amounts in millions)

	1993 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1993 to 2000
TAX EXPENDITURES:					
Hope Scholarships Credit	.....	4,015	4,855	+840	NA
Lifetime Learning Credit	.....	2,510	2,655	+145	NA
Student Loan Interest Deduction	.....	245	283	+38	NA
School Construction	.....	.....	146	+146	NA
Work Opportunity Tax Credit (Targeted Jobs Tax Credit in 1993)	160	358	446	+88	+179%
Welfare/Jobs Tax Credit	.....	38	54	+16	NA
Total, tax expenditures	**160**	**7,140**	**8,426**	**+1,260**	**+5,116%**
MANDATORY OUTLAYS:					
Welfare-to-Work Grants	.....	872	1,597	+725	NA
Early Learning Fund (see Chapter 4)	.....	.....	372	+372	NA
DISCRETIONARY BUDGET AUTHORITY:					
Pre-School: Head Start (see Chapter 4)	2,776	4,660	5,267	+607	+90%
Elementary and Secondary Education:					
Class Size Reduction	.....	1,200	1,400	+200	NA
America Reads/Reading Excellence	.....	260	286	+26	NA
Goals 2000	.....	491	491	.....	NA
Education Technology (Education Department grant programs)	23	698	801	+103	+3,383%
Title I - Education for the Disadvantaged/Accountability	6,709	8,371	8,744	+373	+30%
Special Education	2,966	5,334	5,450	+116	+84%
Bilingual and Immigrant Education	213	380	415	+35	+95%
Safe and Drug Free Schools Communities	582	566	591	+25	+2%
Charter Schools	.....	100	130	+30	NA
Troops to Teachers	.....	.....	18	+18	NA
Comprehensive School Reform Demonstration	.....	145	175	+30	NA
21st Century Community Learning Centers	.....	200	600	+400	NA
Postsecondary Education:					
Pell Grants	6,372	7,704	7,463	–241	17%
Pell Grant maximum award (non-add, in dollars)	*2,300*	*3,125*	*3,250*	*+125*	*+41%*
College Work-Study	617	870	934	+64	+51%
Other Campus-based Aid	764	749	761	+12	–*
College Completion Challenge Grant	.....	.....	35	+35	NA
Teacher Quality Enhancement	.....	75	115	+40	NA
GEAR-UP	.....	120	240	+120	NA
Preparing for College Campaign	.....	7	15	+8	NA
Work Force Development:					
Learning Anytime, Anywhere Partnerships (Education and Labor Departments)	.....	20	30	+10	NA
Right Track Partnerships	.....	.....	100	+100	NA
Job Corps	966	1,309	1,347	+38	+39%
Youth Opportunity Grants/Rewarding Achievement in Youth	.....	250	250	.....	NA
Vocational Education	1,170	1,154	1,163	+9	–1%
Adult Education	305	385	575	+190	+89%
Veterans Employment Services and Training	167	167	169	+2	+1%
Dislocated Worker Training	517	1,406	1,596	+190	+209%
Employment Service and One-Stop Centers	895	968	1,048	+80	+17%
Total, budget authority	**25,042**	**37,589**	**40,209**	**+2,620**	**+61%**
TOTAL RESOURCES FOR SELECTED PROGRAMS (tax expenditures; receipts; mandatory outlays; and budget authority)	**25,202**	**45,601**	**50,604**	**+4,977**	**+101%**
STUDENT LOANS (face value of loans issued):					
Direct loans	.....	11,363	12,078	+715	NA
Guaranteed Loans	16,089	20,921	22,243	+1,322	+38%
Consolidated Loans	1,540	7,525	6,840	–685	+344%
Total, student loans	**17,629**	**39,809**	**41,161**	**+1,352**	**+133%**
DEPARTMENT OF EDUCATION:					
Discretionary Program Level	23,977	33,467	34,711	+1,244	+45%
DEPARTMENT OF LABOR:					
Discretionary Budget Authority	6,019	6,986	7,285	+299	+21%

NA = Not applicable.
* Less than 0.5 percent.

student achievement. The program will reach 7,500 schools in 2000.

New, Qualified Teachers and Smaller Class Sizes: Soaring school enrollments have overwhelmed school capacity, causing severe teacher shortages and classroom overcrowding, which hinder the ability of students to learn. The budget provides $1.4 billion as the second installment of the President's plan to help schools recruit, hire, and train 100,000 new teachers by 2005 and reduce class size in the early grades. Research shows that reducing class size to 15–18 students in the early grades improves student achievement, particularly among low-income and minority students in inner cities. The budget also proposes a new initiative to recruit and train 1,000 new Indian teachers to serve in school districts with high concentrations of Indian children.

Recruitment, Preparation, and Training of High-Quality Teachers: Children in all communities should have highly-qualified and effective teachers.

- *Teacher quality enhancement:* The budget provides $115 million to help improve the quality of teacher preparation programs at colleges and universities and address shortages of well-prepared teachers, particularly in urban and rural schools. The budget will fund approximately 16 partnerships of exemplary teaching colleges and universities, urban and rural schools, and subsidiary colleges and universities with teaching programs. It also will fund up to 7,000 scholarships to help recruit teachers to teach in high priority areas.
- *Eisenhower professional development:* The budget proposes $335 million to help States provide high-quality, professional development for teachers and administrators.
- *Troops-to-Teachers:* The budget proposes $18 million to recruit and train retiring military personnel and other to mid-career professionals to serve as new teachers in public schools.
- *Bilingual education:* The budget includes an increase of $25 million, for a total of $75 million, for the bilingual education professional development program to give 6,000 teachers the skills they need to help their students learn English and meet challenging academic standards.

New Classrooms: A third of all schools across the country, with 14 million students, have one or more buildings that need extensive repair, according to the General Accounting Office. School districts also face the cost of upgrading schools to accommodate computers and modern technology, and of constructing new classrooms and schools to meet expected record enrollment levels over the next decade. To help States and school districts meet this need, the budget proposes $22 billion in school construction and modernization bonds, and $2.4 billion in additonal Qualified Zone Academy bonds financed through tax credits to investors, currently valued at $3.7 billion over five years and $8.9 billion over 10 years. The President also proposes $10 million for Schools as Centers of Community, a new initiative to promote broad community involvement in the planning and design of new schools.

Indian reservations have some of the most critical needs for school construction assistance. Within the new school construction initiative, $400 million in bonding authority will be provided for Bureau of Indian Affairs schools. For those schools serving the poorest Tribes who would have difficulty issuing such bonds, the budget proposes $30 million for the Interior Department to pay the principal of about $75 million in bonds.

Education Technology: In February 1996, the President challenged the public and private sectors to work together to ensure that all children are technologically literate by the dawn of the 21st Century, and that schools take full advantage of the benefits of technology to raise student achievement. Achieving this goal will require progress in four areas: connecting every classroom to the Internet; expanding access to multimedia computers; increasing the availability of high-quality educational software and content; and ensuring that teachers can teach effectively using technology.

The most significant program that advances these goals is the Technology Literacy Challenge Fund. In 1997, the President committed to providing States $2 billion by 2002 through this Fund to support the education technology goals. Through 1999, $1.05 billion has been

provided. The budget includes $450 million for the Fund.

Other technology programs include:

- Technology Innovation Challenge Grants, which provides $110 million for competitive grants to develop innovative education technology applications;
- Technology Training for Teachers, which provides $75 million to help ensure that new teachers know how to use technology effectively;
- Computing Technology Centers, which provides $65 million, an increase of $55 million over 1999, to establish computer centers in low-income communities for those who cannot afford home computers;
- Middle School Teacher Training Initiative, which provides $30 million to train technology leaders in all middle schools; and the
- Software Development Initiative, which provides $5 million for a competition open to students in partnership with others to develop high quality software and websites.

E-Rate: The education rate, or E-rate, was created under the Telecommunications Act of 1996 to provide discounts for schools and libraries to buy high-speed Internet access, internal wiring, and telecommunications services. Over the first 18 months of the program, $1.9 billion has been provided to start connecting up to 47,000 schools and libraries and more than 30 million children to the Internet. In 2000, $1.3 billion will be made available.

America Reads/Reading Excellence: Two years ago, the President launched the America Reads Challenge, a multi-faceted effort to help States and communities ensure that all children can read well and independently by the end of third grade. This budget builds upon last year's commitment of $260 million, by proposing an investment of $286 million to continue this program in 2000. The funds help train reading tutors and coordinate after-school, weekend, and summer reading programs linked to in-school instruction; help train teachers to teach reading; and help parents help children prepare to learn to read. In addition, more than 1,000 colleges have pledged to use federally-financed work-study positions for tutoring programs.

Public School Choice: Choice in education has become one of the most hotly debated education issues in the last decade. The Administration firmly supports expanding school choice through its Charter Schools, Magnet Schools, and Satellite Work-Site Schools initiatives. These efforts strengthen the public education system by giving it the support it needs to fulfill its mission of providing equal educational opportunities for all while still providing children their choice of schools that best meet their needs. The budget supports the expansion of public school choice in three ways:

- *Charter Schools:* Through public charter schools, parents, teachers, and communities create innovative schools to raise student achievement, while States free these schools from unnecessary rules and regulations. The budget proposes $130 million for charter schools, a $30 million increase over 1999, to fund start-up costs for approximately 2,200 schools, continuing progress toward the President's goal of 3,000 charter schools by 2002.
- *Magnet Schools:* Magnet schools offer a special curriculum to encourage students of different racial backgrounds to attend previously racially isolated schools. The budget proposes a $10 million increase, to a total of $114 million, to fund inter-district magnet programs where, for example, an urban school district with high concentrations of minority and poor students can partner with neighboring suburban districts to form a specialized (e.g., math or art) curriculum which students of both districts attend.
- *Satellite Work-Site Schools:* These schools generally operate as public-private partnerships between large employers and school districts, with employers providing facilities on site for the schools. Experience shows that these schools can: (1) be more racially diverse than other schools because worksites are more diverse than residential neighborhoods; (2) save the school districts the cost of new facilities; (3) increase parental involvement in the schools; and (4) provide safe and enriching after-school programs. The budget proposes $10 mil-

lion for a demonstration project to support the planning and implementation of approximately 100 work-site elementary schools.

Safe and Drug-Free Schools and Communities: Since 1993, this program has provided $3.7 billion to help 97 percent of all school districts implement anti-drug and anti-violence programs. The budget proposes $591 million, including $90 million in competitive grants for projects that use proven program designs in high-need areas and $50 million for the Administration-proposed, newly established School Drug Prevention Coordinators program to ensure that at least half of all middle schools have a director of drug and violence prevention programs to link school-based programs to community-based programs. This program also provides $12 million to fund SERV, the Administration's initiative to support efforts in the Departments of Education, Justice, and Health and Human Services to respond to serious incidents of school violence.

Special Education: The budget proposes $5.4 billion to support State and local education for children with disabilities, an increase of $116 million over 1999. The increase is targeted toward improving educational results for children with disabilities through early intervention. The new resources support: a $50 million initiative to help schools implement research-based practices for how best to serve children with disabilities in the primary grades; an increase of $28 million to preschool grants, for a total of $402 million; and an increase of $20 million for grants to infants and families, for a total of $390 million.

Comprehensive School Reform Demonstration: This program funds competitive grants to schools to implement research-based school improvement models. The budget includes $150 million for such grants in high-poverty schools, an increase of $30 million over 1999, and $25 million for such grants in other schools. Nearly 3,500 schools will receive grants.

Advanced Placement and Other Courses: To ensure greater preparation for college, the budget proposes $20 million primarily to help schools provide advanced placement and other higher level courses to high-poverty schools that do not currently offer them.

Education Coordinator for Empowerment Zones: The 10 Education Regional Offices will each have a designated Empowerment Zones (EZ) coordinator to augment the existing Department of Education Empowerment Zones and Enterprise Community Task Force. The Coordinators will help EZs by fostering communication with educational institutions, facilitating access to Education technical assistance and program evaluation resources, providing technical assistance to EZ schools applying for competitive grants, and coordinating education reform efforts among EZs.

Investing in the Special Needs of Hispanic Americans

Raising the educational achievement of Hispanic Americans continues to require special attention. Their high school dropout rate, for example, is unacceptably high: in 1996, 29 percent of Hispanics aged 16 to 24 were high school dropouts, compared to seven percent of non-Hispanic whites and 13 percent of non-Hispanic blacks. Hispanic now receive 32 percent of services under Title I, more than any other minority group. For the second year in a row, the budget targets new funding to programs that are part of the Administration's Hispanic Education Agenda. The funding increases include:

- $100 million for a new Right Track Partnership initiative to help keep young people from dropping out of school, with special emphasis on the needs of limited-English proficient youth. (See discussion under "Work Force Development," later in this chapter.)
- $35 million, for a total of $415 million, for Bilingual and Immigrant Education. During the ESEA reauthorization, the Administration will look at ways to strengthen the Bilingual Education program to help limited-English proficient students become proficient in English as rapidly as possible, and prepare them to meet high standards in academic subjects.
- $14 million, for a total of $42 million, for assistance for colleges and universities that serve large numbers of Hispanic students;

- $9 million, for a total of $22 million, for the High School Equivalency Program for migrants and the College Assistance Migrant Program;
- $190 million, for a total of $575 million, for Adult Education, including $70 million to expand services and improve English as a second language and civics programs;
- $25 million, for a total of $380 million, for Title I-Migrant Education, which provides additional educational assistance to migrant children;
- $10 million for a Labor Department program to provide training and education assistance to migrant youth, including literacy assistance, worker safety training, English language assistance, and dropout prevention activities;
- $30 million, for a total of $630 million, for the TRIO programs that work with disadvantaged high school and college students to encourage them to complete high school and attend, and graduate from, college;
- $30 million, for a total of $150 million, for Comprehensive School Reform demonstrations in high-poverty schools, providing grants for research-proven reform efforts to schools that have low achievement and high dropout rates; and
- A portion of the Head Start expansion dollars will be used to boost participation by underepresented groups, particularly in areas with recent influxes of immigrants and limited-English proficient children, including seasonal farmworkers.

Postsecondary Education and Training

High school is the first stepping stone to a good job. However, those with more years of schooling consistently earn more over their working careers than those with only a high school degree. Meeting the cost of higher education can be difficult for many families, but Federal support through Pell Grants, work-study, student loans, Hope Scholarship and Lifetime Learning tax credits, other tax benefits, and other programs now make college affordable for every American. The budget proposes even more to help young people go to and stay in college.

College Preparation and Attendance: The budget proposes to double funding for GEAR-UP, the early intervention program based on the President's High Hopes proposal, from $120 million to $240 million in 2000. GEAR-UP provides funds for States and local partnerships to help students in high-poverty schools prepare for and attend college. The budget also provides $15 million for a Nationwide information campaign on the importance of higher education, the steps necessary to enroll in college, and the availability of Federal resources.

Hope Scholarship and Lifetime Learning Tax Credits: The President proposed and obtained major tax relief for the rising costs of higher education. With Hope Scholarships, students in the first two years of college or other eligible postsecondary training can get a tax credit of up to $1,500 for tuition and fees each year. In 1999, an estimated 5.5 million students will receive $4.5 billion in Hope Scholarship tax credits. Under the Lifetime Learning tax credit, students beyond the first two years of college, or those taking classes part-time to improve or upgrade their job skills, will receive a 20-percent tax credit for the first $5,000 of tuition and fees each year through 2002, and a 20-percent credit for the first $10,000 thereafter. In 1999, an estimated 7.2 million students will receive approximately $2.5 billion in Lifetime Learning tax credits.

Pell Grants: The President proposes to raise the maximum Pell Grant award by $125, to $3,250—the highest ever—to reach nearly four million low-income undergraduates.

Work-Study: In 1996, the President committed to expanding the Work-Study program to one million students by the year 2000 to give more students the opportunity to work their way through college. In this budget, the Administration reaches the goal of one million students by providing $934 million, a $64 million increase over the 1999 level.

College Completion Challenge Grants: The budget proposes $35 million for an initiative to help disadvantaged undergraduates succeed in school and complete their studies. Institutions of higher education that show they

have already invested their own resources in persistence programs for at-risk students, but still experience a gap between the dropout rates of disadvantaged students and other students, may apply for competitive grants. Grants may be used to strengthen support services, provide larger grant awards, and/or offer an intensive summer program, for students at risk of dropping out of college.

Student Loans: An estimated 6.2 million people will borrow $41 billion through the Federal student loan programs in 2000. In the Higher Education Amendments of 1998, the President's proposal to significantly lower interest rates for borrowers on student loans was adopted, easing the burden of repayment for new borrowers and borrowers who consolidate. The budget also proposes net savings of $4.5 billion over five years from excess profits of banks, guaranty agencies and secondary markets, and through improved debt collection. (See also chapter 22, "Education, Training, Employment, and Social Services," for a discussion of student aid management issues.)

In 1993, the Adminsitration proposed and obtained authority to offer students the opportunity to consolidate multiple student loans into one direct loan with lower payments, much less paperwork, and more efficient servicing. The Administration has continued to improve the quality of servicing for these loans and, in 1998, obtained a still lower interest rate for students who consolidate. The budget proposes to extend this authority for lower rates through 2000.

Learning Anytime, Anywhere Partnerships: The budget includes $30 million ($20 million in the Education Department and $10 million in the Labor Department) for the second year of this program to enhance and promote learning opportunities outside the usual classroom settings, via computers and other technology, for all adult learners.

D.C. Resident Tuition Support: The budget proposes up to $17 million for D.C. Resident Tuition Support, a new initiative that would enable eligible District of Columbia residents to attend public institutions of higher education in Maryland and Virginia at in-State tuition. Under the initiative, the Federal Government would provide funds to reimburse these institutions for the difference between in-State and out-of-State tuition for students who are District residents.

Adult Literacy: The 1990 Census found that over 44 million adults did not have a high school degree or General Educational Development (GED) credential, without which it is increasingly difficult to obtain a good job. Illiteracy is a serious bar to employment and to obtaining citizenship for many legal immigrants. Throughout his tenure, the President has sought to improve the education and skills of the Nation's low-literate population. The budget proposes an increase for Adult Education of $190 million, or nearly 50 percent, for a total of $575 million. The increase will help recent immigrants learn English and give them instruction in civics to help prepare for citizenship, as well as support innovative uses of technology in adult education, and preparation for passing the GED examination. In addition, the budget includes a new tax credit for employers who provide certain workplace literacy programs to eligible adults.

Work Force Development

Many who lose jobs and need new jobs or new skills to get those jobs, adults who are seeking jobs for the first time, or adults who want new skills to advance or change their careers, need a broad array of financial and program supports—especially as workers strive to succeed in the fast-changing new economy.

Reemployment Services for All Who Need Them: In 2000, the President proposes a major step toward the goals of: providing all dislocated workers who want and need assistance the resources to train for or find new jobs; expanding and raising the quality of the employment services now available to all job seekers and enhancing them for individuals receiving Unemployment Insurance; and ensuring that One-Stop Career Centers are available to all, either in person or electronically. The budget includes increases totaling $368 million as a first step towards achieving this goal.

- *Dislocated Worker Training:* The budget proposes $1.6 billion, an increase of $190 million—over three times the amount available when the President took office—to provide readjustment services, job search assistance, training, and related

services to help dislocated workers find new jobs as quickly as possible. Among the workers assisted by the program, and the proposed increase, are those displaced by trade and related causes.

- *Reemployment Services:* The budget proposes an increase of $53 million, for a total of $849 million, for grants to the State Employment Service system. The increase is targeted to expanding services to help workers receiving Unemployment Insurance benefits obtain the help they need in finding new jobs. In addition, $10 million is proposed for the new America's Agricultural Labor Network, an information system that helps growers to find workers and workers to find employment opportunities that meet their needs.

- *One-Stop Career Centers:* The budget includes $65 million for new methods of providing employment and related information through America's Labor Market Information System and the One-Stop system recently expanded in the Workforce Investment Act. Activities include a "talking" America's Job Bank for the blind, mobile service centers for sparsely populated areas, and a 1–800 service for easier access to information to upgrade skills. Also included is $50 million to help the disabled return to work (see Work Incentive Assistance Grants discussion later in this chapter).

Welfare-To-Work: To help reach the Temporary Assistance for Needy Families program's employment goal for the severely disadvantaged welfare recipients, the Administration sought, and Congress provided to the Labor Department, a total of $3 billion in 1998 and 1999. The budget provides $1 billion for 2000 to continue the effort and provide non-custodial parents of children on welfare the work and employment services they need to help support their children.

Trade Adjustment Assistance (TAA): The budget proposes consolidating, reforming, and extending the TAA and NAFTA-Transitional Adjustment Assistance (NAFTA-TAA) programs for workers who lose jobs due to trade policies. It would expand eligibility for TAA benefits to cover workers who lose jobs when plants or production shifts abroad; raise the statutory cap on training expenses; and add a contingency provision to ensure that the Federal Government has sufficient funds to finance any unexpected increase in benefit costs for eligible workers. The budget proposes to increase funding for the TAA programs by $151 million in 2000 to a total of $465 million.

Unemployment Insurance (UI): These programs are the major source of temporary income support for laid-off workers. Experienced workers who lose their jobs generally are eligible for up to 26 weeks of unemployment benefits at an average benefit of $210 a week. An estimated 8.3 million people will draw benefits in 2000.

A recent dialogue involving the States, employers, workers, and the Federal Government identified a number of possible system improvements. The budget includes several initial system changes as evidence of the Administration's commitment to program reforms and its desire to work with stakeholders and the Congress to develop a broader legislative proposal for the future. That proposal should be developed within the overarching goal of budget neutrality and should be based on the following principles: 1) expanding coverage and eligibility for benefits, 2) streamlining filing and reducing tax burden where possible, 3) emphasizing reemployment, 4) combating fraud and abuse, and 5) improving administration.

Youth Programs: The budget provides specialized support to help disadvantaged youth prepare for college and careers.

- *Youth Opportunity Grants:* Youth Opportunity Grants address the special problems of out-of-school youth, especially in inner-cities and other areas where jobless rates can top 50 percent. The budget includes $250 million for the second year of competitive grants. Included in the funding is $20 million for Rewarding Achievement in Youth—a new initiative to provide comprehensive employment training, counseling and education services to over 9,000 academically high-achieving, low-income youth. Encouraging school completion, this program will provide students who excel academically extended summer employment opportunities and

the opportunity to earn an end of the summer bonus.

- *Job Corps:* The Job Corps provides intensive, vocational skills training, integrated with academic and social education, and support services to severely disadvantaged young people in a structured residential setting. The budget proposes $1.3 billion, an increase of $38 million over the 1999 level.
- *Youth Activity Formula Grants:* Recognizing that the traditional division of youth formula funding between the summer and year-round programs constrained the ability to construct comprehensive youth training programs, the WIA consolidated the funding streams of these two programs into a single formula grant. Funded at $1 billion, this program will continue to provide essential job opportunities to roughly 578,000 urban and rural disadvantaged youth through year-round training and summer jobs.
- *Right-Track Partnerships:* The budget includes $100 million for a new competitive grant in the Department of Labor designed to prevent youth from dropping out of school, and to encourage those who have already dropped out to complete their high school education. Strong partnerships will be formed between the private sector, the schools, and community-based organizations to tailor services to local needs. Special emphasis will be placed on the needs of limited-English proficient youth.
- *School-to-Work:* Funded and administered jointly by the Education and Labor Departments, this initiative has made over $1.7 billion available since 1995 to build comprehensive systems that link Federal, State, and local activities to help young people move from high school to careers or postsecondary training and education. The budget proposes $110 million to complete the scheduled final year of Federal funding.

Encouraging Work for People with Disabilities

To advance the ability of people with disabilities to have full opportunity to participate in, contribute to, and reap the benefits of a growing economy, this budget provides a new package of work incentives, and builds upon current programs for people with disabilities.

The Work Incentives Improvement Act: The budget includes a comprehensive package of work incentives modeled after legislation developed by Senators Jeffords and Kennedy in 1998. The package forms the centerpiece of the President's initiative to provide economic opportunities to people with disabilities.

- *Health Insurance Protections for Working Disabled:* Many people with disabilities want to work, but working can end their access to critical services provided by Medicaid or Medicare. Others incur prohibitive costs associated with work, such as extra personal assistance and assistive technology. The budget improves access to health care for people with disabilities who work by allowing States to expand Medicaid coverage to additional categories of workers with disabilities. States offering new coverage options would receive grants to develop systems that support people with disabilities who return to work, and to build the capacity of States and communities to provide home- and community-based services. The budget also allows Social Security Disability Insurance (DI) recipients who return to work to retain Medicare Part A coverage indefinitely, as long as they remain disabled.
- *Ticket-to-Work:* The budget includes a new program to encourage new partnerships to help DI and Supplemental Security Income (SSI) disabled beneficiaries re-enter the workforce. Currently, most beneficiaries who could benefit from employment-related services are referred to State Vocational Rehabilitation agencies. Under the proposal, beneficiaries can choose from a variety of participating public or private employment-related service providers, which would then be reimbursed with a share of the DI and SSI benefits saved once these individuals leave the rolls.

- *DI Benefit Offset Demonstration:* The budget includes a demonstration project that reduces an individual's DI benefits by $1 for each $2 earned above a specified level. Under current law, a DI beneficiary in the extended period of eligibility who earns more than the "substantial gainful activity" level, currently $500 a month, does not receive a cash benefit.
- *Work Incentive Assistance Grants:* Competitive grants (totaling $50 million a year) would be awarded to partnerships of organizations in every State, including organizations of people with disabilities, to help One-Stop Career Centers and Workforce Investment Boards provide a range of high-quality services to people with disabilities working or returning to work. Such services include benefits planning and assistance and providing information on services and work incentives (e.g., availability of transportation services in the local area) available in the public, private, and nonprofit sectors.

Tax Credit for Workers with Disabilities: The budget proposes a $1,000 tax credit for workers with disabilities or their spouses. Workers with disabilities usually have extra costs associated with working—special transportation or personal assistance to get to and from work, for example. This credit helps compensate for these costs.

In addition, the largest non-benefit proposals for improving the education and employment of people with disabilities are $5.4 billion for Special Education, described earlier in this chapter, and $2.3 billion for Vocational Rehabilitation. Other enhancements include a combined increase of $4.5 million for the President's Committee on the Employment of People with Disabilities, the Task Force on Employment of Adults with Disabilities, the National Council on Disability, the National Technical Institute for the Deaf, and Gallaudet University. The set aside for children with disabilities in Head Start increases from $590 million in 1999 to $667 million. The Department of Justice's Disability Rights Section funding increases by 26 percent, for a total of $14 million.

International and Domestic Child Labor and International Labor Standards Activities

Continuing the Administration's commitment to improving the working conditions of children at home and abroad, the budget proposes $16 million in additional funding to address this issue. In addition, the budget proposes $40 million for a new initiative targeted at raising international labor standards to enhance economic stability abroad.

International Child Labor Activities: The budget continues to provide $30 million for the Labor Department to enable the International Labor Organization's International Programme to Eliminate Child Labor to expand its work into more countries and industries. The five-year initiative, which began in 1999, provides a $150 million investment which will help reduce the incidence of exploitative and abusive child labor. The budget proposes $10 million for a new School Works program for the U.S. Agency for International Development to assist developing countries with high levels of abusive child labor to enroll and retain these children in basic education, as part of comprehensive strategies to eliminate child labor. The budget also proposes $2 million over the 1999 level to enable the Customs Service to enforce the law banning the import of goods made with forced or bonded child labor.

International Labor Standards Activities: The budget proposes $25 million to help the International Labor Organization create a multilateral technical assistance program to help developing countries implement core labor standards and build their own social safety nets, and $10 million for the Labor Department to provide technical assistance on these same issues in support of important U.S. bilateral relationships. In addition, the budget provides $5 million for the Economic Support Fund to establish a grant program to promote innovative approaches to eliminating overseas sweatshops.

Domestic Child Labor Activities: The budget continues $9 million for the Labor Department, including $4 million to help eliminate domestic violations of child labor laws, particularly in the agriculture sector, and $5 million for demonstration programs to provide alternatives to field work for migrant youth.

In addition, the budget proposes $4 million for the Department of Labor to increase its current enforcement and compliance assistance efforts in the agriculture and garment industries which are focused on increasing compliance with labor standards, including child labor.

4. SUPPORTING WORKING FAMILIES

More and more parents of young children are in the workplace, either because they're single parent households, or because both parents have to work to make ends meet, or because both parents choose to work and they ought to have that choice.

But there is no more important responsibility . . . than making sure every American can balance the dual responsibilities succeeding as parents and succeeding at work. There is no more significant challenge.

President Clinton
January 1998

In the final year of this century, the fruits of the President's hard work on the economy are evident throughout the Nation, with higher wages, lower interest rates, and unemployment at almost record lows. For much of the country, this wave of prosperity has provided new opportunity. There have been benefits for many, for the college graduate starting a career, as well as the long-term welfare recipient taking a first job. But we still have more work to do to ensure that this economic boom provides equal advantages to all. And for working parents, many of whom have benefitted from the opportunities of this growing economy, there are also strains as they try to balance the twin demands of work and family. The President remains committed to helping working families, as well as those who are low-income and at-risk of falling into dependency, so that they too can enter the next century with justified optimism.

The Administration will continue efforts to address the needs of these Americans—to build a foundation that encourages and supports work and responsibility. The President believes that a central challenge we face at the dawn of the 21st Century is to help the growing number of working parents with young children meet their responsibilities and succeed both at work and at home.

The Administration has already taken significant steps in this direction, with a major expansion of the Earned Income Tax Credit, a new child credit, a boost in the minimum wage, expansions of Head Start, after school programs and child care centers, and significantly increased participation in the Special Supplemental Nutrition Program for Women, Infants and Children (WIC). In 1996, the President signed the historic Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), reforming the Nation's welfare system into one that requires and rewards work and responsibility, provides increased flexibility to States to administer work-focused welfare programs, expands funds for child care, and strengthens child support enforcement provisions. Meanwhile, the economy has created almost 18 million new jobs in the past six years, increasing the number of working families, and providing new opportunities for those leaving welfare.

By proposing and working to enact the Family and Medical Leave Act, the Health Insurance Portability and Accountability Act, and the Children's Health Insurance Program (CHIP), this Administration has enabled parents to respond to illness in the family without running the risk of job loss, to change jobs without forfeiting their health insurance, and to secure health insurance for their children when they could not otherwise afford it.

But there are still key areas in which working families need more help, especially in finding safe and affordable child care. Last year, the President proposed a major child care initiative, with new grants and tax credits for working families. His agenda was clear: to ensure that low- and middle-

income parents could afford to purchase child care, and to ensure that their children entered school ready to learn. Regrettably, despite the need for these measures, Congress only took action on a small part of this proposal. Because the President remains committed to helping parents meet the twin demands of work and family, he will propose a comparable Child Care Initiative for 2000.

In addition, the President will propose measures to help groups of low-income and at-risk individuals—homeless and runaway youth, older foster care children, legal immigrants, families moving from welfare to work, and battered women and their children. The budget will assist over 100,000 runaways and foster care youth in their efforts to become self-sufficient, expand and strengthen the network of battered women's shelters, strengthen early intervention by the educational system for disabled children, provide employment assistance to non-custodial parents of children on welfare, and support an array of critical services to thousands of low-income families through the Social Services Block Grant.

Expanding Child Care

In 1999, the Administration obtained $173 million to help States improve the quality of child care, $10 million for child care research, and an increase of $160 million for the Education Department's after-school/summer school program. The budget proposes a full range of further increases and new policies to increase spending and tax incentives by $3.6 billion over 1999 (see Table 4–1).

The Child Care Initiative

More Affordable Child Care: The President proposes to make child care more affordable by expanding the Child and Dependent Care Tax Credit for middle-income families with child care costs and for parents who stay home with their young children, providing tax credits for businesses to expand their child care resources, assisting parents who want to attend college meet their child care needs, and increasing funds with which the Child Care and Development Fund can help more poor and near-poor children.

Child and Dependent Care Tax Credit (DCTC): The DCTC Credit helps around 5.5 million families cover their child care costs each year. The budget proposes to expand the credit so that it offers more help for families with incomes below $59,000. The budget also proposes further expansion of this tax credit to help parents stay home to raise a young child. These two proposals would provide tax credits worth $6.3 billion over five years.

Tax credits for private employers: To make child care services more widely available, the budget proposes $500 million in tax credits over five years for private employers that expand or operate child care facilities, train child care workers, contract with a child care facility to provide child care services to employees, or provide child care resource and referral services to employees.

Child Care and Development Fund: Federal child care funding has risen by 80 percent under this Administration, providing child care services for 1.25 million children from low-income working families or whose parents are moving from welfare to work. The budget would increase funds for the Child Care and Development Fund by $1.2 billion, to a total of $4.5 billion in 2000, and by $7.5 billion over the next five years, enabling the program to provide child care subsidies for 500,000 more poor and near-poor children in 2000. These new funds, combined with the child care funds provided in welfare reform beginning in 1997, will enable the program to serve 2.4 million children by 2004, an increase of over one million since 1997.

College campus-based child care: To help increase low-income parents' access to higher education, the budget includes $5 million for the new Child Care Access Means Parents in School program to establish and support child care services on college campuses. States may also use a share of the Child Care and Development Fund for this purpose.

Exclusion of employer contributions for child care expenses: Under current law, parents can exclude up to $5,000 of employer-provided child care expenses from their taxable income and Social Security earnings. The exclusion

Table 4–1. THE BUDGET SUPPORTS A $3.6 BILLION INCREASE IN RESOURCES FOR CHILD CARE, 27 PERCENT OVER 1999

(Budget authority, dollar amounts in millions)

	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
Spending:				
Discretionary and Mandatory Budget Authority:				
Child Care, including $183 million increase for quality activities and research [1]	3,167	3,550	+383	+12%
Child Care Supplement	.....	1,155	+1,155	NA
Head Start	4,660	5,267	+607	+13%
Early Learning Fund	.....	600	+600	NA
21st Century Community Learning Centers	200	600	+400	+200%
Special Education	5,334	5,450	+116	+2%
College Campus-Based Child Care	.....	5	+5	NA
Child Care Apprenticeship Program	4	5	+1	+25%
Developmental Disabilities Special Projects, State Support Systems	4	4	.....	*
Total Spending	13,369	16,636	+3,267	+24%
New Tax Expenditures:				
Expansion of Child and Dependent Care Tax Credit, Including Assistance to Stay-At-Home Parents [2]	.....	338	+338	NA
Tax Credits to Private Employers	.....	40	+40	NA
Total Tax Expenditures	.....	378	+378	NA
Total	**13,369**	**17,014**	**+3,645**	**+27%**

NA = Not applicable.
* Less than 0.5 percent
[1] Includes discretionary Child Care and Development Block Grant and mandatory Child Care Entitlement to States.
[2] Includes elimination of household maintenance test.

will provide nearly $8 billion in benefits over five years.

Helping meet the cost of raising a child: The Child Credit, which the President proposed and Congress enacted as part of the 1997 Taxpayer Relief Act, helps working parents raise their children by providing $500 per child for all children under age 17. The credit, which will provide nearly $93 billion in tax benefits over the next five years, will help 26 million families with over 40 million children.

New Emphasis on Early Learning: The budget provides new funds to improve the safety and well-being of young children, including the new Early Learning Fund that grew out of the White House Conference on Early Childhood Development and Learning and continued expansion of the highly successful Head Start program.

Early Learning Fund: The Early Learning Fund responds to the scientific research presented at the White House Conference on Early Child Development and Learning in April 1997, indicating that a child's experiences in the first three years of life profoundly affect his or her brain development. The budget proposes $3 billion over five years for the Fund, which would provide grants to communities for activities that improve early childhood education and the quality

and safety of child care for children under five years old. For example, the money can fund innovative efforts to meet the developmental needs of children, with a focus on language development, emergent literacy, and other child development activities aimed at improving readiness for school. Resources could also fund parent education in child development, home visits, and efforts to help child care centers become accredited and reduce child-to-staff ratios in child care.

Head Start: Head Start, one of the President's highest priorities, is America's premier early childhood development program. It supports working families by helping parents get involved in their children's educational lives and providing services to the entire family. Since 1993, the President has worked with Congress to increase annual Head Start funding by 68 percent. In 1999, Head Start will serve 835,000 low-income children, including up to 38,000 children under age three in the Early Head Start component that the President launched in 1995. The budget proposes to expand Head Start funding by $607 million in 2000 and add 35,000 Head Start pre-school slots and 7,000 Early Head Start slots. The Administration intends to increase participation by underrepresented groups in specifically targeted areas with recent influxes of immigrants and limited English proficient children, including seasonal farmworkers. The proposed increase invests in program quality improvement measures and makes further progress toward the President's goal of enrolling a million children in Head Start by 2002, including doubling the number of infants and toddlers in Early Head Start.

School-Age Care and Improved Educational Achievement: The President proposed, and Congress agreed in 1999, to expand 21st Century Community Learning Centers to enable 1,700 schools to open their doors before and after the traditional school day and in the summer. Instead of returning to empty houses, or playing on unsafe streets, a quarter of a million children will participate in safe, drug-free programs that combine learning, enrichment, and recreational activities. The budget proposes to triple funding for this program to $600 million, reaching nearly 7,500 schools, as part of a comprehensive approach to help fix failing schools and help end social promotion the way successful schools do it—without harming the children. Under the President's proposal, school districts with comprehensive policies in place to end social promotion will receive priority in the grant-making process. After-school and summer school programs are a critical tool in ending social promotion because they give students who are not on track an opportunity to get extra help so they can meet promotion standards.

Safety and Quality in Child Care: The President and Congress worked together to pass legislation to improve the safety of children by making it easier for States to conduct background checks on child care workers and to provide new funds for child care quality activities in 2000.

National crime prevention and privacy compact: Congress recently passed legislation, based on a proposal from the White House Conference on Child Care, to help build a new electronic information sharing partnership among Federal and State law enforcement. This legislation makes background checks on child care providers (and other non-criminal justice checks) more efficient and accurate by eliminating some of the barriers that have made it difficult for States to share information about the criminal backgrounds of job seekers.

Increasing investments in child care quality: In response to the President's request, Congress provided an increase for 2000 of $173 million for child care quality activities, in addition to the nearly $132 million that will already be available for these activities in 2000. States invest these dollars in improving child care quality through activities such as resource and referral for parents, scholarships and training for child care providers, monitoring and inspection of providers, networks for family day care providers, and linkages with Head Start, to name a few.

Services for Families of Children with Disabilities: Children with disabilities and their families face a broad range of obstacles to achieving educational success. Ensuring that the educational needs of the youngest children with disabilities are fully met is critical to the Administration. (For a discussion of the Administration's work incentives initia-

tive for disabled individuals, see Chapter 3, "Investing in Education and Training.")

Special Education: The budget proposes $5.4 billion for special education, including an increase over last year's budget of $116 million targeted toward improving educational results for children with disabilities through early intervention. These new funds provide a $50 million initiative to help schools implement research-based practices to serve children with disabilities in the primary grades. The budget also provides increases of $28 million for Preschool Grants and $20 million to the Infants and Families program.

Families of Children with Disabilities: The budget continues a $4 million program proposed last year by the President and funded by Congress to help the families of children with disabilities. This program provides grants to States to expand and modify their Statewide support systems to help these families address such problems as inadequate child care options, missed job training and job opportunities, the loss of medical assistance, and teen pregnancy.

Research on Childhood Development and Child Care: Research on child care, and dissemination of its findings, is critical to support State and local policy makers in their decision-making about child care and to help parents learn how to evaluate and where to find quality child care. At the President's request, Congress has already provided $10 million for a new Research and Evaluation Fund in 2000, which will provide consumer education, parent hotlines, and research activities to expand our knowledge of good policies and practices, including the types of child care settings, parent activities, and provider training that most benefit the early development of children.

Promoting Self-Sufficiency

Supporting Children Leaving Foster Care: An estimated 20,000 children leave foster care each year having reached the age of 18 without being adopted or finding another permanent relationship. These youth are troubled. Studies that examined former foster youth two to four years after leaving care found that only half had completed high school, less than half were employed and only about 40 percent had held a job for one year or more. One-fourth had been homeless at least one night, 60 percent of the females had given birth, and fewer than one-in-five were completely self-supporting.

The budget provides a four-part program to support children leaving the foster care system:

- *Independent living.* This program provides services to assist current and former foster children ages 16 to 21 who are making the transition to independence by earning a high school degree or participating in vocational or other training. The budget provides $105 million, a 50-percent increase over the 1999 level, which has been unchanged since 1992.
- *Comprehensive residential transition assistance.* The budget provides a new capped mandatory program of competitive grants for States to support living expenses of youth in these programs who otherwise lose such support at age 18 or under other circumstances. The new program is funded in 2000 at $5 million, increasing to $20 million by 2003.
- *Transitional living grants.* This program provides shelter and services to homeless youth ages 16 to 21. The budget increases funding to $20 million, an increase of $5 million over 1999.
- *Medicaid coverage.* Medicaid coverage for children receiving foster care assistance generally ends at age 18. The lack of health insurance limits their ability to make a successful transition out of foster care. The budget gives States the option of covering these children up to age 21.

Curtailing Violence Against Women: Since 1993, funding for services to victims of domestic and sexual violence has grown by nearly $400 million and the passage of the Violence Against Women Act of 1995 expanded the Government's role in supporting services and providing scientific knowledge to prevent and treat violence against women. The budget proposes an increase of $26 million to further strengthen and increase the availability of battered women's shelters and counseling services, increase culturally appropriate services in under-served populations, and expand resources for research and prevention activities

aimed at changing the social norms that allow this violence to occur. These new funds will allow programs addressing violence against women to serve an additional 40,000 women, children, and perpetrators.

Restoring Equity in Benefits for 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 were unrelated to the goal of moving people from welfare to work. As part of the 1997 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. The next year, the Noncitizens' Benefit Clarification and Other Technical Amendments Act restored eligibility to additional legal immigrants. In response to the Administration's request, last year's Agricultural Research Bill restored food stamp benefits to 225,000 elderly, disabled, and other needy immigrants, including 70,000 children who lawfully resided in the United States as of August 22, 1996.

As a result of the 1996 law, however, many legal immigrants, including disabled individuals and families with children, are not eligible for health and disability benefits. The budget provides $1.1 billion over five years to let States provide health care to legal immigrant children, to restore SSI eligibility to legal immigrants with disabilities, and to restore Food Stamp eligibility to certain aged immigrants. The SSI and related Medicaid benefits in the budget that apply to immigrants who entered the country after August 1996, and became disabled thereafter, would only start after five years of residence.

Health Care: As described in Chapter 5, the budget would let States provide health coverage to legal immigrant children and pregnant women under Medicaid and, in the case of children, CHIP. Currently, States can provide health coverage to legal immigrants who entered the country before the welfare law was enacted. But, immigrants who entered after the law was enacted cannot get benefits for five years. Under these proposals, States could provide health coverage to those children and pregnant women through Medicaid or through CHIP.

Supplemental Security Income (SSI): The budget would provide approximately $925 million over five years to restore SSI and related Medicaid to legal immigrants who entered the country after August 22, 1996, lived in the United States for more than five years and became disabled after entry. Currently, only legal immigrants who entered the country before August 22, 1996 can be found eligible for SSI disability benefits.

Food Stamps: The budget provides $60 million over five years to ensure that legal immigrants in the United States as of August 22, 1996, are eligible for food stamp benefits once they reach age 65.

Continuing Support for Working Families

The Child Care Initiative, the restoration of benefits to legal immigrants, and expanded efforts to assist low-income families, at-risk youth and victims of domestic or sexual violence in attaining self-sufficiency, all build on a strong base of support for at-risk and working families, a priority area in which the President's work with Congress has achieved significant results in the past five years. That support includes a broad array of tax incentives to encourage and support work as well as legislation to, among other things, enable workers to care for a newborn and fulfill other family responsibilities; raise the minimum wage; reduce welfare caseloads by nearly four million, enable workers to retain their health insurance; and provide health insurance to up to five million uninsured children. (For the broader discussion of the health care expansions, see Chapter 5, "Strengthening Health Care.")

Support Through the Tax System: Over the last five years, the Administration has worked with Congress to expand the number and size of tax incentives to encourage work and support working families (see Table 4–2).

Tax incentives for work: The budget proposes to extend, through June 30, 2000, the Welfare-to-Work Tax Credit, which the President

and Congress created as part of the Taxpayer Relief Act of 1997. It focuses on those who most need help—long-term welfare recipients—by letting employers claim a tax credit on the first $10,000 a year of wages that they pay, for up to two years, for workers they hire who were long-term welfare recipients. The credit is 35 percent on the first year's wages, rising to 50 percent on the second year's wages. In addition, the budget would extend through June 30, 2000, the Work Opportunity Tax Credit, which provides a credit of 40 percent on the first $6,000 of wages paid to members of eight more target groups.

Earned Income Tax Credit (EITC): The Federal Government is committed to helping those who work to meet the cost of raising their children. The EITC helps to meet this goal by supplementing the earnings of working families. In his 1993 economic program, the President proposed and Congress enacted legislation to substantially expand the credit, helping 15 million low-income working families. The Administration remains committed to ensuring that this program is managed fairly and accurately. The Administration is currently implementing a series of EITC error-reduction initiatives, including the provisions enacted in the Taxpayer Relief Act of 1997. The EITC will provide $167 billion of tax benefits over the next five years to low-income working families.

Helping Families Move from Welfare to Work: The President has led successful efforts to remove obstacles that have hindered families trying to make a successful transition from welfare to self-sufficiency.

Temporary Assistance for Needy Families (TANF): The President signed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) in 1996, and States have refocused their welfare systems to support work. Welfare caseloads have fallen by over four million since President Clinton signed the welfare reform law, and by well over 40 percent since he took office. Recent data from the Census Bureau's Current Population Survey show large increases in the rate of employment both for individuals on welfare and those leaving welfare. The Administration is proposing to replace the current TANF contingency fund with one that could more effectively respond to State needs in the event of an economic downturn.

Table 4–2. THE BUDGET INCLUDES $286 BILLION OVER FIVE YEARS IN SUPPORT FOR FAMILIES WITH CHILDREN THROUGH THE TAX SYSTEM[1]

(In millions of dollars)

	1998 Actual	Estimate						Total 1999–2004
		1999	2000	2001	2002	2003	2004	
Tax Expenditures								
Existing Law:								
Earned Income Tax Credit[2, 3]	28,928	30,734	31,222	32,172	33,258	34,374	35,576	166,602
Child Tax Credit[2]	3,525	19,155	19,253	18,926	18,643	18,198	17,580	92,600
Child and Dependent Care Tax Credit	2,485	2,455	2,425	2,395	2,365	2,340	2,310	11,835
Exclusion of Employer Contributions for Child Care Expenses	1,325	1,385	1,445	1,510	1,575	1,645	1,715	7,890
Proposed Legislation:								
Expand Child and Dependent Care Tax Credit, Including Assistance to Stay-At-Home Parents[4]	.....	.....	338	1,585	1,425	1,471	1,503	6,322
Tax Credits for Private Employers	.....	.....	40	84	114	131	140	509
Simplify Foster Care Definition under EITC	.....	.....	–2	–42	–44	–46	–47	–181
Total	**36,263**	**53,729**	**54,721**	**56,630**	**57,336**	**58,113**	**57,777**	**285,577**

[1] Does not include interaction effects between provisions.
[2] Includes tax expenditures and effect on outlays.
[3] Excludes credit for workers who do not live with children.
[3] Includes elimination of household maintenance test.

Welfare-to-Work (WtW) Grants: Because of the President's leadership, the 1997 Balanced Budget Act included $3 billion requested by the President for a new Welfare-to-Work grants program. WtW provides grants to States and local communities to help long-term, hard-to-employ welfare recipients, and certain non-custodial parents, secure lasting, unsubsidized employment. Funds are used for job creation, job placement, job retention, and other post-employment support services. The budget proposes $1 billion more for this program in 2000.

Welfare-to-Work Transportation: One of the biggest barriers facing people who move from welfare to work—in cities and in rural areas—is finding transportation to get to jobs, training programs and child care centers. The President's leadership on this issue helped secure funding through 2003 to assist States and localities in developing flexible transportation alternatives, such as van services, for welfare recipients and other low income workers. The budget proposes $150 million for this program in 2000.

Welfare-to-Work Housing Vouchers: In his 1999 budget, the President proposed $283 million for 50,000 new housing vouchers for welfare recipients who need housing assistance to get or keep a job, and Congress approved full funding for this new initiative. Families will use these housing vouchers to move closer to a new job, to reduce a long commute, or to secure more stable housing to eliminate emergencies that keep them from getting to work every day on time. The budget proposes $144 million for an additional 25,000 vouchers, bringing the total number of welfare-to-work vouchers to 75,000 in 2000.

Individual Development Accounts: Since 1992, President Clinton has supported the creation of Individual Development Accounts (IDAs) to empower individuals to save for a first home, post-secondary education, or to start a new business. The President signed into law last year legislation providing $10 million to get the program off the ground. The budget provides $20 million for IDAs.

Social Services Block Grant: The President's Budget proposes to fund the Social Services Block Grant (SSBG) at its fully authorized level of $2,380 million, increasing funding levels by $471 million over last year. SSBG provides funding to States to support a wide range of programs including child protection and child welfare, child care, and services focused on the needs of the elderly and the disabled. The inherent flexibility of this grant permits States to target funds to meet the specific needs in their communities. The Administration will work with the States to improve reporting and accountability for services provided with these funds.

Continued Nutrition Assistance for Infants and Children: The Administration has continued to target resources to infants and children. The Special Supplemental Nutrition Program for Women, Infants and Children (WIC), for example, reached nearly 7.4 million persons each month in 1998 and the budget proposes $4.1 billion to serve 7.5 million people through 2000, fulfilling the President's goal of full participation in WIC. (See Chapter 5, Strengthening Health Care, for more information on WIC.)

Increasing Parental Responsibility Through Child Support Enforcement: The President's campaign to ensure that parents support their children is working. In 1997, the number of paternities established rose to nearly 1.3 million, and child support collections have gone up 80 percent since the President took office, to an estimated $14.4 billion in 1998. In 1998, net Federal costs for child support enforcement were $1.2 billion.

The budget will build on this success by helping Federal authorities investigate child support cases and prosecute more parents who fail to meet their responsibilities. The budget provides $34 million over five years to fund an eightfold increase in U.S. Attorney legal support staff dedicated to child support, and additional funds in 2000 to support the Department of Health and Human Services' establishment of regional task forces to investigate and refer cases for prosecution. To improve the child support program's effectiveness and cost efficiency, the budget also conforms the match-rate for paternity testing with the lower administrative match-rate; repeals the guarantee to States of their 1995 level of collections; and starting in 2001, requires States to review support orders for families receiving

TANF every three years. Net Federal savings of these proposals total $409 million over five years.

Shortly after the Administration concludes on-going consultations with stakeholders in April 1999, it will submit a proposal to Congress and work on a bipartisan basis to enact child support financing legislation based on the following five principles: 1) maximize collections and support for all families in the program, including the hardest to serve; 2) maximize paternity establishment, financial and medical support establishment, collections on current support and on arrears, and cost efficiency; 3) give priority to increasing payments to families, while ensuring Federal budget cost neutrality; 4) create incentives for adequate State and local investment of staff and resources needed for improved program performance; and 5) promote national standards and ease of interstate case processing, while maintaining State flexibility.

Better Benefits in the Workplace: The President has led successful efforts to ensure a living wage for all American workers while expanding their ability to care for their families and protect their health care benefits.

Family and Medical Leave (FMLA): In early 1993, the President proposed, and Congress enacted, the Family and Medical Leave Act, which allows workers to take up to 12 weeks of job-protected, unpaid leave to care for a newborn or adopted child, attend to their own serious health needs, or care for a seriously ill parent, child, or spouse—making it less likely that employees will have to choose between work and family. The budget proposes expanding FMLA to reach workers in firms with over 25 employees, expanding coverage to 10 million more workers. In addition, the budget proposes providing resources to the Department of Labor to research: (1) the impact this law has had on the American family; and (2) how to make leave accessible and affordable for more of America's working families.

Ensuring equal pay: The budget proposes a $14 million equal pay initiative to focus additional resources to provide employers with the necessary tools to assess and improve their pay policies and to educate the public on the importance of this issue as well as their rights and responsibilities. (See Chapter 9, "Building One America", for additional information on this initiative.)

Minimum wage: In 1996, the President successfully sought a minimum wage increase that gave a big financial boost to full-time, full-year minimum wage workers, raising the pay of each by approximately $1,800 a year. In February 1998, the President proposed to further raise the minimum wage to $6.15 an hour by the year 2000. Increasing the minimum wage by one dollar in two equal steps simply restores the real value of the minimum wage to what it was in 1981. This increase will help ensure that as costs continue to increase parents who work hard and play by the rules can bring up their children out of poverty. The President remains strongly committed to increasing the minimum wage and will work with Congress to ensure the enactment of this vital increase.

Health Insurance Portability and Accountability Act: Working with Congress, the President in 1996 obtained landmark legislation, known as HIPAA, which provides important health insurance protections for an estimated 25 million Americans who move from one job to another each year, as well as those who are self-employed or who have pre-existing medical conditions. HIPAA reformed the private insurance market to ensure that workers have portable health benefits and insurers are less able to deny coverage due to pre-existing conditions. Combined with the Taxpayer Relief Act, HIPAA also made it easier for self-employed persons to get health insurance.

5. STRENGTHENING HEALTH CARE

> *Nothing is more critical to the securities of our families, the strength of our communities. Health is something we take for granted until we or our loved ones don't have it anymore.*
>
> President Clinton
> August 1998

Today, the health of the American people is better than ever. Last year, infant mortality reached an all-time low and the average life span for Americans reached an all-time high. Major progress was made toward preventing and controlling diseases. For the first time in 20 years, cancer death rates declined, and AIDS dropped out of the top 10 causes of death. Not only were immunizations at record high levels, but the large, historical disparities for immunizing children of different races were curbed. These gains were matched by the slowest growth in health care spending in almost 40 years.

These improvements reflect the extraordinary commitment of President Clinton to making health care more affordable, accessible, and effective. Even without the passage of any significant health care legislation last year, the Administration took significant steps toward this goal. Medicare beneficiaries gained access to new preventive benefits, managed care choices, and low-income protections. The no-tolerance approach toward Medicare fraud was stepped up, yielding hundreds of millions of dollars in savings. While the President's Patients' Bill of Rights, with its strong and enforceable measures, did not become law last year, the President took executive action to extend patient protections to the 85 million Americans covered by Federal health plans, including Medicare and Medicaid beneficiaries and Federal employees. He also took immediate actions to improve the quality of care in nursing homes. The President also worked with States to expand health coverage to the 43 million uninsured Americans. All but three States started enrolling over 2.5 million uninsured children in the new Children's Health Insurance Program (CHIP); over 10 Federal agencies have joined with the private sector to help enroll the millions of uninsured children eligible for Medicaid, as well as CHIP; and the President authorized a new regulation that provides States the option to cover two-parent families in Medicaid.

The budget builds on these accomplishments with initiatives that include:

- *Responding to the need for assistance with long-term care:* The budget includes: a $6 billion initiative that includes a tax credit to compensate for the cost of long-term care services; a new National Family Caregivers Program; a national campaign educating Medicare beneficiaries about long-term care options; and a proposal to provide the authority to allow the Federal Government to offer private long-term care insurance to its employees at group rates. It also includes a new investment to strengthen nursing home quality; an innovative housing initiative to create and integrate assisted living facilities and Medicaid home and community-based long-term care; and a new Medicaid option that equalizes eligibility for people with long-term care needs in community settings.
- *Improving access to health insurance:* The budget provides more than $4 billion over five years for: expanding new health insurance options for people ages 55 to 65; increasing access to insurance for small businesses through purchasing coalitions; extending Medicare and Medicaid to workers with disabilities; restoring Medicaid eligibility to legal immigrants affected by welfare reform; extending Medicaid eligibility to foster children up to age 21; improving the transitional Medicaid for people moving from welfare to work; and providing States with

additional funds for children's health insurance outreach.

- *Safeguarding and improving public health:* In order to protect and advance public health, the budget supports: a stringent tobacco control policy; a new $1 billion program over five years that funds local communities to integrate traditional safety net providers (e.g., public hospitals and clinics) into networks that help the uninsured; and important initiatives to address coverage of cancer clinical trials, the challenges of AIDS, bioterrorism, asthma, mental health, and racial disparities in health status.
- *Improving fiscal soundness of Medicare and Medicaid:* The budget proposes aggressive efforts to reduce Medicare fraud, waste and abuse, and to improve the management of Medicare and Medicaid.

Long-Term Care

The need for long-term care will surely be one of the great challenges as the baby boom generation ages. Unlike acute care, long-term care is rarely paid for by private insurance or Medicare, requiring out-of-pocket expenditures. It also takes a financial and emotional toll on family and friends on whom the burden of unpaid care often falls. The budget proposes a multi-faceted initiative, as follows:

Tax Credit for Long-Term Care: This tax credit will help people with chronic illness or the families with whom they live. People with significant long-term care needs or their care givers would receive a $1,000 tax credit beginning in 2000. Approximately two million people would benefit, at a cost of $5.5 billion.

National Family Care Givers Program: This program is designed to assist approximately 250,000 families caring for elderly relatives who are chronically ill or disabled. The budget invests $125 million to support a care giver support system in all States that provides information, education, counseling, and respite services directly to care-giving families.

National Long-Term Care Information Campaign: This campaign will help Medicare beneficiaries and their families better understand their long-term care options. Information for Medicare beneficiaries would include an explanation of long-term care coverage under the Medicare and Medicaid programs, private long-term care insurance, and other consumer information.

Private Long-Term Care Insurance for Federal Employees: This proposal will make group long-term care insurance available to Federal employees, annuitants, and their families. Employees would pay the full cost of insurance premiums, which, at group rates, are expected to be 10 to 15 percent lower than the individual rates otherwise available.

Medicaid Initiatives to Encourage Expansion of Home and Community-Based Long-Term Care Options: This initiative gives States the option of expanding Medicaid eligibility for people with incomes up to 300 percent of the Supplementary Security Income (SSI) level who need nursing home care but choose to live in the community, extending its reach from only those at this income level who live in nursing homes. Competitive capital grants will also be provided for the conversion of Section 202 elderly housing projects to assisted living facilities. Grants are available when States agree to provide new Medicaid home and community based services in the facility.

Nursing Home Quality Initiative: On July 21, 1998, the President announced an initiative to strengthen nursing home enforcement tools and Federal oversight of nursing home quality and safety standards. As part of this initiative, the Administration will work with the States to improve their nursing home inspection systems, crack down on nursing homes that repeatedly violate safety rules, and require nursing homes to conduct criminal background checks on all new employees.

Improving Access to Health Care Coverage

The President is committed to expanding access to health care, particularly to vulnerable groups such as children, the near-elderly who are not yet eligible for Medicare benefits, older displaced workers, and immigrants.

Health Insurance Options for People Aged 55 to 65: People between the ages of 55 and 65 often face special problems of access and affordability. Because of job and family transitions, fewer people in this age group have access to employer-based health insurance. And when they seek to purchase insurance on their own, many find the cost prohibitive, or coverage unavailable because private companies refuse to sell insurance to age groups with greater health risks.

The budget includes the Daschle-Moynihan-Kennedy proposal that will help an estimated 300,000 members of this vulnerable population by either allowing them to pay for coverage through the Medicare system, or guaranteeing access to a private insurance plan.

- *Allowing Americans between 62 and 65 to buy Medicare coverage:* This policy will give older Americans the security of knowing that they have an affordable, high quality health insurance option. Because this proposal is self-financing, it protects the integrity of the Medicare Trust Funds.
- *Expanding health insurance options for displaced workers:* The budget also offers the option of a Medicare "buy-in" to workers between the ages of 55 and 62 who have lost company-sponsored health care coverage because their hours were scaled back, or their employer relocated or stopped operations.
- *Protecting retirees whose employer-based health benefits have been abolished:* This proposal targets "broken promise" retirees between the ages of 55 and 65. Employers who have canceled the insurance of these retirees would be required to guarantee access to health insurance, by providing these retirees the option to "buy in" to the company sponsored plan at a fair price.

Small Business Health Purchasing Coalitions: Fewer small businesses offer health insurance because of higher administrative costs and premiums relative to large businesses. As a result, nearly half of uninsured workers are in firms with fewer than 25 employees. This $44 million initiative would provide a tax credit to small businesses who join voluntary coalitions to provide insurance coverage, establish a tax incentive to encourage foundations to fund the start-up costs of coalitions, and provide technical assistance through the Office of Personnel Management.

Flexibility to Cover People With Disabilities: Building on a provision of the 1997 Balanced Budget Act (BBA), this proposal will give States broad flexibility to set higher income and resource standards in Medicaid to encourage people with disabilities to return to work. In addition, Medicaid will allow States that adopt the more generous income and resource standards to cover individuals who no longer meet SSI and Social Security Disabled Insurance (SSDI) disability criteria because of medical improvement. States offering new options would receive grants to develop support systems that help people with disabilities who return to work. The budget also creates a capped demonstration program allowing States to offer health coverage to individuals who meet an expanded definition of disability set by the States. This is intended to allow people with disabilities to retain health coverage while they work, potentially preventing illness and impoverishment. In addition, the budget would allow people with disabilities who leave SSDI to retain Medicare coverage. This provision ensures that, regardless of whether States have taken advantage of the Medicaid option, people who leave SSDI have access to affordable health coverage.

Medicaid eligibiligy for legal immigrants: The budget would restore Medicaid benefits to three vulnerable groups of legal immigrants: children; pregnant women; and disabled immigrants whose eligibility for SSI would also be restored. As the President has pledged, and has achieved for other groups so affected, this would reverse an inequity enacted in welfare reform.

- *Children:* States would have the option to provide Medicaid and CHIP coverage to qualified legal immigrant children who entered the United States after the enactment of welfare reform.
- *Pregnant Women:* States would have the option to provide Medicaid coverage to qualified legal immigrants who become pregnant and who entered the United States after enactment of welfare reform. Such coverage would help reduce the num-

ber of high-risk pregnancies, ensure healthier children, and lower the cost of emergency Medicaid deliveries.

- *SSI Recipients:* The budget provides funding for Medicaid benefits to immigrants who became eligible for the program as a result of SSI restorations proposed in the budget.

Other Medicaid Improvements: The budget supports a number of important initiatives to expand Medicaid and CHIP coverage, including:

- *Children's Health Insurance Outreach:* This initiative, designed to inform eligible children and their families about the CHIP program and Medicaid, will provide States with flexibility to develop innovative and effective outreach approaches.
- *Transitional Medicaid simplification:* The budget proposes to simplify and improve transitional Medicaid programs to help the working poor, whose income makes them ineligible for the traditional Medicaid program. By eliminating burdensome reporting requirements and giving States an incentive to serve more working families, this proposal would help beneficiaries retain temporary health insurance through Medicaid until they can secure private insurance.
- *Foster Care Medicaid benefits:* The budget would give States the choice to extend Medicaid eligibility to children up to age 21 who were eligible for Foster Care assistance at age 18. Continued access to medical, mental health, and rehabilitative care beyond age 18 is critical to ensuring that these youth can successfully make the transition from foster care to independent living.
- *Aid for the territories:* The budget proposes $144 million in increased funding under CHIP for Puerto Rico and the other four territories, fulfilling the President's promise to provide more equitable funding for children's health care in the insular areas.

Renewing Commitment to Public Health

This budget affirms the Administration's commitment to improving public health, with renewed emphasis on measures to combat smoking, especially among young people. The budget also increases access to powerful AIDS therapies, enhances food safety, promotes childhood immunization, improves reporting of public health threats, and reduces infant mortality.

Stopping Youth Smoking: Every day, 3,000 children become smokers—1,000 have their lives shortened because of it. Almost 90 percent of adult smokers began smoking by age 18 and today, 4.5 million children aged 12 to 17—37 percent of all high school students—smoke cigarettes. Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease and other problems. To end this public health crisis, we must have a focused public health effort to reduce youth smoking. The 1998 State tobacco settlement was an important step in the right direction, but more must be done to protect our children and hold the tobacco industry accountable. The Administration believes additional steps must be taken at the national level to reduce youth smoking:

- *Raise the price of cigarettes, so fewer young people start to smoke:* Public health experts agree that the single most effective way to cut youth smoking is to raise the price of cigarettes. Last year, the President called for an increase of $1.10 per pack (in constant dollars) to help cut youth smoking in half within five years. This year, we build on the increases already agreed to between the tobacco companies and the States and those already legislated by the Congress. As a result, we can reach the target with a legislated increase of half this amount.

  The funds that result from this policy will offset tobacco-related Federal health care costs. Each year, the Federal Government spends billions of dollars treating tobacco-related diseases for our Armed Forces, veterans, and Federal employees. It is fitting that the tobacco industry reimburse U.S. taxpayers for these costs, just as it has already agreed to do for the States.
- *Reaffirm the Food and Drug Administration's (FDA's) full authority to keep cigarettes out of the hands of children:* The Administration will again support legisla-

tion that confirms the FDA's authority to regulate tobacco products in order to halt advertising targeted at children, and to curb minors' access to tobacco products. While the State settlement limits tobacco advertising, it still allows certain marketing practices targeted at children, including newspaper and magazine advertising and retail signs near schools. Moreover, only by reaffirming FDA's authority can Congress ensure that America's children are protected from the next generation of tobacco industry marketing. We should take this matter out of the courts and ensure that the FDA—the Nation's leading health consumer protection agency, providing oversight over food, drugs, and medical devices—has full authority to protect our children from tobacco.

- *Support critical public health efforts to prevent youth smoking:* To help support tobacco prevention programs in States and local communities, the Administration's budget will double the funding for the FDA's tobacco enforcement budget to $68 million and increase funding for the Centers for Disease Control's tobacco control efforts by one-third, from $74 to $101 million. In addition, the Administration will continue to support measures that hold the tobacco industry accountable for reducing youth smoking.
- *Protect farmers and farming communities:* The Administration remains committed to protecting tobacco farmers and their communities, and is monitoring closely ongoing efforts by State, farmer, and industry representatives to provide funding and purchase commitments to tobacco farmers. The Administration will work with all parties, as needed, to ensure the financial well-being of tobacco farmers, their families, and their communities.

Since U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for much of the State settlement with the tobacco companies, Federal law requires that the Federal Government recoup its share. However, the Administration will work with the States and the Congress to enact tobacco legislation that, among other things, resolves these Federal claims in exchange for a commitment by the States to use tobacco money to support shared national and State priorities which reduce youth smoking, promote public health and children's programs, and assist affected rural communities.

In addition to these Medicaid costs, tobacco-related health problems have cost Medicare and other Federal programs billions of dollars each year. To recover these losses, the Department of Justice intends to bring suit against the tobacco industry, and the budget contains $20 million to pay for necessary legal costs. The Administration will propose that recoveries will be used to enhance the security of Medicare for future generations.

Safeguarding and Improving Public Health: The budget includes numerous policies to improve the health and health systems in the United States. These include:

- *Reinforcing the Nation's safety-net:* A new public health initiative will strengthen the health care safety-net for uninsured and other at-risk individuals. The initiative, which makes use of competitive grants, is designed to encourage local public officials and others to work closely with providers to improve coordination of the delivery of services, to establish accountability in the system for assuring adequate patient care, and to increase the number of services delivered, improving the quality of care and expanding access for the uninsured.
- *Increasing biomedical research:* Biomedical research is a foundation for combating disease and providing new technologies, from the eradication of smallpox to the disappearance of polio in the Western Hemisphere to prevalence of cardiac pacemakers and organ transplants that help restore normal lives. In last year's budget, the President made a commitment to increasing the National Institutes of Health (NIH) budget by nearly 50 percent over five years. Last year, NIH received an historic $2 billion increase, putting us ahead of schedule in meeting the President's commitment to expanding biomedical research. This year, with an investment of $15.9 billion in NIH, the budget renews that commitment to biomedical research.

- *Establishing Medicare cancer clinical trial demonstration:* The budget gives more Americans access to these cutting-edge cancer treatments and encourages higher participation in clinical trials by establishing a three-year, $750 million demonstration program. Medicare beneficiaries who participate in certain cancer clinical trials will be covered for the patient care costs for those trials. Funding priority will be given to trials that would most assist the Health Care Financing Administration (HCFA) in making future coverage policy decisions for cancer-related treatments and to substantive trials designed to address specific research questions. Although HCFA would run the demonstration, it would not draw upon Medicare's trust funds.

- *Ensuring access to powerful AIDS therapies and improving quality of care through Ryan White HIV/AIDS Treatment Grants:* The budget proposes a $100 million increase in Ryan White treatment grants to help States provide AIDS treatment, especially the powerful "combination therapy" AIDS drugs through the AIDS Drug Assistance Program. In total, the budget proposes $1.5 billion in Federal spending for activities authorized by the Ryan White CARE Act, a seven-percent increase over 1999 levels and a 291-percent increase over comparable 1993 levels.

- *Helping to reduce racial disparities in health status:* Despite improvements in the Nation's overall health, continuing disparities remain in the burden of death and illness that certain minority groups experience. For example, the infant mortality rate for African-Americans is more than twice that of Caucasians. American Indian and Alaska Natives are about three times as likely to die from diabetes as other Americans. To address these and other disparities, the budget includes $135 million for health education, prevention, and treatment services for minority populations. The budget also proposes to provide an additional $50 million to address HIV and AIDS issues in minority communities.

- *Providing quality health care to Native Americans:* The budget proposes a four-pronged funding strategy for the Indian Health Service (IHS), which includes: 1) increased resources; 2) a coordinated effort to ensure that HHS health grants provide assistance to Native Americans; 3) review of reimbursements from Medicaid and Medicare; and 4) increased vigilance to ensure that Federal funds are used properly.

  The budget proposes a $170 million increase for IHS. This eight-percent increase will allow IHS to finance an additional 34,000 breast cancer screening mammographies for Native American women between ages 50 and 69, create 44 new dental unit teams to provide an additional 25,000 dental visits, reduce incidence of complications related to chronic diseases such as diabetes and enable approximately 130 new community-based public health nurses to provide outreach activities, including home visitations, well-child examinations, immunizations, prenatal care, health fairs, follow-up visits, and missed clinical appointments. The budget also supports the continuation of the construction of two health care facilities (Fort Defiance and Parker Health Clinic). From 1998 to 2000, IHS expects to collect an additional $82 million in reimbursements due to Medicaid and Medicare collection rate increases.

- *Increasing Federal support for improving the mental health of all Americans:* The budget provides a $5 million, 19-percent, increase for the Projects for Assistance in Transition from Homelessness (PATH) program, which provides much-needed supportive services to persons with a mental illness who are homeless. In addition to increasing funding for this vulnerable population, the budget provides a $70 million, or 24-percent, increase for the Mental Health Block Grant, which provides integral support to States for services for people with mental illness.

- *Expanding anti-substance abuse activities:* The budget includes an $85 million increase for anti-substance abuse activities. These new funds continue the Administration's commitment to expand substance

abuse treatment for hundreds of thousands of high-risk youth, families moving from welfare-to-work, and other underserved Americans. To help communities address gaps in substance abuse treatment for emerging areas of need, the budget proposes $110 million for Treatment Targeted Capacity Expansion grants. This proposed funding level is double the 1999 funding level and, with additional funding for the Substance Abuse Block Grant, will provide treatment for another 21,000 individuals.

- *Improving asthma treatment for low-income children:* The budget proposes $50 million in demonstration grants to States test innovative asthma disease management techniques for children enrolled in Medicaid to help these children receive the most appropriate care, and keep their asthma in check. To judge the success of the project in improving asthmatic children's quality of life, participating States will measure the program's success in averting asthma-related crises—such as decreased emergency room visits and hospital stays. To complement these efforts, the budget provides $23 million for the Environmental Protection Agency's (EPA) childhood asthma initiative for education and outreach, research, and expansion of EPA's outdoor pollution air monitoring network.

- *Creating superior public health surveillance:* The budget proposes $64 million to begin development and implementation of a new National Electronic Disease Surveillance Initiative at the Centers for Disease Control (CDC). A standardized national system to collect and analyze epidemiological information on the occurrence of communicable diseases is a critical missing link in the Nation's public health infrastructure, and will help address problems such as the emergence of the drug-resistant bacteria—so called superbugs—as well as food safety and bioterrorism.

- *Supporting a strong FDA:* The budget proposes an increase of 17 percent, or $190 million, over the 1999 level for FDA to: 1) ensure the timely review of important drugs, medical devices, and food additives; 2) expand inspection coverage of facilities under their jurisdiction (e.g., registered blood banks); and 3) improve the quality of information on injuries and product defects associated with FDA-regulated products.

- *Improving public health's response to bioterrorism threats:* The budget proposes a $71 million, or 45-percent, increase for medical and public health response and preparedness related to potential terrorist use of biological and chemical weapons. At this level, HHS will expand research and development activities on potential biological and chemical terrorist agents, including research on smallpox and anthrax vaccines and therapeutics and expedited regulatory review to facilitate these activities. This increase will improve public health surveillance of these threats and expand epidemiological and laboratory capacities to address such incidents, at the national, State and local levels. The proposed increase would also support 25 new local health care response systems (Metropolitan Medical Response Systems). These funds will be in addition to investments in the Departments of Defense and Justice.

- *Enhancing food safety:* The budget increases funding by $72 million, or 24 percent, over the 1999 level for the Administration's inter-agency food safety initiative. The additional funds would increase the frequency of inspections of high-risk domestic establishments, double inspections and evaluations of foreign food establishments, improve science-based inspections of meat and poultry plants, and expand food safety research, risk assessment, education and surveillance activities. In 1998, the President established the Council on Food Safety to develop a comprehensive strategy for Federal food safety activities, including coordinating research efforts and budget submissions among the various food safety agencies.

- *Promoting childhood immunizations:* The budget proposes $1.1 billion for the Childhood Immunizations Initiative, including the Vaccines for Children program and CDC's discretionary immunization pro-

gram. As a result of the Administration's Childhood Immunization Initiative, the Nation exceeded its childhood vaccination goals for 1997, with 90 percent or more of America's toddlers receiving each basic childhood vaccine. The incidence of vaccine-preventable diseases among children, such as diphtheria, tetanus, measles, and polio, are at all-time lows. The budget also includes $83 million to eradicate polio—preventable through immunization throughout the world.

- *Promoting full participation in the Women, Infants, and Children (WIC) program:* Last year, WIC reached over 7.4 million low-income women, infants, and children, providing nutrition assistance, nutrition education and counseling, and health and immunization referrals. WIC also provides prenatal care, which reduces premature birth and infant death. Due in large part to expansion during this Administration, participation has grown by 30 percent, and the program now helps half of America's infants. The budget proposes $4.1 billion to serve 7.5 million people through 2000 and fulfills the President's goal of full participation, making sure that all who are eligible take part in WIC.

- *Ensuring continued educational excellence in the Nation's children's hospitals:* The budget proposes $40 million to support graduate medical education at free-standing children's hospitals. Children's hospitals play an essential role in the education of the Nation's physicians, training 25 percent of all pediatricians and over half of many pediatric subspecialties.

- *Enhancing family planning:* Publicly subsidized family planning services help women prevent over a million unintended pregnancies each year. The budget provides a $25 million increase, to $240 million, to support over 4,400 family planning clinics, which make up a national network providing these services to low-income women. The budget also includes $50 million in mandatory funding for States to conduct abstinence education projects to help reduce unintended pregnancies.

- *Providing contraceptive coverage in the Federal Employees Health Benefits Program (FEHBP):* The budget continues the policy of providing the health care coverage necessary for Federal employees, annuitants, and their families to reduce unwanted pregnancies and the need for abortions. The budget proposes to continue the requirement, enacted in the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act, that health plans in FEHBP offer the full range of contraceptive options.

- *Improving health care quality:* The budget proposes a $35 million, or 21-percent, increase for the health care quality activities of the Agency for Health Care Policy and Research to enhance knowledge about how best to measure and improve the outcomes and quality of medical services and expand information on new priority health issues (e.g., vulnerable populations, the impact of managed care, pharmaceuticals research and other activities).

- *Caring for veterans:* Continuing its commitment to veterans programs, the Administration proposes $18.1 billion, including an expected $749 million in medical care collections, for the Department of Veterans Affairs health system. This funding will support such initiatives as testing and treating Hepatitis C, smoking cessation, and emergency care for high-priority veterans.

Improving the Fiscal Integrity of Medicare and Medicaid

The budget proposes improvements to Medicare and Medicaid to improve the efficacy and strength of these programs.

Strengthening Medicare Program Integrity: The budget includes several policies that would reduce Medicare fraud, abuse, and overpayment. Since 1993, the Administration's efforts to combat fraud and abuse in Medicare have increased prosecutions for health care fraud by over 60 percent, increased convictions by 40 percent, and saved billions of dollars in health care claims. The budget proposes efforts to strengthen our commitment to eliminate fraud and abuse, ensure that Medicare payments to hospitals and other providers are reasonable, and promote competitive pricing. In addition, the budget will expand the Cen-

ters of Excellence program, eliminate overpayments that facilities receive for drugs used to treat anemia, reform outpatient mental health benefits, and require insurance companies to provide information that will ensure that private insurers pay claims for which they are legally responsible.

Maintaining Fiscal Responsibility in Medicaid Administrative Cost Allocation: The budget treats shared Medicaid and Temporary Assistance for Needy Families (TANF) administrative costs similar to the way the Agricultural Research Act of 1998 addressed common Food Stamp and TANF costs. The budget proposes a State-by-State approach that gives States flexibility in the use of TANF block grant funds.

Improving Medicare Managed Care: In 1998, 99 managed care plans chose not to renew their Medicare contracts, leaving about 50,000 beneficiaries without a managed care option. While these decisions affected less than one percent of Medicare managed care enrollees, they caused severe difficulty for many of these beneficiaries. The budget includes a set of proposals designed to ensure that sufficient options remain available to Medicare beneficiaries. First, the budget would help both elderly and disabled beneficiaries whose plans leave the program by providing earlier notification and broadening their access to Medigap coverage. The budget also proposes to reduce administrative burden on health plans by easing various reporting requirements; to extend plan coverage proposal deadlines and streamline other rules; and to stabilize plan revenue by phasing-in payment adjustments for enrollees' health status.

Strengthening HCFA Management Capacity: HCFA faces the formidable challenge of modernizing a massive administrative infrastructure, meeting pressing statutory deadlines for program change, and, perhaps most importantly, by being highly responsive to its customers. The budget outlines a continuing management reform process that will increase HCFA's flexibility to adapt to the changing health care market while also increasing accountability. This process includes: 1) management flexibilities; 2) increased accountability; 3) program flexibilities; 4) structural reforms; and 5) contractor reform. In addition, the Administration will explore ways to stabilize HCFA's funding sources. (See Section IV, "Improving Performance through Better Management," for details on these management reforms.)

6. PROTECTING THE ENVIRONMENT

> *"Every time we have taken a sensible, reasoned, but strong step to protect the environment, we have actually increased the diversity of our economy, the breadth and width of it, and increased jobs and strengthened the long-term economic prospects of our country. That is the lesson the whole world has to embrace now. We can only sustain economic growth if we can improve the environment ... if we can build a balanced future together."*
>
> President Clinton
> April 1998

From the start, it has been a guiding principle of this Administration that the Nation does not have to choose between a strong economy and a clean environment. The progress of the past six years is the proof. Today our economy is the strongest—and our environment the cleanest—in a generation. The air is better, drinking water safer, and polluted toxic waste sites fewer, while our economy flourishes in ways that even the most optimistic of forecasters could not have projected just six years ago.

The Administration has made tremendous progress in protecting and restoring our environment. It has protected or enhanced tens of millions of acres of public and private lands including: creating the Grand Staircase-Escalante National Monument in Utah, which conserves 1.7 million acres of spectacular red rock canyonlands and artifacts from three cultures; protecting Yellowstone National Park by halting the massive New World Mine in Montana, which posed a severe environmental threat to Yellowstone's unique landscape and wildlife resources; reaching an historic agreement, partnering with the State of California, to purchase the Headwaters ancient redwood forest in northern California; and launching an initiative to designate more than a dozen American Heritage Rivers to revitalize and preserve both rivers and riverfronts, and to enhance public appreciation of the value of our rivers.

In its efforts to make day-to-day life safer for children and families, the Administration has helped set tough new clean air standards for soot and smog that will prevent up to 15,000 premature deaths a year and improve the lives of millions of Americans who suffer from respiratory illnesses. The President signed legislation to strengthen food and water safety, so American families will know their children have safe food to eat and have healthy and clean tap water to drink. The Administration has also greatly accelerated the pace of cleaning up Superfund hazardous waste sites, completing nearly three times as many in the past six years as were completed in the previous twelve. The United States has negotiated an international treaty, the Kyoto Protocol, to reduce greenhouse gas emissions, which contribute to global warming, in an environmentally strong and economically sound way.

As the 21st Century approaches, our continued prosperity and accompanying population growth patterns present new challenges that call for a new conservation ethic—one that recognizes the intimate connection between land and livability, and seeks to preserve natural and open spaces in each community, within reach of all American families and their children.

To that end, the budget includes an interagency Lands Legacy initiative that establishes the Federal Government as a partner with States and local communities to advance the preservation of open spaces in every community. Through support of voluntary State and local efforts, the Administration will help address sprawl, air and water pollution, and other quality of life issues, while preserving critical habitat and other ecological values. To accomplish these goals,

the Administration requests full funding of the Land and Water Conservation Fund, which will help to preserve the next generation of Great Places, conserve open spaces, and support environmental protection and local growth management in urban, suburban, rural, and coastal areas.

As a complement to the Lands Legacy initiative, the Administration also proposes a separate Livability initiative to help communities maintain growth while preserving a high quality of life. The Livability initiative includes a new financing mechanism, Better America Bonds, to further the creation of open spaces in urban and suburban areas. These bonds will provide—through tax benefits to bondholders—additional funds to States, Tribes, and cities for land acquisition, reforestation and other restoration, watershed protection, and brownfields cleanup.

In order to encourage private sector advances in reducing pollution, the Administration proposes a new incentive, the Clean Air Partnership Fund, which will reward entities making early innovative investments in technology to reduce air pollution and greenhouse gas emissions. To address global warming, the Administration also is proposing a $730 million increase for the Climate Change Technology Initiative, including research and development spending for energy efficiency and renewable energy, and tax credits for the purchase of energy-efficient cars, homes, and appliances.

The budget is designed to build on the successes of the past and to meet the challenges of the future by responding to the public's devotion to the environment and capturing the Nation's entrepreneurial spirit.

Approaches for Environmental Success

Protecting Our National Treasures: To protect Yellowstone National Park, one of the crown jewels of the National Park System, the Administration, in August 1998, acquired the proposed New World Mine in Montana. The Administration is working with the mine's former owner and other parties to complete the cleanup of contamination at the site from earlier mining activities. The Administration is also working with the State of California and others to acquire the Headwaters Forest in northern California, the largest privately-owned stand of ancient redwoods in the United States. Other important acquisitions underway include bison winter habitat outside of Yellowstone, property on Cumberland Island in Georgia, the Backbone Trail in Santa Monica Mountains National Recreation Area, lands to complete the Maine-to-Georgia Appalachian Trail, and key Civil War battlefield sites.

Providing Safe Drinking Water: America's drinking water is significantly safer than five years ago, with 10 million more Americans receiving water from utilities reporting no violations of Federal health standards. Currently, 86 percent of this country's tap water fully meets tough Federal standards. During 1998, the Administration took further steps to strengthen public health protection. In August, the President announced that, under a new community right-to-know rule, water systems must give their customers regular reports on their tap water, including where the water comes from, whether it meets Federal standards, and what the health effects are if standards are violated.

In December, the President announced the first new health standards issued under the 1996 Safe Drinking Water Act Amendments, a bipartisan effort to improve public health protections. Those rules will protect against cryptosporidium (a microscopic organism that can contaminate drinking water), other disease-causing microbes, and potentially harmful byproducts of the water treatment process. A 1993 cryptosporidium outbreak in Milwaukee sickened 400,000 people, hospitalized 4,000 people, and caused 50 deaths among people with weakened immune systems.

Restoring Ocean Resources: In June 1998, at the National Ocean Conference in Monterey, California, the President and Vice President launched a series of major initiatives to explore, protect, and restore America's vital ocean resources. These measures will provide new scientific insight into the oceans, promote sustainable use of fisheries and other marine resources, open new opportunities for jobs and economic growth, preserve national security and freedom of the seas, and help preserve our oceans for all time. At the conference, the President and Vice President proposed an ad-

ditional $224 million through 2002 to fund these efforts, which the budget supports.

Preserving Our Rivers: In July 1998, President Clinton designated 14 rivers as American Heritage Rivers. This followed a commitment in his 1997 State of the Union address to help communities revitalize their rivers and the banks along them—the streets, the historic buildings, the natural habitats, the parks—to help celebrate their history and their heritage. American Heritage Rivers is an umbrella initiative designed to use the Federal Government's many resources more effectively. The initiative creates no new regulatory requirements. Environmental, economic, and social concerns will be addressed through plans designed and implemented by local communities.

Restoring the Everglades: The budget supports the continued Federal, State, local, and Tribal efforts to implement the South Florida ecosystem restoration project, authorized in the 1996 Water Resources Development Act. In 1999, the Army Corps of Engineers will complete the Central and Southern Florida Comprehensive Review Study (the Restudy), providing long-term direction for the Everglades effort—the most extensive ecosystem restoration effort ever undertaken in the United States.

The Army Corps of Engineers released a draft of its Restudy in October 1998, developed by a team of more than 160 people from 30 different Federal, State, Tribal, and other entities. It proposes a comprehensive solution that would: store water for critical uses; manage water to improve the timing and quantity of flows to the Everglades; and create wetlands to filter runoff. Implementing the plan will cost an estimated $7.8 billion over the next 20 years, with the Federal Government and south Florida each paying half.

Along with better water flows and water management, the budget recognizes the need for scientific guidance and land acquisition to restore the Everglades' hydrologic functions. Key land acquisitions include tracts north of the Everglades National Park and properties along the East Coast buffer. The budget proposes $312 million for the Army Corps of Engineers, Department of the Interior, and other agencies—35 percent more than Congress approved in 1999—for the Everglades effort.

Rehabilitating the Presidio: Using innovative authorities, the Presidio Trust has begun to rehabilitate and lease hundreds of unused buildings in the Presidio of San Francisco, once a military base and now within a national park. The Trust will restore these houses and offices and lease them to families and businesses. To cut taxpayer costs, the budget proposes that the Presidio Trust borrow $20 million from the Treasury in 2000 to fund these improvements, and repay the money through future lease receipts.

Improving Park Management: Recent reforms are helping agencies manage national parks and other Federal lands more efficiently. Recreation fee receipts are now retained by land management agencies, giving visitors a chance to see how their money is being spent and allowing agencies to address unmet needs. As a result, revenues from fees have nearly doubled from $93 million in 1996 to $180 million in 1998. Parks also have stronger incentives to improve concessions management, now that they can retain concession fees and open new contracts up for more competitive bidding. The National Park Service is also reforming its facility maintenance and construction programs to target funds at top priority projects that have been selected using solid cost estimates and measurable ranking criteria.

Protecting Roadless Areas and Improving the Forest Road System: The 73 million acres without roads in our national forests have outstanding ecological, aesthetic, and social value. They are often the refuge of last resort for rare species and the source areas of municipal water supplies. The Forest Service will soon implement a moratorium on new road construction in roadless areas to meet public access needs in an ecologically sensitive manner, and ensure that we protect these critical areas for future generations. At the same time, the extensive Forest Service road system is rapidly eroding—risking public safety and contributing to environmental damage in some national forests. The budget proposes $359 million, a 28-percent increase over the 1999 level, for investments in road maintenance and reconstruction, road closures and obliteration,

and watershed improvements that are critically important to salmon, water quality, and other resource management goals. In addition, the budget reproposes a stable payment to counties that is not linked to timber harvest volume.

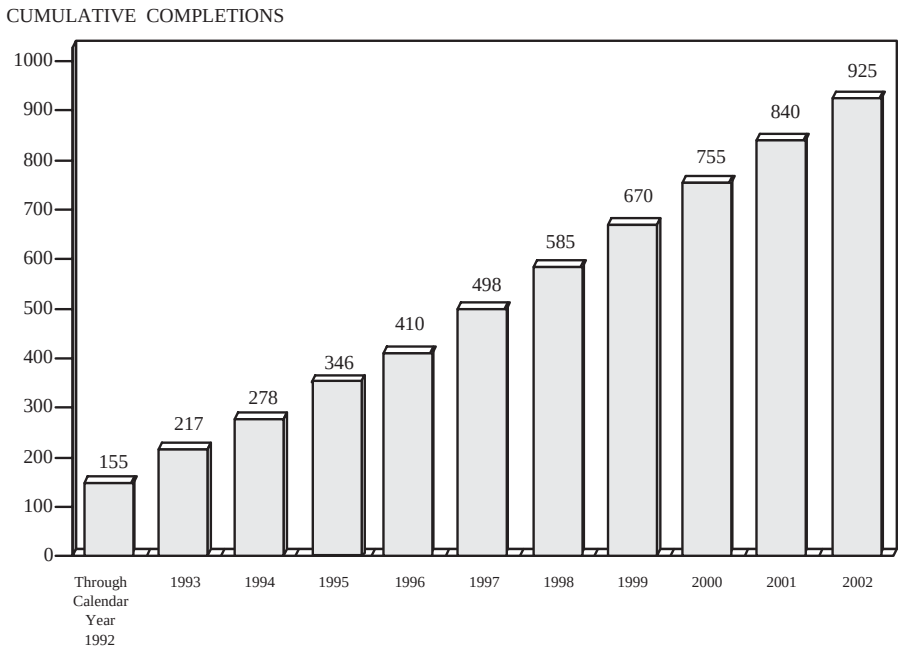
Targeting the Conservation Reserve Program (CRP): This Department of Agriculture (USDA) program enables landowners to establish long-term conservation practices on erodible and environmentally sensitive land in exchange for 10 to 15 years of rental payments. In 1998, 18.8 million acres of the most environmentally beneficial acres bid were accepted into the CRP, bringing total CRP enrollment to 30.3 million acres. Within the CRP, the Conservation Reserve Enhancement Program (CREP) is a new program that addresses conservation issues of State and national significance through cost-sharing and targeting of Federal and State funds. Each CREP agreement outlines a monitoring and restoration plan to help meet the State's specific conservation goals. By 1999, six States (Oregon, Washington, Maryland, Illinois, Minnesota, and New York) had signed CREP cost-sharing agreements totaling about 500,000 acres and $1.2 billion over several years. USDA estimates that 25 States will have CREP agreements by the end of 2000.

Empowering Citizens with Knowledge: In the past five years, the President has empowered citizens with new knowledge about the chemicals being released into their communities and has created new partnerships with industry to find cleaner manufacturing processes. On Earth Day 1998, the Administration took another bold step to defend communities' right to know, announcing measures to make information about dangerous chemicals more widely available and more meaningful to families and communities. Known as the Chemical Right-to-Know Initiative, these measures will ensure that the public has basic public health data for industrial chemicals released in communities, via an unprecedented voluntary partnership with industry. Companies will voluntarily test the human health and environmental effects of the chemicals they manufacture. Testing of the 2,800 most widely used chemicals should be completed by 2004.

Reducing Air Pollution: In September 1998, the Environmental Protection Agency (EPA) finalized rules to reduce smog-causing emissions of nitrogen oxides (NOx) by 28 percent in 22 eastern States and the District of Columbia. EPA projects that these regional NOx reductions will allow the vast majority of areas in these States to meet EPA's new public health smog standard without having to implement any additional costly controls. This is a key component of the effort by EPA and the States to protect downwind States from smog and smog-causing emissions that cross their borders from other States. Even upwind, States can achieve significant clean air benefits for their local communities. Consistent with the President's July 1997 implementation memorandum for new smog and fine particle standards, EPA gives States flexibility to decide how reductions are to be achieved, and also recommends that reductions be achieved cost-effectively. To ensure that the reductions are as cost-effective as possible, EPA will work with States to encourage the development of a market-based emissions-trading system. A similar market-based trading program already in effect has proven successful in allowing power plants to trade sulfur dioxide credits to control acid rain.

Cleaning Up Toxic Waste Sites: EPA's Superfund program to clean up abandoned hazardous waste sites has become faster, fairer, and less expensive. Of the 585 sites cleaned up through the end of 1998, 430 sites were cleaned up since the Administration took office in 1993, while only 155 sites had been cleaned up during the previous 12 years. The Administration proposes to clean up another 340 sites within the next four years, meaning that about two-thirds, or 925, of the Nation's worst toxic waste dumps would be cleaned by the end of 2002 (see Chart 6–1). EPA's administrative reforms to the program have saved more than $1 billion in future costs by updating cleanup remedy decisions at more than 210 sites, while streamlining the liability allocation process to reach settlement with more than 18,000 small parties at Superfund sites. The budget proposes $1.5 billion to continue progress toward achieving the 900-site cleanup goal in 2002.

Chart 6-1. MAJOR PROGRESS IN SUPERFUND CLEANUPS



Redeveloping Contaminated Land: The Brownfields National Partnership is bringing together the resources of more than 20 Federal agencies to clean up and redevelop former industrial sites in economically disadvantaged areas. The initial two-year investment of $300 million is expected to leverage $5 billion to $28 billion in private investment, help create up to 196,000 new jobs, and help preserve existing uses in thousands of acres of undeveloped land. The brownfields tax incentive, enacted as part of the 1997 Taxpayer Relief Act, will leverage another $4 billion in private investment by allowing businesses to deduct certain clean up costs on environmentally contaminated lands. The Administration proposes to extend this tax incentive, which otherwise expires at the end of 2000.

Making the Endangered Species Act (ESA) Work: Administration reforms have improved the way the ESA works. Habitat Conservation Plans (HCPs) give State, local, and Tribal governments and the private sector the flexibility to protect endangered species and conserve habitat, while allowing for development. HCPs will cover an estimated 250 species by the end of 1999. The Administration is also providing earlier protection for at-risk species, to prevent having to list them as endangered later on. For instance, in 1998 the Federal Government entered into 40 Candidate Conservation Agreements with private landowners or State and local governments. These and other efforts allowed 11 species to be approved for removal from the Candidate list.

Improving Rangeland Management: Interior's Bureau of Land Management (BLM) is reforming and improving rangeland management by implementing regional and local standards and guidelines to establish the condition, health, and uses of lands it administers for grazing. The new standards and guidelines have been developed in concert with innovative consensus-building Resource Advisory Councils (RAC) comprising local ranchers, recreationists, and experts in land management. Almost 4,500 grazing permits on BLM lands are expir-

ing and will be evaluated in 1999. Those permits will be evaluated based on the new RAC standards and guidelines, and renewed permits will use the new standards to evaluate rangeland health and grazing capacity.

Environmental and Natural Resource Investments

The budget proposes to boost funding for high-priority environmental and natural resources programs by five percent, compared to 1999 levels (see Table 6–1).

Preserving Great Places and Green Spaces, and Promoting Smart Growth: As we approach a new century, our Nation faces new challenges to preserving the natural heritage and green spaces that Americans have come to treasure. The budget proposes a new $1 billion Lands Legacy initiative (see Chart 6–2), supported by full funding from the Land and Water Conservation Fund's dedicated Federal Outer Continental Shelf (OCS) revenues, to protect Great Places and provide the tools for States, localities, Tribes, and land trusts to plan for smart growth and open space preservation. This initiative provides funding for States and other entities to conserve important lands for recreation, open space and wildlife habitat, plus the preservation of forests, farmland, and coastal areas.

The initiative provides $442 million for Federal land acquisition, preserving the next generation of Great Places, including national parks, national forests, refuges, and coastal areas with flexibility to use this funding to cost share non-Federal land conservation. It also will provide $588 million targeted to State, local, and Tribal governments for land conservation, resources protection, and planning. This includes $150 million in grants to promote open space acquisition; habitat conservation; and protection of coastal areas, forest lands, urban and suburban parks and greenways, riparian areas, and wetlands. A new $50 million program to support State and Tribal planning for smart growth will be coordinated with similar activities being proposed under the Livability initiative. The Lands Legacy proposal also provides $382 million for other programs to help private landowners and municipalities continue development while protecting endangered species, preserving farmlands and forests, and providing urban green space.

Better America Bonds: As an additional feature of the Livability initiative, the Administration is proposing a new financing tool to preserve green space for future generations and provide attractive settings for economic development, which will generate $9.5 billion for investments by State, local and Tribal governments over five years. The budget proposes tax credits, totaling almost $700 million over five years, to support Better America Bonds, which can be used to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields. The program will be administered jointly by EPA and the Department of the Treasury, in consultation with other agencies.

Recovering Pacific Coastal Salmon: The budget proposes a broad interdepartmental Pacific Coastal Salmon Recovery Initiative to bolster and deploy existing and new Federal capabilities to assist in the conservation and recovery of at-risk Pacific salmon runs in the western States of California, Oregon, Washington, and Alaska. This new initiative responds to the proposed listings of these runs under the ESA by forming lasting partnerships with State, local, and Tribal efforts for saving Pacific salmon and their important habitats. The initiative has four main components:

- A proposed $100 million Pacific Coastal Salmon Recovery fund to help share the costs of State, Tribal, and local conservation initiatives in California, Oregon, Washington, and Alaska. The fund would be administered through Commerce's National Oceanic and Atmospheric Administration, with grants matched dollar-for-dollar with non-Federal contributions.
- Improved coordination of Federal activities that may affect salmon and their habitat, to ensure that Federal agencies and activities are part of a lasting solution.
- Better access to the extensive Federal scientific capabilities to ensure a broad and solid science foundation upon which to construct a lasting recovery effort.

Table 6–1. HIGH-PRIORITY ENVIRONMENTAL AND NATURAL RESOURCES PROGRAMS

(Budget authority unless otherwise noted; dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
Lands Legacy Initiative (LWCF–DOI, USDA, NOAA) [1]	386	459	1,030	+571	+124%
Salmon Habitat Restoration:					
Pacific Coastal Salmon Recovery (NOAA)	.....	.....	100	+100	NA
Columbia/Snake River (Corps)	108	95	100	+5	+5%
Climate Change Technology Initiative (DOE, EPA, USDA, DOC, HUD):	819	1,021	1,751	+730	+71%
Spending	(819)	(1,021)	(1,368)	(+347)	(+34%)
Tax Incentives	.....	.....	(383)	(+383)	(NA)
Clean Water Action Plan (EPA, USDA, DOI, NOAA, Corps)	1,436	1,643	1,975	+332	+20%
Department of Transportation (DOT):					
Congestion Mitigation and Air Quality (CMAQ)	700	1,408	1,770	+362	+26%
Environmental Enhancements	360	553	566	+13	+2%
Endangered Species Act (DOI/NOAA)	107	129	181	+52	+40%
Department of the Interior (DOI):.					
National Park Service Operating Program	1,246	1,286	1,390	+104	+8%
Bureau of Land Management Operating Program	681	716	743	+27	+4%
Fish and Wildlife Service Operating Program	595	661	724	+63	+10%
Subtotal, DOI (Select programs)	2,522	2,663	2,857	+194	+7%
Department of Agriculture (USDA):					
Forest Service Operating Program	1,514	1,595	1,652	+57	+4%
Natural Resources Conservation Service Operating Program	632	641	681	+40	+6%
Water/Wastewater Grants and Loans [2]	577	645	570	–75	–12%
Wetlands Reserve Program (mandatory)	231	132	209	+77	+58%
Conservation Reserve Program (mandatory)	1,760	1,576	1,597	+21	+1%
Environmental Quality Incentives Program (mandatory)	200	174	300	+126	+72%
Subtotal, USDA (Select programs)	4,914	4,763	5,009	+246	+5%
Environmental Protection Agency (EPA):.					
Operating Program	3,330	3,491	3,682	+191	+5%
Clean Air Partnership Fund	.....	.....	200	+200	NA
Subtotal, All EPA (includes Superfund mandatory spending) [3]	7,363	7,590	7,407	–183	–2%
Department of Energy (DOE):					
Energy Conservation and Efficiency (gross)	612	692	838	+146	+21%
Solar and Renewable Energy R&D (net)	272	336	399	+63	+19%
Federal Facilities Cleanup (Environmental Management Program)	5,862	5,830	5,939	+109	+2%
Subtotal, DOE (Select programs)	6,746	6,858	7,176	+318	+5%
Department of Defense (DOD):					
Cleanup	2,140	1,962	1,972	+10	+1%
Environmental Compliance/Pollution Prevention/Conservation	2,466	2,434	2,199	–235	–10%
Subtotal, DOD (Select programs)	4,606	4,396	4,171	–225	–5%
National Oceanic and Atmospheric Administration (NOAA):					
Fisheries and Protected Species	319	350	395	+45	+13%
Ocean and Coastal Management	166	178	246	+68	+38%
Ocean and Atmospheric Research	263	275	270	–5	–2%
Subtotal, NOAA (Select programs)	748	803	911	+108	+13%
Partnership for a New Generation of Vehicles (DOE, NSF, others)	220	240	264	+24	+10%
U.S. Global Change Research (NASA, DOE, NSF, DOC, USDA, others)	1,677	1,681	1,786	+105	+6%
GLOBE—Global Environmental Education (NOAA, NASA, EPA, NSF)	12	10	13	+3	+30%
Montreal Protocol (State/EPA)	40	45	55	+10	+22%
Global Environment Facility (Treasury)	48	193	143	–50	–26%
Multilateral and Bilateral Assistance (International Programs/USAID)	268	309	321	+12	+4%
Total [4]	**30,840**	**32,223**	**33,929**	**+1,706**	**+5%**

NA = Not applicable.

[1] Includes non-LWCF base funding for certain programs—$116 million in 1998; and $130 million in both 1999 and 2000. Excludes $699 million in one-time LWCF 1998 funding.

[2] The program level (grant budget authority plus loan levels) is projected to be $1.5 billion in 2000; 12-percent higher than in 1999.

[3] Includes Superfund orphan share mandatory spending of $200 million in 2000.

[4] Total adjusted to eliminate double counts and climate change tax incentives.

Chart 6-2. FULL LWCF FUNDING SUPPORTS NEW $1 BILLION LANDS LEGACY INITIATIVE

900 MILLION → FEDERAL OUTER CONTINENTAL SHELF OIL AND GAS REVENUE

LAND AND WATER CONSERVATION FUND (LWCF)

(IN MILLIONS OF DOLLARS)

	INTERIOR	USDA	COMMERCE/ NOAA	TOTAL
GREAT PLACES (California Deserts, Northern Forests, Marine Sanctuaries, Civil War Battlefields)	295	118	15	428 1/
GREEN SPACES (Conservation grants and programs for open space, forests, coasts, and habitat protection)	270	112	90	472
LWCF TOTAL	565	230	105	**900**
NON-LWCF BASE	14	38	78	130
TOTAL-- LANDS LEGACY	579	268	183	**1,030**

1/ Plus $14 million for Great Places in the non-LWCF base.

- Enhancement of Federal, State, Tribal, and local coordinating capabilities to ensure close partnerships in recovery efforts, and promote efficiencies and effectiveness in the recovery effort.

This initiative is in addition to ongoing Columbia and Snake River (Washington, Oregon, Idaho) salmon restoration activities, including $100 million requested for the Army Corps of Engineers in 2000.

Rewarding Early Pollution Reductions: The Administration strives to implement environmental protection in a common sense, flexible, and cost-effective manner. The new Clean Air Partnership Fund will provide the opportunity for State, local, and Tribal governments to partner with other parties and the Federal Government to demonstrate the most creative ideas for cleaning the air. The Fund will enable the development of smart multi-pollutant strategies that reduce greenhouse gases, air toxics, soot, and smog to protect our climate and our health. The President is proposing $200 million in 2000 for the Fund that will capitalize revolving funds and other financing mechanisms to fund projects that achieve innovative and early air pollution and greenhouse gas emission reductions.

Addressing Global Climate Change Through Technology: The budget proposes $1.8 billion for the second year of the Climate Change Technology Initiative (CCTI), which is designed to promote energy efficiency, develop low-carbon energy sources, and reduce greenhouse gas emissions. Led by the Department of Energy (DOE) and EPA, the effort also includes USDA, HUD, and the National Institute of Standards and Technology. Of the amount proposed, $1.4 billion is for R&D spending on energy efficiency and renewable energy technologies, and $0.4 billion is for tax credits to stimulate the adoption of energy efficient technologies in buildings, industrial processes, vehicles, and power generation.

Implementing the Clean Water Action Plan (CWAP): The President and Vice President announced the Clean Water Action Plan (CWAP) last February in honor of the 25th

anniversary of the Clean Water Act. The Action Plan focuses on three remaining challenges for restoring and protecting the Nation's waterways: (1) preventing polluted runoff; (2) protecting public health; and (3) ensuring community-based watershed management.

The budget provides $2.0 billion in discretionary funding for the second year of this multi-agency initiative, a 20-percent increase over the 1999 level, and a $126 million, or 72 percent, increase in mandatory funding for USDA's Environmental Quality Incentives Program to help farmers prevent polluted runoff. The budget also includes increases for the Forest Service and the Department of the Interior (DOI) to better address water quality problems on Federal lands; for DOI to help States address pollution from abandoned mines; USDA to help farmers reduce polluted runoff from animal feed lots; the National Oceanic and Atmospheric Administration (NOAA) to help States and local communities protect their coasts from the pollution that leads to degradation; and the Army Corps of Engineers to begin a new riverine ecosystem initiative—Challenge 21—to plan and implement projects that restore watersheds while providing flood hazard mitigation for communities.

Restoring the California Bay-Delta Watershed: As part of the CWAP, the budget proposes $75 million for California Bay-Delta ecosystem restoration activities, the same level provided in 1999, and the Administration proposes to extend the funding authorization for these activities in order to secure the full $430 million authorized in 1996. The budget also includes $20 million for non-ecosystem components of the long-term Bay Delta restoration program. EPA anticipates that significant funding in Clean Water Act and Safe Drinking Water Act program grants provided to California could be used for the water quality portion of this program.

Enhancing the Stewardship of National Treasures: The budget provides funding for the second year of the Facilities Restoration Initiative (FRI). In 2000, FRI provides an increase of almost $70 million, or five percent, for maintaining and restoring Bureau of Indian Affairs schools, as well as national parks, forests, refuges and other public lands, which are the heart of the Nation's natural, cultural, and historical legacy. As custodians of these resources, Federal land management agencies face growing demands to invest more to restore lands and rehabilitate an aging infrastructure of public facilities and trails. These needed investments protect wildlife habitat, maintain historic sites, and preserve our many national treasures like Glacier Bay National Park in Alaska, Gettysburg in Pennsylvania, and the Cabo Rojo Salt Flats in Puerto Rico.

Mitigating Air Quality Impacts: As another component of the Livability initiative, the budget includes $1.8 billion, a 26-percent increase over the 1999 level, for Transportation's Congestion Mitigation and Air Quality Improvement program, which supports transportation projects to reduce congestion and improve air quality. It is the principal source of Federal funding directed to address the air quality impacts of transportation in nonattainment and maintenance areas designated under the Clean Air Act. Typical projects include mass transit, high-occupancy vehicle lanes, vehicle inspection and maintenance programs, and bicycle and pedestrian paths, the majority of which can be used to help communities promote smart growth.

Funding the EPA Operating Program: The budget proposes $3.7 billion, a five-percent increase over 1999, for EPA's operating program, which includes most of EPA's research, regulatory, and enforcement programs and partnership grants, with States and Tribes. The operating program, which has grown 33 percent during this Administration, 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.

Within the operating program, the budget fully funds the second year of EPA's part of the CCTI ($216 million) and the CWAP ($630 million). The budget also provides a $29 million increase for children's environmental health activities, particularly relating to asthma and developmental disorders.

Financing Water Quality Infrastructure: The budget proposes $825 million ($50 million over 1999) in EPA capitalization grants for Drinking Water State Revolving Funds (SRFs),

which make low-interest loans to help municipalities meet the requirements of the Safe Drinking Water Act Amendments. These funds will help ensure that Americans have a safe, clean drinking water supply—our first line of defense in protecting public health. By the end of 1998, every State had successfully established a Drinking Water SRF and begun disbursing loans to its communities.

The budget also proposes $800 million in capitalization grants to Clean Water SRFs to help municipalities comply with the Clean Water Act, thus helping to reduce beach closures and to keep our waterways safe and clean. Those levels for the two SRFs will keep the programs on track toward achieving the Administration's goal of providing sufficient capital for the two SRFs to offer $2.5 billion a year in financial assistance to municipalities over the long run. The Clean Water SRFs are nearing full capitalization and are on schedule for reaching that goal in 2005.

Accelerating Endangered Species Act Efforts: The budget proposes a 40-percent increase, an additional $52 million, for a total of $181 million, in Interior's Fish and Wildlife Service and Commerce's National Marine Fisheries Service, for the endangered species program. These funds will support the Administration's efforts to encourage private landowners to protect species, and recover salmon in the Pacific Northwest. The Endangered Species program increases are designed to encourage cooperative partnerships between the Federal Government and States, localities, Tribes, and private parties to recover listed species and prevent the need to list more.

Supporting the Global Environment Facility (GEF): U.S. participation in the GEF is a cornerstone of our foreign policy on the environment. The GEF has become the world's leading institution for protecting the global environment and avoiding economic disruption from climate change, massive extinction of valuable species, and dramatic collapse of the oceans' fish population. The $143 million proposal for 2000—less than last year's appropriation of $193 million, which included payment of United States arrears to the GEF—includes $107.5 million for the 2000 contribution to the GEF's second four-year replenishment program, from 1999 to 2002, and $35 million for contributions previously due. U.S. funding for this program is crucial if the Nation hopes to continue influencing GEF's policies and lending strategies.

Providing Multilateral and Bilateral Environmental Assistance: The budget proposes $321 million for bilateral and multilateral environmental assistance. Bilateral assistance includes U.S. Agency for International Development (USAID) activities to address topics such as biodiversity, and implement USAID's five-year, $1 billion commitment to address climate change issues in developing countries. Multilateral assistance funds U.S. voluntary contributions to the UN environmental system and other international organizations to address international environmental activities.

Expanding the Federal Facilities Cleanup and Compliance: The Federal Government continues to address the huge challenge of cleaning up Federal facilities contaminated with radioactive or hazardous waste. DOE faces the most complex and costly problems from over 40 years of research, production, and testing of nuclear weapons and reactors. By the end of 2000, an estimated 76 of the 113 contaminated DOE sites will be cleaned up.

The budget proposes $5.9 billion for DOE's Environmental Management program, including $1.3 billion to clean up quickly and return excess Federal property to beneficial use in local communities. The budget also proposes $228 million to continue to privatize waste remediation at such sites as the Hanford, Washington, Oak Ridge, Tennessee, and Idaho facilities, for which DOE pays for the delivery of treated waste that meets approved specifications. Privatization will help speed cleanups, reduce health risks, and cut costs at these sites.

The Department of Defense (DOD), which operates one of America's most diverse and successful environmental programs, is focusing its efforts on reducing relative risk at its active and closing installations. As of early 1999, it is conducting studies or cleanups at nearly 700 military installations and 2,500 formerly-used properties. Moreover, it has determined that 15,265 sites require no further action. DOD also is making progress

in its compliance and pollution prevention, conservation, and environmental technology programs. The budget proposes $4.2 billion for all DOD environmental activities, an amount that reflects a commitment to consistent and wise stewardship of DOD lands. The Administration is committed to making all current and former DOD property safe and clean.

7. PROMOTING RESEARCH

Over the past fifty years our commitment to science has strengthened this country in countless ways. Scientific research has created vast new industries, millions of jobs, allowed America to produce the world's most bountiful food supplies and remarkable tools for fighting disease. Think of what today's investments will yield.

President Clinton
June 1998

In the last one hundred years, science and technology have fundamentally transformed our lives, from the ways we travel and communicate, to the food we eat; from the manner in which we learn, to the quality of our health care and our ability to create a cleaner environment. The next century offers new fields of research and innovation and potential solutions to some of society's most pressing challenges. Technological advances continue to strengthen the ties between Americans and the rest of the world, enabling new business endeavors, providing access to news and information from anywhere on the globe, and improving cultural understanding. As the forces of innovation and globalization gain momentum, the 21st Century promises to be an era of great opportunity for the entire world, propelled by new and remarkable developments.

In the latter half of this century, the Federal Government has played a critical role in spurring and sustaining scientific and technological advances. Among other feats, Government-sponsored research and development put Americans on the moon, explored the oceans, boosted agricultural productivity, harnessed the atom, devised more effective treatments for cancers, found the remains of lost civilizations, tracked weather patterns and earthquake faults, created the Internet, and deciphered the chemistry of life. Numerous studies show technological innovation and scientific discovery generated at least half of the Nation's productivity growth over the last 50 years, created millions of high-skill, high-wage jobs, and improved the quality of life in America.

In the last year alone, research and development have produced numerous impressive results, including the first photograph of a planet outside our own solar system, the creation of the world's fastest supercomputer, the identification of the gene that causes Parkinson's Disease, and a host of other notable achievements.

The future holds even greater possibilities. Scientists and engineers in many disciplines are within reach of even more exciting advances. Building on decades of experimentation and theoretical developments, they will be able to rely on new and sophisticated research tools for future discoveries—supercomputers that can make trillions of calculations in a second, particle accelerators and electron microscopes that can decipher atoms and the nature of matter, and space telescopes that can reach to parts of the universe previously unexplored. In particular, computational science—supercomputer modeling of extremely complex systems such as the global climate, the human body, and galaxies—is emerging as a new and significant branch of research, providing insights not likely to occur through experimentation or theorizing alone.

Continued leadership in science and technology is a cornerstone of the President and the Vice President's vision for America. During the past six years, the Administration has provided substantial growth for science and technology programs. The budget strengthens these vital investments, contributing to many broader Administration goals for the economy, education, health care, the environment, and national defense. The budget

also takes steps to ensure that everyone—regardless of economic status, education, location, gender, ethnicity or race—can reap the benefits of technological innovation.

The 2000 Budget maintains the course established in last year's budget, in which the President proposed the largest increase in history for civilian research programs, plotting a bold course of strategic growth. This budget proposes funding levels across a broad range of civilian agencies consistent with the increases projected in the 1999 Budget. The continuing centerpiece of the Administration's commitment to science and technology is the 21st Century Research Fund, which provides stability and growth for the highest priority research programs. The budget provides $38.1 billion for the Fund—a three-percent increase above last year. (See Table 7–1 for details on the Fund.)

This budget also reflects an effort to re-establish an optimum balance between health care research and other scientific disciplines—a concern voiced in recent years throughout the science community. Substantial recent increases to the National Institutes of Health (NIH) have advanced the President's commitment to increase long-term NIH funding well ahead of schedule. The budget adds prudently to the NIH while providing a seven-percent boost for the National Science Foundation (NSF), which supports a broad range of university research in areas other than health.

A Bold, New Information Technology Initiative

The budget proposes a bold, new Information Technology Initiative that will invest in long-term, fundamental research in computing and communications, and will increase development and purchases of extremely fast supercomputers to support a broad range of civilian research and development. Long-term information technology research will strengthen America's leadership in an industry that accounts for one-third of our economic growth, create high-tech, high-wage jobs, and improve our quality of life. This research may also lead to breakthroughs such as: computers that are easier to use, including by people with disabilities; high-speed wireless networks that can bring telemedicine to rural communities; the successor to the transistor; and software that is much more dependable and reliable. High-speed supercomputers will allow scientists and engineers to develop life-saving drugs more rapidly, provide earlier warnings for tornadoes and design more fuel efficient, safer automobiles. The initiative will also provide for fundamental research that could lead to major breakthroughs in the next generation of supercomputers, networks, and applications—research that, without Federal support, would not otherwise be funded. Consistent with the Administration's approach, the initiative emphasizes the inter-dependency of scientific disciplines—that innovation in one field is often made possible by innovations in other fields. And it lays the groundwork for a flourishing of the computational sciences in the 21st Century, and for advances that will contribute to our health and well-being in the future. (See Chart 7–1 for information on computing and communications R&D.)

Science and Technology Themes

Federal investments in science and technology contribute to the Administration's economic, educational, health, environmental, and national security goals. The budget proposes increases for a host of important activities. (For total Federal R&D funding, see Table 7–2; for science and technology highlights, see Table 7–3.)

Increasing Total Support for Science and Technology: The budget proposes $38.1 billion for programs in the 21st Century Research Fund, $1.2 billion, or three percent, more than in 1999, exceeding last year's projected increases. The budget provides an increasing share for civilian R&D investments, which now comprise 51 percent of the total—a substantial increase from 42 percent in 1993, in keeping with the Administration's efforts to place additional emphasis on civilian R&D activities.

Boosting Funding for Basic Research: The budget proposes $18.2 billion for basic research, an increases of $727 million, or 4.2 percent, over 1999. These investments—the highest level ever proposed for basic research—reflect the Administration's commitment to obtaining knowledge that will provide

Table 7–1. 21st CENTURY RESEARCH FUND

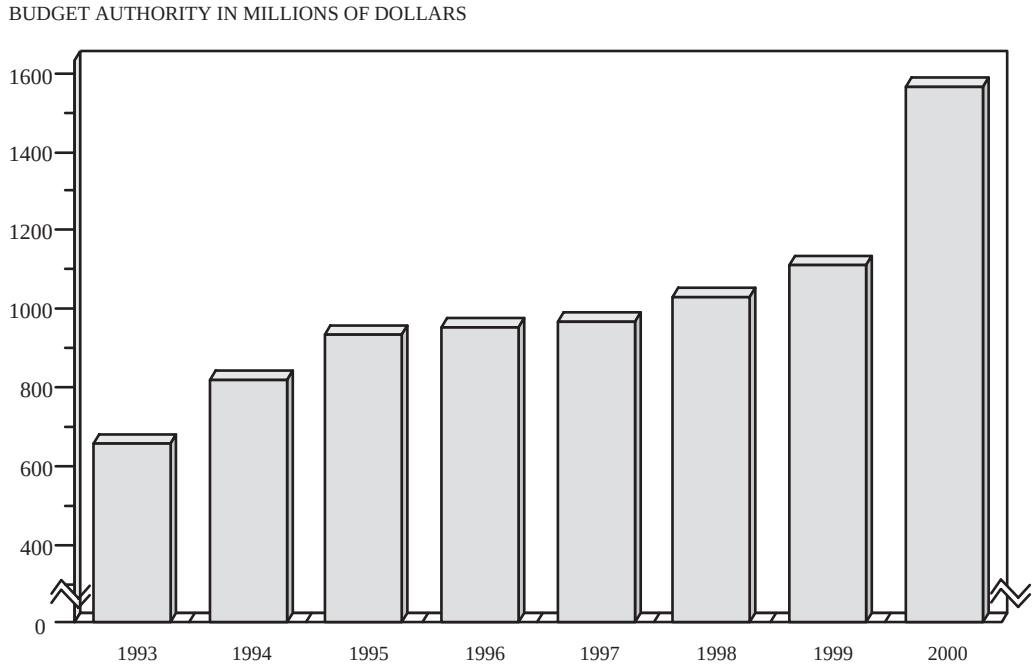
(Budget authority, dollar amounts in millions)

	1993 Actual	1998 Actual	1999 Estimate	2000 Proposed	Percent Change: 1999 to 2000
Health and Human Services:					
National Institutes of Health	10,335	13,648	15,612	15,933	+2%
National Science Foundation	2,750	3,429	3,672	3,921	+7%
Department of Energy (DOE):					
Science Programs	3,066	2,468	2,685	2,835	
Solar and Renewable R&D	249	272	336	399	
Energy Conservation R&D	346	457	526	647	
DOE Total	3,661	3,197	3,547	3,881	+9%
National Aeronautics and Space Administration (NASA):					
Space Science	1,770	2,034	2,119	2,197	
Earth Science	996	1,417	1,414	1,459	
Advanced Space Transportation	115	417	423	254	
Aeronautics	769	920	786	620	
Life and Microgravity Sciences	195	214	264	256	
NASA Total	3,845	5,002	5,006	4,786	–4%
Department of Defense (DOD):					
Basic Research	1,314	1,012	1,108	1,113	
Applied Research	3,549	2,910	3,151	2,956	
DOD Total	4,863	3,922	4,259	4,069	–4%
Department of Agriculture (USDA):					
CSREES Research and Education [1]	433	430	476	475	
Economic Research Service	59	54	54	56	
Agricultural Research Service	661	745	809	837	
Forest Service Research	183	188	197	235	
USDA Total	1,336	1,417	1,536	1,603	+6%
Department of Commerce:					
Oceanic and Atmospheric Research	202	278	287	283	
National Institutes of Standards and Technology [2]	364	565	540	635	
Commerce Total	566	843	827	918	+11%
Department of the Interior: U.S. Geological Survey	579	759	798	838	+5%
Environmental Protection Agency (EPA):					
Office of Research and Development.	517	573	562	535	
Climate Change Technology programs	.....	90	109	216	
EPA Total	517	663	671	751	+12%
Department of Veterans Affairs: Medical Research	232	272	316	316	.....
Department of Education: Research programs	117	196	210	265	+26%
Department of Transportation (DOT):					
Highway Research	310	288	338	661	
Aviation Research	230	199	150	173	
DOT Total	540	487	488	834	+71%
21st Century Research Fund	**29,341**	**33,835**	**36,942**	**38,115**	**3%**

[1] Does not include funds proposed for the recently authorized Integrated Research, Education, and Extension Competitive Grants Program, a portion of which would be used for R&D activities.

[2] Does not include the Manufacturing Extension Partnership.

Chart 7-1. COMPUTING AND COMMUNICATIONS RESEARCH AND DEVELOPMENT



Note: Includes High Performance Computing and Communications (excluding DOE's defense-related activities), the Information Technology Initiative, and other related civilian activities.

future economic and social benefits and improve our ability to meet economic needs without adversely affecting health and the environment (see Chart 7–2).

Strengthening University-Based Research: University-based research is key to America's future. While fostering innovation and expanding the scientific frontier, university-based research also trains the next generation of scientists and engineers. The budget proposes $15.5 billion, an increase of $353 million over 1999.

Protecting Human Health: The budget reflects the Administration's continued focus on R&D to protect human health. It funds research programs at NIH that have made the United States the world's leader in medical research. It also supports the development of an AIDS vaccine, the fight against emerging infectious diseases, research on cancer and diabetes, efforts to reduce the demand for illicit drugs, and a food safety initiative.

Investing in Innovation to Create New Jobs and Industries: Many of the new private-sector jobs created under this Administration have been high-tech, high-wage jobs in industries like biotechnology and computing. The budget maintains a strong investment in technology to foster these high-priority, civilian science and technology industries and jobs. The budget continues funding for the Department of Commerce's Advanced Technology Program and Manufacturing Extension Partnerships to help firms develop and adopt modern technologies.

Investing in Environmental Research: The budget supports vital research on safe and clean food, air, and water, and on ecosystem management, biological diversity, climate change, natural disasters, energy efficiency, and renewable energy. These investments provide a scientific basis for developing cost-effective environmental policies, produce the knowledge base for citizens to make wise environmental decisions, and enable better approaches to environmental protection. The budget pro-

Table 7–2. RESEARCH AND DEVELOPMENT INVESTMENTS

(Budget authority, dollar amounts in millions)

	1993 Actual	1998 Actual	1999 Estimate	2000 Proposed	Percent Change: 1999 to 2000	Percent Change: 1993 to 2000
Funding by Agency:						
Defense	38,898	37,568	37,204	35,064	–6%	–10%
Health and Human Services	10,472	13,860	15,792	15,984	+1%	+53%
National Aeronautics and Space Administration	8,873	9,753	9,714	9,771	+1%	+10%
Energy	6,896	6,483	7,240	7,465	+3%	+8%
National Science Foundation	2,012	2,528	2,721	2,934	+8%	+46%
Agriculture	1,467	1,561	1,796	1,718	–4%	+17%
Commerce	793	1,091	1,075	1,162	+8%	+47%
Transportation	613	859	891	1,230	+38%	+101%
Interior	649	472	517	590	+14%	–9%
Environmental Protection Agency	511	636	669	645	–4%	+26%
Veterans Affairs	253	587	674	663	–2%	+162%
Other	1,055	928	974	1,016	+4%	–4%
Total	72,492	76,326	79,267	78,242	–1%	+8%
Total, without Defense development	36,966	41,779	45,140	46,256	+2%	+25%
Funding by R&D Type:						
Basic Research	13,362	15,658	17,499	18,226	+4%	+36%
Applied Research	13,608	15,144	16,134	16,169	.....	+19%
Development	42,795	42,721	42,490	40,799	–4%	–5%
Equipment	[1]	994	977	1,063	+9%	NA
Facilities	2,727	1,809	2,167	1,985	–8%	+12%
Total	72,492	76,326	79,267	78,242	–1%	+8%
Total, without Defense development	36,966	41,779	45,140	46,256	+2%	+25%
Funding by Civilian Theme:						
Basic Research	11,951	14,592	16,341	17,074	+4%	+43%
Applied Research	9,130	10,936	11,603	11,598	.....	+27%
Development	7,269	8,174	8,363	8,813	+5%	+21%
Equipment	[1]	656	650	748	+15%	NA
Facilities	1,979	1,398	1,672	1,528	–9%	+15%
Subtotal	30,329	35,756	38,629	39,761	+3%	+31%
Funding by Defense Theme:						
Basic Research	1,411	1,066	1,158	1,152	–1%	–18%
Applied Research	4,478	4,208	4,531	4,571	+1%	+2%
Development	35,526	34,547	34,127	31,986	–6%	–10%
Equipment	[1]	338	327	315	–4%	NA
Facilities	748	411	495	457	–8%	+3%
Subtotal	42,163	40,570	40,638	38,481	–5%	–9%
Funding by R&D Share:						
Defense	42,163	40,570	40,638	38,481	–5%	–9%
Civilian	30,329	35,756	38,629	39,761	+3%	+31%
Total	72,492	76,326	79,267	78,242	–1%	+8%
Civilian (percent)	42%	47%	+49%	+51%		
R&D Support to Universities	11,674	13,693	15,124	15,477	+2%	+33%
Merit (Peer) Reviewed R&D Programs	NA	23,123	25,542	26,409	+3%	NA

NA = Not Applicable.
[1] Equipment and facilities data were not collected separately in 1993.

Table 7–3. SELECTED PROGRAM HIGHLIGHTS

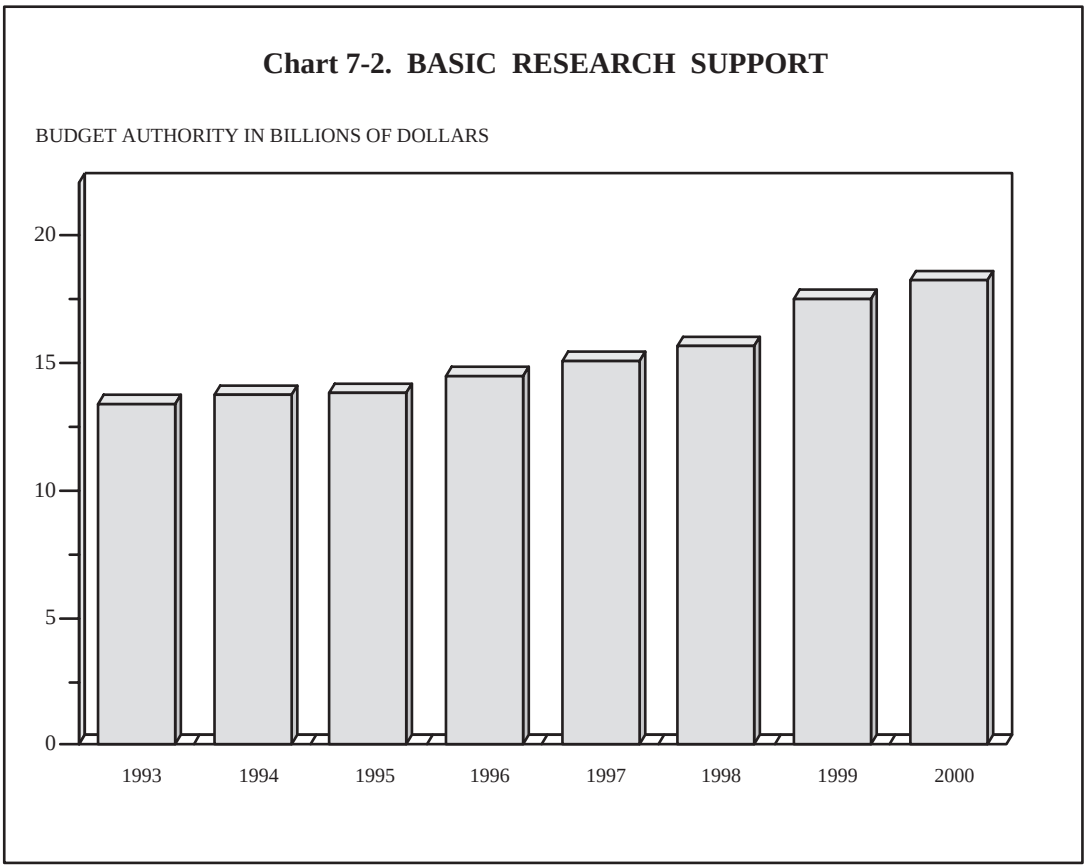
(Budget authority, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
National Aeronautics and Space Administration:					
International Space Station	2,441	2,305	2,483	+178	+8%
Department of Commerce:					
Advanced Technology Program	193	203	239	+36	+18%
National Telecom. and Info. Admin. NII Grants	20	18	20	+2	+11%
Department of Transportation:					
Highway Research and Deployment Initiative	121	162	390	+228	+141%
Intelligent Transportation System Initiative	167	177	271	+94	+53%
National Science and Technology Council Initiatives:					
High Performance Computing and Communications:					
Defense	220	168	207	+39	+23%
Health and Human Services	98	111	115	+4	+4%
National Aeronautics and Space Administration	120	93	136	+43	+46%
Energy (Civilian programs)	115	126	116	–10	–8%
Energy (Defense - Advanced Strategic Computing Initiative)	374	484	543	+59	+12%
National Science Foundation	265	301	314	+13	+4%
Commerce	20	27	27	.....	.....
Environmental Protection Agency	3	4	4	.....	.....
Subtotal	1,215	1,314	1,462	+148	+11%
Information Technology Initiative:					
National Science Foundation	.....	.....	146	NA	NA
Defense	.....	.....	100	NA	NA
Energy	.....	.....	70	NA	NA
National Aeronautics and Space Administration	.....	.....	38	NA	NA
Commerce	.....	.....	6	NA	NA
National Institutes of Health	.....	.....	6	NA	NA
Subtotal	NA	NA	366	NA	NA
U.S. Global Change Research Program:					
National Aeronautics and Space Administrati	1,210	1,177	1,219	+42	+4%
Energy	106	114	125	+11	+10%
National Science Foundation	167	182	187	+5	+3%
Agriculture	53	54	88	+34	+63%
Health and Human Services	35	40	40	.....	.....
Commerce	60	63	70	+7	+11%
Interior	26	27	27	.....	.....
Environmental Protection Agency	13	17	23	+6	+35%
Smithsonian Institution	7	7	7	.....	.....
Subtotal	1,677	1,681	1,786	+105	+6%
Partnership for a New Generation of Vehicles	220	240	264	+24	+10%
Climate Change Techology Initiative	819	1,021	1,368	+347	+34%
Integrated Science for Ecosystem Challenges[1]	.....	.....	96	NA	NA

NA = Not applicable

[1] Amount reflects new activities in 2000, but does not include related, ongoing activities in 2000 and prior years.

poses $96 million for Integrated Science for Ecosystem Challenges (ISEC) to develop an environmental information infrastructure and modeling framework to manage and preserve the Nation's natural resources. In 2000, ISEC will address four priority areas: invasive species, biodiversity and species decline; harmful algal blooms, hypoxia and eutrophication; habitat conservation and ecosystem productivity; and information management, monitoring,



and integrated assessments. This research will allow resource managers to predict and assess the environmental and economic impacts of stress on vulnerable ecosystems and will also provide information to guide public and private land planning, management, and acquisition.

Investing in a 21st Century Education: Through the Education Technology Initiative, the Government is helping to ensure that America's classrooms are equipped with modern computers and connected to the Internet, that educational software becomes an integral part of the curriculum, and that teachers are ready to use and teach with technology. Federal science and technology investments such as the Education Research Initiative—an Education Department and NSF partnership—also contribute to these goals.

Investing in Research to Keep Our Nation Secure: The budget invests in defense research to ensure that our military maintains its technological superiority, providing $1.1 billion for basic research and $3.0 billion for applied research at the Defense Department. The budget also supports programs that will keep nuclear weapons out of the hands of terrorists, use science-based techniques to ensure the safety and reliability of our nuclear weapons stockpiles, promote global stability by bolstering strong international science and technology partnerships, and increase research and development on critical infrastructure protection to improve the safety and security of the Nation's physical infrastructure and information and communications systems.

Agency Highlights

NIH: The budget continues its commitment to biomedical research that promotes innovations to improve health and prevent disease. It provides an increase of $320 million over the 1999 level for NIH. This funding level will support research on diabetes, brain disorders, cancer, genetic medicine, disease prevention strategies, and development of an AIDS vaccine. NIH's highest priority continues to be investigator-initiated, peer-reviewed research project grants. In the last year, NIH research on traumatic spinal cord injury revealed that

it may actually be possible to regenerate nerve cells. More research may yield ways to repair damaged spinal cords and eventually permit the restoration of some degree of function to paralyzed patients.

NSF: The budget provides $3.92 billion—seven percent more than in 1999—for NSF, whose broad mission is to promote science and engineering research and education across all fields and disciplines. In 1998, NSF-funded scientists determined that the years 1997, 1995, and 1990 were the warmest since 1400 A.D., providing further evidence of recent human influence on the global climate system. The budget provides $146 million for NSF to play a lead role in the Administration's information technology initiative, focusing on long-term computer science research and providing scientists access to world-class supercomputers. The budget also increases funding for biocomplexity research to promote understanding of the complex biological, physical, chemical, and social interactions within and among the Earth's ecosystems.

Department of Energy (DOE): The budget provides $2.84 billion, a six-percent increase over 1999, for DOE's research programs in physics, chemistry, materials, biology, computer science, fusion, and other areas. DOE operates large scientific user facilities to enable research in these fields, as well as fields ranging from biomedicine to agriculture. The budget provides for the construction of new scientific facilities, including the Spallation Neutron Source and the Large Hadron Collider (in partnership with other countries), and the development of advanced computing and networking capabilities. In the past year, DOE-funded scientists achieved many notable successes, such as discovering how genetic material replicates and developing an atom-by-atom model of the enzyme responsible. In 2000, DOE will operate the newly constructed Relativistic Heavy Ion Collider to simulate conditions that existed in the universe in the first millionth of a second after the Big Bang. In addition, the budget includes $543 million for the Advanced Strategic Computing Initiative in support of nuclear weapon stockpile stewardship.

National Aeronautics and Space Administration (NASA): The budget funds several ongoing and new activities in support of NASA's missions, including $2.48 billion for the International Space Station, which began assembly in orbit in 1998 with the launch of the first U.S. and Russian elements. The Russian economic situation has increased uncertainty about Russia's ability to meet future critical milestones in this international development program. While the Administration remains committed to Russia's participation in this multi-national partnership, the budget reflects key steps taken to help ensure the ultimate success of this complex international program. By increasing funding for the Space Station, the Administration will help to maintain the construction schedule and enable development of backup capabilities in the event of potential shortfalls in Russian contributions. In addition to this "backup strategy," the Administration is also concerned about Space Station cost growth due to domestic problems, and has established oversight of the Space Station as a Priority Management Objective, as discussed in Section IV, "Improving Performance Through Better Management." The Administration will work closely with the Congress on any future issues to enable the program's success.

The NASA budget also includes: $2.2 billion—a four-percent increase over 1999—for Space Science, a program that made several significant discoveries in 1998, including the first confirmable evidence of ice on the moon; $1.46 billion—a three-percent increase over 1999—for Earth Science, which seeks to understand the influence of natural processes and human activities on the global environment and which will launch in 2000 the first in a new series of faster, cheaper satellites, known as Earth System Science Pathfinders; $254 million for Advanced Space Transportation Technology, which in 1999 will initiate development of the first in a new series of reusable launch vehicle demonstrations, known as Future-X; $620 million for Aeronautics Research and Technology programs, including Aviation Safety R&D; and $1.2 billion in funds after 2000 to support new launch vehicles to lower NASA's launch costs. Finally, the budget includes a $463 million, five-year technology investment to leverage recent successes in Space Science, like Mars

Pathfinder, and to enable robotic scientific outposts throughout the solar system.

Department of Defense (DOD): The budget funds $1.1 billion in basic research and $3.0 billion in applied research, and $3.3 billion in advanced technology development, providing options for new defense strategies and laying the groundwork for procuring next-generation defense systems. Because of DOD's emphasis on the physical sciences, its research and development investments are vital to the nation's engineering, mathematics, and computer science efforts. The budget supports the Dual Use Science and Technology program and the Commercial Operations and Support Savings Initiative, which put commercial industry's technical know-how and economies of scale to the service of national defense. The budget proposes $118 million to conduct Advanced Concept Technology Demonstrations (ACTDs), which bring technology experts and military operators together early in technology system development to eliminate communication barriers, improve management of development programs, and address key warfighter challenges. Forty-four ACTDs are now under way, and 13 have been completed. Recent DOD technological accomplishments include development of a vaccine effective against the infectious hepatitis A virus, a vaccine recently approved by the Food and Drug Administration and now commercially available for military and civilian use. Similarly, DOD has demonstrated the efficacy of a genetically engineered vaccine to protect against malaria. In addition, the Department has funded the development of a new material for body armor that provides lighter-weight protection against projectiles such as bullets or shrapnel.

Department of Commerce:

National Institute of Standards and Technology (NIST): The budget provides $239 million—an 18-percent increase over 1999—for NIST's Advanced Technology Program to promote unique, rigorously competitive, cost-shared R&D partnerships that develop technologies promising widespread economic benefits. The budget provides $396 million—a 17-percent increase over 1999—for research and facilities at NIST's Measurement and Standards Laboratories. In 1998, NIST improved our understanding of what happens when atoms approach each other at very slow speeds, building on the 1997 Nobel Prize winning work of NIST's Dr. William Phillips. This research is critical to both theoretical physics and future generations of time standards. In 2000, NIST will conduct additional research on fundamental physical constants, refined standards for weight and electricity, and critical infrastructure protection.

Manufacturing Extension Partnership: The budget proposes $100 million for this Nationwide network of 75 centers and over 325 field offices offering technical assistance to help the Nation's 382,000 small manufacturers compete more effectively, leading to stronger economic growth and job creation. This funding is matched by States and localities.

National Oceanic and Atmospheric Administration/Office of Oceanic and Atmospheric Research: The budget provides $283 million for research to provide a scientific basis for national policy decisions in areas such as climate change, air quality, and stratospheric ozone depletion, as well as research to promote economic growth through efforts in marine biotechnology and environmental technologies.

National Telecommunications and Information Administration's National Information Infrastructure Grants Program: The budget proposes $20 million—an 11-percent increase over 1999—for grants to fund innovative projects that demonstrate how information technology can improve the delivery of educational, health, and other social services. These grants are highly competitive and have stimulated several hundred million dollars in non-Federal matching funds.

Department of Agriculture (USDA): The budget provides $837 million for the Agricultural Research Service, $28 million more than in 1999, and $56 million for the Economic Research Service, which together conduct a broad range of food, farm, and environmental research programs. The budget also provides $475 million for Research and Education Programs of the Cooperative State Research, Education, and Extension Service (CSREES), including $200 million for the National Research Initiative (NRI), a 68-percent increase over the 1999 level. CSREES provides grants for agri-

cultural, food, and environmental research, and for higher education. NRI competitive research grants improve the quality and increase the quantity of USDA's farm, food, and environmental research. The budget also proposes increases for high priority research in areas such as nutrition, food safety, climate change, air and water quality, food quality protection, agricultural genomes, sustainable ecosystems, and the Forest Service's Forest and Rangeland Research program. An additional $120 million in mandatory funding will be available in 2000 under the Agricultural Research Extension and Education Reform Act of 1998.

Environmental Protection Agency (EPA): The budget provides $535 million for EPA's Office of Research and Development (ORD), which performs the majority of EPA's research and provides a sound scientific and technical foundation for environmental policy and regulatory decision-making. ORD also provides technical support for EPA's mission, integrates the work of its own scientific partners, and provides leadership in addressing emerging environmental issues, thereby assisting EPA in protecting human health and the environment. In the last year, EPA researchers discovered a method to render lead-contaminated soil safe for humans, thereby potentially decreasing the number of children suffering from lead poisoning.

Department of the Interior's U.S. Geological Survey (USGS): The budget provides $838 million—a five-percent increase over 1999—for science that supports natural resource and environmental decision making. In 1998, USGS science efforts provided critical information to restore the Florida Everglades and respond to Hurricane Bonnie and Hurricane Mitch. The budget supports research on enhanced understanding of species habitat, invasive species, and declines in amphibians and coral reefs. The budget also supports research and technical assistance on the scientific needs of land managers and local land-use planners. In 2000, this information will promote local planning and conservation efforts to protect the most valuable open spaces and critical habitat. USGS will use its mapping, remote sensing, and natural resources monitoring capabilities to develop new ways to improve the availability and dissemination of domestic natural disaster hazard and earth science information, as well as to support NASA's Earth Observing System satellites.

Department of Veterans Affairs' Medical Research: The budget provides $316 million—about a third of the Department's overall $1 billion research program—for clinical, epidemiological, and behavioral studies across a broad spectrum of medical research disciplines. Among the agency's top research priorities are improving the translation of research results into patient care, geriatrics (including end-of-life care and Alzheimer's disease), and treatment of Parkinson's disease and Persian Gulf Veterans' illnesses.

Department of Transportation: The budget proposes a total of $390 million for the Highway Research and Deployment Initiative—a $228 million increase over the 1999 level. This funding will support activities such as improving the durability of pavement and bridges, enhancing pedestrian safety, and refining air quality analysis models. The budget also includes $271 million for the Intelligent Transportation System (ITS) initiative—a package of technologies to enhance the safety and efficiency of surface transportation infrastructure. This ITS total includes $113 million for continued deployment of integrated "intelligent infrastructure," such as interactive traffic signals, traveler information systems, and advanced electronic motor carrier toll clearance systems in urban and rural areas and the commercial vehicle industry.

Department of Education: The budget proposes a $45 million increase for the National Education Research Institutes. The increase includes $25 million for the agency's contribution to the second year of the Education Research Initiative, a collaborative effort with NSF. The initiative will continue to support large-scale research focused on the best approaches to raising student achievement. Activities will focus on applying the latest research findings to the development, implementation, and evaluation of new program models in three areas: increasing readiness for reading and mathematics, sustaining reading and mathematics skills in grades K-3, and improving teacher preparation. The proposed increase for the Institutes will also support additional research on comprehensive school reform, and new research on English language skills acqui-

sition for children with limited English proficiency.

National Science and Technology Council Interagency Initiatives

The National Science and Technology Council provides management oversight that will ensure efficient and effective coordination for key multi-agency initiatives, including:

High Performance Computing and Communications (HPCC) and the Information Technology Initiative: The budget provides $1.8 billion for these programs, including $366 million for the Information Technology Initiative, a bold, new effort focused on two, interrelated topics: 1) fundamental research that could lead to major breakthroughs in the next generation of supercomputers, networks and applications—research that is too high-risk and/or long-term for private sector funding; and 2) development of extremely powerful supercomputers, hundreds of times more powerful than today's best, for applications in a variety of civilian fields. Resulting advances in these fields could lead, for example, to better predictions of global warming and regional weather, as well as improved pharmaceutical development. The continuing HPCC program will pursue breakthroughs in high-end computing and computation, large-scale networking, and high-confidence systems. This ongoing work includes the Next Generation Internet Initiative. In the last year, the program demonstrated many key components of the Next Generation Internet, including ultra-high-speed switching devices, and various data-intensive applications ranging from medical imaging to advanced storm forecasting.

U.S. Global Change Research Program (USGCRP): The budget proposes $1.8 billion—a six-percent increase over 1999—to observe, understand, predict, and assess the state of the Earth and how it changes in response to natural and human-induced forces. USGCRP science was critical in the accurate prediction of the 1997–98 El Nino event and other resulting climate anomalies, allowing for advanced preparations and, in some cases, minimization of human and economic losses. In 2000, the USGCRP will address a range of critical unanswered scientific questions: the origins of natural and human-caused changes; the role of multiple stresses on the rate and severity of environmental change; how climate change may vary by region and over time scales of decades, rather than centuries; and the potential for abrupt and surprising changes in the global climate. In 2000, the program will also focus on how the terrestrial biosphere produces and consumes carbon dioxide on a regional scale, to increase our understanding of the role of biological processes on the Earth's climate.

Climate Change Technology Initiative: The budget proposes $1.8 billion for the second year of this research and technology initiative to promote energy efficiency, develop low-carbon energy sources, and develop and demonstrate technologies to reduce greenhouse gas emissions. Led by DOE and EPA, the effort also includes USDA, the Department of Housing and Urban Development, and NIST. Of the amount proposed, $1.4 billion is for R&D spending on energy efficiency and renewable energy technologies, sequestration (storage) of carbon, extending the useful life of existing nuclear plants, and development of highly efficient fossil fuel technologies. The remainder, $0.4 billion, is for tax credits to stimulate the adoption of energy efficient technologies in buildings, homes, industrial processes, vehicles, and power generation.

Partnership for a New Generation of Vehicles: The budget proposes $264 million—$24 million more than in 1999—for this cost-shared, industry partnership, which centers on three research goals: to develop advanced manufacturing techniques; to use new technologies for near-term emissions improvements; and to develop production prototype vehicles three times more fuel-efficient than today's cars, with no sacrifice in comfort, performance, or price. Federal funding focuses mainly on the third goal. In the last year, the automobile companies completed hybrid drivetrain prototype development and have moved further development in-house, requiring no more Federal support for these activities. Federal funding is now focusing on timely development of crucial components such as low-emissions direct-injection engines, fuel cells, power electronics, batteries, and lightweight materials. The program will lead to concept cars in 2000, and production prototypes in 2004.

8. ENFORCING THE LAW

> *"Americans are safer today than they have been in many years. Our strategy of putting more police on the beat and getting guns off the street is working. Americans have taken back their neighborhoods, and shown that rising crime and deadly violence need not be tolerated. But in far too many communities, crime remains a serious problem, and our work is far from done."*
>
> President Clinton
> November 1998

The Administration's sustained and aggressive efforts to fight crime have been extraordinarily successful. For more than six years, serious crime has fallen uninterrupted. The murder rate is down by more than 28 percent, its lowest point in three decades. And after years of steady increases, drug use among teens is beginning to level off, and even decline. These successes are the result of a simple, three-part strategy:

- putting more police on the street and promoting community policing while taking measures to deter violent offenders and gun violence;
- controlling alien smuggling and illegal immigration into the United States, and the drug smuggling and other illegal activities that can accompany it, through reliance on stepped-up border enforcement and the use of technology; and
- fighting drug abuse on all fronts, especially among children, by vigorously enforcing the Nation's drug laws and developing prevention programs which give children an alternative to crime and drugs and a chance for a positive future.

A cornerstone of the Administration's crime-fighting strategy, Community Oriented Policing Services (COPS), went into force at the start of the President's first term. With expanded resources for enforcement, and reliance on neighborhood involvement, COPS has brought stability and security to many once-dangerous neighborhoods. COPS has encouraged citizens to work with officers and other authorities in the criminal justice system to combat and prevent crime in their neighborhoods. And it has put more officers on the beat. COPS will achieve its goal of putting 100,000 officers on the beat in 1999—ahead of schedule and under budget—making all communities that much safer.

The next step in the President's anti-crime strategy is the new 21st Century Policing Initiative. It continues the Administration's commitment to keep the number of officers on the beat at an all-time high, by helping communities hire, redeploy, and retain police officers. It also builds on the COPS program in two key ways. First, it provides significant new funds to give law enforcement access to the latest crime-fighting and crime-solving technologies—improved police communications, crime mapping, laptop computers, crime lab improvements, and more. Second, the initiative makes an unprecedented commitment to engage the entire community in the hard work of preventing and fighting crime—by funding new community-based prosecutors, and partnerships with probation and parole officers, school officials, and faith-based organizations.

The budget also builds on the Administration's efforts to combat gun crime. On the legislative front, the Administration has won difficult victories in passing some of the toughest gun laws ever—including the Brady Law, the ban on assault weapons, and the Youth Handgun Safety Act. To build on these achievements and to further enhance law enforcement's ability to curb the use of guns in our society, the budget proposes a plan to address gun crime by enhancing and better coordinating the enforcement of Federal firearms laws. It also devotes signifi-

cant resources for Federal, State, and local gun tracing, investigation, and prosecution.

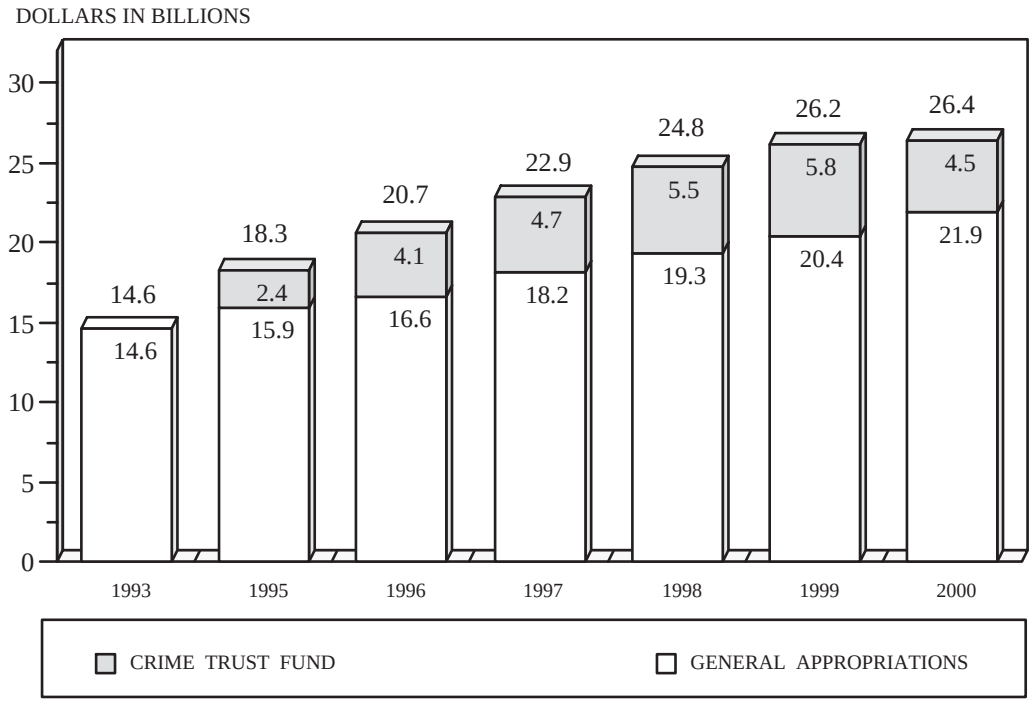
Fighting Crime

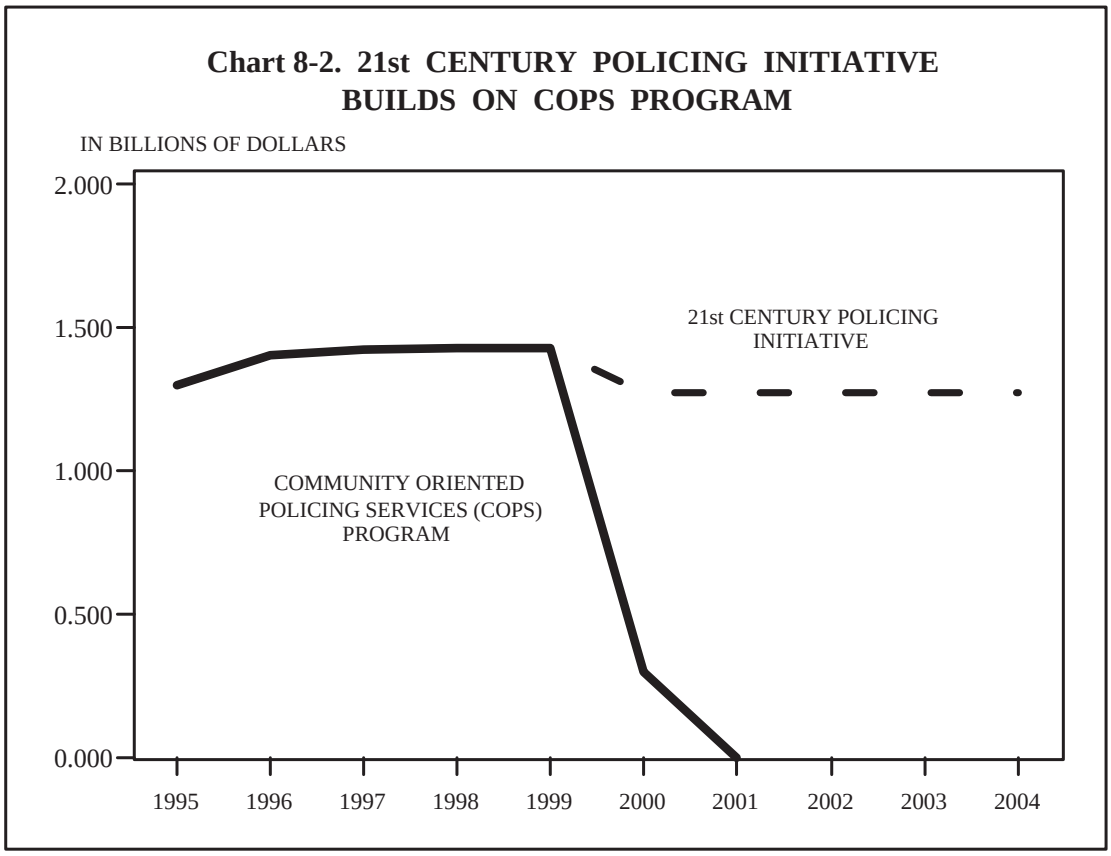
The budget proposes $26.4 billion to control crime (see Chart 8–1). Of the total, $4.5 billion would go for programs authorized in the 1994 Crime Act. While enhancing Federal anti-crime capabilities, the budget seeks to empower States and communities, which play the central role in controlling crime, particularly violent crime.

21st Century Policing Initiative: The $1.275 billion initiative (see Chart 8–2) includes the following:

- *More police on the streets:* $600 million will be used to hire and redeploy more law enforcement officers, with an effort to target new police officers to crime "hot spots." A portion of the funds will also be used to help economically-distressed communities retain new police hires, and for other programs to train, educate, and recruit law enforcement officers.
- *Crime fighting technology:* $350 million will be used to help State and local law enforcement agencies improve police communications, crime mapping, laptop computers, and crime lab improvements.
- *Community based prosecutors:* $200 million will be used to hire new community-based prosecutors and develop community-based prosecution programs. These prosecutors will interact directly with the community. Prosecutors are increasingly being asked to designate attorneys to work in neighborhoods that disperately need help, in order to help solve local crime problems, and to focus on methods of crime prevention.
- *Community crime prevention:* $125 million to engage the entire community in preventing and fighting crime. These funds could be used to: work with probation and parole officers in supervising released offenders; work with local school officials in adopting community-wide plans to prevent school violence; involve faith-based organi-

Chart 8-1. DISCRETIONARY ANTI-CRIME BUDGET HISTORY





zations in juvenile crime prevention; and establish citizens' police academies that teach neighborhood residents problem-solving skills.

- *Narrowband Communications:* In addition, the Justice and Treasury Departments will be able to upgrade the Federal wireless communication systems' efficiency, security, and compatibility with the radio systems of State and local public safety agencies. This communications network will ensure that the Nation's public safety workers can communicate with each other securely, swiftly and effectively.

Firearms Enforcement: The Administration supports hiring more Federal prosecutors and agents for an intensified effort to keep guns out of the hands of criminals, reduce youth violence, and make America's streets safer. As part of this effort, the Justice Department, working with the States and the Treasury Department, is now conducting computerized background checks on all firearms purchases. In its first four weeks, the new National Instant Check System has reviewed 779,170 prospective gun sales to make sure only law-abiding citizens take home new guns. Federal gun checks kept 7,900 felons, fugitives, stalkers, and other criminals from purchasing new firearms—an average of 290 illegal gun sales blocked every day.

The Administration proposes $5 million to increase firearms prosecutions based on focused Federal-local law enforcement efforts to incarcerate and deter armed violent criminals, violent youth offenders, and illegal gun traffickers. To support these prosecutions, the Administration also proposes $23.8 million and 160 additional Bureau of Alcohol, Tobacco, and Firearms (ATF) agents to investigate and arrest violent criminals and gun traffickers, which will extend the Youth Crime Gun Interdiction Initiative from 27 to 37 cities and support investigations of illegal activity associated with gun shows and illegal attempts to purchase firearms.

Law Enforcement on Indian Lands: Homicide and violent crime rates on Indian lands are rising, even as crime rates in the rest of the country fall. The Administration proposes $164 million for the second year of this joint Justice and Interior Departments initiative which provides anti-crime grants to Indian jurisdictions. The money is used to increase the number of fully trained and equipped police officers in Indian country and to improve the quality of detention facilities on Indian lands.

Violence Against Women: Violence against women is a continuing problem. Studies show that law enforcement intervention often breaks the cycle of domestic violence, preventing subsequent incidents. The budget proposes $456 million to maintain efforts to combat gender-based crime. Funding for these programs will also enable States to further expand outreach to previously under-served rural, Indian, and other minority populations.

Juveniles: The budget proposes $194 million for programs to fight juvenile crime and $95 million to support more local community prevention programs such as mentoring, truancy prevention, and gang intervention. To prevent young people from becoming involved in the juvenile justice system, the budget expands programs that provide supervised afternoon and evening activities for youth. The budget provides an additional $6 million in 2000 to the Departments of Health and Human Services and Justice to investigate and prosecute the most egregious child support violators.

Certainty of Punishment: The budget proposes $35 million for grants to States, local governments, and Indian Tribes to develop and implement innovative punishment alternatives to incarceration and probation for young offenders. The program aims to ensure certain punishment, to strengthen accountability and responsibility, to foster reduced recidivism, and to promote assistance for victims.

Gangs: The Administration intends to crack down on violent youth gangs and to keep guns out of the hands of criminals and away from children. It has launched a tough Anti-Gang and Youth Violence Strategy to help communities hire more prosecutors and probation officers, and to keep schools open later when youth crime rates peak. The budget provides $13 million for gang reduction programs, including Treasury funded local gang education efforts designed to educate youth about the dangers of gang involvement.

Safe Streets Task Forces: The budget proposes $108 million to continue the Safe Streets program, which blends the efforts of the FBI and other Federal law enforcement agencies with those of State and local police departments to investigate street crime and violence.

Crime in Public Housing: This budget proposes $310 million to support anti-drug and anti-crime activities in public housing, including Operation Safe Home, and a new Youth Anti-Drug Diversion initiative. The Office of Public Housing and the Department of Housing and Urban Development's Inspector General jointly administer Operation Safe Home, which brings together residents, managers, and various Federal and local law enforcement agencies to rid public housing communities of crime. The Youth Anti-Drug Diversion program provides funding in support of anti-drug and anti-crime activities among youths living in public and assisted housing, including mentoring and after-school programs focused on employment training and job placement.

State Criminal Alien Assistance: The budget proposes $500 million to reimburse State and local governments for the cost of incarcerating criminal illegal aliens.

Terrorism: Acts of domestic terrorism have resulted in deaths and injuries to American citizens, while terrorism overseas, as shown by the recent bombings in east Africa, has taken an even heavier toll. The Administration has sought more Federal resources to ensure the safety and security of the public and the Government from these violent and devastating criminal acts. The budget provides $8.5 billion to combat terrorism, of which $5 billion would support the Defense Department's (DOD) terrorism-related and force protection efforts. While much of the proposed funding continues, current terrorism-related programs in physical protection and law enforcement activities, the budget also provides increases in the following high-priority areas:

- *Weapons of mass destruction:* The budget proposes fully funding the second year of the Administration's 1999 chemical/biological weapons initiative, including: $174 million for the Justice Department to improve the capability of State and local governments to prepare for and respond to weapons of mass destruction; more than $100 million for DOD domestic preparedness and response capabilities; $35 million for the Department of Energy's emergency response capabilities for nuclear terrorist events; and $17 million for the Department of Health and Human Services' Metropolitan Medical Strike Teams, which handle the medical response to an incident involving biological or chemical weapons of mass destruction.

- *Critical infrastructure protection/cyber crime:* The budget proposes over $1.4 billion for critical infrastructure protection across the Government. These funds support a national effort to assure the security of our increasingly vulnerable and interconnected infrastructures, such as telecommunications, banking and finance, energy, transportation, and essential government services. Of the total, $46 million enhances the investigative and prosecutorial efforts of the FBI, the U.S. Attorneys, and the Justice Department's Criminal Division. The budget also supports critical infrastructure-related research and development programs in DOD and other agencies. In aggregate, the 2000 request exceeds 1999 enacted levels by more than $400 million.

- *Aviation security:* The budget provides $100 million to the Federal Aviation Administration for airport explosives detection equipment in support of recommendations of the White House Commission on Aviation Safety and Security.

- *Financial crime:* The Treasury Department is developing a national strategy for combating money laundering and related financial crime. This strategy relies on the efforts of a number of Treasury bureaus, including the U.S. Customs Service and the Internal Revenue Service, which identify, disrupt, and dismantle criminal organizations that launder the proceeds generated by smuggling, trade fraud, export violations, and a range of other illegal activities. The Financial Crimes Enforcement Network also provides money laundering case support to local, State, and Federal agencies.

Meeting the Challenges of Immigration

The United States is a Nation of immigrants. While we welcome legal immigrants to our Nation, the United States is also a Nation of laws and it is imperative to take serious measures to bar illegal immigrants from making their way across America's borders. Illegal immigration can threaten public safety when it is accompanied by organized drug, alien smuggling and gang activities that increase disorder in our communities.

The Administration has done more to control illegal immigration than any Administration before it. Working through the Immigration and Naturalization Service (INS), the Administration has reversed decades of neglect along the Southwest border with an aggressive border control strategy. Since 1993, this strategy has added nearly 5,000 new Border Patrol agents—more than double the 1993 levels—fully equipped with state-of-the-art technology, border barriers and infrastructure to gain control and return the rule of law to the border. However, we must do more. The budget continues to fund this bipartisan effort to gain control and effectively manage our Nation's borders. (See Table 8–1 for INS funding by program.)

While the Administration takes steps to curb illegal immigration, which is a threat to our society, it must also be responsive to those who seek to immigrate to this country by legal means, those who come here to work hard and play by the rules, and who may also fear persecution in their homeland.

The Administration is reengineering the naturalization process which, since 1995, has seen a dramatic upsurge in demand for naturalization. Due to this unprecedented flood of applications, the Nation welcomed over a million new citizens in 1997, and 473,152 citizens in 1998. There is currently a backlog of over 1.8 million applicants waiting for the receipt of the most important

Table 8–1. IMMIGRATION AND NATURALIZATION SERVICE FUNDING BY PROGRAM

(Budget authority, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
Appropriated Funds:					
Border Patrol	875	917	1,044	+127	+14%
Investigations and intelligence	271	293	324	+31	+10%
Land border inspections	168	172	189	+17	+10%
Detention and deportation	413	474	577	+103	+22%
Program support and construction	614	704	802	+98	+14%
Subtotal, Appropriated Funds	2,342	2,560	2,935	+376	+15%
Fee Collections and Reimbursements:					
Citizenship and benefits	719	636	689	+53	+8%
Air/sea inspections and support	412	486	518	+32	+7%
Immigration support	203	184	127	–57	–31%
Subtotal, Fee Collections and Reimbursements	1,333	1,306	1,334	+28	+2%
Total, Immigration and Naturalization Service	**3,675**	**3,866**	**4,269**	**+403**	**+10%**

and valuable benefit the Federal Government can bestow—citizenship. The Administration is committed to ensuring that the benefits of citizenship are provided in a timely manner.

Border Control and Enforcement: The budget continues last year's level of Border Patrol staffing at nearly 9,000 agents—a 127-percent increase from 3,965 agents—representing a year of consolidation after steady growth since the start of this Administration. The budget increases the Administration's commitment to border control by proposing $50 million in funding for "force-multiplying" technologies, including border monitoring with high resolution color and infrared cameras and state-of-the-art command centers. This combination of surveillance technology, Integrated Surveillance Intelligence System (ISIS), provides the capability to monitor the border from remote sites. Reliance on this advanced technology will permit Border Patrol agents to monitor the border more effectively and increase their ability to actively respond to incursions. The $50 million budget request will fund the deployment of approximately 200 systems, adding capacity to monitor areas that would otherwise require the addition of approximately 1,000 extra agents. The deployment of these systems ensures an immediate and effective deterrent while the Border Patrol more effectively deploys and builds the experience base of the agents it has hired and trained over the past several years.

The budget also provides funds to expand, renovate and construct Border Patrol stations, border barriers and fencing, install permanent lighting, and construct support roads along the Southwest border. These deterrents help control the border by increasing the abilities of Border Patrol agents to apprehend those trying to enter illegally. Since 1993, INS has added over 165 night scopes, 5,115 ground sensors, 97 miles of fencing, and 22 miles of border lighting. It has also added or improved over 1,500 miles of roads. The budget provides funds for another 18 miles of border lighting and additional fencing, and for maintaining border deterrents now in place.

Detention and Removal of Illegal Aliens: The Administration is committed to removing those who have entered the country illegally. With the resources provided over the past few years, INS has targeted its efforts primarily on removing aliens held in Federal, State and local facilities to ensure these criminal are not allowed back on the street. In 1998, INS removed 169,072 aliens, including 55,211 criminal aliens. The budget supports INS' detention program by proposing a $42.5 million increase for detention facilities, transportation, and contract bed space to detain and swiftly remove those who have entered illegally. An additional $54 million is requested to fund detention operations previously funded from a depleted Breached Bond/Detention Fund account.

Border and Port-of-Entry Coordination: The United States Customs Service (Customs) and the INS have developed a strategic plan to expand cooperation on the Southwest border focused on increasing the interdiction of illegal drugs, aliens and other contraband. The border management agencies have announced six initiatives along the Southwest border aimed at improving coordination.

These initiatives include:

- replicating the successful San Ysidro, California, port management model which combines enforcement, traffic management and community partnership to all major land ports;
- expanding joint intelligence operations and creating Customs/INS intelligence teams;
- adopting a unified investigative approach focusing on seizures and controlled drug deliveries originating from ports of entry;
- sharing research, development, and deployment of border and port technology;
- promoting interoperable wireless communications; and
- developing a coordinated air and marine interdiction capability.

These initiatives, which began in 1998, are expected to result in a fully integrated border management approach by Customs and INS along the entire Southwest border by 2003.

In primary inspection and areas of shared responsibility, Customs and INS have seen virtually the same level of staffing growth from 1993 to 1997, with both agencies adding approximately 1200 inspectors. Since 1998, the Administration has targeted INS inspection staff on primary vehicle and pedestrian inspections, where the use of illegal and fraudulent entry documents poses the greatest enforcement threat. This has permitted Customs to focus greater attention on cargo inspection and pre- and post-inspection roving operations in the passenger environment. These efforts have helped to control the entry of illegal drugs into the country and to expand outbound vehicle inspections to control the smuggling of contraband.

To ensure a comparable mix of Customs and INS enforcement staff and technology at ports of entry, Customs will continue to deploy narcotics detection technology to support cargo and passenger inspection operations. The budget includes $6 million for INS inspectors for ports scheduled to open in 2000. Customs inspectors were funded for these ports in the 1999 Budget.

Citizenship and Benefits: The Administration is committed to building and maintaining a naturalization system that ensures integrity and provides service and benefits in a timely manner. The surge of citizenship applications in 1995 required the INS to reengineer what had previously been a manual operation built to handle a far smaller application volume. The INS also had to address unprecedented growth in naturalization applications from approximately 340,000 annually to nearly 1.6 million applicants in 1997. The record number of applications, antiquated INS processes, and complicated reengineering efforts have all contributed to an unacceptable citizenship application backlog of over 1.8 million cases.

In 1999, the Administration worked with Congress to obtain $176 million in appropriated and reprogrammed funds to supplement the INS fee revenue. These resources have funded the process reengineering and the backlog reduction initiatives. The 1999 funding request was accompanied by a series of INS initiatives including:

- establishing backlog reduction teams in the five offices responsible for 65 percent of the caseload and hiring 200 addition adjudicators,
- expanding support staff and contract services;
- establishing an Immigration Services Division to coordinate backlog reduction and process reengineering;
- creating a customer service telephone center to provide an accurate and timely responses to inquiries; and
- centralizing application and medical waiver review to ensure quality and integrity.

The budget provides $124 million to continue funding these initiatives and to assist INS in finalizing the naturalization process reengineering in 2000. The result of these funding enhancements is that the unacceptable backlog—which currently requires applicants to wait upwards of two years for immigration benefits they are eligible for now—should be reduced to a six to nine month waiting period.

Reducing Drug Use, Trafficking, and its Consequences

Drug use and its damaging consequences cost our society more than $110 billion a year[1] and poison the schools and neighborhoods where our youth strive to meet their full potential. Illicit drug trafficking thrives on a culture of crime, violence, and corruption throughout the world. Drug use is a major contributing factor in the spread of AIDS and other deadly diseases. All Americans, regardless of economic, geographic, or other position in society, feel the effects of drug use and drug-related crime.

The budget proposes $17.8 billion for drug control programs, a 4.3-percent increase over the 1999 budget, which was supplemented with $844 million in emergency funds primarly to provide one-time capital investments for boats and planes. The budget supports increases for key elements in the mission to reduce drug use and its consequences, such as drug treatment and prevention, especially for children and adolescents; domestic law enforcement; and other supply reduction programs (see Table 8–2).

Community-Based Prevention: The budget proposes $2.5 billion for drug prevention programs. The percentage of 8th, 10th, and 12th grade students reporting that they used marijuana at least once in the past month decreased sightly from 1997 to 1998. This is the second year of decline for 8th graders and the first year for 10th and 12th graders. The use of other drugs, including alcohol, cigarettes, cocaine, and heroin either declined or remained stable over this period. Additionally, the view that drug use is harmful appears to be more deeply shared, particularly among the youngest age segment. These results indicate that America's youth are receptive to the Administration's "no use" message and that it should reinforce this message and expand upon recent gains.

[1] National Institute on Drug Abuse and National Institute on Alcohol Abuse and Alcoholism, March 1998.

Table 8–2. DRUG CONTROL FUNDING

(Budget authority, dollar amounts in millions)

	1998 Actual	1999 Estimate[1]	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
Demand reduction	5,372	5,830	6,040	+210	+4%
Supply reduction	10,726	11,212	11,737	+525	+5%
Total, Drug Control Funding	**16,098**	**17,042**	**17,777**	**+735**	**+4%**

[1] Excludes $844 million in emergency funds provided primarily for one-time capital investments.

National Youth Anti-Drug Media Campaign: The Office of National Drug Control Policy, in conjunction with other Federal, State, local, and private experts, is implementing a $195 million national media campaign, including paid advertisements, targeting youth and their parents on the consequences of illicit drug use. Advertisers are required to provide a "pro bono" match for each dollar the Federal government spends on these paid advertisements. The anti-drug media campaign is fully integrated Nationwide, including utilization of the Internet and the entertainment industry. This campaign will continue in 2000 with proposed funding $10 million higher than 1999.

Safe and Drug Free Schools and Communities Program: Students can reach their full potential only in safe, disciplined, and drug free learning environments. The Safe and Drug Free Schools and Communities program helps 97 percent of school districts implement anti-drug and anti-violence programs in schools. The budget proposes $591 million for this program, including $90 million in competitive grants to high-need areas that use proven program designs and $50 million for the School Drug Prevention Coordinators program. The proposed funding, 43 percent more than in 1999, will enable nearly half of the Nation's middle schools to have a knowledgeable director of drug and violence prevention programs to ensure that local programs are effective and link school-based prevention programs to community-based programs.

Drug Free Communities Act: The budget proposes $22 million, a 10-percent increase over 1999 for activities under this Act that promote citizen participation in our efforts to reduce substance abuse among youth and provide funds to help community anti-drug coalitions carry out their important missions.

Drug Treatment: The budget proposes $3.6 billion to treat drug abuse, six percent more than in 1999. The Administration realizes that an effective treatment system must confront drug abuse where the challenge is the greatest—in the streets of urban, suburban, and rural drug markets, and in the criminal justice system. It is a top priority to close the gap between the capacity of the public treatment system and all those who could benefit from substance abuse treatment. These chronic drug users consume a disproportionate amount of the illicit drugs used and inflict a disproportionate share of drug-related costs on society.

Zero Tolerance Drug Supervision: The budget includes $215 million to promote zero tolerance drug supervision for persons under criminal justice supervision. Specifically, it proposes: (1) $100 million to help States and localities implement tough new systems to drug test, treat, and punish prisoners, parolees and probationers; (2) $50 million for drug courts that work to break non-violent offenders of their drug habits; and (3) $65 million to provide intensive drug treatment to hardcore drug users before and after they are released from prison.

Domestic Drug Law Enforcement: The budget proposes $9.2 billion for drug-related domestic law enforcement, 3.5 percent more than in 1999, to help bolster community-based law enforcement efforts, shield the Southwest border from illicit drugs, and enhance coordination among Federal, State, and local law enforcement agencies. The budget proposes an increase of $22 million for the Drug Enforcement Administration (DEA), most of which is to increase staff productivity through an improved information, telecommunications, and technology infrastructure. The Federal Government will continue its focus on providing leadership and training; facilitating multi-agency cooperative efforts through the High Intensity Drug Trafficking Areas program, the Southwest border initiative, and other efforts; and offering incentives to States and localities to use the most effective drug control methods.

International Programs and Interdiction: The Administration's comprehensive approach to combating drug use includes an enhanced international strategy, making it harder for drug-criminals to smuggle illicit drugs into the United States. The budget includes funds to upgrade interdiction efforts along the Southwest border and in the Caribbean, and continues to provide heightened assistance to foreign governments to curtail drug cultivation and production. In addition, the budget fully supports the operation of the planes and boats provided for in the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act.

Source Nation Efforts: Internationally, the United States focuses primarily on interdiction in source countries and transit zones, disrupting the drug organizations and their production, marketing, and money laundering structures. The budget proposes an increase of $29 million over the 1999 base program level to continue funding counternarcotics programs in source nations, mainly Columbia, Peru, and Bolivia. It proposes continued funding for enhanced coca, opium poppy, and marijuana crop eradication efforts, and to provide training, logistics, equipment, intelligence, and communications support to source nations. The budget also provides for relocation of the U.S. Government's drug mission from Panama to other localities in the region in compliance with the Panama Canal Treaty.

Southern Tier of the United States: The Administration remains committed to shielding the Nation's Southern tier from the drug threat. Customs will continue to deploy technology, such as the use of x-rays in the air passenger and outbound environments, to detect illicit contraband and currency. The budget further solidifies the interdiction effort by providing $50 million for the technological equivalent of adding another 1,000 border patrol agents, of which $7.5 million supports anti-drug programs. An increase of $36 million, or 7.4 percent above the 1999 level, expands Coast Guard interdiction operations beyond the levels initiated with 1999 emergency supplemental funding.

9. BUILDING ONE AMERICA

> *"We must continue to expand opportunity. Full participation in our strong and growing economy is the best antidote to envy, despair and racism. We must press ahead to move millions more from poverty and welfare to work; to bring the spark of enterprise to inner cities; to redouble our efforts to reach those rural communities prosperity has passed by. And most of all, we simply must give our young people the finest education in the world."*
>
> President Clinton
> August 1997

After six years of the Clinton Administration, the American economy continues to break records. Homeownership and job creation are at all time highs, while crime, poverty, and welfare rolls continue to fall. This new era of prosperity offers unprecedented opportunity, but the doors of opportunity are not open equally to all. "The economy has never been stronger," the President has observed, "but there are still striking disparities in jobs, in investments in neighborhoods, in education and criminal justice."

We must create One America, not only to address the errors of the past, but to assure our future. By the middle of the next century, there will be no majority race in this country. This, said the President recently, "can either strengthen and unite us, or... weaken and divide us... Today children of every race walk through the same door, but then they often walk down different halls... they sit in different classrooms, they eat at separate tables. Far too many communities are all white, all black, all Latino, all Asian. Segregation is no longer the law, but too often separation is still the rule."

Because these challenges reach far beyond the Federal Government and require our engagement as individuals, in our families, churches and communities, the President began, in 1997, a national Initiative on Race. The elements of this Initiative were three-fold: action, study, and dialogue with communities and community leaders of all races and regions to raise, discuss, and better understand the tensions that divide us. A distinguished advisory board reported to the President throughout their year of service. Later this year, the President will issue his assessment to the American people. Many of the programs in this budget are already part of the response.

To build One America, it is essential that we close the opportunity gap. We must do this by increasing our efforts to spur economic development and by expanding access to jobs with a future, to quality education, to decent health care, and to safe, affordable housing. We must guarantee that the criminal justice system works for all Americans. And we must ensure that civil rights are enforced with vigor, for as the President reminds us, "we cannot forget one stubborn fact: There is still discrimination in America." Legally-enforced segregation, of course, is now a relic of another time. Yet, in housing, for example, researchers using pairs of applicants matched in all respects but race, find that half the blacks and Hispanics looking for a place to live face discrimination—they are kept from seeing, buying or renting homes that they can fully afford. Other situations are more subtle: the lack of opportunity for some inner-city students, for example, to go to a top-notch high school, to benefit from after-school programs, or to be guided by mentors who help lead the way to college.

To build One America, we must also act to ensure economic opportunity throughout our cities, across rural communities, and Tribal reservations. There are still too many areas, rural and urban, whose economies are isolated from the Nation's prosperity.

In many cities, the economic base disintegrated years ago when the manufacturing industry began to fail and factories moved away, leaving behind unemployment, poverty, and social problems. In many rural areas, the trend toward concentrations of fewer, much larger farms has left small farmers unable to compete and in need of other ways to be able to support themselves and their families.

The budget contains important new initiatives and expands current programs to encourage investment. It includes initiatives to provide communities with economic and tax incentives to encourage private investment through fundamental elements of its development agenda—the Empowerment Zones and Enterprise Communities program—and the New Markets Initiative, and to encourage volunteerism and community service through the National Service program. In these efforts, the Federal Government works cooperatively in partnership with States, localities, businesses, non-profits, schools, families, and individuals.

Jobs and Economic Development

The President has strongly supported efforts to strengthen and encourage economic growth in distressed communities. The centerpiece of this approach—Empowerment Zones and Enterprise Communities—has made significant progress in promoting economic development in rural and urban areas. Building on that progress, this budget proposes the New Markets Initiative—a program to stimulate billions in new private investment in America's untapped markets in urban and rural areas.

The New Markets Investment Initiative: The budget provides tax credit and loan guarantee incentives to stimulate billions of new private capital investments in targeted areas; creates a network of private investment institutions to funnel credit, equity, and technical assistance into businesses in America's new markets; and provides the expertise to targeted small businesses that will allow them to use investment to grow.

- *The New Markets Tax Credit:* To help spur $6 billion in new equity capital, this tax credit is worth up to 25 percent for investments in a variety of vehicles serving these communities, including community development banks, venture funds and other new investment company programs created by this initiative. A wide-range of businesses could be financed by these investment funds, including small technology firms, inner-city shopping centers, manufacturers with hundreds of employees, and retail stores.
- *America's Private Investment Companies (APICs):* Just as America's support for the Overseas Private Investment Corporation helps promote growth in emerging markets abroad, APICs will encourage private investment in this country's untapped markets by providing loan guarantees—administered by the Department of Housing and Urban Development (HUD) and the Small Business Administration (SBA)—for private investors who target larger businesses that are expanding within or relocating to inner-city and rural areas.
- *Small Business Investment Companies New Markets Initiative:* Last summer, the Vice President challenged the SBA to find ways to better meet the needs of minority firms and underserved markets. The SBA is responding by offering more flexibility and new financing terms—through a new type of federally-guaranteed loan—to make it more attractive for SBICs to invest in low- and moderate-income areas.

Other key elements include: New Markets Venture Capital Firms, which will match equity of private investors with Government debt guarantees and deferred interest to provide capital and expert guidance to inner-city and rural entrepreneurs to transform their small businesses into thriving companies; New Markets Lending Companies, which will allow non-bank lenders with strategies to target their lending to underserved areas to originate loans through the SBA; BusinessLinc, an innovative public-private partnership, spearheaded by the Vice President and CEOs—for which $3 million in

Building One America for the 21st Century: The President's Initiative on Race

In June 1997, the President created his Initiative on Race. Led by an Advisory Board and involving thousands of citizens from all races and communities, the Initiative created our Nation's first public forum on race. Americans spoke candidly about their impressions and experiences of race in America, and shared their hopes, and fears, about the future. This effort made an important first step toward bringing down the barriers that continue to divide us.

For 15 months, the Advisory Board engaged issues such as civil rights enforcement, racial disparities in education, economic opportunity, race and housing discrimination, negative racial stereotypes, crime and the administration of justice, and immigration. The meetings highlighted America's common ground. Equally important, they offered compelling evidence about the need to confront our past in order to change our future. The Board suggested actions to address these issues, as part of what is needed to build a more equal country.

The Initiative made clear that we still must struggle, both to reconcile and overcome the past and to become a part of the multi-racial and multi-cultural America that is our future.

Throughout the year, the Advisory Board made recommendations to the President and the Nation, which were acted upon: to continue the dialogue that is needed; to continue public education about the facts of race in America and the thousands of efforts in communities, schools, and churches Nation-wide to bridge racial divides and create a larger community; to close the gap and ensure common opportunities in education, the workplace, our homes and communities; to ensure common access to health care and to ensure the broad enforcement of laws against discrimination. In the course of its work last year the Administration made progress in a range of program areas, including those listed below. Many others are listed in this chapter and throughout the *Budget*.

- Americans with Disabilities Act: A $1 million increase in the Department of Justice's Civil Rights Division to enhance enforcement of the Americans with Disabilities Act.
- Educational Help for Low-Income Students: The Administration proposed, and Congress enacted, an early intervention program for low-income students. The budget would double funding for GEAR-UP, the early intervention program that provides funds to State and local partnerships to help students prepare for and attend college.
- Eliminating Health Disparities: $65 million in first-year funding was appropriated for an initiative that sets a national goal of eliminating longstanding disparities in the health status of racial and ethnic minority groups in the next decade. The budget includes $135 million to continue this initiative.

As these efforts continue, many other programs included by the President in the budget and described in this chapter will advance these goals. Furthermore, later this year the President will present to the American people a comprehensive report of his own vision. It will describe the steps that we as a Nation can take to overcome the burdens of the past and realize the potential of One America in the 21st Century.

seed money will encourage large businesses to work with small businesses to improve economic competitiveness in small firms in urban and rural distressed areas; and specialized small business investment companies, which will be able to provide increased equity capital through expanded tax incentives.

Community Development Financial Institutions (CDFI): The New Markets Initiative also provides increased funding for CDFIs, which have expertise in lending and investment in underserved areas, both rural and urban.

In 1994, the President proposed, and the Congress established, the CDFI Fund. CDFIs include a broad range of institutions—community development banks, low-income credit unions, venture capital funds, and microenterprise loan funds—that provide a wide range of products and services, such as mortgage

financing to first-time home buyers, commercial loans for small businesses, and other basic financial services. By creating and expanding a diverse set of CDFIs, the Fund helps develop new private markets, create healthy local economies, promote entrepreneurship, restore neighborhoods, generate tax revenues, and empower residents in distressed urban and rural communities.

The Fund represents a new approach to community development that uses limited Federal resources to leverage significant private sector resources. Every CDFI that receives financial assistance from the Fund must provide at least a one-to-one match with funds from non-Federal sources. To date, the CDFI Fund has awarded over $120 million in financial and technical assistance to CDFIs. In addition the Fund has awarded nearly $60 million to traditional banks and thrifts for increasing their activities in economically distressed communities and investing in CDFIs.

The budget proposes $125 million for the CDFI Fund, including $15 million for a new microenterprise initiative that would provide technical assistance grants to microenterprise intermediaries to assist low-income and disadvantaged entrepreneurs. Microenterprises are very small businesses that typically have fewer than 10 employees and generally lack access to conventional loans, equity, or other banking services.

Other programs that provide services to underserved markets include:

Department of Agriculture's (USDA's) Rural Development Programs: Because their needs are so different, no single approach will help both urban and rural communities. The Administration proposes to give States, localities, and Tribes more flexibility in how they use USDA's Rural Development grants and loans for businesses, water and wastewater facilities, and community facilities such as day care centers and health clinics. The 1996 Farm Bill authorized this approach through a new Rural Community Advancement Program (RCAP), combining 12 separate USDA programs into a Performance Partnership that can tailor assistance to the unique economic development needs of each rural community. The budget proposes $3.0 billion in loans and grants for RCAP, nine percent more than in 1999 and the full flexibility that the 1996 Farm Bill envisioned. It also includes the new Partnership Technical Assistance grants and grants for early-warning weather systems in areas prone to tornadoes.

Economic Adjustment Grants: On November 13, 1998, the President signed the Economic Development Administration and Appalachian Regional Commission Reform Act of 1998, to further leverage private sector investment and create jobs in America's poorest communities. The budget continues support for the Appalachian Regional Commission and provides a $20 million increase for the Economic Development Administration's economic adjustment program, which helps distressed communities recover from sudden and/or severe economic downturns such as those caused by increased foreign imports, international trade agreements, industry downsizing, plant closings, environmental regulations, and natural disasters.

Appalachian Regional Commission (ARC): The Administration continues support for ARC to help 406 economically distressed counties in the 13-State Appalachian region. The ARC's Federal-State partnership is a proven economic development model of balanced fiscal decision-making that has helped improve the economic viability of this region over the past 35 years.

Empowerment Zones (EZs) and Enterprise Communities (ECs): The EZ and EC initiative is the foundation of the Administration's empowerment agenda for communities with high unemployment and poverty rates. This initiative challenges these urban and rural communities to develop comprehensive strategic plans for revitalization, with input from residents and community partners. The program selects communities with the most innovative plans and significant local commitments.

Investment in EZs and ECs is available in many forms. The Federal Government provides tax benefits for businesses and flexible block grants to communities for job training, day care and other purposes. EZs and ECs can apply for waivers from Federal regulations, enabling them to better address local needs. Special set-asides from USDA

Investment in Rural America

Over the last year, the Administration reviewed the effectiveness of USDA's programs to address the needs of rural America, focusing on achievements in rural development since 1993 and how rural financing needs are changing.

Financial Credit: The lack of credit in rural areas is no longer a pervasive problem, but the range of credit institutions serving rural areas is likely to be different, often narrower, than those serving urban areas. In 1994, 27 percent of rural counties were served by two or fewer banks, while 40 percent of urban counties were served by 10 or more. The size of rural communities and the number of total rural borrowers often limit how many lenders can profitably compete to make rural loans. Not all rural market segments are equally well served. In some rural areas, the range of available financial services is still too narrow to ensure borrowers have access to sufficient credit at competitive terms.

Housing: The 1990 Census data show that the cost of housing continues to be a serious problem for the rural poor.

- Nearly 22 percent of the Nation's 20.4 million nonmetro households paid 30 percent or more of their income for shelter in 1991.
- Nonmetro areas have a greater incidence of moderate or severe housing quality problems than metro areas.

Innovations developed since 1993 to address the needs of rural areas have been structured to: address diversity of need (through the flexible funding structure of the Rural Community Advancement Program-RCAP), coordinate Federal and other programs collectively to help communities including EZ and ECs and Champion Communities, and make the most of constrained resources (e.g., leveraging). Building on the findings of the Administration's review, the budget continues and improves upon these approaches through the proposed Partnership Technical Assistance Grants, which will provide technical assistance to under-served communities to create strategic plans, better use and coordinate USDA's rural development grant and loan programs, and achieve sustained economic viability, job creation, and improved quality of life.

Since 1994, USDA's Water 2000 initiative—an effort to bring safe drinking water to rural communities with serious water problems—has funded almost $1.6 billion in loans and grants on approximately 1,400 high-priority Water 2000 projects Nation-wide. With proposed 2000 RCAP funding (12 percent above 1999), USDA expects to fund 300 clean water systems out of the $1.5 billion targeted for water and wastewater programs. Additional RCAP goals in 2000 include providing 100,000 new or saved jobs, compared to 82,000 in 1998, through the Business and Industry loan programs, intermediary relending program, and community facilities programs. In 2000, USDA will also reduce the number of rural residents living in substandard housing by providing $4.3 billion in single family housing loans and loan guarantees providing 50,500 new or improved homes.

rural development programs are available to rural EZs and ECs.

- *Original EZs and ECs:* Designated in 1994, these EZs and ECs are already showing promise of success. The Rio Grand Valley EZ, for instance, is using $40 million of EZ funds to expand businesses and rehabilitate housing and educational facilities. It has already used $11 million of EZ funds to leverage $100 million in additional capital to create or save 1,500 jobs, train 900 persons, and serve 3,200 youth in developmental programs.
- *Additional EZs and ECs:* The Administration has worked to expand the reach of these initiatives to other distressed communities. In 1997, Congress authorized 22 additional EZs and made qualified businesses in these zones eligible for tax incentives including: up-front deductions for qualifying capital investments; new tax-exempt facility bonds; new deductions for environmental remediation costs; and new tax credits for holders of qualified zone education academy bonds. In January 1999, the Administration announced that it had designated 20 new Zones, selected

on a competitive basis, from the applications of more than 250 communities.

Flexible grants will be used by these new Zones to carry out comprehensive revitalization strategies. In 1999, Congress provided first-year funding of $55 million for the new EZs, and authority and $5 million in first-year funding for 20 new rural Enterprise Communities announced in January.

The budget also proposes mandatory funding for 10 years for a total commitment of $1.6 billion: $100 million a year for urban EZs; $50 million in mandatory funding over 10 years for rural EZs; and $5 million a year for rural ECs. It also provides $20 million in HUD funding for technical assistance and planning and implementation grants and $45 million to support 15 new Strategic Planning Communities. It also includes a new USDA program to provide $5 million for partnership technical assistance grants to help rural communities develop comprehensive strategies for revitalization and to better coordinate Federal assistance. In addition, the budget proposes a $50 million Regional Empowerment Zone Initiative to assist urban EZs and ECs in linking their economic development strategies to their broader metropolitan regional economies to increase youth employment.

Designated EZ and EC communities will receive priority consideration for funds from Federal economic development programs and for waivers of certain regulatory requirements from the Community Empowerment Board chaired by the Vice President.

Livability Initiative: The budget proposes six new investments as part of the Livability initiative. The budget includes an unprecedented request for Community Transportation Choices, a $6.1 billion mass transit program, a $1.8 billion congestion relief and air quality improvement program, and $614 million to implement innovative community based transportation programs; $9.5 billion over five years for Better America Bonds, a new State and local bonding authority for green space preservation, water quality enhancement, and clean up of abandoned industrial sites; and a $50 million HUD Regional Connections Initiative to promote regional "smart growth" strategies and complement the Administration's other regional efforts; Regional Connections matching grants will help local partnerships design and pursue smarter growth strategies across jurisdictional lines. The budget also proposes $40 million for a Community-Federal Information Partnership to provide communities with grants for easy to use information tools to help develop strategies for future growth; $130 million for Regional Crime Data Sharing to expand programs to help communities share information to improve public safety; and $10 million for Community-Centered Schools, a new grant program administered by the Education Department to encourage school districts to involve the community in planning and designing new schools. Also icnluded in the budget is the Lands Legacy initiative (see Chapter 6), which will complement the Livability agenda, emphasizing land conservaton; smart growth; and partnerships with State and local governments, land trusts, and other non-profit grouops to preserve open spaces in urban, suburban, rural, and coastal areas. As part of the broader Livability Initiative, the budget proposes $50 million for a new HUD program that will support local partnerships that are designing "smart growth" strategies. Partnerships that cross jurisdictional lines will receive grants to address problems of sprawl and congestion in ways that address the needs of both cities and suburbs. The outcome will be development that reduces commute times, preserves open space, and provides a balanced distribution of economic opportunity and access to affordable housing regionwide.

Urban and Rural Development and Increasing Homeownership

In 1994 the Administration launched an unprecedented partnership with 58 key public and private organizations to form a National Homeownership Strategy to increase homeownership. Along with a strong economy and low interest rates, the Administration's policies have helped boost homeownership to 66.8 percent—a new all-time high; 7.4 million Americans have become homeowners under this Administration, including record numbers of minorities.

Federal Housing Administration (FHA) Loan Limits: The Administration's successful 1999 proposal to increase the FHA mortgage limit will allow FHA to help more families purchase their first homes, especially in areas with high housing prices. Reforms of FHA's property disposition practices, starting this year, will reduce costs and stabilize neighborhoods.

Play-by-the-Rules: Also in 1999, the Administration proposed, and Congress enacted, a $25 million Neighborhood Reinvestment Corporation Play-by-the-Rules pilot program. This program will allow renters with solid payment track records to own their own homes. The budget proposes a second $15 million investment in this initiative.

Low-Income Housing Tax Credit: The budget proposes to expand the Low-Income Housing Tax Credit to spur the private sector to develop more affordable low-income rental housing. The proposal will cost $1.6 billion over the next five years and help develop another 75,000 to 90,000 units per year. It will restore the value of the tax credit, which has eroded over the last decade due to an increase in building costs, helping to reduce rents by an average of $450 a month for the average assisted renter who, earns $13,300 a year.

Public Housing Program: In 1998, Congress passed comprehensive public housing reform legislation, the Quality Housing and Work Responsibility Act. The Act increases the availability of Federal housing assistance to very poor families with limited housing choices while at the same time promoting a greater mix of income and new administrative flexibility in public housing.

The budget builds on these reforms and reduces poverty concentrations by providing $625 million in HOPE VI grants to local housing authorities to demolish an additional 20,000 dilapidated public housing units and replace them with portable subsidies or newly constructed mixed income housing. These funds provide sufficient resources to achieve the Administration's goal of demolishing 100,000 of the most severely distressed units. The Administration also proposes $580 million for 100,000 portable housing vouchers, including 25,000 for families seeking to move from welfare to work, 18,000 to help homeless move to permanent housing with supportive services, and 15,000 to assist the extremely low-income elderly with housing. Local housing agencies that work in partnership with State and local welfare agencies will get the flexibility to design programs to serve welfare families for whom housing assistance is critical to getting and retaining jobs.

Elderly Housing Program: The budget expands HUD's elderly housing program by providing mandatory funds for 15,000 new housing vouchers targeted at the elderly, in addition to $660 million in discretionary resources. Together this funding will address the changing needs of the elderly population and reconfigure an aging housing stock to better serve the frail elderly. Discretionary spending of $660 million will provide grants to non-profits for construction of 5,970 units and conversion of some projects to assisted living facilities, using a combination of capital grants and service coordinators to bring community services to residents. The budget permanently authorizes 15,000 new housing vouchers linked to Low-Income Housing Tax Credit properties to make these units affordable to extremely low-income elderly.

Regional Affordable Housing: The budget also proposes a new demonstration program, the Regional Affordable Housing Initiative that will award funds competitively to provide technical assistance and project development to five regions committed to creating and adhering to an affordable housing plan that integrates job development with housing production on a regional basis.

Closing the Opportunity Gap

The budget includes numerous programs to narrow disparities and to increase economic opportunity in our Nation, so that we may achieve the goal of building One America. What follows are selected examples of such programs in areas including education, national service, health, and justice.

Education

Head Start: Among the President's highest priorities, Head Start will serve 877,000 low-income children in 2000, providing comprehensive child development services and helping parents get involved in their children's lives. Since 1993, the President has worked with the Congress to increase annual Head Start funding by 68 percent. This year's proposal will keep the program on track to meet the President's goal of serving one million children by 2002. The President proposes to focus resources this year to boost minority participation in Head Start, particularly in areas with recent influxes of limited English-proficient children.

Title I—Education for the Disadvantaged: This program provides funds to raise the educational achievement of disadvantaged children. The Title I Account will receive $8.7 billion in 2000, a $373 million increase over 1999. This funding includes resources for a new Accountability Fund, which would support immediate and significant State and local interventions in the lowest performing schools to improve student achievement.

The End of Social Promotion: The President is committed to ending social promotion and will work to give students the tools they need to meet challenging academic standards. The budget proposes an expansion to the 21st Century Community Learning Centers, enabling more than 7,500 schools to open their doors before and after the school day and during the summer.

Hispanic Education Agenda: Because the educational achievement of Hispanic-Americans continues to lag behind that of other groups, in 1999 President Clinton proposed, and the Congress enacted, the first-ever Hispanic Education Agenda. The budget continues support for this plan by proposing increases for Bilingual Education, Adult Education, Migrant Education, Comprehensive School Reform, High School Equivilancy Program, and College Assistance Migrant Program, among others.

GEAR-UP: GEAR-UP will provide increased funds for States and local partnerships to help low-income students prepare for and attend college.

These and other programs designed to ensure educational opportunity for disadvantaged Americans are discussed in Chapter 3, "Investing in Education and Training."

National Service

The President has consistently supported and encouraged community service and volunteerism through such programs as AmeriCorps and other programs supported through the Corporation for National and Community Service. Volunteerism and community service have been a strong and important tradition in American ever since its founding. In 1994, President Clinton signed the King Holiday and Service Act making the national holiday a day of service that would bring people together, promote racial cooperation and help to solve problems through citizen action.

The Corporation for National Service: This program encourages Americans of all ages and backgrounds to help solve community problems and provides opportunities to engage in community-based service. The budget proposes $848 million for the Corporation, an 18.6 percent increase over 1999.

AmeriCorps: Over 150,000 individuals will have participated in AmeriCorps in the first five years. The program allows young Americans of all backgrounds to serve in local communities through programs sponsored by local and national nonprofits. Participants serve full-or part-time, generally for at least a year. In return, they earn a minimum living allowance, set at about the poverty level of a single individual and, when they complete their service, they earn an education award to help pay for postsecondary education or repay student loans.

The National Senior Service Corps: This program provides opportunities for citizens age 55 and older to use their time and talents to meet community needs. The budget funds the Retired and Senior Volunteer Program, the Foster Grandparent Program, and the Senior Companion Program, enabling more than half a million older Americans to serve.

Health Care and Services

Providing Quality Health Care to Native Americans: The budget proposes an increase

of $170 million for IHS, which will provide for many services, including exapanded breast cancer screenings, dental services, immunizations, pre-natal care and more. In addition, the Administration will coordinate efforts to ensure that HHS health grants provide assistance to Native Americans, review reimbursements from Medicaid and Medicare, and increase vigilance to ensure that Federal funds are used properly.

Help to reduce racial disparities in health status: Despite improvements in the Nation's overall health, continuing disparities remain in the burden of death and illness that certain minority groups experience. For example, the infant mortality rate for African-Americans is more than twice that of Caucasians. To address this and other disparities, the budget includes $135 million for health education, prevention, and treatment services for minority populations.

(For additonal information see Chapter 5, "Strengthening Health Care.")

Justice

Criminal Justice: The administration of criminal justice in America reflects the same racial and ethnic disparities as other aspects of American society, with differing rates of incarceration, sentencing and imposition of the death penalty. For example, black inmates comprise 50 percent of Federal prison population, four times their proportion of the general population. These disparities create a distrust of law enforcement in many minority communities. Moreover, criminal victimization rates, particularly with regard to violent crimes, are substantially higher for minorities. The Hate Crimes Initiative addresses one aspect of this complicated area. President Clinton first announced the addition of approximately 50 FBI and Federal prosecutors to enforce the laws against hate crimes in 1997 at the White House Conference on Hate Crimes. The budget proposes $31 million to continue the battle against hate crimes in this Nation.

(For additional information, see Chapter 8, "Enforcing the Law.")

Civil Rights Enforcement: Since the civil rights movement eliminated the most obvious forms of discrimination, including segregation, it has become increasingly difficult to document remaining discrimination in areas such as housing, employment, credit and insurance. The budget includes $663 million for funding

Table 9–1. CIVIL RIGHTS ENFORCEMENT FUNDING

(Budget authority, dollar amounts in millions)

	1998 Actual	2000 Proposed	Dollar Change: 1998 to 2000	Percent Change: 1998 to 2000
Equal Employment Opportunity Commission	242	312	+70	+29%
Housing and Urban Development: Fair Housing Activities	30	47	+17	+57%
Justice: Civil Rights Division	65	82	+17	+26%
Labor: Ofice of Federal Contract Compliance Programs	62	76	+14	+23%
Education: Office for Civil Rights	62	73	+11	+18%
Health and Human Services: Office of Civil Rights	20	22	+2	+11%
Agriculture: Civil Rights Programs	15	19	+4	+27%
U.S. Commission on Civil Rights	9	11	+2	+22%
Transportation: Office of Civil Rights	6	8	+2	+28%
Labor: Civil Rights Center	5	6	+1	+14%
EPA: Office of Civil Rights	2	2	.....	.....
Justice: Attorneys General	.....	5	5	.....
Total	**518**	**663**	**145**	**28%**

Table 9–2. GOVERNMENT-WIDE NATIVE AMERICAN PROGRAM FUNDING

(Budget authority, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
BIA	1,703	1,746	1,901	+155	+9%
IHS	2,099	2,242	2,412	+170	+8%
Program level (non-add)[1]	*(2,431)*	*(2,652)*	*(2,822)*	*(+170)*	*(+6%)*
All other	3,355	3,762	3,865	+103	+3%
Total	**7,157**	**7,750**	**8,178**	**+428**	**+6%**

[1] IHS program level includes both budget authority and Medicaid, Medicare, and private insurance collections.

civil rights enforcement agencies, an $84 million or 15-percent, increase over the 1999 level of $579 million. The budget proposes a total of $312 million for the Equal Employment Opportunity Commission (a 12-percent increase); $82 million for the Department of Justice's Civil Rights Division (a 19-percent increase); $76 million for the Department of Labor's Office of Federal Contract Compliance Programs (a 17-percent increase); and $47 million for HUD's fair housing activities (an 17-percent increase). Additionally, over $10 million will be used by the USDA to improve civil rights enforcement and program outreach to under-represented customers. (See Table 9–1 for civil rights enforcement funding.)

The budget proposes to target $10 million to identify and document discrimination. These funds include $7.5 million for the Department of Housing and Urban Development to expand studies that document discrimination in the housing market. The budget provides additional funds to encourage other agencies to begin tracking discrimination, and also funds the creation of a coordinated research agenda for Federal agencies to document discrimination in a variety of areas.

Commitment to Native Americans

The Administration honors its government-to-government relationship with Tribes by protecting critical, reservation-level programs, and bringing together government leaders and resources to address priority Tribal concerns, such as crime and educational opportunities. The budget proposes $8.2 billion, six percent more than in 1999, for Government-wide programs addressing basic Tribal needs and encouraging self-determination (see Table 9–2).

Law Enforcement: The second year of the Interior and Justice Departments' joint law enforcement initiative, for which the budget proposes $164 million in 2000 (50 percent over 1999), will continue to address high crime rates in Indian country with more resources for drug control and youth crime prevention programs, equipment, detention services, crime reporting surveys, and officer hiring and retention.

Education: The Administration is continuing its commitment to education by systematically expanding the school construction initiative to address Indian reservations' school repair and replacement needs. As part of the school modernization proposal, Interior's Bureau of Indian Affairs (BIA) will receive a set-aside in bond authority ($200 million in both 2000 and 2001, plus up to $30 million to ensure bond principal repayment) for its schools on Indian reservations in need of replacement or major repairs. In addition to school construction, BIA will increase resources for school operations; early intervention partnerships; child care; and technology within schools, classrooms and libraries. The Nation-wide class size reduction initiative also includes a set-aside for BIA schools. A separate Education Department initative

will hire 1,000 new Indian teachers and provide professional development.

Bureau of Indian Affairs and Indian Health Services: The BIA and the Health and Human Services Department's Indian Health Service (IHS) make up nearly two-thirds of Federal funding for Native American programs. For the BIA, the budget proposes $1.9 billion, nine percent over the 1999 enacted level. Over 90 percent of BIA operations funding goes for basic, high-priority reservation-level programs such as education, social services, law enforcement, housing improvement, and natural resources management.

For IHS, the budget proposes $2.4 billion, a substantial increase of eight percent over the 1999 level. This increase would enable IHS to continue expanding accessible and high-quality health care to its Native American service users, through IHS' existing network comprised of over 540 direct health care delivery facilities (discussed earlier in this chapter). This increase reflects a four-pronged approach for IHS: substantial increase in 2000, access to health grants, Medicare and Medicaid reimbursements, and vigilance on fraud and abuse, which is discussed in detail in Chapter 5, "Strengthening Health Care).''

The budget also supports access to health services and improves health status of Native American by ensuring that IHS' health facilities are adequately maintained. Within the increase, IHS will continue the construction of the Navajo Fort Defiance Hospital, the Parker Health Clinic and three to eight dental units. In addition, the $30 million a year in diabetes-related funding that IHS receives under the new Children's Health Insurance Program will help alleviate complications from diabetes.

Tribal Contracting and Self-Governance: BIA and IHS will continue to promote Tribal self-determination through local decision-making. Tribal contracting and self-governance compact agreements now represent half of BIA's operations budget, and over 40 percent of IHS' budget.

Indian Trust Fund Balances: The Administration is committed to resolving disputed Indian trust fund account balances through informal dispute resolution and supports the unique government-to-government relationship that exists in Indian trust land management issues. After Tribal consultations, BIA submitted its recommendations to Congress in November 1997. Legislation reflecting these recommendations was proposed in 1998, but not enacted. It will be re-proposed in the 106th Congress.

Trust Land Management: As part of BIA's commitment to resolving trust land management issues, BIA will re-propose legislation to establish an Indian Land Consolidation program to address the ownership fractionation of Indian land. In 1999, BIA will devote $5 million to three pilot projects in Wisconsin in cooperation with Tribes, to purchase small ownership interests in highly fractionated tracts of land from willing sellers. The budget proposes to double funding for this program.

Trust Management Improvement Project: The budget provides $90 million for DOI's Office of Special Trustee's trust management improvement project, an increase of $51 million over 1999. Current activities include verifying individual Indian's account data and converting these data to a commercial-grade accounting system. Ownership, lease, and royalty information related to the underlying trust assets will also be verified and converted to a recently acquired commercial asset management system.

Commitment to the District of Columbia

As part of the 1997 balanced budget agreement, the President proposed, and Congress enacted, a comprehensive financial restructuring plan for the District of Columbia. It relieved the District of major financial burdens and laid the groundwork to restore the District's fiscal health. Due to prudent fiscal management and on-going efforts to build private investment, the District—facing bankruptcy only five years ago—produced a budget surplus in 1997 and 1998. If the District continues to balance its budget through 2000, it will regain full home-rule.

Under the comprehensive financial restructuring plan, the Federal Government assumed certain functions in which it has a clear interest.

Medicaid: The Federal Government has assumed the role typically played by both Federal and State governments under this health insurance program, paying 70 percent of Medicaid spending in the District (compared to the previous 50 percent).

Criminal Justice: The Federal Government now funds the District's Court System and other key elements of the District criminal justice system, including the incarceration of sentenced felons and supervision of all adult offenders. By 2001, all adult-sentenced felons will be in the custody of the Federal Bureau of Prisons (FBOP). The budget includes $393 million to implement the President's plan for District courts and corrections and $255 million to accomodate the transfer of D.C. inmates for which FBOP assumed responsibility.

Pensions: The Federal Government has resumed responsibility for an estimated $5.9 billion unfunded pension liability that it transferred to the District in 1979.

The Federal Government eliminated its annual payment to the District, though it provided a one-time, $190 million payment for District operations in 1998 and provided $248 million in funding for earmarked economic development and infrastructure investments in 1999. To maintain a balanced budget in the future, the District has launched major management reforms, cut spending, and directed a portion of budget surpluses to eliminate its accumulated deficit by 2000.

The Administration—through its departments and agencies—will continue to provide technical help and other assistance to the District in such areas as education and law enforcement. The Administration strongly supports the District's right to self-governance and is committed to do its part.

Public Television in the Digital Age

The budget provides a total of $414 million for 2000 through 2003 for the public broadcasting system's transition to digital technology. Digital broadcasting will allow greatly expanded educational, community service, and cultural programming through innovative applications, including high-definition and interactive television. Funding through the Commerce Department will be devoted to promoting digital transmission, while funding for the Corporation for Public Broadcasting will be for digital program production and development capabilities.

10. ADVANCING UNITED STATES LEADERSHIP IN THE WORLD

> *"If the history of this American century has taught us anything, it is that we will either work to shape events, or we will be shaped by them. We cannot be partly in the world. We cannot lead in fits and starts or only when we believe it suits our short-term interests. We must lead boldly, consistently, without reservation ...Our security and prosperity depend upon our willingness to be involved in the world."*
>
> President Clinton
> August 1998

As the era that has been labeled the American Century comes to a close, the role of the United States in one significant way remains unchanged. Today, America is the world's sole remaining superpower and, therefore, still has its own set of unique obligations and responsibilities. The world in many ways is safer than in the past, as democracy and free markets increasingly prevail, but we cannot afford to be complacent. Threats to our security still require our vigilance, and opportunities to promote peace and economic well-being demand our leadership.

America must remain a leader for peace, freedom, and security—and a bulwark against the forces that would undermine them. American diplomacy helped restore momentum in the Middle East peace process at the Wye River meeting and helped achieve the ratification of the Good Friday Accord, which brought an end to 30 years of turmoil for the people of Northern Ireland.

While progress in making peace offers cause for optimism, there are real and growing threats to our national security. The terrorist attacks against two U.S. embassies in East Africa last year—which killed hundreds of people, including 12 Americans—are a stark reminder that we need to protect our citizens and to combat our enemies. Our security and the stability of the international order is also threatened by the proliferation of weapons of mass destruction and their means of delivery, international terrorism and crime, narcotics, and environmental degradation.

Nations and their economies are increasingly interdependent, due in large part to the explosion of communications technology. While this interdependence can help foster international trade and cultural understanding, and contribute to the foundation for peace, there are also fundamental risks. Last year, disruptions in the Russian and several Asian economies and the threat to Brazil's economy demonstrated the world-wide impact of crises in major economies.

In order to ensure that America maintains its role as world leader and responds to these needs in a complex and crucial time, the budget includes resources to promote peace in troubled areas, to provide enhanced security for our diplomats abroad, to fund activities to combat weapons of mass destruction, to stabilize the international economy, to promote trade, and to respond to the needs of our neighbors and others who face disaster.

American diplomacy is the tool of American international leadership in these many important issues, and it depends on strong international affairs programs. In 1999, the Administration and Congress worked successfully to build bipartisan support for an increase in international affairs spending.

Congress appropriated $14.5 billion for the U.S. share of the International Monetary Fund (IMF) quota increase and $3.5 billion for the U.S. share of the New Arrangements to Borrow. These increases will allow the IMF the necessary resources to support economic reform and restructuring around the world, thereby helping to protect U.S. prosperity. Congress also appropriated $1.8 billion in emergency funding, largely to meet the urgent needs of protecting American personnel and facilities abroad from terrorist attacks.

Despite significant progress on international problems last year, there is an unfinished and growing set of issues which are critical to U.S. interests. The Administration and Congress must continue efforts to promote peace and stand with those working to build it and to work for freedom and security. We must continue to strengthen our alliances and partnerships in Europe and Asia, the foundation for America's security. Finally, we must work to deepen democracy around the world—the best long-term investment we can make in peace and stability.

Although American diplomacy has made great strides to advance the peace process in the Middle East and in the Balkans, there is still an enormous amount of hard work ahead. Collaboration between the Administration and Congress is essential to give peace in those regions the opportunity it deserves. Trade has been essential to the current economic expansion, and Congress should enact legislation promoting trade with Africa and the Caribbean Basin. Such trade initiatives can help bolster the growth of countries undertaking desirable free-market reforms, thereby helping the American economy by increasing markets for our own exports.

In providing $21.3 billion for international affairs programs, the budget proposes that the United States continue to actively meet the role and responsibility of world leadership (see Table 10–1). The budget helps resolve unfinished business from past years, addresses the many new crises facing the world, and targets funding increases to the most effective programs to achieve foreign policy objectives, rejecting outmoded activities and poorly-performing projects. This will strengthen U.S. leadership and benefit the American people, while costing less than one percent of the Federal budget.

Protecting American Security

Facility Vulnerability: The bombings of the U.S. embassies in Kenya and Tanzania were evil acts of terror that took the lives of hundreds of innocent people, including 12 Americans. The bombings highlight the dangers faced daily by Americans and foreign national employees who work abroad in U.S. Government facilities. A significant step to address vulnerability in our diplomatic facilities took place with enactment of emergency security funding in 1999. The budget proposes an increase to the State Department's operating budget in 2000 to ensure the continued protection of American embassies, consulates and other facilities, and the valuable employees who work there. The Administration will continue to examine the vulnerabilities and requirements for U.S. Government staff overseas through a review of the number, size, and composition of U.S. overseas missions and future security requirements. To address further security needs, the budget includes a request for $3 billion in advance appropriations for a new multi-year security construction program to replace inadequate overseas facilities. The Administration will continue to work with Congress in a bipartisan manner to address the continuing challenge of making our overseas posts secure.

The New Transnational Threats: Another fundamental goal, and an increasing focus of our diplomacy, is meeting the new transnational threats to U.S. and global security—the proliferation of weapons of mass destruction, drug trafficking, and the spread of crime and terrorism on an international scale. In 1997, the Administration sought and obtained Senate ratification of the Chemical Weapons Convention, which will begin imposing controls on a class of destructive weapons not well regulated in the past. However, the Senate has not yet ratified the Comprehensive Nuclear Test Ban Treaty (CTBT), which it has had since September 1997, and which is central to national security interests. U.S. diplomacy and law enforcement are playing a key role in stemming the spread of weapons of mass destruction to outlaw states such as

Table 10–1. INTERNATIONAL DISCRETIONARY PROGRAMS

(Budget authority, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
International development and humanitarian assistance [1, 2]	6,797	6,966	7,606	+639	+9%
International security assistance [2]	6,102	6,022	6,232	+210	+3%
Conduct of foreign affairs/foreign information and exchange programs [1, 2]	4,966	4,904	5,478	+573	+12%
International financial programs [3]	666	750	881	+131	+17%
Subtotal, International discretionary programs	**18,531**	**18,643**	**20,196**	**+1,554**	**+8%**
Multilateral Development Bank arrears	360	539	169	–370	–69%
International Organization arrears	100	475	446	–29	–6%
Enacted embassy security and other emergency items	.....	1,900	.....	.....	.....
Subtotal, including arrears and enacted emergency appropriations	**18,991**	**21,557**	**20,811**	**–746**	**–3%**
Proposed Wye River supplemental	.....	900	500	NA	NA
Total, including proposed Wye River supplemental	**18,991**	**22,457**	**21,311**	**–1,146**	**–5%**

NA = Not applicable.
[1] Excluding arrears payments.
[2] Excluding 1999 embassy security and other emergency appropriations.
[3] Excluding 1999 appropriations for the International Monetary Fund.

Libya, Iraq, Iran, Syria, and North Korea. In addition, U.S. support for such organizations as the International Atomic Energy Agency, the CTBT Preparatory Commission, and the Korean Peninsula Energy Development Organization is critical to help prevent the spread of dangerous nuclear weapons.

U.S. bilateral assistance programs are essential to efforts attacking other transnational problems. America's international counter-narcotics efforts are making continued progress in drug-producing countries. Along with the additional funding of $233 million in enacted 1999 emergency appropriations, the budget proposes $295 million to enable the United States to intensify its efforts to curb drug production in the Andean countries and to fight international crime.

The Newly Independent States (NIS): The transition to market democracies in the NIS remains vital to U.S. national security. Russia remains the key to overall progress in the region. The budget proposes $1.03 billion for assistance to the NIS. The pace of that transition continues to be uneven, and last year there were serious economic setbacks for Russia. Although these nations have embraced free elections, there is a lack of political consensus in support of economic reforms, which makes prospects for sustained economic growth dubious.

The United States and Russia share a mutual goal of preventing the proliferation of expertise and technology related to weapons of mass destruction (WMD). Current economic conditions increase the risk of proliferation because weapons scientists and technicians are unemployed or unpaid, and guards at facilities and borders are untrained and poorly-equipped. The budget supports significant increases in funding for State Department

programs from $41 million last year to $251 million to address this concern. In addition, the Department of Defense Cooperative Threat Reduction program is funded at $476 million and the Department of Energy WMD programs in the NIS are funded at $276 million (see Table 10–2).

In addition to this enhanced emphasis on WMD, the budget includes a renewed emphasis on our Partnership for Freedom programs, which work directly with the private sector and nongovernmental organizations, develop partnerships between U.S. and NIS institutions, increase exchanges, and help local governments increase trade and investment.

Promoting Peace Abroad

Peace in the Middle East: The United States remains committed to a comprehensive peace in the Middle East. America continues to play a leadership role in this effort. The Wye River Memorandum, signed in October 1998, is an important milestone in this process. The effective implementation of this Memorandum should restore positive momentum to the peace process. The Wye Memorandum provides among other things for enhanced security steps by the Palestinians, improved security cooperation between Israelis and Palestinians, further redeployments of Israeli forces in the West Bank, the opening of the Gaza airport, and creation of a safe passage between Gaza and the West Bank. The budget proposes $5.2 billion for assistance to sustain the Middle East peace process.

In addition, the Administration proposes a $1.9 billion economic and military assistance package to help meet priority needs arising from the Wye Memorandum. This is comprised of $900 million in 1999 supplemental budget authority (to be fully offset with an equal reduction of budget authority) and $500 million in annual advance appropriations in 2000 and 2001. Supplemental Economic Support Fund (ESF) resources will help meet the Palestinians' economic development needs in the West Bank and Gaza, and strengthen democratic institutions. Supplemental Foreign Military Financing (FMF) funding for Israel will help Israel offset some of the costs of redeploying its forces and enable it to meet strategic defense requirements. Additional FMF funding for Jordan will allow it to maintain the operational capabilities of its forces and additional ESF resources for Jordan will support further economic development.

Central and Eastern Europe: The transition to democracy and free markets in Central and Eastern Europe is advancing rapidly. Countries are moving to join the European Union and the World Trade Organization. Poland, Hungary, and the Czech Republic are joining NATO. Economic growth is widespread, and respect for human rights is growing. U.S. and other international support has been a critical factor in the pace of that transition. In certain nations, the success is evident: democracy has taken hold firmly while free markets prevail. At this time, Lithuania and Poland join the Czech Republic, Slovenia, Latvia, and Hungary as states that no longer need direct U.S. assistance.

Table 10–2. THREAT REDUCTION ASSISTANCE IN THE NIS

(Budget authority, dollar amounts in millions)

	1998 Actual	1999 Estimate	2000 Proposed	Dollar Change: 1999 to 2000	Percent Change: 1999 to 2000
Department of Defense	382	440	476	+36	+8%
Department of Energy	212	237	276	+39	+16%
Department of State	20	41	251	+210	+512%
Total	**614**	**718**	**1,003**	**+285**	**+40%**

The success of these northern-tier countries of the region will be used to foster similar results in the southern tier where the transition has not been as rapid. Reform minded governments in Bulgaria, Macedonia, and Romania continue to work toward creating free markets and democratic governance. However, challenges remain in the rest of the Balkans. Substantial assistance will continue to enable countries to participate in the Partnership for Peace programs, thereby improving mutual understanding and enhancing the interoperability of regional military forces with NATO. The budget proposes $393 million in economic aid for Eastern Europe and the Baltic States, primarily focused on the southern tier.

Bosnia: $175 million of the economic aid program would support the U.S. commitment to see the Dayton Accords fully implemented in Bosnia. U.S. assistance will help displaced persons and refugees return home; multi-ethnic communities rebuild; numerous leaders embrace the economic reforms necessary to expand opportunities and sustain economic growth; and governments to continue restructuring their police forces in order to provide all citizens with a secure environment. American troops remain in the region and our assistance programs are designed to complement their work and build on the stability created by their presence.

Kosovo: In Kosovo, international diplomatic efforts backed by U.S. and allied military capabilities have helped increase stability in this troubled region. However, the ability to foster a peaceful transition that protects the rights of all citizens in that part of Yugoslavia continues to hang in the balance. U.S. humanitarian assistance has helped alleviate suffering, but we must work with our allies to help create a sustainable peace. The budget includes $46 million for an observer force to verify compliance by all parties and to support the training of a professional, ethnically representational, local police force that protects the rights of all citizens. In addition, $50 million is included in the budget for the U.S. contribution to an international civil reconstruction effort.

Hurricane Mitch: In 1998, Hurricane Mitch, the most destructive hurricane in recent history, caused over $10 billion in damage to Central America. The United States immediately stepped up to the massive relief and reconstruction needs caused by this unprecedented disaster, pledging over $500 million. However, there is much more that needs to be done to help these neighboring countries recover from this devastation, and funding is needed urgently. Therefore, the President will work with the Congress in a bipartisan effort to obtain 1999 supplemental funds to address the damage caused by Hurricane Mitch, as well as that caused in the Caribbean by Hurricane Georges.

Leading the International Community

Following World War II, the United States assumed a unique leadership role in building international institutions to bring the world's nations together to meet mutual security, economic, and humanitarian needs. America sponsored and provided significant funding for the UN, NATO, the IMF, and the World Bank, along with other specialized regional security and financial institutions that became the foundation of international cooperation during the Cold War and the post-Cold War period.

To ensure financial stability for this international community, members of the international organizations (IOs) entered into treaties committing them to pay specified shares of IO budgets. Congress ratified these agreements, making them binding on the United States. For the Multilateral Development Banks (MDBs) which include the World Bank, its regional development bank partners, and the Global Environment Facility (GEF), the United States and other developed countries make firm commitments to regular replenishment of their resources. Replenishments are subject to the congressional authorization and appropriations processes.

By 1997, America's leadership in this international institutional network had seriously eroded due to past legislative action that reduced funding for our assessments and commitments. The resulting arrears to the IOs had accumulated to almost $1.5 billion. Although the Administration and Congress developed bipartisan support for authorizing legislation in 1997, and again in 1998, to clear many of the assessed arrears over

three years in return for specified IO reforms, the legislation was never enacted.

Congress did pass appropriations of $100 million in 1998 and $475 million in 1999, subject to enacting authorization legislation and certain other conditions. The budget proposes that the Administration and Congress work together once again to reach agreement on paying the UN and related IO arrears. The budget includes the third-year installment of arrears funding of $446 million and seeks $1.198 billion to meet regular assessments to the IO's and for UN peacekeeping operations.

Stabilizing the International Economy

As the world becomes more economically integrated, the smooth functioning of its monetary system becomes increasingly critical to every nation's economy. The severe disruptions in the Russian and several Asian economies and the threat to Brazil's economy in 1998 demonstrated the world-wide impact of crises in major economies. Despite its size and strength, even the U.S. economy is not immune and could suffer if measures were not taken to keep global economic crises in check. It is exactly these kind of disruptions that the International Financial Institutions (the IMF, the World Bank, and the other MDBs) were created to address, and, thanks in part to the bipartisan effort to increase the resources available for the IMF last year, these institutions have already begun to provide the loans needed for Indonesia, Brazil, and the other countries most affected, so that they may begin the long and difficult recovery process.

Multilateral Development Banks (MDBs): There has been progress in the past two budgets, with Congress funding most of U.S. arrears to the MDBs, leaving $310 million unfunded at present. This advancement, much improved since 1997, when arrears totaled nearly $862 million, enabled the Administration to engage other donors and gain agreement on important new policy measures during new replenishment negotiations this past year for the International Development Association, the African Development Fund, and the Inter-American Development Bank. The budget also proposes $168 million to continue the planned payment of MDB and new GEF arrears and $1.2 billion to pay current commitments to these institutions, which provide most of the assistance to poor countries around the world that are undertaking promising economic reforms. During the Clinton Administration, U.S. commitments for all the MDBs have been cut by 40 percent from the levels in the mid-1990s.

International Debt Policy: In providing $120 million, the United States will promote economic and environmental reform for countries in support of the Tropical Forest Conservation Act of 1998 and help defray the cost of debt relief by contributing to the Heavily Indebted Poor Country Initiative Trust Fund. Furthermore, the United States will continue its efforts to stimulate economic growth for the world's poorer countries by participating in the multilateral Paris Club debt reductions and providing bilateral debt relief as part of the President's Africa Initiative.

Supporting International Development and Addressing International Disasters

Development assistance, through the MDBs and bilaterally through the U.S. Agency for International Development (USAID), funds projects which create the conditions for economic growth, stable democracies, improved human health, and basic education. Our ongoing commitment to provide assistance to the poorest countries serves long-term U.S. interests and diminishes the need for short-term crisis intervention.

Assistance to Africa: The budget proposes $828 million for Africa—an increase of almost 10 percent—meeting the President's goal of increasing support for Africa to historically high levels. These levels of assistance recognize the increased progress towards reform and economic growth that is being made by a number of African nations. The assistance programs funded at current or increased levels will include Presidential initiatives on food security, education, and trade and investment. The budget also includes increased support for programs aimed at reducing conflict, promoting regional peacekeeping and encouraging democracy, as well as enactment of the President's trade package for Africa.

USAID's Development Assistance Programs: The budget proposes $1.8 billion for USAID's development assistance programs, which provide funding to 51 countries and 12 regional programs in Africa, Asia, and Latin America. In Asia, USAID programs will provide an important element of the U.S. Government response to the challenges of the economic collapse and an inadequate social safety net, and the opportunity to support genuine democratization. In Latin America, the continuing assistance provided in the budget is critical to meeting the long-term needs arising from the devastation of Hurricane Mitch.

Humanitarian Assistance: Unfortunately, many countries face crises which impede their development, both from natural disasters—so clearly illustrated by the impact of Hurricane Mitch—and from ongoing civil conflicts. The budget proposes $1.7 billion for the humanitarian assistance programs of the Department of State and USAID. The Department of State's refugee program provides for care and maintenance of refugees abroad and resettlement assistance to those refugees admitted to the United States. USAID, through its Office of Foreign Disaster Assistance, provides for the immediate needs of victims of natural and manmade disasters, including internally displaced persons. In addition to direct relief, USAID also works to improve the ability of poor countries to deal with disasters through its prevention and mitigation programs and programs aimed at helping countries move from conflict to peace. USAID also provides food aid for vulnerable populations through the Food for Peace program.

Environment and Population Growth: USAID development assistance and U.S. contributions to international efforts, such as the GEF and Montreal Protocol, support large and successful programs to improve the environment and reduce population growth. The budget also continues to fund USAID's multi-year global climate change initiative. The United States is the recognized world leader in promoting safe, effective family planning projects and the budget request continues to fund significant levels of U.S. assistance for these programs.

Peace Corps: The Peace Corps promotes better understanding among nations through its volunteers who have served as unofficial ambassadors to the developing world. The American people strongly support the program. The budget proposes $270 million to enable the agency to continue increasing the number of volunteers abroad—with the goal of building towards 10,000 volunteers by early in the next century.

Increasing American Prosperity Through Trade

The Administration remains committed to opening global markets and integrating the global economic system, which has become a key element of continuing economic prosperity here at home. This goal is increasingly central to America's diplomatic activities. The Administration is helping to lay the groundwork for sustained, non-inflationary growth into the next century by implementing the North American Free Trade Agreement and the multilateral trade agreements concluded during the Uruguay Round.

Export Promotion Initiative: After years of double-digit growth, U.S. manufacturing exports slowed in 1998 as a result of global economic problems, and that led to thousands of worker layoffs. Because millions of American jobs depend on foreign exports, we must help U.S. manufacturers find new markets and attract new customers for our goods overseas. Toward that end, the budget includes a $108 million multi-agency initiative to spur additional U.S. exports. First, the initiative boosts funding by 10 percent—or $81 million—for the Export-Import Bank, which helps U.S. exporters by providing prudent financing for customers in developing countries when private funds are not available and by strategically leveling the playing field against aggressive, foreign export-credit subsidies. With the additional funds, the Bank can keep U.S. products—from aircraft parts to capital equipment to environmental technology—flowing to emerging markets where commercial banks have withdrawn. Second, the Trade and Development Agency receives an additional $4 million to fund feasibility studies that enable U.S. companies to participate in major export-generating infrastructure projects overseas. Third, the initiative provides $14 million for the De-

partment of Commerce's International Trade Administration (ITA) to increase resources for export advocacy in key markets and for delivery of export assistance services to America's 350,000 small manufacturers. Finally, the initiative provides $9 million for ITA and Commerce's National Institute of Standards and Technology (NIST) to expand U.S. efforts to help developing countries establish the legal and institutional framework needed for a commercial infrastructure making it easier and cheaper for U.S. firms to export.

Free and Fair Trade: The Administration will continue to press forward with open trade. At this time of economic fragility in so many regions, it is important to continue to pursue open markets. The budget proposes significant increases for trade negotiators to pursue an open, fair, rules-based trading system which ensures that spirited economic competition among nations does not become a race to the bottom in environmental protections, consumer protections, or labor standards.

The Administration also will propose to give expanded trade benefits for two years to the eligible countries under the Caribbean Basin Initiative, and will propose special trade benefits on a permanent basis to African countries that are reforming their economies, as part of a larger trade and investment initiative for Africa. In addition, the Administration will propose a one-year extension of the Generalized System of Preferences beyond its current expiration date of June 30, 1999, in order to continue the reduced tariffs on many imports from developing countries provided for by this system.

Additional Trade Activities: The Trade Promotion Coordinating Committee (TPCC) is currently focusing on several key strategic objectives in order to provide more effective and better coordinated trade promotion programs. The TPCC works to promote exporter awareness of the benefits of trade, to respond effectively to the Asian crisis. The TPCC is also working to improve trade in important economic markets around the world.

The Administration also strongly supports the reauthorization of the Overseas Private Investment Corporation which has been an important part of trade and investment initiatives through its investment insurance and finance programs. In addition, the budget provides an 18-percent increase, to $20 million, for the Commerce Department's Market Access and Compliance Unit, whose members monitor trade agreements and identify compliance problems.

Conducting Effective Diplomacy

Effective diplomacy is the foundation of our ability to meet foreign policy goals. The budget supports a strong U.S. presence at over 250 embassies and other posts overseas, promoting U.S. interests abroad and protecting and serving Americans by providing consular services. The work of the Department of State and U.S. missions supports the goals and initiatives of American foreign policy, and anticipates and helps to prevent threats to our national security. This work has expanded considerably in recent years to include combating threats from terrorism, proliferation of weapons of mass destruction, nuclear smuggling, international crime, and narcotics trafficking. The overseas posts also serve as the administrative platform for the many other U.S. agencies with personnel abroad, from USAID to the Departments of Defense, Justice, and the Treasury.

Foreign Affairs Reorganization: Enactment of the Foreign Affairs Reform and Restructuring Act of 1998 provided the President the authority to fundamentally restructure foreign affairs agencies. The reorganization will put matters of international arms control, sustainable development policy, and public diplomacy at the heart of our foreign policy within a reinvented Department of State.

The reorganization will integrate the Arms Control and Disarmament Agency (ACDA) and the non-broadcasting portion of the U.S. Information Agency (USIA) as well as certain limited functions of USAID into the State Department. The Broadcasting Board of Governors, which oversees all governmental non-military broadcasting abroad and is currently part of USIA, will become an independent Federal establishment.

Diplomatic and Consular Operations: The budget proposes $3.6 billion in 2000 for the State Department, including public diplomacy and arms control activities. Of this total, $0.7 billion is proposed for continuing public diplomacy activities (formerly USIA) and $48 million is for arms control and nonproliferation activities (formerly ACDA). This funding level will maintain the Department's world-wide operations, continue efforts to upgrade information technology and communications systems, and accommodate increased security and facility requirements at posts abroad. The major increases proposed in the budget provide for security and facility enhancements that will allow foreign policy professionals abroad to do their jobs in a safer environment. The budget requests $3 billion in advance appropriations to fund the construction of secure embassies and posts around the world. The Administration will pursue these enhancements through a capital construction strategy that will effectively and efficiently meet America's security needs.

USAID Operating Expenses: The budget proposes $508 million for USAID operating expenses. The largest portion of this increase over 1999 ($12 million) will provide USAID with the resources it needs to continue to improve its information technology and financial management capabilities. The resources will also allow USAID to maintain its overseas presence in key developing countries, although it will require USAID to continue its successful reinvention efforts in order to meet increased program delivery requirements without increasing overseas staff or expenses. The budget also accommodates the shift of security functions from the USAID Inspector General to USAID operating expenses, as required by the 1999 Foreign Operations Appropriations Act.

11. SUPPORTING THE WORLD'S STRONGEST MILITARY FORCE

> *Still, this remains a dangerous world and peace can never be a time for rest, for maintaining it requires constant vigilance.... When we give our Armed Forces a mission, there is a principle we must keep in mind. We should never ask them to do what they are not equipped to do, but always equip them to do what we ask them to do.... As Commander in Chief, I have no higher duty than this: to make certain our troops can do their job while maintaining their readiness to defend our country and defeat any adversary; to ensure they can deploy far from home, knowing their loved ones have the quality of life they deserve.*
>
> President Clinton
> November 1998

The U.S. military is the backbone of the Nation's national security strategy. In this post-Cold War era, the military's responsibilities have changed, but not diminished. If anything, they have become more complex and diverse. As the global leader of the post-Cold War era, the U.S. must maintain its military readiness and technological advantage to ensure that this leadership role continues. We, as a Nation, must provide our forces with the necessary support to carry out such a critical role.

To ensure that America's Armed Forces are fully prepared to meet the challenges of the next century, the President is proposing in the budget a long-term, sustained increase in defense spending. In keeping with his pledge to work with military leaders to address the Nation's defense needs, the President has determined that additional resources are necessary to maintain military readiness; procure modern and effective weapons systems; and provide appropriate pay, benefits and quality of life improvements for our service men and women. This multiple-year plan provides robust funding for such readiness components as unit operations and training, spare parts, recruiting and retention programs, joint exercises, equipment maintenance, and base operations.

The Department of Defense's (DOD's) Quadrennial Defense Review (QDR) embraces a defense strategy which includes shaping the international strategic environment and responding to near-term events, crises and threats while also preparing for future threats. The QDR is the strategic plan to ensure that our forces remain capable of executing the full range of global military operations into the next century. It identifies four major threats to U.S. security:

- regional dangers, such as cross-border aggression, as well as military challenges created by failed states, as in the case of Yugoslavia;
- the proliferation of the technology of weapons of mass destruction (WMD);
- transnational dangers, such as the spread of illegal drugs, organized crime, terrorism, uncontrolled refugee migration, and threats to the environment; and
- direct attacks on the U.S. homeland from intercontinental ballistic missiles or other weapons of mass destruction.

The budget fully supports the force levels, readiness, and weapons modernization goals of the QDR, thus enabling DOD to meet these demanding challenges (see Table 11–1). In particular, it provides additional resources for three priority areas: enhancing the military's abilities to respond to crises; building for the future with weapons modernization programs; and taking care of military personnel and their families by enhancing their quality of life.

Table 11–1. MILITARY FORCE TRENDS

	Cold War (1990)	2000	QDR Target
Army:			
Divisions (active/National Guard)	18/10	10 [1]/8 [2]	10 [1]/8 [2]
Air Force:			
Fighter wings (active/reserve)	24/12	13/7	12+/8
Navy:			
Aircraft carriers (active/reserve)	15/1	11/1	11/1
Air wings (active/reserve)	13/2	10/1	10/1
Total battle force ships [3]	546	314	306
Marine Corps:			
Divisions (active/reserve)	3/1	3/1	3/1
Wings (active/reserve)	3/1	3/1	3/1
Strategic nuclear forces:			
Intercontinental ballistic missiles/warheads	1,000/2,450	550/2,000	500/500 [4]
Ballistic missile submarines	31	18	14 [4]
Sea-launched ballistic missiles/warheads	568/4,864	432/3,456	336/not over 1,750 [4]
Heavy bombers	324	90 [5]	92 [5]
Military personnel:			
Active	2,069,000	1,384,806	1,363,000
Selected reserve	1,128,000	865,298	835,000

[1] Plus two armored cavalry regiments.
[2] Plus 18 separate brigades (15 of which are at enhanced readiness levels).
[3] Includes active and reserve ships of the following types: aircraft carriers, surface combatants, submarines, amphibious warfare ships, mine warfare ships, combat logistics force, and other support ships.
[4] Upon entry-into-force of START II.
[5] Does not include 95 B-1 bombers dedicated to conventional missions.

Enhancing Military Readiness and Operations: American forces must be ready and able to respond and deploy rapidly to the full spectrum of crises. They must prevail when committed—whether in a major theater war, smaller-scale contingency mission, or counterterrorism operation. Specifically, the budget increases funding for readiness programs to ensure that the military sustains a high level of preparedness to carry out all of its missions and that flying-hour programs, recruiting efforts, manning levels, and unit training programs are fully funded.

Building for the Future With Weapons Systems Modernization: The U.S. military must be the best equipped in the world—it must have leading edge technologies and well-maintained equipment in sufficient numbers to meet mission goals. The budget increases funding to accelerate weapon systems modernization programs. It supports procurement of new warships, tactical fighter aircraft, and Army and Marine Corps helicopters as well as upgrades to Army ground combat vehicles. The budget also provides funding for research and development efforts that will lead to procurement of next generation weapon systems incorporating the most advanced technologies.

Taking Care of Military Personnel and Their Families: If the military is to attract and keep the best and the brightest, it must offer pay, retirement, and other quality of life benefits that compare favorably with the private sector and Government civil service, and that also recognize the often stressful circumstances of military life, such as long separations from family and dangerous missions. The budget enhances quality of life for military personnel through significant across-the-board pay increases, targeted pay raises with greater

rewards for performance, and retirement benefit improvements. Housing and educational benefits are also improved.

Nevertheless, we do not have unlimited resources with which to achieve these objectives. Rather, we must pursue them carefully within the constraints of available resources by utilizing efficient management and business practices to do more with less. The budget fully supports legislative and organizational management proposals, initiated under Secretary Cohen's Defense Reform Initiative (DRI), including proposals for additional base closures and competitive sourcing efforts.

Providing the Necessary Funding

For DOD, the budget proposes discretionary funding of $268.2 billion in budget authority and $261.8 billion in outlays for 2000 (see Table 11–2). This represents an increase of $4 billion over the 2000 level assumed in the 1999 Budget. After accounting for lower inflation and other budgetary savings, a total of $12 billion in additional program funding is provided for DOD, compared to the level assumed in last year's request.

Over the five-year period 2000–2004, funding for the Defense Department will total $1,453 billion, an increase of $64 billion above the levels assumed for these years in the 1999 Budget. Combined with savings from lower inflation and other budgetary and technical adjustments, a total of $83 billion in additional program funding will be made available to the Department to meet critical readiness, personnel, and modernization needs. This figure grows to an increase of about $110 billion over the six-year Future Years Defense Program. To reach these program levels, the Administration proposes to increase the allocation for defense when Social Security reform is enacted.

Enhancing Military Readiness and Operations

Ensuring Adequate Resources: Maintaining high levels of readiness is our top defense priority. To allow U.S. forces to accomplish a wide range of missions, the budget provides robust funding for key operations and support programs, including unit operations and training activities, spare parts, recruiting and retention programs, joint exercises, equipment maintenance, and base operations. In addition, DOD continues to monitor its current and future military readiness through the Senior Readiness Oversight Council, the Joint Monthly Readiness Review process, and the Expanded Quarterly Readiness Report to Congress. The budget provides a $4 billion increase in 2000 and more than $20 billion over the next five years for selected readiness programs, including readiness-related procurement. This funding will ensure that the Services attain their traditional high standard of readiness by enabling them to meet their required training standards, maintain their equipment in top condition, recruit and retain quality personnel, and procure sufficient spare parts and other equipment.

Ensuring Successful Contingency Operations: The budget proposes funding for ongoing contingency operations—limited military operations in conjunction with our allies—in Southwest Asia and Bosnia in the Overseas Contingency Operations Transfer Fund and military personnel accounts. For 2000, this amount is $2.9 billion. Congressional approval will allow DOD to avoid redirecting funds from standard operations and maintenance pro-

Table 11–2. DEPARTMENT OF DEFENSE FUNDING LEVELS

(In billions of dollars)

	Proposed				
	2000	2001	2002	2003	2004
Defense Discretionary Program Level:					
Budget authority	268.2	287.4	289.3	299.7	308.5
Outlays	261.8	269.4	279.3	291.2	300.9

grams to contingency operations, thereby helping to maintain the readiness of our force.

Shaping the Strategic Landscape Through Arms Control and Cooperative Threat Reduction: The President remains strongly committed to reducing the threat from weapons of mass destruction by implementing verifiable arms control agreements. To that end, the Strategic Arms Reduction Treaty (START) process remains a high priority objective of U.S. foreign, security, and non-proliferation policy. As START I implementation continues, the Administration continues to work hard to bring the START II treaty into force and, pending Russian ratification of START II, is preparing to discuss further arms reductions. In addition, implementation of the Chemical Weapons Convention is underway and the Administration will work with the Senate to ratify the Comprehensive Test Ban Treaty (CTBT).

Furthermore, the Administration proposes significant increases to threat reduction assistance programs in Russia and other states of the former Soviet Union that mitigate the danger posed by WMD, the proliferation of their loosely guarded fissile material components, and the scientific expertise behind them. These increases will strengthen the ongoing threat reduction effort by supplementing DOD's Cooperative Threat Reduction program (also called the Nunn-Lugar Program) and programs managed by the Departments of Energy and State. The budget proposes $1.0 billion—$285 million more than 1999—for this comprehensive and aggressive program in 2000. The DOD portion of this effort totals $476 million.

Countering Asymmetric Threats: The President's request increases funding to enhance the Department's capability to counter asymmetric threats such as terrorism, proliferation and use of WMD, and threats to our critical infrastructure. Adversaries will increasingly rely on these unconventional strategies to offset U.S. military superiority. The budget provides over $5 billion for programs to combat terrorism. Enhancements include improved awareness and training programs, worldwide vulnerability assessments, implementation of prescriptive standards for force protection, and increased resources for offensive means to deter, defeat, and respond to terrorist attacks wherever they may occur. Funding of $900 million for counterproliferation and defense against WMD programs improves our ability to locate and destroy chemical and biological weapons before they can be used and to defend against and manage the consequences of a WMD attack. The budget also proposes increased resources to protect critical infrastructures that support national security requirements, bringing this funding to over $1 billion.

Executing Counter-drug Programs: DOD participates fully in the National Drug Control Strategy to stem the flow of illegal drugs into the country and reduce demand. DOD conducts its primary missions—to eliminate drug supply sources and prevent drugs from entering the country—by detecting and monitoring drugs moving to the United States, supporting domestic and foreign law enforcement, collecting and analyzing foreign intelligence, and supporting the activities of the National Guard under State counter-drug programs. DOD continues to fight illegal drug use in the military through prevention, education, and testing. The budget proposes $788 million for DOD's counter-drug efforts.

Providing Humanitarian and Disaster Assistance: Given its global presence and unique capabilities, America's military is often asked to respond to international disasters and human tragedies. Such responses may come at the direction of U.S. commanders, who can respond quickly to regional problems, or at the President's direction when he determines that DOD is the appropriate agency to provide U.S. support. The proposed $55.8 million for the Overseas Humanitarian, Disaster, and Civic Aid account will allow DOD to provide critical humanitarian and disaster assistance to support U.S. interests without cutting into the resources available for readiness. Also, $34.4 million will be available in 2000 to support the President's Humanitarian Demining Program.

Maintaining the Nation's Nuclear Deterrent: Strategic forces remain an essential component of our military capability. Within treaty-imposed limits, their primary mission is to deter nuclear attack against the United States and its allies, and to convince potential adver-

saries that they will never gain a nuclear advantage against our Nation.

The budget proposes $4.5 billion for DOE to maintain confidence in the safety, reliability, and performance of the nuclear weapons stockpile. DOE will perform this mission without underground nuclear testing in compliance with the proposed CTBT. To make up for the loss of testing, DOE plans to build new non-nuclear test facilities while upgrading the computer models it uses to predict the performance of nuclear weapons. The budget includes: $248 million to continue construction of the National Ignition Facility at the Lawrence Livermore National Laboratory; $543 million, for the Advanced Strategic Computing Initiative; and $170 million for a new source of tritium to maintain our nuclear weapons stockpile.

Building for the Future With Weapons Systems Modernization

Addressing the Modernization Imperative: Modernizing weapons systems is critical to the future readiness of U.S. military forces. In the 1970s and 1980s, the Nation invested heavily in a wide range of equipment—including fighter aircraft, attack submarines, surface ships, helicopters, and armored vehicles—which enabled us to reduce weapons purchases and total defense spending in the early 1990s as we cut the size of U.S. forces after the Cold War. But the equipment bought in those prior two decades, the backbone of today's forces, is aging and must be replaced. When complex military equipment ages, it becomes more costly and more difficult to maintain and operate. More importantly, the decisive military advantage that new, superior equipment provides may help reduce casualties and facilitate a quick, successful resolution of conflict. For these reasons, weapons system modernization continues to be a high Administration priority.

The QDR determined that the Nation needs roughly $60 billion per year in weapons procurement funding, beginning in 2001, to modernize U.S. forces and maintain the effectiveness of equipment already in the force. The budget provides $53 billion for the 2000 procurement program, $4 billion more than the 1999 level, and achieves the $60 billion goal in 2001. In addition, the budget provides $7 billion to fund basic and applied research and development of advanced technologies that will lay the groundwork for procuring next-generation systems. These R&D activities and the educational activities they support are also vital to the Nation's strength in engineering, mathematics, and computer science.

Modernizing Ground Forces: In the near term, Army modernization emphasizes digitization of battlefield systems (discussed later in this chapter) and upgrades to existing combat equipment so that our ground forces will have a clear advantage over potential opponents. The Army will extend the useful life and improve battlefield performance of primary combat systems by integrating new navigation and data transfer technology, improving weapons and targeting systems, and augmenting vehicle protection systems. For example, the budget proposes $652 million to upgrade the Abrams tank, $352 million to improve the Bradley Fighting Vehicle, and $787 million to procure Apache Longbow helicopters.

The centerpiece of the Marine Corps modernization program is the V–22 tilt-rotor aircraft that will replace the CH–46 and CH–53A/D helicopters now used to transport troops and equipment. The budget provides $951 million to procure 10 V-22s which will have increased range, payload, and speed to significantly enhance Marine Corps tactical operations.

A sometimes overlooked, but no less important, part of ground force modernization is the replacement of aging combat support systems such as trucks. Both the Army and the Marine Corps are replacing their fleets of medium trucks by procuring new models.

In the long term, R&D programs aim to take advantage of leaps in technology to enhance mission-essential equipment. The budget funds critical development programs which will lead to procurement in the middle of the next decade, including $433 million for the Army's Comanche helicopter for armed reconnaissance, $286 million for the Crusader self-propelled artillery howitzer, and $93 million for the Marines' Advanced Amphibious Assault Vehicle.

Modernizing Naval Forces: The budget continues procurement of several ship classes, including $2.7 billion for three DDG–51 Aegis destroyers, and $1.5 billion for two LPD–17 Amphibious Transport Dock Ships. The budget also provides $440 million to procure the first ADC-X, a new class of combat logistics ships. The Navy budget continues advance funding for the major refueling overhaul of the second Nimitz-class nuclear aircraft carrier to enable the ship to stay in service another 25 years. The Navy also will procure long-lead material to construct the tenth Nimitz-class nuclear aircraft carrier as well as material for the next Virginia-class submarine. In addition, the Navy is undertaking long-term development efforts to design next generation destroyers and aircraft carriers, to be procured in the middle of the next decade. Both of these new ship classes will operate at lower costs than their predecessors by taking advantage of innovative technologies.

Along with new ships, the Navy will continue to develop and procure highly-capable weapons for a number of missions. For defense against missiles and aircraft, the budget continues procurement of Standard Missiles. The budget also supports the development of the Tactical Tomahawk missile, an improvement to the current Block III version of this ship-launched land attack weapon. The budget supports investments in ship self-defense to provide close anti-air defense for surface ships, and in gun and missile technologies to improve the Navy's delivery of fire support for Marines and soldiers ashore.

Modernizing Air Forces: For the United States to maintain its ability to dominate battles in the next century, substantial investment in new tactical combat aircraft is necessary. The budget supports three new aircraft programs. First, it provides $2.9 billion to start full-rate production of 36 F/A–18E/F Super Hornets, which will become the Navy's principal fighter/attack aircraft in the next decade. Second, it funds the procurement of the first production lot of six F–22 Raptors, the Air Force's new air superiority fighter, at a cost of $1.9 billion. Full-rate production of the F–22 should be achieved early in the next century. Third, $477 million is provided to continue R&D of new materials and manufacturing processes for the Joint Strike Fighter (JSF). The JSF is DOD's largest, most ambitious tactical aircraft program and is designed to produce a family of aircraft for the Air Force, Navy, and Marine Corps. It is scheduled to start replacing about 3,000 aging aircraft (F–16s, F/A–18C/Ds and AV–8Bs) in 2005.

Joint missile procurement programs include the Advanced Medium Range Air-to-Air Missile and the Joint Standoff Weapon. Procurement continues for the Joint Direct Attack Munition—an inexpensive guidance kit which transforms unguided bombs into precision guided munitions. In addition, the Navy's program to upgrade existing Harpoon missiles into Standoff Land Attack Missiles—Expanded Response continues. The budget also funds R&D into various munitions programs of the future, such as the AIM–9X Sidewinder missile and the Joint Air-to-Surface Standoff Missile.

DOD and its industry partners are developing Evolved Expendable Launch Vehicles to provide our military more efficient, economical access to space and ensure a competitive U.S. space launch industry able to provide continued access to space well into the 21st Century.

Developing Technologies to Defend Against Strategic Ballistic Missiles: The budget proposes $837 million in 2000 to continue developing a National Missile Defense system to protect the United States from a limited ballistic missile attack. This is a very ambitious and technically challenging program, but if the United States decides in 2000 to pursue deployment, the budget will enable the Administration to deploy an effective system in 2005. The Administration's long-range defense plan includes about $9.0 billion in 2000-2005 to cover development, procurement, and construction costs.

Developing and Deploying Defenses Against Theater Ballistic Missiles: The budget proposes $2.9 billion to develop and deploy systems to defend against missiles that directly threaten U.S. and allied forces deployed to specific theaters. While the funding is primarily for research and development of advanced systems to meet future threats, it includes $301 million to procure an advanced version of the Patriot missile and $55 million for the Navy's Area Theater Ballistic Missile

Defense system which will be deployed in the near term.

Establishing Information Dominance: America's preeminence in using information on the battlefield has helped us establish the world's strongest military. The commander who can better observe and analyze the battle while disseminating highly accurate information to his forces has a powerful advantage over the adversary. Joint Vision 2010, DOD's vision for the future, focuses on the continued development of command, control, communications, computers, intelligence, surveillance, and reconnaissance capabilities. This effort will enhance the accuracy of weapons and allow more effective use of forces. The Army plans to "digitize" a division by the year 2000—that is, equip it so that accurate, timely information about the battle can be transferred rapidly among U.S. forces. The budget includes funding for Navy and Air Force automated command and control systems and land and space-based communications networks. It also includes funds for battlefield surveillance assets, such as unmanned aerial vehicles for all military departments. DOD, with the Department of Transportation, is also funding upgrades to the Global Positioning System navigation satellites to allow the United States to maintain a military advantage while providing enhanced navigation capabilities to civilian users worldwide. The budget provides funds to purchase national sensors (e.g., satellites) to help our leaders better anticipate, monitor, and respond to crises. These assets will play a key role in both military operations and national security decision-making, and will enable commanders to direct the battle and respond to threats more effectively.

Taking Care of Military Personnel and Their Families

Enhancing Pay and Compensation: The Administration is strongly committed to enhancing the quality of life of troops and their families, which is essential for retaining and recruiting high-quality personnel. The budget proposes a 4.4 percent pay raise, effective January 2000, and targeted pay raises for selected grades, to help ensure that military compensation remains competitive with private sector wages. In addition, the budget contains a proposal to enhance military retirement benefits.

Improving Other Quality of Life Programs: The budget includes substantial funding to improve the quality of health care, military housing, and child care programs. Enhancements to such family support programs can help reduce the stresses associated with military life, such as frequent family separations. The budget also increases funding for educational initiatives that will enhance learning opportunities for military and eligible civilian dependents worldwide by providing a full-day kindergarten program, reducing the pupil-teacher ratio to 18:1 in grades 1–3, and piloting a summer school program. These initiatives are commensurate with the President's educational programs designed to enhance learning opportunities in the early years.

Supporting Our Nation's Youth: The National Guard's Youth ChalleNGe program, authorized under U.S.C. Title 32, is a civilian youth opportunity program that provides military-based training, including supervised work experience in community service and conservation projects, to young people who have left secondary school prior to graduation. This activity provides life skills and experiences that enhance the employment potential of those participating in the program. For 2000, the budget sustains funding for this program at last year's level of $62 million.

Managing Our Defense Resources More Efficiently

Pursuing Competitive Sourcing: DOD is implementing an aggressive competitive sourcing program for its infrastructure and support activities, including base utility services, general base operations, family housing, logistics support, training, property maintenance, and distribution depots. Competitive sourcing will produce estimated savings of $6 billion from 1998 to 2003, with savings thereafter of at least $2 billion annually.

Eliminating Excess Infrastructure: DOD has facilities that it no longer needs because infrastructure reductions have lagged behind force reductions. Excess facilities drain resources that could otherwise go to modernization, readiness, and quality of life. To address the problem, DOD will send legislation to Congress to seek two more rounds of base closures and realignments in 2001 and 2005. In addi-

tion, the budget supports an aggressive program to demolish unneeded infrastructure located on remaining bases.

Improving Financial Management: DOD is continuing to implement the most comprehensive reform of financial systems in its history. Both finance and accounting systems are being consolidated and overhauled. Internal controls are being strengthened to reduce and then eliminate "problem disbursements," reform the contractor payment process, improve computer security and fraud detection, and transform its financial statements. For example, DOD has cut the category known as problem disbursements from a total of $34.3 billion in June 1993 to $8.1 billion in August 1998. Such steps will provide managers with more accurate and timely financial information.

Streamlining the Civilian Work Force: Since 1993, DOD has cut its work force by nearly 29 percent, or about 269,000 positions, and it will continue to streamline its civilian work force while maintaining quality. As the QDR and DRI recommended, DOD plans to implement further reductions of 60,000 full-time-equivalent civilian positions. During this drawdown, DOD will provide transition assistance for affected employees.

Implementing the Information Technology Management Reform Act (ITMRA): Also known as the Clinger-Cohen Act, ITMRA is designed to help agencies improve mission performance by effectively using information technology. One example is the Global Command and Control System, which supports U.S. forces by improving their ability to process and transfer critical military information quickly and accurately. The Secretary of Defense has established a DOD Chief Information Officer Council to manage DOD's annual $26 billion information technology and command, control, and communication budget and provide advice on ITMRA-related issues. In addition, DOD is continuing to restructure its work processes while applying modern technologies to maximize the performance of information systems, achieve a significant return on investments, cut costs, and produce measurable results.

VI. INVESTING IN THE COMMON GOOD: PROGRAM PERFORMANCE IN FEDERAL FUNCTIONS

12. OVERVIEW

The commitment of the President and the Congress to balance the budget—and keep it in balance—is promoting an increased focus on allocating ever scarcer resources to programs that demonstrate good performance. Departments are increasingly justifying funds for programs in terms of actual and expected performance. The Executive Branch and the Congress are asking the key questions: "What are we getting for what we are spending?" and "How will we know if we are successful?".

The Administration's focus on results is not new. Led by Vice President Gore's National Partnership for Reinventing Government (NPR), the Administration has made real progress in creating a Government that in the words of the NPR, "works better, costs less, and gets results Americans care about."

In this budget, the Administration highlights three aspects of performance:

- Fiscal performance (see Chapter 1, "Sustaining Growth");
- Management performance (see Section IV, "Improving Performance Through Better Management"); and
- Program performance, which is contained in this section.

Together, these sections constitute what the Government Performance and Results Act (GPRA) contemplated—a comprehensive, Government-wide Performance Plan. The Plan reflects the budget and management decisions made throughout the process of formulating the President's budget, presenting a results-oriented picture of more than 450 of year 2000 Federal Government performance goals.

The performance of Government programs is inextricably linked to the fiscal and economic environment and the management framework in which they operate. The President's commitment to not only balance the budget but to invest in the future while improving public management—to do more with less—has prompted the Administration to maintain or expand programs that demonstrate good performance. Performance by managers is increasingly being judged on program results.

In this section, the budget categorizes activities according to budget functions in order to group similar programs together and begin to present the relationship between their goals. As contemplated in GPRA, the Administration relied heavily on key performance measures and annual performance goals that were drawn from agency Annual Performance Plans. These were first articulated in the context of the long-term goals and objectives in the Strategic Plans that agencies submitted to OMB and to the Congress in September 1997.

Again this year, in preparing the budget, the Administration performed crosscutting analyses to augment analysis by agency and by budget functions to provide a more complete and useful picture of related missions and goals across programs. The Administration is continuing to discuss with the Congress and stakeholders how to apply crosscutting analyses to budget and management decision-making.

In preparing the budget, the Administration studied the measures and goals of the Annual Performance Plans and took a hard look at what the public is getting for what it is financing. Going into this second year of Government-wide implementation, the agencies continue to improve and make good progress in managing for results. Nevertheless, more work remains. Agencies will modify Annual Performance Plans as they implement them to reflect changing circumstances and resource levels, the plans will provide a backdrop for further discussion about allocating and managing resources, and the President's future budgets will contain new and better information. Going forward, the challenge remains to use these tools to create better performance to improve citizen confidence, service delivery, and program performance and management.

Table 12–1. FEDERAL RESOURCES BY FUNCTION

(In billions of dollars)

Function	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
NATIONAL DEFENSE:							
Spending:							
Discretionary Budget Authority	272.4	277.0	281.6	301.3	303.2	313.6	322.3
Mandatory Outlays:							
Existing law	–1.8	–0.8	–0.8	–0.6	–0.7	–0.7	–0.7
Credit Activity:							
Direct loan disbursements	.....	0.2	0.2	N/A	N/A	N/A	N/A
Guaranteed loans	*	*	*	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	2.1	2.1	2.1	2.2	2.2	2.2	2.2
INTERNATIONAL AFFAIRS:							
Spending:							
Discretionary Budget Authority	19.0	40.8	21.3	21.2	20.8	21.0	21.1
Mandatory Outlays:							
Existing law	–5.0	–4.4	–3.9	–3.7	–3.4	–3.2	–3.1
Credit Activity:							
Direct loan disbursements	2.3	4.0	1.8	N/A	N/A	N/A	N/A
Guaranteed loans	12.4	13.4	13.0	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	11.0	12.4	12.3	13.1	14.1	15.2	16.3
Proposed legislation	.....	.....	–0.3	–0.5	–0.6	–0.6	–0.6
GENERAL SCIENCE, SPACE, AND TECHNOLOGY:							
Spending:							
Discretionary Budget Authority	18.0	18.8	19.2	19.4	19.4	19.3	19.3
Mandatory Outlays:							
Existing law	*	0.1	0.1	0.1	*	*	*
Tax Expenditures:							
Existing law	2.4	2.0	1.5	1.0	0.9	0.8	0.8
Proposed legislation	.....	0.3	0.9	0.7	0.3	0.1	0.1
ENERGY:							
Spending:							
Discretionary Budget Authority	3.1	2.9	2.8	3.2	3.0	3.0	3.0
Mandatory Outlays:							
Existing law	–2.4	–3.2	–5.1	–4.4	–4.3	–4.2	–4.3
Credit Activity:							
Direct loan disbursements	1.0	1.6	1.3	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1.5	1.6	1.6	1.6	1.6	1.4	1.2
Proposed legislation	.....	*	0.4	0.7	0.7	0.8	1.0
NATURAL RESOURCES AND ENVIRONMENT:							
Spending:							
Discretionary Budget Authority	23.5	23.4	23.8	24.0	23.9	23.9	24.0
Mandatory Outlays:							
Existing law	0.4	1.0	0.7	0.8	0.7	0.9	0.8
Proposed legislation	.....	.....	–0.8	–0.7	–0.8	–0.7	–0.7
Credit Activity:							
Direct loan disbursements	*	*	*	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1.5	1.5	1.6	1.6	1.7	1.7	1.8
Proposed legislation	.....	.....	–0.1	–*	*	0.1	0.2
AGRICULTURE:							
Spending:							
Discretionary Budget Authority	4.3	4.3	4.1	4.1	4.2	4.1	4.1
Mandatory Outlays:							
Existing law	7.9	16.4	10.9	8.8	7.3	6.0	6.2

Table 12–1. FEDERAL RESOURCES BY FUNCTION—Continued

(In billions of dollars)

Function	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Proposed legislation	.....	.....	–*	–*	–*	–*	–*
Credit Activity:							
Direct loan disbursements	8.2	10.8	11.6	N/A	N/A	N/A	N/A
Guaranteed loans	4.2	6.6	6.7	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	0.8	0.9	0.9	1.0	1.0	1.0	1.1
COMMERCE AND HOUSING CREDIT:							
Spending:							
Discretionary Budget Authority	3.1	3.7	5.4	3.3	2.9	2.9	2.9
Mandatory Outlays:							
Existing law	–2.2	–3.1	1.2	4.1	6.2	6.6	7.0
Proposed legislation	.....	.....	–0.1	–0.1	–0.1	–0.1	–0.1
Credit Activity:							
Direct loan disbursements	1.9	1.7	1.6	N/A	N/A	N/A	N/A
Guaranteed loans	256.1	233.2	250.9	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	219.3	227.6	236.2	245.1	254.4	261.8	268.3
Proposed legislation	.....	–0.1	–1.3	–2.2	–2.0	–1.8	–1.8
TRANSPORTATION:							
Spending:							
Discretionary Budget Authority	16.0	13.3	13.5	14.2	14.7	15.3	15.8
Mandatory Outlays:							
Existing law	2.1	2.1	2.4	2.0	1.4	1.9	1.8
Proposed legislation	.....	.....	*	*	*	*	*
Credit Activity:							
Direct loan disbursements	0.2	0.8	0.9	N/A	N/A	N/A	N/A
Guaranteed loans	0.7	0.1	0.1	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1.6	1.7	1.7	1.8	1.9	2.0	2.1
COMMUNITY AND REGIONAL DEVELOPMENT:							
Spending:							
Discretionary Budget Authority	10.3	8.9	8.9	8.9	8.9	8.9	8.9
Mandatory Outlays:							
Existing law	–0.4	–0.5	–0.6	–0.7	–0.7	–0.8	–0.8
Proposed legislation	.....	.....	*	0.1	0.2	0.2	0.2
Credit Activity:							
Direct loan disbursements	1.5	2.4	2.1	N/A	N/A	N/A	N/A
Guaranteed loans	1.4	2.2	3.1	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1.2	1.3	1.4	1.3	1.2	1.1	1.1
Proposed legislation	.....	.....	*	0.2	0.4	0.5	0.5
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:							
Spending:							
Discretionary Budget Authority	46.7	46.6	52.1	54.2	54.2	54.1	54.0
Mandatory Outlays:							
Existing law	12.4	14.0	14.9	13.9	13.1	15.1	16.1
Proposed legislation	.....	–*	–1.7	–0.1	–0.3	–0.6	–0.4
Credit Activity:							
Direct loan disbursements	12.1	16.1	16.0	N/A	N/A	N/A	N/A
Guaranteed loans	22.0	23.2	24.6	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	29.9	37.6	40.0	42.0	44.0	45.9	49.0
Proposed legislation	.....	0.2	1.6	3.7	2.7	2.5	2.6
HEALTH:							
Spending:							
Discretionary Budget Authority	26.4	30.1	30.6	31.0	30.8	30.8	30.8

Table 12–1. FEDERAL RESOURCES BY FUNCTION—Continued

(In billions of dollars)

Function	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory Outlays:							
Existing law	106.6	115.5	122.8	131.6	141.7	153.0	165.0
Proposed legislation	.....	*	–0.1	0.7	0.8	0.9	0.7
Credit Activity:							
Guaranteed loans	0.1	0.1	*	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	80.5	85.8	91.8	97.9	104.4	111.6	119.7
Proposed legislation	.....	.....	0.1	1.2	1.3	1.5	1.6
MEDICARE:							
Spending:							
Discretionary Budget Authority	2.7	3.0	2.9	2.9	2.9	2.9	2.9
Mandatory Outlays:							
Existing law	190.2	202.0	214.9	229.2	233.2	251.2	265.2
Proposed legislation	.....	.....	–1.2	–1.5	–1.5	–1.7	–1.8
INCOME SECURITY:							
Spending:							
Discretionary Budget Authority	29.7	32.8	30.2	36.4	36.2	36.2	36.2
Mandatory Outlays:							
Existing law	192.3	202.4	214.8	223.4	232.4	240.9	250.1
Proposed legislation	.....	.....	0.8	1.9	2.2	2.2	2.8
Credit Activity:							
Direct loan disbursements	*	*	*	N/A	N/A	N/A	N/A
Guaranteed loans	*	0.1	0.1	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	117.9	132.4	135.3	138.6	141.8	144.9	147.8
Proposed legislation	.....	*	0.3	0.8	0.8	0.8	0.7
SOCIAL SECURITY:							
Spending:							
Discretionary Budget Authority	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Mandatory Outlays:							
Existing law	376.1	389.2	405.2	423.5	443.9	464.9	487.2
Proposed legislation	.....	.....	*	0.1	0.1	0.2	0.2
Tax Expenditures:							
Existing law	22.8	23.4	24.6	25.9	27.4	29.0	30.7
VETERANS BENEFITS AND SERVICES:							
Spending:							
Discretionary Budget Authority	18.9	19.3	19.3	19.3	19.3	19.3	19.3
Mandatory Outlays:							
Existing law	23.3	24.3	24.7	25.3	25.9	27.0	27.6
Proposed legislation	.....	.....	0.3	0.6	1.0	0.6	0.9
Credit Activity:							
Direct loan disbursements	1.3	2.0	0.7	N/A	N/A	N/A	N/A
Guaranteed loans	39.9	32.6	31.2	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	3.0	3.1	3.3	3.4	3.6	3.7	3.9
ADMINISTRATION OF JUSTICE:							
Spending:							
Discretionary Budget Authority	24.8	26.2	26.4	26.8	26.9	26.7	26.8
Mandatory Outlays:							
Existing law	0.7	1.0	0.8	0.6	0.6	0.5	2.1
Proposed legislation	.....	.....	.....	.....	.....	.....	–1.5
GENERAL GOVERNMENT:							
Spending:							
Discretionary Budget Authority	12.1	13.2	12.7	13.5	13.2	13.3	13.2
Mandatory Outlays:							
Existing law	1.4	2.4	1.4	1.2	1.1	1.1	1.3
Proposed legislation	.....	.....	0.1	0.1	0.1	0.1	0.1

Table 12–1. FEDERAL RESOURCES BY FUNCTION—Continued

(In billions of dollars)

Function	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Tax Expenditures:							
Existing law	56.8	59.2	61.6	64.1	66.9	69.7	72.9
Proposed legislation	.....	.....	*	*	0.1	0.1	0.1
NET INTEREST:							
Mandatory Outlays:							
Existing law	243.4	227.2	215.2	205.9	194.7	183.2	173.0
Tax Expenditures:							
Existing law	1.0	1.0	1.1	1.1	1.2	1.2	1.3
ALLOWANCES:							
Spending:							
Discretionary Budget Authority	.....	7.6	–0.3	–47.7	–41.6	–20.5	–22.5
Mandatory Outlays:							
Proposed legislation	.....	.....	.....	–2.8	–3.9	–4.6	–4.7
UNDISTRIBUTED OFFSETTING RECEIPTS:							
Spending:							
Discretionary Budget Authority	.....	.....	–2.8	1.1	1.1	–0.2	–0.2
Mandatory Outlays:							
Existing law	–47.2	–40.0	–42.3	–45.3	–51.3	–45.9	–46.7
Proposed legislation	.....	.....	–0.6	–0.8	–0.9	–1.0	–1.0
FEDERAL GOVERNMENT TOTAL:							
Spending:							
Discretionary Budget Authority	534.2	575.0	555.0	540.3	547.2	578.0	585.5
Mandatory Outlays:							
Existing law	1,097.9	1,145.9	1,177.4	1,215.6	1,241.8	1,297.7	1,348.0
Proposed legislation	.....	–*	–3.2	–2.6	–3.2	–4.6	–5.3
Credit Activity:							
Direct loan disbursements	28.7	39.6	36.2	N/A	N/A	N/A	N/A
Guaranteed loans	336.8	311.4	329.8	N/A	N/A	N/A	N/A

* $50 million or less.
N/A = Not available.

13. NATIONAL DEFENSE

Table 13–1. FEDERAL RESOURCES IN SUPPORT OF NATIONAL DEFENSE
(In millions of dollars)

Function 050	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	272,370	276,982	281,588	301,321	303,208	313,581	322,343
Mandatory Outlays:							
Existing law	–1,792	–815	–766	–614	–743	–710	–660
Credit Activity:							
Direct loan disbursements	.....	172	249	N/A	N/A	N/A	N/A
Guaranteed loans	25	32	37	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	2,095	2,120	2,140	2,160	2,180	2,200	2,220

N/A = Not available

The Federal Government will allocate $281.6 billion in discretionary resources in 2000 to defend the United States, its citizens, its allies, and to protect and advance American interests around the world. National defense programs and activities ensure that the United States maintains strong, ready, and modern military forces to promote U.S. objectives in peacetime, deter conflict, and if necessary, successfully defend our Nation and its interests in wartime.

Over the past half-century, our defense program has deterred both conventional and nuclear attack on U.S. soil and brought a successful end to the Cold War. Today, the United States is the sole remaining superpower in the world, with military capabilities unsurpassed by any Nation. As the world's best trained and best equipped fighting force, the U.S. military continues to provide the strength and leadership that serve as the foundation upon which to promote peace, freedom, and prosperity around the globe.

Department of Defense (DOD)

The DOD budget provides for the pay, training, operation, basing, and support of U.S. military forces, and for the development and acquisition of modern equipment to:

Shape the international environment by maintaining U.S. defense forces at levels sufficient to undertake our strategy of engagement, and conducting programs to reduce weapons of mass destruction, prevent their proliferation, and combat terrorism;

Respond to the full spectrum of crises by deploying forces overseas and maintaining capabilities to mobilize forces stationed on U.S. soil;

Prepare for an uncertain future by giving U.S. forces the military hardware that employs the best available technologies; and

Ensure that the U.S. military remains the world's most prepared and capable force by sustaining force readiness levels and re-engineering business practices to improve operations.

To achieve these objectives, the defense program supports the following forces and activities.

Conventional Forces: Conventional forces include ground forces such as infantry and tank units; air forces such as tactical aircraft;

naval forces such as aircraft carriers, destroyers, and attack submarines; and Marine Corps expeditionary forces. The Nation needs conventional forces to deter aggression and, when that fails, to defeat it. Funds to support these forces cover pay and benefits for military personnel; the purchase, operation, and maintenance of conventional systems such as tanks, aircraft, and ships; the purchase of ammunition and spare parts; and training.

Mobility Forces: Mobility forces provide the airlift and sealift that transport military personnel and materiel throughout the world. They play a critical role in U.S. defense strategy and are a vital part of America's response to contingencies that range from humanitarian relief efforts to major theater wars. Airlift aircraft provide a flexible, rapid way to deploy forces and supplies quickly to distant regions, while sealift ships allow the deployment of large numbers of heavy forces together with their fuel and supplies. The mobility program also includes prepositioning equipment and supplies at sea or on land near the location of a potential crisis, allowing U.S. forces that must respond rapidly to crises overseas to quickly draw upon these prepositioned items.

Strategic Nuclear Forces: Strategic nuclear forces are also important to our military capability. They include land-based intercontinental ballistic missiles, submarine launched ballistic missiles, and long-range strategic bombers. Within treaty-imposed limits, the primary mission of strategic forces is to deter nuclear attack against the United States and its allies, and to convince potential adversaries that they will never gain a nuclear advantage against our Nation.

Supporting Activities: Supporting activities include research and development, communications, intelligence, training and medical services, central supply and maintenance, and other logistics activities. For example, the Defense Health Program provides health care through DOD facilities, as well as through the CHAMPUS medical insurance program and TRICARE, its companion program.

DOD Performance

DOD's corporate goals derive from the key tenets of the U.S. national security strategy and form the basis of the performance goals and measures presented here. Each performance goal reflects one aspect of DOD's corporate goals and together contribute to the overall assessment of the Department's performance.

Shaping the International Environment and Responding to the Full Spectrum of Crises: DOD's first performance goal is to shape the international environment by participating in international security organizations, such as NATO, and improving our ability to work cooperatively with our friends and allies. Such efforts are designed to promote regional stability and security, and reduce the threat of war. Their failure could lead to a major conflict affecting U.S. interests.

Also, DOD must be able to respond to the full spectrum of crises, from small-scale contingencies to two nearly simultaneous major theater wars.

Evaluating DOD's performance in this area includes an assessment of:

- The ability of U.S. forces to enhance and sustain security relationships with friends and allies, enhance coalition warfighting, promote regional stability and support U.S. regional security objectives, deter aggression, and prevent or reduce the threat of conflict. One measure of this is DOD's ability to conduct joint exercises. In 2000, DOD will conduct 146 combined military exercises.

The budget will support DOD's continued success in implementing programs that reduce the threat posed by weapons of mass destruction (WMD). To that end DOD's Cooperative Threat Reduction (CTR) activities, in concert with enhanced threat reduction programs in the Departments of Energy and State, will continue to assist the successor states of the former Soviet Union secure, dismantle and destroy weapons; and help these states prevent the proliferation of WMD-related material and expertise.

Overseas presence, mobility, and the sustaining of a capable force structure are also key to DOD's ability to respond effectively to crises. DOD's effectiveness will be determined, in part, by the ability of U.S. forces "forward deployed" (that is, on site around the world) and those deploying from U.S.

bases to rapidly converge at the scene of a potential conflict to deter hostilities and protect U.S. citizens and interests in times of crisis.

- The Army will maintain one mechanized division in the Pacific region and two divisions with elements in Europe.
- The Navy will maintain an overseas presence, defined by the percentage of time regions are covered by an aircraft carrier battle group, at 100 percent in the Pacific, 75 percent in Europe and 75 percent in Southwest Asia.
- The Air Force will maintain two fighter wing equivalents in the Pacific, one in Alaska, two in Europe and one in Southwest Asia.
- The Marine corps will cover the Pacific region with a Marine expeditionary unit or amphibious ready group one hundred percent of the time, Europe eighty percent of the time, and Southwest Asia 50 percent of the time.

DOD's current force structure was derived from the Quadrennial Defense Review (QDR) which was designed to respond to the full spectrum of crises, up to and including two major-theater wars. DOD acknowledges the impact of a high rate of operation on unit readiness. Therefore, DOD will closely monitor the pace of peacetime operations across the forces. In 2000, these measures include:

- The Army will maintain four active corps headquarters, 18 active and National Guard divisions, two active armored cavalry regiments, and 15 National Guard enhanced readiness brigades. The Army will lower the number of units deploying more than 120 days per year to zero.
- The Navy will maintain 11 aircraft wings, 12 amphibious ready groups, 12 aircraft carriers, 56 attack submarines, and 114 surface combatants. In addition, the Navy will reduce to zero the number of units not meeting its personnel tempo goal.
- The Air Force will maintain 20.2 Air Force Fighter wing equivalents, four air defense squadrons, and 187 bombers. The Air Force will lower the number of units deploying more than 120 days per year to zero.
- The Marine Corps will maintain three marine expeditionary forces, three active and one reserve divisions, three active and one reserve air wings, and three active and one reserve force service support groups. The Marine Corps will lower to zero the number of units deploying more than 180 days per year over a 36-month scheduling period.

Remaining the world's most ready and capable force depends on four elements: ensuring the readiness of military units; retaining and recruiting high-quality personnel; strengthening and enhancing quality of life programs for military members and their families; and providing equal opportunity throughout the armed services.

DOD has identified specific milestones to measure progress and to monitor readiness levels in each area, such as the amount of training that individual units accomplish, the availability and operability of equipment, and the achievement of recruiting and retention goals.

- Several factors determine overall unit readiness, such as training, quality and availability of equipment, and number of personnel and, in 2000, DOD will ensure that all of its units meet their specified readiness goals.
- In 2000, on average, the Army will attain 800 tank miles per tank a year; active Air Force fighter crews will achieve 19.1 flying hours per crew a month; the Marine Corps will fully execute its mission training syllabus; and Navy ships will steam 50.5 days per quarter for deployed vessels and 28 days for non-deployed vessels.

Finally, the amount of sealift and airlift capacity must be sufficient to meet deployment time lines for deterring and defeating large-scale, cross-border aggression in two distant theaters in overlapping time frames, and to sustain U.S. forces engaged in two major theater wars.

- In 2000, DOD will attain an organic strategic airlift capability of 26 million ton

miles a day and will attain a surge sealift capacity of 8.7 million square feet.

Preparing Now for an Uncertain Future: To achieve DOD's second corporate goal, U.S. forces must maintain a qualitative superiority over potential adversaries by pursuing a focused procurement and research and development program. DOD must transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st Century infrastructure. (Chapter 11, "Supporting the World's Strongest Military Force," contains a description of major DOD acquisition deliverables.) Achieving this goal depends on ensuring that:

- DOD will recruit 203,000 new members of the armed services, and will obtain 60 percent of recruits from the top half of those tested for service.

As part of meeting this goal, DOD will follow the strategy of Joint Vision 2010, developed by the Chairman of the Joint Chiefs of Staff, to transform U.S. forces for the future, and it will exploit emerging communication, information and associated technologies to reshape the way it fights and prepares for war.

- DOD will acquire modern and capable weapon systems and will deliver them to U.S. forces in 25 percent less time, from 132 months in 1992 to 99 months in 2000, and will meet required performance specifications.
- Defense Technology Objectives (DTOs) guide both basic research and focused investment. In 2000, DOD will maintain 70 percent of DTOs on track.
- Joint experimentation is an aggressive new program designed to give insights into new operational concepts and validate their ability to meet future battlefield requirements. In 2000, DOD will conduct 14 joint experiments.

DOD must develop new, innovative approaches to manage infrastructure costs, improve the quality of health care, and capitalize on the revolution in business affairs. Following the end of the Cold War, the United States began a major reduction of its military forces. DOD's cuts in infrastructure costs, however, have not kept pace. To make further cuts, DOD plans to adopt innovative management techniques and technological practices.

The Defense Health Program will work to improve the quality of health care provided to beneficiaries, expand their access to care, and contain the cost of that care to the Federal government. These goals will be achieved through continued measurement of health outcomes and customer satisfaction, partnerships with other Federal agencies as well as the private sector, and sizing the system to reflect the wartime and peacetime requirements more accurately.

As part of this goal, DOD must also transform its support functions. Therefore, DOD has identified specific measures around which to focus the reform of acquisition and business affairs.

By 2000, DOD will:

- Ensure that U.S. forces can achieve visibility of 90 percent of DOD materiel assets, while resupplying military peacekeepers and warfighters and reducing the 1997 average order-to-receipt time from 36 days to 18 days in 2000.
- Dispose of $500 million in excess National Defense Stockpile inventories and reduce other supply inventories by $53 billion.
- Dispose of 41 million cumulative square feet of excess real property.
- Award contracts for the construction of 41,000 privatized family housing units.
- Compete 50,000 positions under the OMB A-76 public-private sector competitions process.
- Limit the cost growth of major acquisition programs to less than one percent.
- Simplify purchasing and payment by using purchase card transactions for 90 percent of all DOD micropurchases, while reengineering the requisitioning, funding, and ordering processes.
- Cut paper acquisition transactions by half from 1997 levels through electronic commerce and electronic data interchange.
- Eliminate layers of management by streamlining processes, while cutting

DOD's acquisition-related work force by 15 percent.

Department of Energy (DOE) Performance

DOE contributes to our national security mainly by reducing the global danger from nuclear weapons and other weapons of mass destruction. DOE is committed to maintaining confidence in the nuclear weapons stockpile without testing, as required under the Comprehensive Test Ban Treaty; to strengthen the nuclear nonproliferation regime; to work with states of the former Soviet Union to improve control of nuclear materials; to develop improved technologies to detect, identify, and respond to the proliferation of weapons of mass destruction and illicit materials trafficking; and to clean up aggressively the environmental legacy of nuclear weapons programs.

The budget proposes $12.3 billion to meet DOE's national security objectives, of which $6.3 billion is for ongoing national security missions and $6.0 billion addresses environmental cleanup activities.

DOE will achieve the following performance goals:

National Security

- Meet all scheduled nuclear weapons alterations and modifications and certify to the President that standards for safety, reliability, and performance of the nuclear weapons stockpile are met.
- Demonstrate a computer code to perform 3-D analysis of the behavior of a nuclear weapons primary, including the prediction of total explosive yield.
- Dismantle about 375 nuclear warheads that have been removed from the U.S. nuclear weapons stockpile.
- Begin to implement a bilateral agreement with Russia for disposing of surplus weapons plutonium.
- Continue upgrades to protect fissile materials at over 50 sites in Russia including five uranium and plutonium processing sites, three nuclear weapons complex sites, and 10 Russian Navy projects; and create civilian ventures in Russia's formerly closed nuclear cities to block nuclear smuggling.

Environmental Quality

- Complete 200 release site assessments. A release site is a specific location where hazardous, radioactive, or mixed waste has or is suspected to have occurred.
- Clean up 200 release sites, bringing the number completed to more than 4,500 of a total inventory of approximately 9,300 release sites.
- Complete 400 facility decommissioning assessments.
- Decommission 110 facilities, increasing the number completed to 730 of approximately 2,850 facilities.

Other Defense-Related Activities

Other activities that support national defense and that are implementing performance measurement include programs involving the:

- Coast Guard, which supports the defense mission through overseas deployments for engagements with friends and allies, port security teams, boarding and inspection teams for enforcing U.N. sanctions, training, aids to navigation, international icebreaking, equipment maintenance, and support of the Coast Guard Reserve;
- Federal Bureau of Investigation, which conducts counterintelligence and surveillance activities;
- Maritime Administration, which helps maintain a fleet of active, military useful, privately owned U.S. vessels that would be available in times of national emergency;
- Arlington National Cemetery, which is developing an expansion plan for using contiguous land sites that will be vacated by the Army, Navy, and Marine Corps; and
- Selective Service System, which is modernizing its registration process to promote military recruiting among registrants. This spirit of volunteerism will be achieved in partnership with the America's Promise group, private corporations, and the armed services.

Accurately Recognizing and Reporting Veterans Benefits

The Nation has long viewed veterans programs as a key way to attract the high-quality people needed for our volunteer armed forces. Americans recognize veterans benefits as an appropriate part of the compensation provided for service in the military. Veterans programs are inextricably linked with national defense; without defense, veterans programs would not exist.

Because the Veterans Affairs Department funds and administers these benefits, however, the Federal Government has accounted for them differently than other defense-related budget costs. They appear in the budget's Veterans Benefits and Services function, not the National Defense function. Also, the budget does not report the full size of these obligations. Rather than recognize the benefits and future Federal obligations that military members earn through their service, the budget reports only the amounts paid in a single year to veterans. Thus, neither the Defense Department (DOD) nor Congress gets a full picture of defense personnel costs when making decisions about the size and scope of our military, making it far harder to consider which package of benefits might best attract and retain quality military personnel. Finally, the 1993 Government Performance and Results Act encourages policy makers to align missions and related Government programs in the budget.

The Administration, which plans to work with Congress this year to address this problem, believes that any of the following four options would improve the current budgetary treatment of veterans programs, enabling the Government to more accurately measure the true cost of our national defense: (1) move the veterans-related discretionary accounts into the Defense function; (2) fund veterans entitlements on an accrual basis in DOD's budget and fund discretionary veterans programs in the Defense function; (3) fund veterans entitlements on an accrual basis in DOD's budget and display veterans spending in related functions (e.g., Education); or (4) fund veterans entitlements on an accrual basis in DOD's budget and continue to reflect veterans spending in its current function.

Table 13–2 below shows the estimated annual charges to DOD's military personnel account from pre-funding veterans benefits.

Table 13–2. ACCRUING VA BENEFITS FOR CURRENT MILITARY PERSONNEL

(Notional Costs of Accruing and Actuarially Funding VA Benefits in DOD Budget)

Program	Percentage of DOD Basic Pay [2]	2000 DOD Notional Cost (in millions of dollars)
VA Compensation	11.6%	4,482
Active Duty Education	2.0%	773
VA Loans	0.2%	77
Vocational Rehabilitation and Counseling	0.9%	348
VA Pensions	2.5%	966
VA Burial	0.1%	39
Total VA Benefits	**17.3%**	**6,684**

[1] For a more detailed discussion of veterans programs, see Chapter 27, "Veterans Benefits and Services."
[2] Basic pay for military personnel does not include benefits, special and incentive pay or bonuses, or housing and subsistence allowances.

14. INTERNATIONAL AFFAIRS

Table 14–1. FEDERAL RESOURCES IN SUPPORT OF INTERNATIONAL AFFAIRS
(In millions of dollars)

Function 150	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority [1] ..	18,991	40,850	21,311	21,165	20,815	20,965	21,115
Mandatory Outlays:							
Existing law	–4,992	–4,355	–3,886	–3,680	–3,393	–3,150	–3,057
Credit Activity:							
Direct loan disbursements	2,346	4,002	1,759	N/A	N/A	N/A	N/A
Guaranteed loans	12,369	13,376	12,983	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	11,040	12,410	12,265	13,100	14,075	15,160	16,280
Proposed legislation	.....	.....	–310	–540	–570	–600	–630

N/A = Not available
[1] 1999 includes $18.4 billion for the International Monetary Fund quote increase and the New Arrangements to Borrow.

The Administration proposes $21.3 billion for International Affairs programs in 2000. By fully funding these programs, the United States can continue to provide critical international leadership to accomplish key strategic goals, such as enhancing national security, fostering world-wide economic growth, supporting the establishment and consolidation of democracy, and improving the global environment and addressing other key global issues. The State Department outlined these goals more fully in its September 1997 report, "United States Strategic Plan for International Affairs."

In many cases, the performance goals that follow are from agency performance plans. If an agency has not submitted 2000 performance plan to OMB, the performance goals remain unchanged from the International Affairs chapter of the 1999 Budget. In addition to the goals identified below, agencies have established other performance goals for themselves to ensure that they fulfill their legislative mandates in ways that also contribute to U.S. national interests.

National Security

U.S. security depends on active diplomacy, steps to resolve destabilizing regional conflicts, and vigorous efforts to reduce the continuing threat of weapons of mass destruction. The budget proposes the necessary funds to support the Middle East peace process following the signing of the Wye Memorandum. The budgt also provides funds to help the new NATO members—Poland, Hungary, the Czech Republic—and other East European nations. A strong, active United Nations enhances U.S. diplomatic efforts, and the budget proposes to fund assessed contributions to this and other international organizations, as well as annual assessed and voluntary peacekeeping contributions.

Economic and reconstruction assistance and police training are critical to our effort to support the Dayton Accords on Bosnia, and funding under the FREEDOM Support Act helps foster the transition to market democracies in the former Soviet Union. For Kosovo, the budget includes resources to support observers to verify compliance by all parties and the training of a professional, local

police force. Finally, the budget fully supports further progress on our efforts to control weapons of mass destruction by requesting $48 million under the restructured State Department which will incorporate the Arms Control and Disarmament Agency for programs that seek to reduce eliminate, or curb the spread of such weapons.

Relevant agencies will meet the following performance goals in 2000:

- The State Department, in seeking to advance the Middle East peace process, will achieve significant progress towards fulfilling the goals of the Oslo Accord.
- The State Department will avert or defuse regional conflicts where critical national interests are at stake through bilateral U.S. assistance and U.N. peacekeeping activities.
- The State and Defense Departments will ensure that the armed forces of NATO's "candidate countries" can operate in a fully integrated manner with other NATO forces upon their planned entry into NATO.
- The State and Defense Departments and the Agency for International Development (USAID) will achieve significant progress toward implementing the Dayton Accords in Bosnia.
- The State Department will achieve full compliance with, and verification of, treaties regarding weapons of mass destruction and, if necessary, combat suspected development programs.

Economic Prosperity

International affairs activities increase U.S. economic prosperity in several ways. First, the U.S. Trade Representative (USTR), supported by the State Department and other agencies, works to reduce barriers to trade in U.S. goods, services, and investments by negotiating new trade liberalizing agreements and strictly enforcing existing agreements.

Second, the Export-Import Bank (Eximbank) and the Trade and Development Agency (TDA) provide grant and credit financing to correct market distortions that can put U.S. exports at a competitive disadvantage. The Overseas Private Investment Corporation (OPIC) provides investment insurance and financing for development projects in support of U.S. businesses large and small.

Third, development assistance from the Multilateral Development Banks (MDBs) and USAID, along with debt reduction, help increase economic growth, openness, and market orientation in developing and transitioning countries, creating new markets for U.S. goods and services and reducing the economic causes of instability in these regions.

Relevant agencies will meet the following performance goals in 2000:

- USTR will use the Third World Treaty Organization (WTO) Ministerial Conference to set the negotiating agenda for the round that begins in 2000; will conclude two or more pending accession negotiations to the WTO; will negotiate cuts in specific, identified barriers to U.S. and global trade; and will effectively enforce international trade agreements.
- The Eximbank will develop new mechanisms to expand the availability of financing for U.S. exports by pioneering joint ventures with the private sector, as well as innovative financing programs that will increase the Bank's support for small and medium-sized exporters.
- OPIC will increase the amount of private U.S. investment that supports American, foreign policy and development goals and benefits the U.S. economy.
- TDA will increase, from 1998 levels, the ratio of TDA-supported exports to TDA expenditures and the percentage of TDA projects that ultimately yield U.S. exports.
- USAID, through bilateral assistance, and the Treasury Department, through its contributions to the MDBs, will provide assistance that helps to increase the real annual per capita GDP growth rate from 1998 levels in developing countries.

American Citizens and U.S. Borders

The State Department, through the U.S. passport office and the network of embassies and consulates overseas, helps and protects Americans who travel and reside abroad—

most directly through various consular services, including citizenship documentation and help in emergencies. The Department also helps to control how immigrants and foreign visitors enter and remain in the U.S. by effectively and fairly administering U.S. immigration laws overseas and screening applicants, in order to deter illegal immigration and prevent terrorists, narcotics traffickers, and other criminals from entering the United States.

The State Department will meet the following performance goals in 2000:

- Improve U.S. passport security by issuing all passports produced in the United States with a digitized passport photo.
- Complete the world-wide modernization of consular systems and meet year 2000 requirements, thus contributing to border security.

Law Enforcement

The expansion and rising sophistication of transnational crime, international drug trafficking, and terrorism represent direct threats to our national security. The State Department has broad responsibility for federal law enforcement policy and progrm coordination in the foreign arena. The budget funds the State Department's diplomatic efforts to convince other countries to work cooperatively to address international criminal threats; it also funds assistance and training that helps other countries combat corruption, terrorism, and illegal narcotics, and provides the developing countries with economic alternatives to narcotics cultivation and export.

The State Department, working with the Departments of Justice, the Treasury, and Defense, will meet the following performance goals in 2000:

- Increase, from 1998 levels, the number of foreign governments that enact and enforce legislation to combat corruption, money laundering, and other transnational criminal activities.
- Reduce, from 1998 levels, the hectares of coca and opium poppies being cultivated in producing countries.
- Increase, from 1998 levels, criminal justice section training, providing equipment, and techinical assistance to local and federal law enforcement organizations.

Democracy

Advancing U.S. interests in the post-Cold War world often requires efforts to support democratic transitions, address human rights violations, and promote U.S. democratic values. The budget funds the State Department's diplomatic efforts that discourage other nations' interference with the basic democratic and human rights of their citizens. It also funds direct foreign assistance through USAID and other agencies that helps countries develop the institutions and legal structures for the transition to democracy. Finally, the budget funds exchange and training programs of the State Department, as well as international broadcasting programs that seek to spread U.S. democratic values throughout the world and ensure that Americans understand and value the peoples and cultures of other nations.

Relevant agencies will meet the following performance goals for 2000:

- USAID, State Department public diplomacy programs, and international broadcasting programs will provide assistance that lead to the improvement of Freedom House ratings of countries in which the United States is assisting the transition to democracy.
- As a result of State Department diplomacy and direct assistance, the instances of human rights abuses as reported by the State Department in the annual U.S. Report on Human Rights will be reduced from 1998 levels.
- Public diplomacy activities will increase, from 1998 levels, the support for democracy, democratic institutions, and human rights in selected countries that participate in the programs, as measured through polling.

Humanitarian Response

U.S. values demand that we help alleviate human suffering from foreign crises, whether man-made or natural, such as Hurricane

Mitch, even in cases with no direct threat to U.S. security interests. The budget provides the necessary funds to address and, where possible, try to prevent, humanitarian crises through USAID's Foreign Disaster Assistance and Transition Initiatives programs, through the State Department's Migration and Refugee Assistance program, and through food aid provided under "Public Law 480" authorities. The budget also funds U.S. bilateral demining efforts to address the growing humanitarian crisis caused by landmines in areas of former conflict.

Relevant agencies will meet the following performance goals for 2000:

- USAID, in conjunction with other public and private donors, will provide humanitarian assistance that will maintain the nutritional status of children aged five or under living in regions affected by humanitarian emergencies.
- The State Department will reduce refugee populations, from 1998 levels, through U.S.-sponsored integration, repatriation, and resettlement activities.
- The State Department will increase, from 1998 levels, the amount of land returned to productive economic activity by clearing mines and other unexploded ordnance. Over time, this will also result in a reduction of innocent casualties.

Global Issues

The global problems of environmental degradation, population growth, and the spread of communicable diseases directly affect future U.S. security and prosperity. The State Department's negotiation of the Kyoto global climate change treaty and USAID's five-year, $1 billion global climate change assistance effort will reduce the threat of this global problem. Funding of current commitments and arrears to the Global Environment Facility remains critical to the effort of reducing environmental degradation.

Similarly, U.S. leadership and U.S. bilateral assistance efforts and U.S. contributions to multilateral organizations are critical to reduce the pressures of illegal immigration on the U.S. economy, and help alleviate the causes of regional conflict. U.S. support, mainly through USAID both for bilateral and multilateral activities also reduces the global threat of AIDS and other communicable diseases.

Finally, the volunteer programs of the Peace Corps serve U.S. national interests by promoting mutual understanding between Americans and the people of developing nations and providing technical assistance to interested countries.

Relevant agencies will meet the following performance goals in 2000:

- The State Department and USAID, working with the Environmental Protection Agency and with other bilateral and multilateral donors, through diplomacy and foreign assistance will slow the rate of increase, from 1998 levels, of climate change gas emissions among key developing nation emitters.
- USAID will provide assistance in conjunction with other donors that will cut, from 1998 levels, the total fertility rates in developing countries.
- USAID, working with the Department of Health and Human Services and with other donors, will provide assistance that will reduce, from 1998 levels, the infant mortality rate and the rate of new cases of AIDS, malaria, tuberculosis and other communicable diseases in developing countries.
- The Peace Corps will provide opportunities for 4200 Americans in 2000 to enter service as new volunteers, assisting countries with their development needs and increasing cultural awareness.

15. GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Table 15–1. FEDERAL RESOURCES IN SUPPORT OF GENERAL SCIENCE, SPACE, AND TECHNOLOGY
(In millions of dollars)

Function 250	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	17,950	18,775	19,202	19,408	19,372	19,339	19,335
Mandatory Outlays:							
Existing law	44	72	78	68	34	34	34
Tax Expenditures:							
Existing law	2,385	1,985	1,490	1,035	855	795	765
Proposed legislation	.....	311	933	656	281	133	53

Science and technology are principal agents of change and progress, with over half of the Nation's economic productivity growth in the last 50 years attributable to technological innovation and the science that supported it. Appropriately enough, the private sector makes many investments in technology development. The Federal Government, however, also plays a role—particularly when risks are too great or the potential return for companies is too long-term.

Within this function, the Federal Government supports areas of cutting-edge science, through the National Aeronautics and Space Administration (NASA), the National Science Foundation (NSF), and the Department of Energy (DOE). The activities of these agencies contribute to greater understanding of the world in which we live, ranging from the edges of the universe to the smallest imaginable particles, and to new knowledge that may or may not have immediate applications to improving our lives. Because the results of basic research are unpredictable, the challenge of developing performance goals for this area is formidable.

Each of these agencies funds high-quality research and contributes to the Nation's cadre of skilled scientists and engineers. To continue this tradition, and as a general goal for activities under this function:

- At least 80 percent of the research projects will be reviewed by appropriate peers and selected through a merit-based competitive process.

Another important Federal role is to construct and operate major scientific facilities and capital assets for multiple users. These include telescopes, satellites, oceanographic ships, and particle accelerators. Many of today's fast-paced advances in medicine and other fields rely on these facilities. As general goals:

- Agencies will keep the development and upgrade of these facilities on schedule and within budget, not to exceed 110 percent of estimates.
- In operating the facilities, agencies will keep the operating time lost due to unscheduled downtime to less than 10 percent of the total scheduled possible operating time, on average.

The budget proposes $19.2 billion to conduct these activities. The Government also stimulates private investment in these activities through over $1 billion a year in tax credits

and other preferences for research and development (R&D).

National Aeronautics and Space Administration

The budget proposes $12.5 billion for NASA activities in this function. NASA serves as the lead Federal agency for research and development in civil space activities, working to expand frontiers in air and space to serve America and improve the quality of life on Earth. NASA pursues this vision through balanced investment in four enterprises: Space Science; Earth Science; Space Transportation Technology; and Human Exploration and Development of Space.

Space Science programs, for which the budget proposes $2.2 billion, are designed to enhance our understanding of how the universe was created, how stars and planets evolve and die, and the possible existence of life beyond Earth. In the past year, NASA spacecraft achieved several important watershed events in Space Science including the first direct image of a planet outside the solar system, taken by the Hubble Space Telescope, and a confirmed discovery of ice on the moon by the Lunar Prospector mission.

- NASA Space Science will successfully launch its three planned spacecraft—the Thermosphere, Ionosphere, and Mesosphere Energetics and Dynamics mission; the Imager for Magnetopause-to-Aurora Global Exploration, and the High Energy Solar Spectroscopic Imager—within 10 percent of their schedules and budgets.
- NASA Space Science will develop innovative new technologies to reduce the cost of future spacecraft by delivering the first engineering model of a standard, miniaturized integrated avionics system, to be used for the Europa Orbiter and future missions.
- The NASA Advisory Council will rate all near-term Space Science objectives as being met or on schedule. Examples of objectives include: investigate the composition, evolution and resources of Mars, the Moon, and small solar system bodies such as asteroids and comets; identify planets around other stars; and observe the evolution of galaxies and the intergalactic medium.

Earth Science programs, for which the budget proposes $1.5 billion, focus the effects of natural and human-induced changes on the global environment through long-term, space-based observation of Earth's land, oceans, and atmospheric processes. This year, NASA's Tropical Rainfall Measuring Mission provided new insights that will enable weather forecasters to more accurately predict where and when a hurricane will hit land.

- NASA Earth Science will successfully launch its three planned spacecraft—the Advanced Cavity Radiometer Irradiance Monitor, the Vegetation Canopy Lidar (VCL) mission, and a technology validation mission to reduce the costs of future Landsat missions—within 10 percent of their schedules and budgets.
- NASA Earth Science will double the volume of precipitation, land surface, and climate data it archives from its missions compared to 1998, increase the number of products delivered from its archives by 10 percent, and make the data available to users within five days.
- NASA's Advisory Council will rate all near-term Earth Science objectives as being met or on schedule. Examples of objectives include: observe and document land cover and land use change and impacts on sustained resource productivity; and understand the causes and impacts of long-term climate variations on global and regional scales.

Space Transportation Technology programs, for which the budget proposes $240 million, work with the private sector to develop and test experimental launch vehicles that reduce the cost of access to space.

- The X–33 program will begin flight testing in 2000 to demonstrate technologies that are traceable to the mass fraction and operability required for future reusable launch vehicles (including 48-hour surge turnarounds and seven day routine turnarounds with a 50-person ground crew).
- The X–34 program will continue flight testing in 2000 to demonstrate tech-

nologies key to the operational requirements of future reusable launch vehicles including high flight rates (including a flight rate of 25 flights in one year).

Human Exploration and Development of Space (HEDS) programs, for which the budget proposes $5.6 billion, focus on the use of human skills and expertise in space. In 1998, HEDS programs supported the successful launch of four Space Shuttle flights, including one flight to better understand the functioning of the nervous system in the environment of space. In November, 1998, assembly of the International Space Station in orbit began with the joining of the first Russian and American modules.

- On the International Space Station, NASA will deploy the U.S. Laboratory Module, initiate Station-based extra-vehicular activity capability, and activate a Station-based external robotic manipulator within performance, schedule and budget targets.
- NASA will ensure that Space Shuttle safety, reliability, availability and cost will improve, by achieving seven or fewer flight anomalies per mission, successful on-time launches 85 percent of the time, and a 12-month flight manifest preparation time.
- NASA will expand human presence and scientific resources in space by initiating continuous three-person crew presence on the International Space Station.

National Science Foundation

The budget proposes $3.9 billion in 2000 for NSF. While NSF represents just three percent of Federal R&D spending, it supports nearly half of the non-medical basic research conducted at academic institutions, and 30 percent of Federal support for mathematics and science education. In 1998, NSF investments, in conjunction with NIH, led to the discovery that biological clocks are not just in the brain, but in genes, thereby prompting the consideration of new strategies for the treatment of disorders associated with jet lag, shift work, and seasonal depression. In addition, NSF-funded scientists determined that the years 1997, 1995, and 1990 were the warmest since 1400 A.D., providing further evidence of the importance of human influence on the global climate system.

NSF research and education investments are made in three primary areas:

Research Project Support: Over half of NSF's resources support research projects performed by individuals, small groups and centers, and instrumentation grants.

- An independent assessment will judge whether NSF's research investments have lead to important discoveries and new knowledge and techniques, both expected and unexpected, within and across traditional disciplinary boundaries. The assessment will also determine connections between discoveries and their service to society.
- NSF will maintain the percentage of competitive research grants going to new investigators at a minimum of 30 percent.

Facilities: Facilities such as observatories, particle accelerators, research stations, and oceanographic research vessels provide the platforms for research in fields such as astronomy, physics, and oceanography. About 20 percent of NSF's budget supports large, multi-user facilities required for cutting-edge research. NSF facilities will meet the function-wide goals to remain within cost and schedule, and to operate efficiently.

Education and Training: Education and training activities, accounting for 19 percent of NSF's budget, revolve around efforts to improve teaching and learning in science, mathematics, engineering, and technology at all education levels. Education and training projects develop curriculum, enhance teacher training, and provide educational opportunities for students from pre-K through postdoctoral.

- Over 80 percent of schools participating in a systemic initiative program will: 1) implement a standards-based curriculum in science and mathematics; 2) further professional development of the instructional workforce; and 3) improve student achievement on a selected battery of tests, after three years of NSF support.

Department of Energy

DOE provides major scientific user facilities and sponsors basic scientific research in specific fields supporting over 60 percent of federally-funded research in the physical sciences.

The budget proposes $2.8 billion for DOE science programs, which include high-energy and nuclear physics, basic energy sciences, biological and environmental research, fusion energy sciences, and computational and technology research. These programs support scientific facilities for high-energy and nuclear physics and fusion energy sciences and the research performed by the users of the facilities. They also provide and operate synchrotron light sources, neutron sources, supercomputers, high-speed networks, and other instruments that researchers use in fields ranging from biomedicine to agriculture, geoscience, and materials. These facilities provide the cutting-edge experimental and theoretical techniques to enable insights into dozens of applications, and they are available, on a competitive basis, to researchers funded by NSF, other Federal agencies, and public and private entities. DOE's facilities will meet the function-wide goals to remain within cost and schedule, and to operate efficiently. Regular peer-review assessments will judge whether DOE science programs have high scientific quality.

Basic Energy Sciences (BES) supports basic research in the natural sciences for new and improved energy techniques and technologies, and to understand and mitigate the environmental impacts of energy technologies.

- BES will continue construction of the Spallation Neutron Source, at cost and timetables as contained in the Critical Decision II agreement, to provide beams of neutrons used to probe and understand the properties of materials at an atomic level. This research leads to better fibers, plastics, catalysts, and magnets and improvements in pharmaceuticals, computing equipment, and electric motors.

Computational and Technology Research (CTR) performs long-term computational and technology research through an integrated program in applied mathematical sciences, high-performance computing and communications, information infrastructure, and laboratory technology research.

- CTR will develop advanced computing capabilities, computational algorithms, models, methods, and libraries, and advanced visualization and data management systems to enable new computing applications in science.
- Users will judge that computer facilities and networks have met 75 percent of their requirements.

Biological and Environmental Research (BER) provides fundamental science to develop the knowledge to identify, understand, and anticipate the long-term health and environmental consequences of energy production, development, and use.

- BER will complete sequencing of 50 million subunits of human DNA and provide these to publicly accessible databases.
- BER will commence full operation at three Atmospheric Radiation Measurement sites to provide unique climatological data.

High Energy and Nuclear Physics (HENP) strives to deepen the understanding of the nature of matter and energy at the most fundamental level, as well as understanding of the structure and interactions of atomic nuclei.

HENP will deliver on the 2000 U.S./DOE commitments to the international Large Hadron Collider project. HENP facilities will provide cutting-edge scientific capabilities to further study the fundamental constituents of matter.

Fusion Energy Sciences (FES) conducts research on the scientific and technical basis for an economical and environmentally acceptable fusion energy source.

- FES will operate the National Spherical Torus Experiment and three small, innovative experiments to provide a basic scientific understanding of fusion concepts.

Tax Incentives

Along with direct spending on R&D, the Federal Government has sought to stimulate private investment in these activities with tax preferences. The current law provides a 20-percent tax credit for private research and experimentation expenditures above a certain base amount. The credit, which was extended in 1998, is due to expire on June 30, 1999. The President proposes to extend it for one year. Under current law, the credit will cost $1.7 billion in 1999 and $1.0 billion in 2000. The extension will cost $0.3 billion in 1999 and $0.9 billion in 2000.

A permanent tax provision also lets companies deduct, up front, the costs of certain kinds of research and experimentation, rather than capitalize these costs. This tax expenditure will cost $510 million in 2000. Finally, equipment used for research benefits from relatively rapid cost recovery. The cost of this tax preference is calculated in the tax expenditure estimate for accelerated depreciation of machinery and equipment.

16. ENERGY

Table 16–1. FEDERAL RESOURCES IN SUPPORT OF ENERGY
(In millions of dollars)

Function 270	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	3,077	2,888	2,836	3,169	3,020	2,992	2,965
Mandatory Outlays:							
Existing law	–2,440	–3,184	–5,142	–4,404	–4,336	–4,244	–4,281
Credit Activity:							
Direct loan disbursements	992	1,592	1,295	N/A	N/A	N/A	N/A
Guaranteed loans	.....	.....	.....	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,535	1,575	1,625	1,630	1,635	1,450	1,200
Proposed legislation	.....	1	379	671	660	787	1,040

N/A = Not available

Federal energy programs contribute to energy security, economic prosperity and environmental protection. Funded mainly through the Energy Department (DOE), they range from protecting against disruptions in petroleum supplies, to conducting research on renewable energy sources, to cleaning up DOE facilities contaminated by years of nuclear-related research activities. The Administration proposes to spend $2.8 billion for these programs. In addition, the Federal Government allocates about $1.6 billion a year in tax benefits, mainly to encourage development of traditional and alternative energy sources.

The Federal Government has a longstanding and evolving role in energy. Most Federal energy programs and agencies have no State or private counterparts and clearly involve the national interest. The federally-owned Strategic Petroleum Reserve (SPR), for instance, protects against supply disruptions and the resulting consumer price shocks, while Federal regulators protect public health and the environment and ensure fair, efficient energy rates. DOE's applied research and development (R&D) programs in fossil, nuclear, solar/renewable energy and energy conservation speed the development of technologies, usually through cost-shared partnerships with industry. The programs not only open new opportunities for American industry, but reach beyond what the marketplace demands today, putting the Nation in a better position to meet the demands of tomorrow.

Energy Resources

DOE maintains the SPR and invests in R&D to protect against petroleum supply disruptions and reduce the environmental impacts of energy production and use. The SPR was created in 1975 and now holds 563 million barrels of crude oil in underground salt caverns at four Gulf Coast sites. The SPR helps protect the economy and provide flexibility for the Nation's foreign policy in case of a severe energy supply disruption.

- In 2000, DOE will maintain its capability to reach its SPR drawdown rate of about four million barrels a day within 15 days and to maintain that rate for at least 90 days.

DOE's energy R&D investments cover a broad array of resources and technologies to make the production and use of all forms of energy—including solar and renewables, fossil, and nuclear—more efficient and less

environmentally damaging. These investments not only lay the foundation for a more sustainable energy future but also open major international markets for manufacturers of advanced U.S. technology and enhance our Nation's energy security.

Energy conservation programs, for which the budget proposes $838 million, are designed to improve the fuel economy of various transportation modes, increase the productivity of our most energy-intensive industries, and improve the energy efficiency of buildings and appliances. They also include grants to States to fund energy-efficiency programs and low-income home weatherization. Each of these activities benefits our economy and reduces emissions of carbon dioxide and other greenhouse gases. Many rely on partnerships with the private sector for cost-sharing and commercialization. Energy-efficiency technologies that have already come to market include heat-reflecting windows, high-efficiency lights, geothermal heat pumps, high-efficiency electric motors and compressors, and software for designing energy-efficient buildings.

In 2000, DOE's Energy Conservation program will:

- demonstrate low-cost, high-volume manufacturing processes for key components of fuel cells for ultra-clean automobiles;
- complete the development of advanced industrial turbines for efficient in-plant generation of electricity and steam;
- arrange for $400 million worth of energy-efficiency improvements at Federal facilities to be financed through regional and national energy-savings performance contracts; and
- weatherize 70,000 low-income homes.

Solar and renewable energy programs, for which the budget proposes $399 million, focus on technologies that will help the Nation use its abundant renewable resources such as wind, solar, and biomass to produce low-cost, clean energy that contributes no net carbon dioxide to the atmosphere. The United States is the world's technology leader in wind energy, with a growing export market and production costs that have fallen below five cents per kilowatt-hour. In addition, photovoltaics are becoming more useful in remote power applications, and new biofuels plants are being constructed. DOE also is coordinating the President's Million Solar Roofs initiative, which was introduced in the 1999 Budget, and States, cities, and Federal agencies to date have pledged 710,000 solar roof installations (a mixture of solar heat/hot water and photovoltaics) over the next nine years.

In 2000, DOE's Solar and Renewable Energy program will:

- support the President's Million Solar Roofs initiative through partnerships and technical assistance so that at least 29,000 solar roofs will be installed in 2000; and
- complete demonstrations of full-scale biomass co-firing with coal, commercial-scale conversion of agricultural wastes to ethanol, an advanced geothermal power cycle, and dispatchable power from a solar "power tower."

DOE's energy efficiency and renewable energy programs form a major part of the Administration's Climate Change Technology Initiative, which is intended to find ways to reduce emissions of carbon dioxide and other greenhouse gases in ways that benefit our economy rather than constrain it. (For more details, see Chapter 7, "Promoting Research.")

Fossil fuel energy R&D programs, for which the budget proposes $364 million, help industry develop advanced technologies to produce and use coal, oil, and gas resources more efficiently and cleanly. Federally-funded development of clean, highly-efficient gas-fired and coal-fired generating systems aim to reduce greenhouse gas emission rates, while reducing electricity costs. The programs also help boost the domestic production of oil and natural gas by funding R&D projects with industry to cut exploration, development, and production costs.

In 2000, DOE will:

- complete demonstration of new tertiary oil recovery technologies;
- begin testing the first commercial prototype solid-oxide fuel cell for distributed power generation; and

- verify the design of a fuel-cell/turbine hybrid power plant.

Nuclear fission power is a widely used technology, providing over 20 percent of the electric power consumed in the United States and about 17 percent worldwide without generating greenhouse gases. If fossil plants were used to produce the amount of electricity generated by these nuclear plants, more than 300 million additional metric tons of carbon would be emitted each year. Continued R&D addressing the issues that threaten the acceptance and viability of nuclear fission in the United States will help determine whether fission can fulfill its potential for supplying economically-priced energy while reducing greenhouse gas emissions.

In 2000, DOE will:

- receive Nuclear Regulatory Commission approval to test advanced "chip"-based nuclear plant instrumentation and control technology for increased reliability and safety;
- complete validation of artificial intelligence software for steam-tube inspection;
- and identify new reactor and/or fuel-cycle concepts that may improve the cost, performance, safety, or proliferation-resistance of civilian nuclear power.

Environmental Quality

In Non-defense Environmental Management, the budget proposes $331 million to manage the Nation's most complex environmental cleanup program, the result of more than four decades of research and production of nuclear energy technology and materials. (For information on DOE's Defense Environmental Management program, see Chapter 13, "National Defense.") This will reduce environmental risk and manage the waste at: (1) sites run by DOE's predecessor agencies; (2) sites contaminated by uranium and thorium production from the 1950s to the 1970s; and (3) DOE's uranium processing plants operated by the recently privatized United States Enrichment Corporation.

In 2000, DOE will:

- complete remediation at four geographic sites;
- increase the total number of geographic sites completed to 76 of 113; and
- make ready for disposal about 87 percent of the high-level waste at the West Valley, New York site.

DOE's Civilian Radioactive Waste Management Program oversees the management and disposal of spent nuclear fuel from commercial nuclear reactors and high-level radioactive waste from Federal cleanup sites. Following completion of the Viability Assessment for storing nuclear waste in Yucca Mountain, DOE plans to:

- complete an Environmental Impact Statement (EIS) in 2000 for use of the Yucca Mountain site;
- complete scientific and technical work identified in the Viability Assessment as necessary for the Secretary to make a nuclear waste site recommendation to the President in 2001; and
- if the site is determined to be suitable for a permanent nuclear waste repository, submit a license application to the Nuclear Regulatory Commission in 2002.

Energy Production and Power Marketing

The Federal Government is reshaping programs that produce, distribute, and finance oil, gas, and electric power. In February, 1998, DOE sold the Naval Petroleum Reserve, commonly known as Elk Hills, for $3.7 billion—the largest privatization of a federal entity in U.S. history. Elk Hills had been set aside early this century to provide an oil reserve for Navy ships, but in recent years was being operated by DOE as a commercial oil and gas field because it was no longer needed for its original purpose.

The four Federal Power Marketing Administrations, or PMAs, (Bonneville, Southeastern, Southwestern, and Western) market electricity generated by 127 multi-purpose Federal dams and manage 33,000 miles of federally-owned transmission lines in 34 States. The PMAs sell about six percent of the Nation's electricity, primarily to preferred customers such as counties, cities, and publicly-owned utilities. The PMAs face growing challenges as the

electricity industry moves toward open, competitive markets.

- In 2000, each PMA will operate its transmission system to ensure that service is continuous and reliable—that is, that the system achieves a "pass" rating each month under North American Reliability Council performance standards.

The Tennessee Valley Authority (TVA) is a Federal Government corporation and the Nation's single largest electric power generator. It generates four percent of the electric power in the country and transmits that power over its 17,000 mile transmission network to 159 municipal utilities and rural electric cooperatives that serve some eight million customers in seven States.

TVA is responding to changes that are bringing greater competition to the electric power industry by taking steps to increase its ability to supply power at competitive prices. The agency is now engaged in a major effort to cut its debt in half, from $28 billion in 1997 to $14 billion in 2009.

- In 2000, TVA will reduce its debt by $700 million.

(For information on TVA's non-power activities, see Chapter 21, "Community and Regional Development.")

In 2000, the Agriculture Department's Rural Utilities Service (RUS) will make $1 billion in direct loans to rural electric cooperatives, public bodies, nonprofit associations, and other utilities in rural areas for generating, transmitting, and distributing electricity. Its main goal is to finance modern, affordable electric service to rural communities. Included within this funding amount is a new $400 million Treasury rate loan proposal, which will help rural utility borrowers position themselves to be viable in a competitive, deregulated environment RUS borrowers continue to provide service the poorest counties in rural America and counties suffering the most from population out-migration.

- In 2000, RUS will upgrade 130 rural electric systems, benefitting over 1.6 billion customers and generating nearly 21,000 jobs.

Energy Regulation

The Federal Government's regulation of energy industries is designed to protect public health, achieve environmental and energy goals, and promote fair and efficient interstate energy markets. DOE improves the Nation's use of energy resources through its appliance energy efficiency program, which specifies minimum levels of energy efficiency for major home appliances, such as water heaters, air conditioners, and refrigerators. The Federal Energy Regulatory Commission (FERC), an independent agency within DOE, regulates the transmission and wholesale prices of electric power, including non-Federal hydroelectric power, and the transportation of oil and natural gas by pipeline in interstate commerce. FERC promotes competition in the natural gas industry and in wholesale electric power markets. Recent FERC reforms to give consumers competitive choices in services and suppliers will cut consumer energy bills by $3 billion to $5 billion per year.

In 2000, DOE will issue three final rules and three proposed rules and determinations on different categories of applicants. FERC will measure the extent to which natural gas and electricity prices more clearly and quickly reflect changing supply and demand conditions and will measure the reduction in wholesale electricity price differences among regions, to evaluate the success of its initiative to restructure interstate natural gas and electricity markets.

DOE Corporate Management

Acquisition Reform at the Department of Energy is a high priority of the Administration. Because more than 90 percent of the Department's budget is spent on contracts to operate its facilities, improving management and oversight of these contracts can improve mission support and save taxpayer dollars. DOE has established a Department-wide system to evaluate and use past performance data for contractor selections and will work with OMB to achieve short-term PBSC successes in 2000 and create incentives for more conversions.

Nuclear Regulatory Commission (NRC)

NRC, an independent agency, regulates the Nation's civilian nuclear reactors and the medical and industrial use of nuclear materials to ensure public health and safety and to protect the environment. NRC international activities also promote U.S. interests in nonproliferation and the safe and secure use of nuclear materials in other countries. NRC safety performance goals for 2000 include:

- no civilian nuclear reactor accidents;
- no significant accidental releases of radioactive material from storage and transportation of nuclear waste; and
- no offsite release of radioactivity beyond regulatory limits from low-level waste disposal sites.

Tax Incentives

Federal tax incentives are mainly designed to encourage the domestic production of fossil and other fuels, and to promote the vitality of our energy industries and diversification of our domestic energy supplies. Certain fuel producers many cut their taxable income as their fuel resources are depleted. An income tax credit helps promote the development of certain non-conventional fuels. It applies to oil produced from shale and tar sands, gas produced from a number of unconventional sources (including coal seams), some fuels processed from wood, and steam produced from solid agricultural byproducts. Another tax provision provides a credit to producers who make alcohol fuels—mainly ethanol—from biomass materials. The law also allows a partial exemption from Federal gasoline taxes for gasolines blended with ethanol. The Climate Change Technology Initiative proposes $3.6 billion in new tax incentives to help reduce greenhouse gases (see Table 33–4). These incentives provide for purchases of energy-efficient homes and heating/cooling equipment, electric and hybrid vehicles, rooftop solar systems, and combined heat-and-power systems. They also extend wind and biomass tax credits.

17. NATURAL RESOURCES AND ENVIRONMENT

Table 17–1. FEDERAL RESOURCES IN SUPPORT OF NATURAL RESOURCES AND ENVIRONMENT
(In millions of dollars)

Function 300	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	23,456	23,355	23,812	23,987	23,886	23,911	23,964
Mandatory Outlays:							
Existing law	441	1,049	709	802	701	860	834
Proposed legislation	.....	.....	–753	–740	–777	–726	–703
Credit Activity:							
Direct loan disbursements	39	35	46	N/A	N/A	N/A	N/A
Guaranteed loans	.....	.....	.....	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,460	1,515	1,555	1,620	1,670	1,735	1,790
Proposed legislation	.....	.....	–84	–45	31	108	185

N/A = Not available

The Federal Government spends over $23 billion a year to protect the environment, manage Federal land, conserve resources, provide recreational opportunities, and construct and operate water projects. The Federal Government manages about 700 million acres—a third of the U.S. continental land area.

The Natural Resources and Environment function reflects most Federal support for natural resources and the environment, but does not include certain large-scale environmental programs, such as the environmental clean-up programs at the Departments of Energy and Defense.

Within this function, Federal efforts focus on providing cleaner air and water, conserving natural resources, and cleaning up environmental contamination. The major goals include:

- protecting human health and safeguarding the natural environment—air, water, and land—upon which life depends;
- restoring and maintaining the health of federally-managed lands, waters, and renewable resources; and
- providing recreational opportunities for the public to enjoy natural and cultural resources.

Federal lands include the 378 units of the National Park System, the 156 National Forests; the 514 refuges in the National Wildlife Refuge System; and land managed by the Bureau of Land Management (BLM) in 11 Western States (see Chart 17–1).

Land and Water Conservation Fund

The Land and Water Conservation Fund (LWCF) is an important tool for species and habitat conservation. The Fund uses the royalties of offshore oil and gas leases to help Federal, State, and local governments acquire land for conservation and outdoor recreation.

The 2000 Lands Legacy initiative will allocate full funding ($900 million) from the LWCF to support: (1) conservation of Federal

lands to preserver wildlife habitat, natural resources, and historic sites; (2) Federal grants and planning assistance for States and local governments to protect local green space, urban parks, and greenways; and (3) Federal and State efforts to restore ocean and coastal resources.

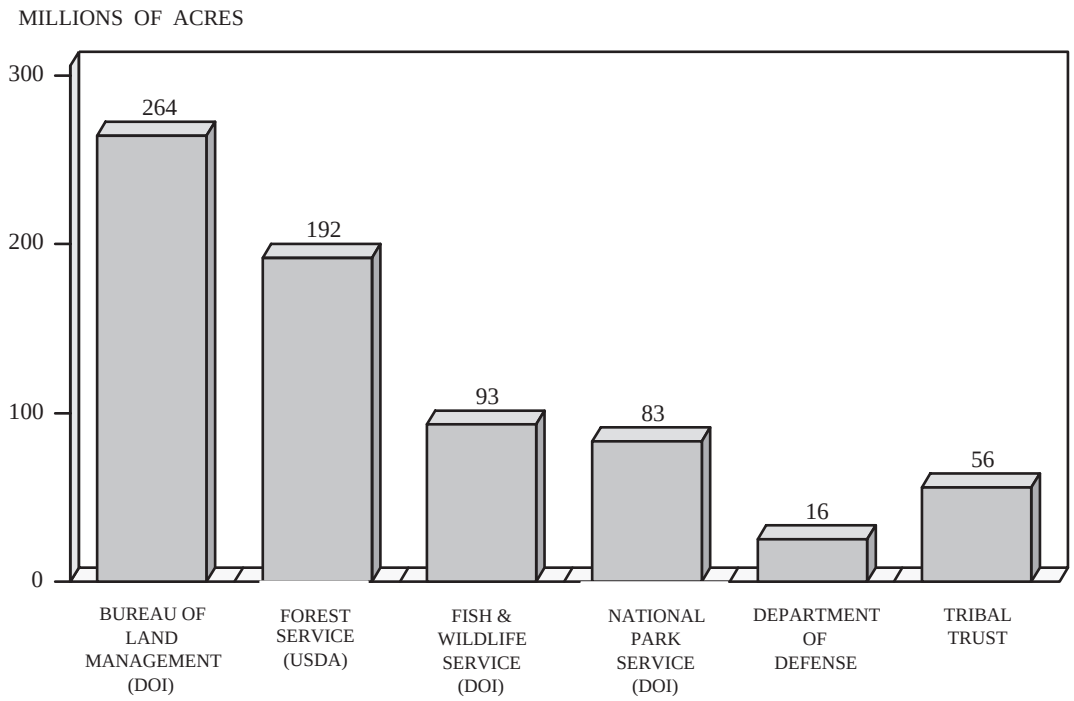
- In 2000, Interior will acquire approximately 500,000 acres in the California Desert region, 22,500 acres to expand refuges in the Northern Forests of Maine, Vermont, New Hampshire, and New York, and about 1,500 acres for Civil War battlefields.
- In 2000, the Forest Legacy program will support permanent easements for 150,000 acres, up from 9,000 acres in 1999.
- In 2000, approximately 80,000 acres of farmland threatened with development will be protected through permanent easements.
- In 2000, the National Oceanic and Atmospheric Administration (NOAA) will double the number of protected acres in the National Estuay Reserve System from 500,000 in 1999.

As a complement to the Lands Legacy initiative, the Administration will also propose a Livability Initiative that includes, among other components, a new financing tool that will generate $9.5 billion in bond authority for investments by State, local, and Tribal governments. These Better America Bonds will be used to preserve green space, create or restore urban parks, protect water quality, and clean up brownfields.

National Parks

The Federal Government spends over $1.8 billion a year to maintain a system of national parks that covers over 83 million acres in 49 States, the District of Columbia, and various territories. Discretionary funding for the National Park Service (NPS) has steadily increased (almost five percent a year since 1986) and fee receipts have grown from $93 million in 1996 to about $180

Chart 17-1. FEDERAL LAND MANAGEMENT BY AGENCY



million in 1998. Yet, the popularity of national parks has generated even faster growth in the number of visitors, new parks, and additional NPS responsibilities.

With demands growing faster than available resources, NPS is taking new, creative, and more efficient approaches to managing parks and has developed performance measures against which to gauge progress. NPS and other Department of the Interior bureaus are systematically addressing facility maintenance and construction needs through newly established five-year lists of priority projects. The bureaus will update these lists annually to track progress in addressing top priorities and completing funded projects on time and at cost.

In 2000, NPS will:

- Maintain the percentage of park visitors that summarize their experience as good or very good at 95 percent—the 1998 results of a new survey using an enhanced methodology and covering over 300 parks.
- Help State and local governments through NPS partnerships to add an additional 280 miles of recreational trails, 310 miles of recreational river corridors, and 9,000 acres of recreational parkland, compared to 220 trail miles, 240 river miles, and 7,000 parkland acres added in 1998.
- Complete 329 data sets for natural resource inventories in 2000 out of 2,287 required, compared to 180 completed through 1998.

Conservation and Land Management

The 75 percent of Federal land that makes up the National Forests, National Grasslands, National Wildlife Refuges, and the BLM-administered public lands also provides significant public recreation. BLM provides for nearly 65 million recreational visits a year, while over 30 million visitors enjoy wildlife each year at National Wildlife Refuges. With its 133,000 miles of trails, the Forest Service is the largest single supplier of public outdoor recreation, providing 341 million recreational visitor days last year.

Federal lands also provide other benefits. With combined annual budgets of about $4 billion, BLM and the U.S. Forest Service (USFS) manage lands for multiple purposes, including outdoor recreation, range, timber, watershed, wildlife and fish, and wilderness. BLM, USFS, and NPS have been identified by the Vice President's National Partnership for Reinventing Government as High-Impact Agencies. As part of the goals to cut red tape and streamline processes, these agencies are cooperating to build an integrated nationwide outdoor recreation information system that delivers seamless service to customers regardless of agency jurisdiction.

Some high priority reinvention projects include:

Financial Management: USFS is implementing a new general ledger system and reengineering the budget process to better align budget planning and execution with the agency's strategic goals. A redesigned budget structure will better connect funding categories to strategic goals and help employees at the field level execute integrated ecosystem projects.

"Service First": Proposed in the 1996 Reinventing Government report, USFS and BLM are working together to deliver seamless service to customers and "boundaryless" care for the land. This began as two pilot projects in Colorado and Oregon to: (1) improve customer service with one-stop shopping; (2) achieve efficiencies in operations to reduce or avoid costs; and (3) take better care of the land by taking a landscape approach to stewardship rather than stopping at the traditional jurisdictional boundaries. USFS and BLM are also looking to streamline major business processes to make them work better for both employees and customers.

BLM and USFS concentrate on the long-term goal of providing sustainable levels of multiple uses while ensuring and enhancing ecological integrity. Their performance measures include:

- USFS will target increased funding to needed watershed restoration work by increasing acres of watershed restoration work by 100 percent (to 40,000 acres) over 1999 levels of 20,000 acres; increasing the acres of noxious weed control by 21 percent (to 64,500 acres) over 1999 levels of

51,410 acres; maintain the pace of obliterating existing roads at the 1999 level (3,500 miles), as compared to 1,200 miles in 1998; and increasing the number of acres treated for fire hazard reduction to 1.8 million, compared to a 1999 planned level of 1.6 million.

- For priority watersheds, BLM will enhance the ecological integrity of an additional 1,700 miles of riparian areas and 128,500 acres of wetlands in 2000, compared to 868 miles and 11,842 acres enhanced in 1997; BLM will also treat 344,300 acres for fire hazard reduction by prescribed fire and mechanical means, compared to 1997 levels of 70,000 acres.

The Interior Department's Fish and Wildlife Service (FWS), with a budget of $1.6 billion, manages 93 million acres of refuges and, with the Commerce Department's National Marine Fisheries Service (NMFS), protects species on Federal and non-Federal lands.

- Proposed 2000 funding increases will enable the refuge system to manage an additional 948,000 more acres over the 1997 baseline of 93 million acres.
- FWS will also increase by one million acres the number of protected, non-Federal acres in Habitat Conservation Plans (HCPs) up from two million in 1998; keep 15 more species off the endangered species list, compared to a 1998 baseline of seven species kept off the list; and improve or stabilize the populations of 37 percent of species listed a decade or more, over a 1998 baseline of 36 percent.
- NMFS will implement programs in 2000 to continue fully assessing 80 percent of fish stocks, increasing the number of listed species that improve in status to 16 over a baseline of 12 in 1997, and increasing the number of restored acres of coastal habitat by 25 percent over 1999 levels of 43,000 cumulative acres restored.

Half of the continental United States is crop, pasture, and rangeland. Two percent of Americans own and manage this land—farmers and ranchers. The Department of Agriculture's (USDA) Natural Resources Conservation Service provides technical assistance to them to improve land management practices.

Under USDA's Wetlands Reserve Program (WRP), the Federal Government buys long-term or permanent easements from cropland owners that take the land out of production and restore it to wetlands. Landowners receive up to 100 percent of the fair market agricultural value for the land and cost-share assistance to cover the wetland restoration expenses. At the end of 1999, cumulative acreage in the WRP will total 775,174.

- In 2000, WRP will enroll 199,826 additional acres, bringing its cumulative acreage to the 975,000 authorized enrollment cap.
- USDA will use a number of programs to address the goals outlined in the Clean Water Action Plan's Animal Feeding Operations Strategy, resulting in the installation of 10,400 animal waste management systems to protect water from agricultural pollution, an increase of 30 percent over 1999.
- Through several programs, USDA will also implement resource management systems to control erosion and improve habitat on 6.3 million acres of grazing lands, compared to six million acres in 1999.

USDA's Environmental Quality Incentives Program (EQIP), which provides funds to farmers and ranchers to adopt sound conservation practices, will again target funds in 2000 to conservation priority areas such as Maine's Penobscot Nation and Texas's Edwards Aquifer. These areas use EQIP funds to address problems ranging from erosion to threatened and endangered species to water quality. The 2000 budget proposes $300 million in mandatory funding for EQIP, a $126 million increase above 1999, in support of the Clean Water Action Plan.

Everglades and California Bay-Delta Restoration

Federal and non-Federal agencies are carrying out long-term restoration plans for several nationally significant ecosystems, such as those in South Florida and California's Bay-Delta. The South Florida ecosystem is a national treasure that includes the Everglades

and Florida Bay. Its long-term viability is critical for the tourism and fishing industries, and for the water supply, economy, and quality of life for South Florida's six million people. Economic development and water uses in California's San Francisco Bay-San Joaquin Delta watershed have diminished water quality, degraded wildlife habitat, endangered several species, and reduced the estuary's reliability as a water source for two-thirds of Californians and seven million acres of highly productive agricultural land.

- The U.S. Army Corps of Engineers will complete its comprehensive review of the central and southern Florida project by July 1, 1999, thus providing a master plan for restoring the Everglades while accommodating other demands for water and related resources in South Florida. By September 30, 2002, seven of the 68 currently known federally endangered and threatened species in South Florida will be able to be "down-listed."
- The Bay-Delta program expects to complete during 2000 the required National Environmental Policy Act review and select the preferred long-term plan to solve critical water-related problems in the California Bay-Delta. The plan will contain specific, measurable performance goals for levee protection, ecosystem restoration, and water conservation, storage and conveyance.

Scientific Support for Natural Resources

The management of lands, the availability and quality of water, and improvements in the protection of resources are based on sound natural resources science. The U.S. Geological Survey (USGS) provides research and information to land managers and the public to better understand ecosystems and species habitat, land and water resources, and natural hazards.

In 2000, the USGS will lead the Community-Federal Information Partnership, an interagency effort to provide communities with the geospatial information they need to make sound planning decisions and preserve open space. Communities will receive GIS technological tools and earth science data to improve mapping and planning capabilities.

The Commerce Department's NOAA manages ocean and coastal resources in the 200-mile Exclusive Economic Zone and in 12 National Marine Sanctuaries. Its National Ocean Service and NMFS manage 201 fish stocks, 163 marine mammal populations, and their associated coastal and marine habitats. NOAA's National Weather Service (NWS), using data collected by the National Environmental Satellite and Data Information Service, provides weather forecasts and flood warnings. Its Office of Oceanic and Atmospheric Research provides science for policy decisions in areas such as climate change, air quality and ozone depletion.

- In 2000, NWS' ongoing modernization will increase the lead time of flash flood warnings to 42 minutes and the accuracy of flash flood warnings to 85 percent; increase the lead time of severe thunderstorm warnings to 20 minutes and the accuracy of severe thunderstorm warnings to 85 percent, and increase the accuracy of heavy snowfall forecasts to 60 percent.

Pollution Control and Abatement

The Federal Government helps achieve the Nation's pollution control goals by: (1) taking direct action; (2) funding actions by State, local, and Tribal governments; and (3) implementing an environmental regulatory system. The Environmental Protection Agency's (EPA) $7.2 billion in discretionary funds and the Coast Guard's $140 million Oil Spill Liability Trust Fund (which funds oil spill prevention and cleanup) finance the activities in this subfunction. EPA is an NPR High Impact Agency whose discretionary funds have three major components—the operating program, Superfund, and water infrastructure financing.

EPA's $3.7 billion operating program provides the Federal funding to implement most Federal pollution control laws, including the Clean Air, Clean Water, Resource Conservation and Recovery, Safe Drinking Water, and Toxic Substances Control Acts. EPA protects human health and the environment by developing national pollution control standards, largely enforced by the States under EPA-delegated authority. For example, under the Clean Air Act, EPA works to make the air clean and healthy to breathe by

setting standards for ambient air quality, toxic air pollutant emissions, new pollution sources, and mobile sources.

- In 2000, EPA will certify that five of the estimated 30 remaining nonattainment areas have achieved the one-hour National Ambient Air Quality Standard for ozone (see Chart 17–2).
- In 2000, air toxics emissions nationwide from stationary and mobile sources combined will be reduced by five percent from 1999 (for a cumulative reduction of 30 percent from the 1993 level of 1.3 million tons).

Under the Clean Water Act, EPA works to conserve and enhance the ecological health of the Nation's waters, through regulation of point source discharges and through multi-agency initiatives such as the Administration's Clean Water Action Plan.

- In 2000, environmental improvement projects will be underway in 350 high priority watersheds as a result of implementing activities under the Clean Water Action Plan.

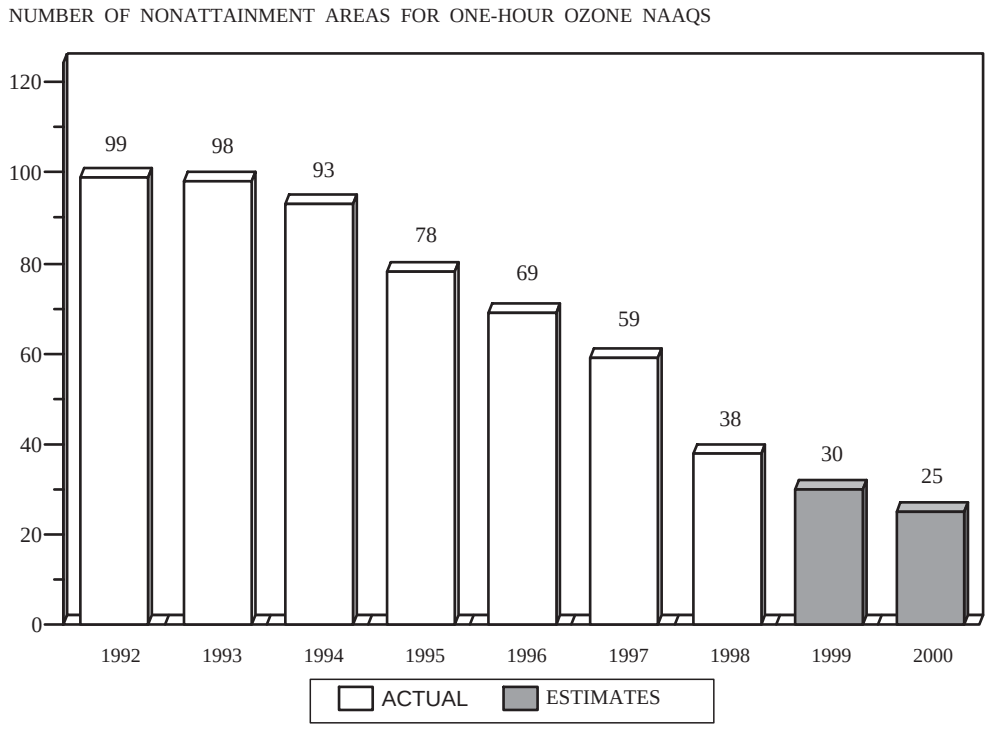
Under the Federal Insecticide, Fungicide, and Rodenticide Act and the Federal Food, Drug, and Cosmetic Act, EPA regulates pesticide use, grants product registrations, and sets tolerances (standards for pesticide residue on food) to reduce risk and promote safer means of pest control.

- In 2000, EPA will reassess 20 percent of the existing 9,700 tolerances to ensure that they meet the statutory standard of "reasonable certainty of no harm," achieving a cumulative 53 percent.

EPA's pollution prevention program seeks to reduce environmental risks where Americans reside, work, and enjoy life.

- In 2000, the quantity of Toxic Release Inventory pollutants released, disposed of, treated, or combusted for energy recovery will be reduced by 200 million pounds, or two percent, from 1999 reporting levels.

Chart 17-2. AIR QUALITY TRENDS



Under the Resource Conservation and Recovery Act (RCRA), EPA and authorized States prevent dangerous releases to the environment of hazardous, industrial nonhazardous, and municipal solid wastes by requiring proper facility management and cleanup of environmental contamination at those sites.

- In 2000, 146 more hazardous waste management facilities will have approved controls in place to prevent dangerous releases to air, soil, and groundwater, for a total of 65 percent of 3380 facilities.

EPA's underground storage tank (UST) program seeks to prevent, detect, and correct leaks from USTs containing petroleum and hazardous substances. Regulations issued in 1988 required that substandard USTs (lacking spill, overfill and/or corrosion protection) be upgraded, replaced or closed by December 22, 1998.

- By the end of 2000, 90 percent of USTs will be in compliance with these requirements, which improves upon the estimated 65 percent as of the December 22, 1998 deadline.

In October 1997, the President announced immediate actions to begin addressing the problem of global climate change, and included the Climate Change Technology Initiative (CCTI) in the 1999 Budget. The 2000 Budget provides $216 million for the second year of EPA's portion of CCTI, much of which focuses on the deployment of underutilized but existing technologies that reduce greenhouse gas emissions. The partnerships EPA has built with business and other organizations since the early 1990s will continue to be the foundation for reducing greenhouse gas emissions in 2000 and beyond.

- In 2000, greenhouse gas emissions will be reduced from projected levels by more that 50 million metric tons of carbon equivalent per year through EPA partnerships with businesses, schools, State and local governments, and other organizations. This reduction level will be an increase of 10 million metric tons over 1999 reduction levels.
- In 2000, energy consumption will be reduced from projected levels by over 60 billion kilowatt hours, resulting in over $8 billion in energy savings to consumers and businesses that participate in EPA's climate change programs. This will represent an increase of 15 billion kilowatt hours and $5 million in annual energy savings over 1999.

The new Clean Air Partnership Fund will also contribute to the achievement of these goals as well as the ozone attainment goal.

The $1.5 billion Superfund program pays to clean up hazardous spills and abandoned hazardous waste sites, and to compel responsible parties to clean up. The Coast Guard implements a smaller but similar program to clean up oil spills. Superfund also supports EPA's Brownfields program, designed to assess, clean up, and re-use formerly contaminated sites.

- In 2000, EPA will complete 85 Superfund cleanups, continuing on a path to reach 925 completed cleanups by the end of 2002.
- In 2000, EPA will fund Brownfields site assessments in 50 more communities, thus reaching 350 communities by the end of 2000.
- In 2000, the Coast Guard will reduce the rate of oil spilled into the Nation's waters to 4.83 gallons per million gallons shipped from a baseline of 5.25 gallons in 1998.

Federal water infrastructure funds provide capitalization grants to State revolving funds, which make low-interest loans to help municipalities pay for wastewater and drinking water treatment systems required by Federal law. The $1.625 billion in the 2000 Budget is consistent with the Administration's plans to capitalize these funds to the point where the Clean Water State Revolving Funds (CWSRF) and the Drinking Water State Revolving Funds (DWSRF) provide a total of $2.5 billion in average annual assistance. The $72 billion in Federal assistance since passage of the 1972 Clean Water Act has dramatically increased the portion of Americans enjoying better quality water. Ensuring that community water systems meet health-based drinking water standards is supported by both the DWSRF and operating program resources.

- In 2000, another two million people will receive the benefits of secondary treatment of wastewater, for a total of 181 million.
- In 2000, 91 percent of the population served by community water systems will receive drinking water meeting all health-based standards in effect as of 1994, up from 83 percent in 1994.

USDA gives financial assistance to rural communities to provide safe drinking water and adequate wastewater treatment facilities to rural communities. The budget proposes $1.5 billion in combined grant, loan, and loan guarantees for this assistance, a 12 percent increase over 1999. Part of those funds will go toward the Water 2000 initiative to bring indoor plumbing and safe drinking water to under-served rural communities. Since 1994, USDA has invested almost $1.6 billion in loans and grants on high-priority water 2000 projects nationwide.

- In 2000, USDA will fund 300 high-priority water 2000 projects.

The Office of Surface Mining (OSM), in partnership with States, reclaims abandoned coal mines using funds from the Abandoned Mine Lands Reclamation Fund.

- In 2000, OSM will reclaim 9,235 acres of abandoned coal mine lands, 1,235 acres more than in 1999.

Water Resources

The Federal Government builds and manages water projects for navigation, flood-damage reduction, environmental purposes, irrigation, and hydropower generation. The Army Corps of Engineers operates Nationwide, while Interior's Bureau of Reclamation operates in the 17 western States. The budget proposes $4.7 billion for the agencies in 2000—$3.9 billion for the Corps, $0.8 billion for the Bureau. The budget includes a proposal to create a new Harbor Services Fund to increase funding for the Corps' operations, maintenance, and construction activities at our Nation's ports and harbors and help ensure a safe and economically competitive port system. While navigation and flood damage reduction remain the Corps' major focus, its responsibilities increasingly address environmental objectives.

- In 2000, maintain Corps controlled commercial navigation and flood damage-reduction facilities to be fully operational at least 95 percent of the time.
- In 2000, the Corps' regulatory program will achieve "no net loss" of wetlands by creating, enhancing, and restoring wetlands functions and values that are comparable to those lost when the Corps issues permits to allow wetlands to be developed.

Congress created the Bureau of Reclamation primarily to develop water supplies to support economic development in the western States. Since the West is now largely developed, the Bureau has shifted its emphasis to become a water resources management agency.

- In 2000, the Bureau will deliver or release the amount of water contracted for from Reclamation-owned and operated facilities, expected to be no less than 27 million acre-feet. Reclamation will also generate power needed to meet contractual commitments and other requirements 100 percent of the time, depending upon water availability.

Tax Incentives

The tax code offers incentives for natural resource industries, especially timber and mining. The timber industry can deduct certain costs for growing timber, pay lower capital gains rates on profits, take a credit for investments, and quickly write-off reforestation costs—in total, costing about $585 million in 2000. The mining industry benefits from percentage depletion provisions (which sometimes allows deductions that exceed the economic value of resource depletion) and can deduct certain exploration and development costs—together, costing about $270 million in 2000.

In 2000, Better America Bonds will provide tax incentives for State and local governments to protect local green spaces, improve water quality, and clean up abandoned industrial sites.

18. AGRICULTURE

Table 18–1. FEDERAL RESOURCES IN SUPPORT OF AGRICULTURE
(In millions of dollars)

Function 350	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	4,346	4,318	4,140	4,140	4,153	4,140	4,140
Mandatory Outlays:							
Existing law	7,879	16,445	10,942	8,757	7,342	6,032	6,198
Proposed legislation	.....	.....	–20	–37	–33	–30	–38
Credit Activity:							
Direct loan disbursements	8,222	10,802	11,640	N/A	N/A	N/A	N/A
Guaranteed loans	4,226	6,563	6,688	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	780	880	905	950	985	1,035	1,085

N/A = Not available

The Federal Government helps to increase U.S. agricultural productivity by ensuring that markets function fairly and predictably and that farmers and ranchers do not face unreasonable risk. Agriculture Department (USDA) programs disseminate economic and agronomic information, ensure the integrity of crops, inspect the safety of meat and poultry, and help farmers finance their operations and manage risks from both weather and variable export conditions. The results are found in the public welfare that Americans enjoy from an abundant, safe, and inexpensive food supply, free of severe commodity market dislocations. Agriculture and its related activities account for 16 percent of the U.S. Gross Domestic Product.

Conditions on the Farm

Economic conditions facing U.S. agriculture in 1998 challenged this Federal role. Demand for farm commodities and record market prices of recent years receded, with gross crop cash receipts falling seven percent from the record $112 billion in 1997. Net cash income fell $1.7 billion short of the 1997 record of $60.8 billion. Forecasts for 1999 put net cash income down $5 billion from the record level, but within the last five year's average. Producers are expected to earn slightly less from 1998 and 1999 crop sales due to lower feed grain prices. Livestock receipts in 1998 fell back to the 1996 level of $93 billion from 1997's record $96.6 billion. Beef cattle prices, continued to decline, despite reductions in the herd. Pork producers, with long-expanding inventories experienced a severe drop in hog prices (see Chart 18–1).

Macro-economic agricultural conditions in 1998 were nearly the reverse of conditions that led to record farm income and prices of recent years. Last year, world-wide production of major grains was robust, which weakened demand for U.S. crops; the Asian financial crisis dampened a major source of export growth; the U.S. livestock sector experienced some relief in reduced feed costs. These conditions prompted the Federal Government to expand spending on agriculture, including $5.9 billion in emergency disaster relief enacted in the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act.

Despite generally lower commodity prices, farm assets and equity continue to rise. Farm sector business assets rose four percent in value in 1998, to $1.13 trillion. Farm

asset values will remain at historic high levels in 1999, while farm real estate values will rise for the eleventh straight year. Farm business debt will rise in 1999, attaining its highest level since 1986; but debt-to-equity and -to-asset ratios improved in 1998 and are much stronger than on the eve of the financial stress in the 1980s farm sector. However, a continuation of low commodity prices may cause increasing financial stress for many producers. In 1998, an index of farm debt as a percentage of the maximum debt producers could pay at current income levels rose to 60 percent from 45 percent in the early 1990s.

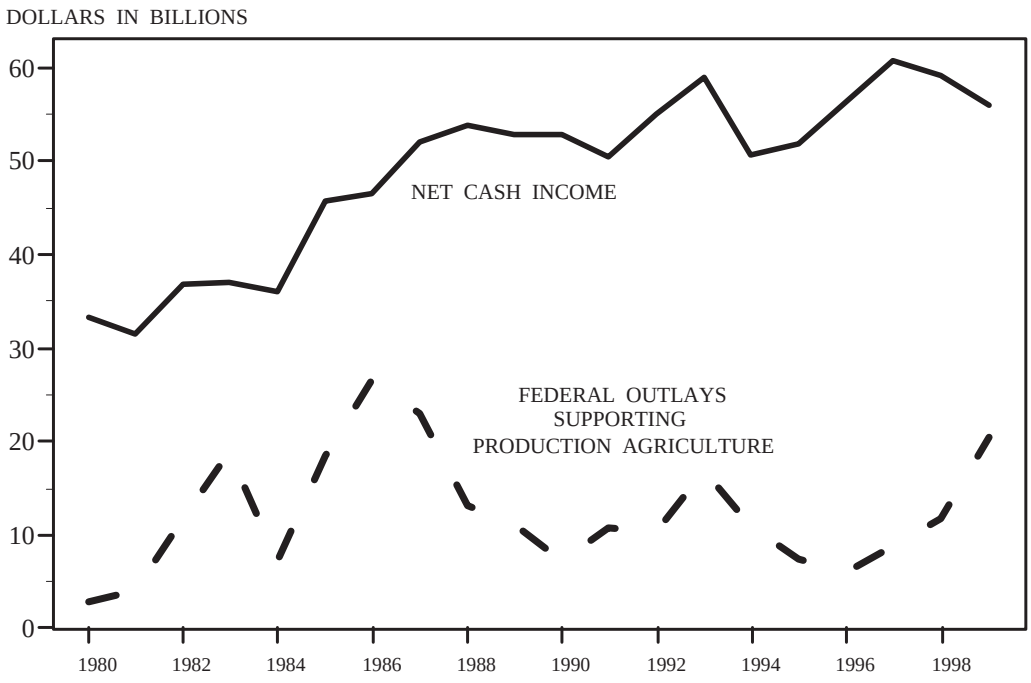
Exports are key to future U.S. farm income. The Nation exports 30 percent of its farm production, and agriculture produces the greatest balance of payments surplus, for its share of national income, of any economic sector. Agricultural exports reached a record $60 billion in 1996. Lower world market prices and bulk export volume reduced exports by an estimated $4 billion in 1998 and in 1999 export growth is likely to be minimal. Pacific Asia, including Japan, is the most important region for U.S. farm exports, accounting for 42 percent of total U.S. export sales in 1996. Consequently, the financial turmoil in certain Asian countries significantly affects U.S. exports.

The 1996 Farm Bill

Known officially as the Federal Agriculture Improvement and Reform Act (FAIR) of 1996, the Farm Bill was a milestone in U.S. agricultural policy. The bill, effective through 2002, fundamentally redesigned Federal income support and supply management programs for producers of wheat, corn, grain sorghum, barley, oats, rice, and cotton. It expanded the market-oriented policies of the previous two major farm bills, which have gradually reduced the Federal influence in the agricultural sector.

Under previous laws dating to the 1930s, farmers who reduced plantings could get income support payments when prices were

Chart 18-1. FARM SECTOR INCOME AND FEDERAL SUPPORT



Note: 1999 forecast by USDA.

low, but farmers had to plant specific crops in order to receive such payments. Even when market signals encouraged the planting of a different crop, farmers had limited flexibility to do so. By contrast, the 1996 Farm Bill eliminated most such restrictions and, instead, provided fixed, but declining payments to eligible farmers through 2002, regardless of market prices or production volume. This law "decoupled" Federal income support from planting decisions and market prices. The law has brought changes in the crop acreage planted in response to market signals. In 1997, wheat acreage fell by six percent, or about five million acres, from the previous year, while soybean acreage rose by 10 percent, or over six million acres.

The Farm Bill's freedom from planting restrictions on farmers meant greater potential volatility in crop prices and farm income. Not only can USDA no longer require farmers to grow less when supplies are great, but the size of farm income-support payments no longer varies as crop prices fluctuate. The previous farm bills were not perfectly counter-cyclical: participants in USDA commodity programs whose crops were totally ruined when prices were high got no income-support payment then, but would now through fixed payments. And, the 1996 Farm Bill provides additional "marketing loan" payments to farmers when commodity prices fall below a statutorily set "loan rate". However, the 1998 conditions raised the issue of whether the Federal farm income safety net was sufficient, and how should it be improved, to a new urgency.

However, the 1998 crop and price situation showed that the 1996 Farm Bill does not sufficiently protect farm income under certain conditions. Some crop prices significantly decreased from previous years—but the Farm Bill's "decoupled" income assistance did not adjust upward to compensate. If in the future commodity prices are again unacceptably low, the Administration will work to secure farm income assistance.

The 1998 crop experience also highlighted problems with the crop insurance program, which is intended to be the foundation of the farm safety net. Farmers who experience multi-year losses are left with insufficient coverage at higher cost; there is no coverage available for many commodities including livestock; and, most fundamentally, coverage that provides adequate compensation is simply not affordable for many farmers. During the coming year, the Administration will work to find a bipartisan solution, including offsets, that will address these weaknesses by reforming crop insurance and strengthening the safety net for farmers.

Federal Programs

USDA seeks to enhance the quality of life for the American people by supporting production agriculture; ensuring a safe, affordable, nutritious, and accessible food supply; conserving agricultural, forest, and range lands; supporting sound development of rural communities; providing economic opportunities for farm and rural residents; expanding global markets for agricultural and forest products and services; and working to reduce hunger in America and throughout the world. (Some of these missions fall within other budget functions and are described in other chapters in this Section.)

Farming and ranching are risky. Farmers and ranchers face not only the normal vagaries of supply and demand, but also uncontrollable risk from nature. Federal programs are designed to accomplish two key economic goals: (1) enhance the economic safety net for farmers and ranchers; and (2) open, expand, and maintain global market opportunities for agricultural producers.

The Federal Government mitigates risk through a variety of programs:

Federal Farm Commodity Programs: Since most Federal income support payments under the 1996 Farm Bill are now fixed, farm income can fluctuate more from year to year due to supply and demand changes. Farmers must rely more on marketing alternatives, and develop strategies for managing financial risk and stabilizing farm income. However, in response to unprecedented crop/livestock price decreases and regional production problems, Congress included as part of the $5.9 billion in emergency disaster relief provided in the 1999 Omnibus Consolidated and Emergency Supplemental Appropriations Act an additional

$2.8 billion in income-support payments, above the 1996 Farm Bill authorized level of $5.6 billion. In addition, the Federal Government continues to provide other safety-net protections, such as the marketing assistance loans that guarantee a minimum price for major commodities, that paid producers $1.7 in 1998 and will pay them an estimated $2 billion in 1999.

Insurance: USDA helps farmers manage their risks by providing subsidized crop insurance, delivered through the private sector, which shares the insurance risk with the Federal Government. Farmers pay no premiums for coverage against catastrophic production losses, and the Government subsidizes their premiums for higher levels of coverage. Over the past three years, an average 65 percent of eligible acres have been insured, with USDA targeting an average indemnity payout of $1.08 for every $1 in premium, down from the historical average indemnity of $1.40 for every $1 in premium. Crop insurance costs the Federal Government about $1.5 billion a year, including USDA payments to private companies for delivery of Federal crop insurance.

Early in 1999, as part of the $5.9 billion in emergency disaster relief, the President signed into law over $2 billion in supplemental crop insurance payments in response to severe crop losses in 1998. Payments also were made to uninsured farmers, but with the requirement that those farmers purchase insurance in the 1999 and 2000 crop years. Consequently, crop insurance participation, and therefore subsidy costs, are expected to increase in these years, with the percentage of eligible acres insured rising toward 70 percent. USDA also continues to develop crop insurance policies on new crops and expand several insurance products that mitigate revenue risk—price and production risk combined. These revenue insurance pilots have shown that farmers generally want these types of products, and USDA will continue to expand their application and availability.

Trade: The trade surplus for U.S. agriculture declined by about 10 percent in 1998 to $16.6 billion, after experiencing faster growth in recent decades than any other sector of the economy. USDA's international programs helped to shape that growth, and cushion the drop in foreign demand. The Foreign Agriculture Service's efforts to negotiate, implement, and enforce trade agreements play a large role in creating a strong market for exports.

In 2000, USDA will:

- take action to overcome 700, or 15 percent, more trade barriers than in 1999; and
- generate 6,000 trade leads for U.S. agricultural export sales, an increase of 20 percent.

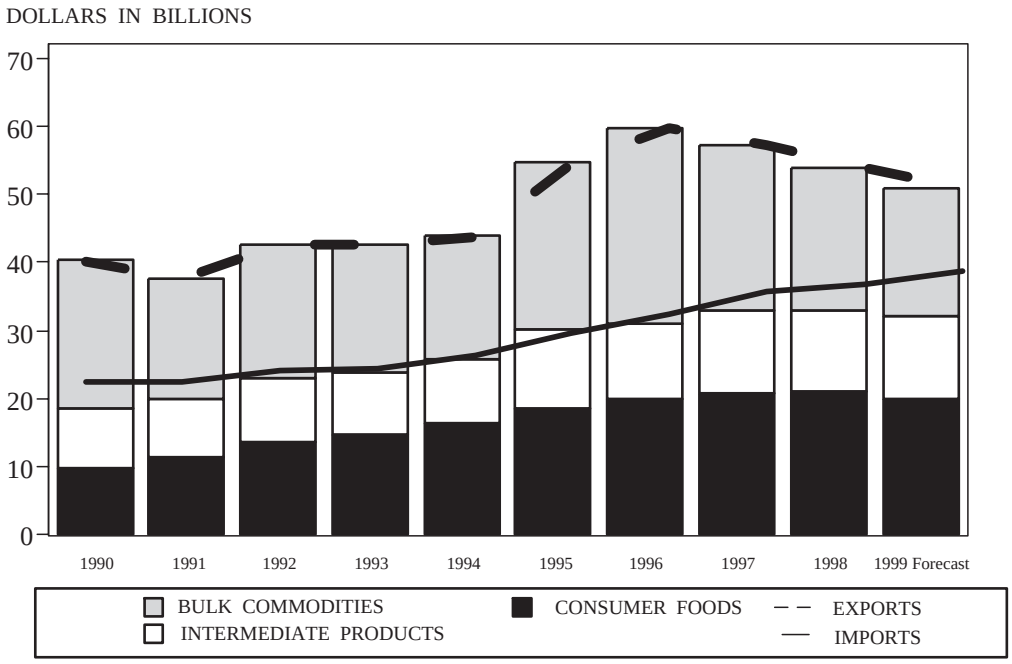
USDA is authorized to spend over $1 billion in 2000 on export activities, ($3.5 billion will be spent in 1999), including subsidies to U.S. firms facing unfairly-subsidized overseas competitors, and loan guarantees to foreign buyers of U.S. farm products. USDA also helps firms overcome technical requirements, trade laws, and customs and processes that often discourage the smaller, less experienced firms from taking advantage of export opportunities. USDA outreach and exporter assistance activities help U.S. companies address these problems and enter export markets for the first time.

USDA programs also help U.S. firms, especially smaller-sized ones, export more aggressively, and high-value products now account for more than half of export value even as total U.S. farm exports have been declining recently (see Chart 18-2). By participating in the Market Assistance Program (MAP) or USDA-organized trade shows, firms can more easily export different products to new locations on their own. Small and medium-sized firm recipients (those with annual sales of under $1 million) now represent 94 percent of the MAP branded-promotion spending, up from 70 percent in 1996, and USDA expects to raise that figure to 100 percent in 1999.

In 2000, USDA will:

- assist 2,000 U.S. firms to establish export activities and oversee marketing distribution channels; and
- increase the percentage of new firms that the MAP supports in establishing marketing and distribution channels by eight percent, to 70 firms for a total of 1,700 participants.

Chart 18-2. U.S. AGRICULTURAL EXPORT PROFILE AND TRADE SURPLUS



Notes: High-value products now make up over 50 percent of total exports.
Trade surplus was at $21.5 billion in 1997.

Agricultural Research: The Federal Government spends approximately $1.8 billion a year to support agricultural research and enhance U.S. and global agricultural productivity. The average annual return to publicly-funded agricultural research exceeds 35 percent, according to recent academic estimates.

The Agricultural Research Service (ARS) is USDA's in-house research agency, addressing a broad range of food, farm, and environmental issues. It puts a high priority on transferring its research findings to the private sector.

In 2000, ARS expects to:

- submit 70 new patent applications;
- participate in 90 new Cooperative Research and Development Agreements;
- license 30 new products; and
- develop 70 new plant varieties to release to industry for further development and marketing.

The Cooperative State Research, Education, and Extension Service provides grants for agricultural, food, and environmental research; higher education; and extension activities. The National Research Initiative competitive research grant program, launched in 1990 on the recommendation of the National Research Council, works to improve the quality and increase the quantity of USDA and private sector farm, food, and environmental research. In addition, the Agricultural Research, Extension, and Education Reform Act of 1998 authorized $120 million annually in mandatory funds for certain priority research, although appropriations action blocked these funds for 1999.

Economic Research and Statistics: The Federal Government spends about $155 million to improve U.S. agricultural competitiveness by reporting and analyzing economic information. The Economic Research Service provides economic and other social science information and analysis for decision-making on agriculture, food, natural resources, and rural de-

velopment policy. The National Agricultural Statistics Service (NASS) provides estimates of production, supply, price, and other aspects of the farm economy, providing information that helps ensure efficient markets.

- In 2000, NASS will include over 95 percent of national agricultural production in its annual commodities reports, up from 92 percent in 1997.

Inspection and Market Regulation: The Federal Government spends a half-billion dollars a year to secure U.S. cropland from pests and diseases and make U.S. crops more marketable. In addition, USDA's Food Safety and Inspection Service reduces the risk that U.S. meat and poultry products will threaten consumers' health (see Chapter 23, "Health"). The Animal and Plant Health Inspection Service (APHIS) inspects agricultural products that enter the country; controls and eradicates diseases and infestations; helps control damage to livestock and crops from animals; and monitors plant and animal health and welfare. The Agricultural Marketing Service (AMS) and the Grain Inspection, Packers, and Stockyards Administration help market U.S. farm products in domestic and global markets, ensure fair trading practices, and promote a competitive, efficient marketplace.

In 2000, APHIS will:

- make about 83 million inspections of incoming passengers (mainly from airlines) to prevent the entry of illegal plants and animals that could endanger U.S. agriculture, a slight increase over estimated 1999 levels;
- make about 72,000 interceptions of pests (an interception may involve more than one pest specimen) that could endanger U.S. agriculture, about the same as 1999;
- clear most international air passengers through its inspection process in 30 minutes or less, a 20-percent improvement over 1997 rates; and
- clear 65 percent of passengers crossing U.S. land borders in non-peak traffic periods in 20 minutes or less on the northern border, and 30 minutes or less on the southern border.

In 2000, AMS will:

- contine a microbiological surveillance program on domestic and imported fruits and vegetables as part of the President's Food Safety Initiative; and
- perform about 55,000 analyses on 13 different commodities, collecting 9,000 samples to measure pesticide residues, an increase from the estimated 1999 activities of about 50,000 analyses, 13 commodities, about 8,200 samples.

Conservation: The 1996 Farm Bill was the most conservation-oriented farm bill in history, enabling USDA to provide incentives to farmers and ranchers to protect the natural resource base of U.S. agriculture. Farmers can now use crop rotations, which earlier price support programs had severely limited. Also, the bill created several new programs. The Environmental Quality Incentives Program (EQIP), with $200 million in annual spending (and another $100 million proposed for 2000) provides cost-share and incentive payments to encourage farmers to adopt new and improved farming practices or technology, and reduce the environmental impact of livestock operations. Farmers may use different nutrient management or pest protection approaches, with USDA offering financial assistance to offset some of the risk. Another new 1996 Farm Bill program was the Farmland Protection Program (FPP). The U.S. loses more than two acres of farmland to development every minute. The FPP provides cost-share funds for agricultural easements to State, local, and tribal governments to preserve farmland and prevent its conversion to other uses.

USDA's conservation programs give technical and financial help to farmers and communities. They include the Conservation and Wetlands Reserve Programs, which remove land from farm uses; and the Conservation Operations program, which provides technical assistance.

In 2000, USDA will:

- increase the number of acres enrolled each year for riparian buffers and filter strips to 3.5 million, from an estimated 2.4 million acres in 1999;
- increase the number of locally led resource plans developed through EQIP to 400 in 2000, up from 200 in 1999, and

- protect approximately 130,000 productive farmland acres through the FPP from being permanently lost to development.

For more information on conservation, and USDA's investments in public land management, see Chapter 17, "Natural Resources and Environment." USDA programs also help to maintain vital rural communities, as described in Chapter 21, "Community and Regional Development."

Agricultural Credit: USDA provides about $600 million a year in direct loans and over $2.5 billion in guaranteed loans to finance farm operating expenses and farmland purchases. Direct loans, which carry interest rates at or below those on Treasury securities, are targeted to beginning or socially disadvantaged farmers who cannot secure private credit.

In 2000, USDA will:

- increase the proportion of loans targeted to beginning and socially-disadvantaged farmers to 16 percent, from an estimated 14 percent in 1999 and 11 percent in 1997; and
- reduce the delinquency rate on farm loans to 15 percent, from an estimated 17 percent in 1999 and 18 percent in 1998.

The Farm Credit System and Farmer Mac—both Government-Sponsored Enterprises—enhance the supply of farm credit through ties to national and global credit markets. The Farm Credit System (which lends directly to farmers) has recovered strongly from its financial problems of the 1980s, in part through Federal help. Farmer Mac increases the liquidity of commercial banks and the Farm Credit System by purchasing agricultural loans for resale as bundled securities. In 1996, Congress gave the institution authority to pool loans as well as more years to attain required capital standards, which Farmer Mac has now achieved.

Personnel, Infrastructure, and the Regulatory Burden: USDA administers its many farm programs through 2,500 county offices with over 17,000 staff. The 1996 Farm Bill significantly cut USDA's workload, prompting the Department to re-examine its staff-intensive field office-based infrastructure. In 1999, USDA will: (1) plan to implement recommendations of a study to find ways to operate more efficiently; (2) continue an Administration initiative to scrap duplicative and unnecessary regulations and paperwork; and (3) continue to upgrade its computer systems to streamline its collection of information from farmers and better disseminate information across USDA agencies.

In 2000, USDA will:

- merge the headquarters and State office administrative support staffs for its field office agencies (Farm Services Agency, Natural Resources Conservation Service, Rural Development), consistent with the recommendations of the 1998 consultant's report, to reorganize by business process instead of by agency, to provide more efficient and coordinated support services. Administrative support functions of the county-based agencies will be merged into a single account under the Executive Director of the new Support Services Bureau.

19. COMMERCE AND HOUSING CREDIT

Table 19–1. FEDERAL RESOURCES IN SUPPORT OF COMMERCE AND HOUSING CREDIT
(In millions of dollars)

Function 370	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	3,128	3,704	5,369	3,343	2,863	2,902	2,941
Mandatory Outlays:							
Existing law	–2,160	–3,058	1,179	4,054	6,224	6,563	7,024
Proposed legislation	.....	.....	–86	–95	–103	–112	–123
Credit Activity:							
Direct loan disbursements	1,944	1,749	1,571	N/A	N/A	N/A	N/A
Guaranteed loans	256,139	233,210	250,891	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	219,320	227,555	236,210	245,090	254,415	261,795	268,275
Proposed legislation	.....	–52	–1,306	–2,190	–2,016	–1,804	–1,783

N/A = Not available

The Federal Government facilitates commerce and supports housing in a range of ways. It provides direct loans and loan guarantees to ease access to mortgage and commercial credit; sponsors private enterprises that support the secondary market for home mortgages; regulates private credit intermediaries, especially depository institutions; protects investors when insured depository institutions fail; promotes exports and technology; collects our Nation's statistics; and offers tax incentives. (The Government also provides subsidies for low-income housing through programs classified in the Income Security function.)

Mortgage Credit

The Government provides loans and loan guarantees to increase homeownership, and to help low-income families afford suitable apartments. Housing credit programs of the Departments of Housing and Urban Development (HUD), Agriculture (USDA), and Veterans Affairs (VA) supported $150 billion in loan and loan guarantee commitments in 1998, helping more than 1.7 million households (see Table 19–2). All of these programs have contributed to the success of the President's National Homeownership Initiative which, along with a strong economy, has helped boost the national homeownership rate to 66.8 percent—its highest ever.

- In 2000, the national homeownership rate will be 67.5 percent.

HUD's Mutual Mortgage Insurance (MMI) Fund: The MMI Fund, run by the Federal Housing Administration (FHA), helps increase access to single-family mortgage credit in both urban and rural areas. In 1998, the MMI Fund guaranteed over $90 billion in mortgages for over one million households. Nearly three-fourths of such mortgages went to first-time homebuyers.

- The FHA/MMI fund will continue to remain solvent and self-sustaining.
- In 2000 the share of FHA mortgage insurance for first-time homebuyers will increase by one percent a year over 1995 levels to 73.3 percent in 2000.

USDA's Rural Housing Service (RHS): RHS offers direct and guaranteed loans and grants to help very low- to moderate-income

Table 19–2. SELECTED FEDERAL COMMERCE AND HOUSING CREDIT PROGRAMS: CREDIT PROGRAMS PORTFOLIO CHARACTERISTICS

(Dollar amounts in millions)

	Dollar volume of direct loans/ guarantees written in 1998	Numbers of housing units/small business financed by loans/ guarantees written in 1998	Dollar volume of total outstanding loans/guarantees as of the end of 1998
Mortgage Credit:			
HUD/FHA Mutual Mortgage Insurance Fund	90,518	1,025,024	380,338
HUD/FHA General Insurance and Special Risk Insurance Fund	15,074	277,011	89,287
USDA/RHS single-family loans	3,830	56,617	23,626
USDA/RHS multifamily loans	218	9,628	11,902
VA guaranteed loans	39,862	368,791	169,006
Subtotal, Mortgage Credit	149,502	1,737,071	674,159
SBA Guaranteed Loans	11,524	45,019	33,695
Total Assistance	**161,026**	**1,782,090**	**707,854**

rural residents buy and maintain adequate, affordable housing. The single family direct loan program provides subsidized loans to very low-income rural residents, while the single family guarantee loan program guarantees up to 90 percent of a private loan for moderate-income rural residents. Together, the two programs provided $3.8 billion in loans and loan guarantees in 1998, providing 56,617 decent, safe affordable homes for rural Americans.

- In 2000, RHS will further reduce the number of rural residents living in substandard housing by providing $4.3 billion in loans and loan guarantees for 50,500 new or improved homes.

Veterans' Affairs (VA): VA recognizes the service that veterans and active duty personnel provide to the Nation by helping them buy and retain homes. The Government partially guarantees the loans from private lenders, providing $40 billion in loan guarantees in 1998. One of VA's key goals is to improve loan servicing to avoid veteran foreclosures.

- In 2000, VA will be successful in intervening to help veterans avoid foreclosure 41 percent of the time, from the 1998 level of 37 percent. (See Chapter 27 for more information.)

Ginnie Mae: Congress created Ginnie Mae in 1968 to support the secondary market for FHA, VA, and USDA mortgages through securitization. To date, Ginnie Mae has helped over 20 million low- and moderate-income families buy homes.

- In 2000, Ginnie Mae will continue to securitize 95 percent of FHA and VA loans, enhancing mortgage market efficiency and lowering financing costs for home buyers.

Rental Housing

The Federal Government provides housing assistance through a number of HUD and USDA programs in the Income Security function. HUD's rental programs provided subsidies for over 4.8 million very-low-income households in 1998. In addition, USDA's RHS rental assistance grants to low-income rural households provided $547 million to support 39,000 new and existing rental units in 1998. For 2000, agencies will meet the following performance goals:

- RHS will make new and continued rental assistance commitments to fund 44,400 new and existing units.
- Increase the percentage of Section 8 families with children living in low-poverty census tracts from 61 percent in 1998 to 63 percent.

Public Housing and Other Assisted Housing Programs

The Federal Government funds capital and management improvements of public housing authorities across the country. The Government also funds programs supporting the housing needs of particular populations, such as the elderly and disabled.

- Demolish over 13,000 public housing units to move toward the Administration's goal of demolishing 100,000 of the worst public housing units by 2003.
- Help 3,000 low-income, frail elderly live as independently as possible by financing conversion of conventional subsidized apartments to assisted living.

Housing Tax Incentives

The Government provides significant support for housing through tax preferences. The two largest tax benefits are the mortgage interest deduction for owner-occupied homes (which will cost the Government $55.1 billion in 2000) and the deductibility of State and local property tax on owner-occupied homes (costing $19.5 billion in 2000).

Other tax provisions also encourage investment in housing: (1) capital gains of up to $500,000 on home sales are exempt from taxes (costing $98 billion from 2000 to 2004); (2) States and localities can issue tax-exempt mortgage revenue bonds, whose proceeds subsidize purchases by first-time, low- and moderate-income home buyers (costing $1 billion in 2000); and (3) installment sales provisions let some real estate sellers defer taxes. Finally, the low-income housing tax credit provides incentives for constructing or renovating rental housing that helps low-income tenants (costing about $3.3 billion in 2000). The President reproposes to raise the volume cap on the low-income housing tax credit, and further proposes to provide permanent authorization for 15,000 new housing vouchers for extremely low-income elderly linked to Low-Income Housing Tax Credit properties.

Commerce, Technology, and International Trade

Technology Policy: The Commerce Department promotes the development of technology and advocates sound technology policies. Commerce's Patent and Trademark Office (PTO) protects U.S. intellectual property rights around the world through bilateral and multilateral negotiation, and through its domestic patent and trademark system.

- In 2000, PTO will issue over 154,000 patents, reduce the average processing time for inventions from the 1999 average of 10.9 months to an average of 10.2 months, and attain a 70 percent customer satisfaction measure.
- In 2000, PTO will reduce the average time required for processing trademark applications from the 1999 average of 15.5 months to an average of 13.8 months, and attain an 80 percent customer satisfaction measure.

Commerce's National Institute of Standards and Technology (NIST): NIST works with industry to develop and apply technology, measurements, and standards. NIST administers the Manufacturing Extension Partnership (MEP), which makes technological information and expertise available to smaller manufacturers.

- In 2000, NIST laboratories will produce over 2,100 technical publications and offer 1,330 standard reference materials.
- In 2000, MEP will serve 36,250 clients, increasing their sales by $591 million and generating $459 million in additional capital investment.

The International Trade Administration (ITA): ITA strives to promote an improved trade posture for U.S. industry and develop the export potential of U.S. firms in a manner consistent with U.S. foreign and economic policy.

- In 2000, ITA will provide counseling assistance to 14,000 small businesses, an increase of 3,500 over 1999 efforts.

- In 2000, ITA's Advocacy Center will support $10.5 billion in exports $500 million more than 1999.

Commerce's Bureau of Export Administration (BXA): The BXA is a regulatory agency that enforces U.S. export controls.

- In 2000, BXA will issue 10,400 licenses for dual use commodities (military or civilian use), 400 more than in 1999.

Commerce's Census Bureau and Bureau of Economic Analysis (BEA): The Census Bureau collects, tabulates, and distributes a wide variety of statistical information about Americans and the economy, including the constitutionally-mandated decennial census. In addition, BEA prepares and interprets U.S. economic accounts, including the Gross Domestic Product (GDP).

- In 2000, the Census Bureau will conduct a decennial census. The goal is to count 99.9 percent of the population, thus reducing the 1990 undercount of 1.6 percent to 0.1 percent.

Small Business Administration (SBA): SBA assists and promotes small business by expanding access to capital through guaranteed private sector loans that carry longer terms and lower interest rates than those for which small businesses would otherwise qualify. SBA guaranteed over $11.5 billion in small business loans in 1998.

- In 2000, SBA will work to increase the number of small businesses receiving counseling and training to 1.3 million, an eight percent increase over the estimated 1999 level.
- SBA will guarantee 63,000 new Sec. 7(a) and Sec. 504 business loans in 2000, a 13 percent increase over the projected 1999 volume of 55,600.
- Following authorization in 2000, America's Private Investment Companies and the New Market Ventures Capital programs will commit a combined $1.1 billion to private venture capital firms, which the firms will leverage with private-sector captial to make $1.7 billion in total business investments in low- and moderate-income areas.

Financial Regulation

Federal Deposit Insurance: Federal deposit insurance protects depositors against losses when insured commercial banks, thrifts (savings institutions), and credit unions fail. From 1985 to 1995, this insurance protected depositors in over 1,400 failed banks and 1,100 thrifts, with total deposits of over $700 billion. Five agencies regulate federally-insured depository institutions to ensure their safety and soundness: the Office of the Comptroller of the Currency regulates national banks; the Office of Thrift Supervision regulates thrifts; the Federal Reserve regulates State-chartered banks that are Federal Reserve members; the Federal Deposit Insurance Corporation (FDIC) regulates other State-chartered banks; and the National Credit Union Administration (NCUA) regulates credit unions.

- In calendar 2000, the FDIC will perform 2,928 safety and soundness examinations.
- In calendar 2000, the NCUA will reduce by seven percent (from 372 to 346) the number of federally insured credit unions with net capital of less than six percent.

SEC and CFTC: The Securities and Exchange Commission (SEC) oversees U.S. capital markets and regulates the securities industry. The Commodity Futures Trading Commission (CFTC) regulates U.S. futures and options markets. Both regulators protect investors by preventing fraud and abuse in U.S. capital markets and ensuring adequate disclosure of information.

- The SEC will examine every investment company complex and every investment advisor at least once during each five-year examination cycle.
- The CFTC will review every designation application and rule change request, except for stock index futures (which require SEC approval) within 10 to 45 days and respond to trading exchanges (e.g., Chicago Board of Trade) with an approval or deficiency letter.

Federal Trade Commission (FTC)

The FTC enforces various consumer protection and antitrust laws that prohibit fraud, deception, anticompetitive mergers, and other

unfair and anticompetitive business practices in the marketplace.

- In 2000, the FTC will save consumers $200 million by stopping fraud and other unfair practices, and another $200 million by stopping anticompetitive behavior.

Federal Communications Commission (FCC)

The FCC works to encourage competition in communications and to promote and support every American's access to telecommunications services. Through introduction of more efficient licensing and authorization processes, the FCC will ensure a more rapid introduction of new services and technologies. The FCC's policy and rulemaking process promotes a deregulatory, pro-competitive environment, ensures efficient spectrum use, and sets guidelines for equipment and services so that all Americans have access to telecommunications services.

- In 2000, the FCC will achieve 90 percent of enforcement, licensing and service authorization activities within established deadlines.

Commerce Tax Incentives

The tax law provides incentives to encourage business investment. It taxes capital gains at a lower rate than other income. This will cost the Government $496 billion in 2000. In addition, the law does not tax gains on inherited capital assets that accrue during the lifetime of the original owner. This will cost $27.1 billion from 2000 to 2004. The law also provides more generous depreciation allowances for machinery, equipment, and buildings. Other tax provisions benefit small firms generally, including the graduated corporate income tax rates, preferential capital gains tax treatment for small corporation stock, and write-offs of certain investments. Credit unions, small insurance companies, and insurance companies owned by certain tax-exempt organizations also enjoy tax preferences. Tax benefits for other kinds of businesses are described in other chapters in Section VI.

20. TRANSPORTATION

Table 20–1. FEDERAL RESOURCES IN SUPPORT OF TRANSPORTATION
(In millions of dollars)

Function 400	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	16,005	13,330	13,518	14,159	14,709	15,333	15,844
Mandatory Outlays:							
Existing law	2,063	2,071	2,404	2,034	1,424	1,890	1,844
Proposed legislation	.....	.....	12	12	13	14	14
Credit Activity:							
Direct loan disbursements	151	756	900	N/A	N/A	N/A	N/A
Guaranteed loans	686	120	120	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,645	1,690	1,740	1,810	1,895	1,985	2,070

N/A = Not available

America's transportation system consists of public and private systems financed by Federal, State, and local governments, and the private sector. Our intermodal transportation network is vital to America's standard of living—transportation becomes a part of almost every good and service produced in the economy, and the mobility it provides is an essential ingredient of daily life. The economy grows and works best when there are few impediments to goods and people getting where they must—thus an economy that works for all Americans depends on a transportation system that is efficient, reliable, and accessible. Above all, however, safety is our foremost goal. The Federal Government spends about $50 billion a year on transportation, meeting these challenges today and into the 21st Century.

Transportation Equity Act for the 21st Century

A significant portion of Federal investment in transportation infrastructure is for highways, transit, and highway safety programs. On June 9, 1998, the President signed the Transportation Equity Act for the 21st Century (TEA–21), which authorizes a total of $218 billion for these surface transportation programs from 1998–2003. In addition to providing for increased infrastructure investment, TEA–21 strengthens transportation safety programs and environmental programs, establishes a welfare to work transit initiative, and continues core research activities. TEA–21 also creates two new budget categories designed to "guarantee" funding for these programs for the first time in history. These categories prevent the expenditure of funds on programs other than highways, transit, and highway safety. Of the total amount of funding authorized by TEA–21, $162 billion is provided within the Highway Category Guarantee and $36 billion is within the Transit Category Guarantee. The remaining $20 billion is not guaranteed. The budget provides $28.1 billion and $5.8 billion for these two categories, respectively.

Safe Operations

The Federal Government works with State and local governments and private groups to minimize the safety risks inherent in transportation. It regulates motor vehicle design and operation, inspects commercial vehicles, educates the public regarding safety,

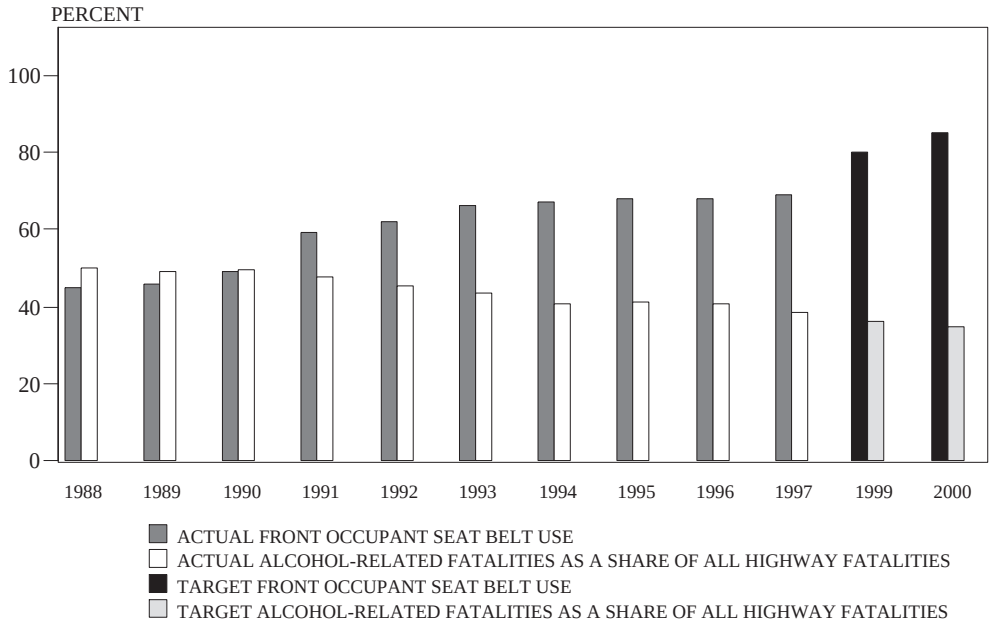
directs air and waterway traffic, rescues mariners in danger, monitors railroad safety and conducts safety research.

A range of Federal activities work to reduce the number of deaths and injuries from highway crashes, which number about 42,000 and over three million a year, respectively. Federal programs reach out to State and local partners, industry and health care professionals to identify the causes of crashes and develop new strategies to reduce deaths, injuries, and the resulting medical costs. These partnerships yield results—in 1997 the Nation's safety belt use reached an all-time high of 69 percent. A particularly senseless tragedy—alcohol related highway fatalities—reached a new low in 1997, at 38.6 percent of all highway deaths. Along with coordinating such national traffic safety efforts, the National Highway Traffic Safety Administration (NHTSA) regulates the design of motor vehicles, investigates reported safety defects, and distributes traffic safety grants to States. The budget proposes $404 million for NHTSA, a 12-percent increase over 1999, and fully supports NHTSA's impaired driving programs, along with a new initiative that focuses on drinking and driving by high risk groups including 21 to 34-year-olds, repeat offenders with high blood alcohol content, and youthful drivers (see Chart 20–1).

In partnership with the highway community, the Federal Highway Administration (FHWA) works to identify top roadway safety issues and countermeasures. In 2000, efforts will focus on run-off-road and pedestrian/bicycle crashes, since these safety problems contributed 36 percent and 15 percent respectively of total highway fatalities in 1997. In 2000 safety construction programs will contribute $565 million to correct unsafe roadway design and remove roadway hazards.

The FHWA's National Motor Carriers program, for which the budget proposes $105 million in 2000, develops uniform standards that improve motor vehicle and driver safety, helps coordinate law enforcement activities, and aligns interstate trucking safety require-

Chart 20-1. INCREASING SEAT BELT USE AND DECLINING ALCOHOL-RELATED FATALITIES



ments. The program maintains national uniform driver testing requirements as well as information systems that prevent unsafe operators from registering vehicles. The program also provides grants to States to enforce Federal and compatible State standards for commercial motor vehicle safety inspections, traffic enforcement, and compliance reviews. The Department of Transportation seeks to:

- Reduce the rate of highway-related fatalities per 100 million vehicle miles traveled (VMT) from 1.7 in 1996 to 1.5 in 2000; and reduce the rate of injuries from 141 in 1996 to 124 per 100 million VMT in 2000.

Perhaps the Federal Government's most visible transportation safety function involves air traffic control and air navigational systems. The Federal Aviation Administration (FAA) handles about two flights a second, moving 1.5 million passengers each day. Through its regulatory and certification authorities, the FAA also promotes aviation safety. In 2000, the FAA will perform nearly 320,000 safety related inspections. To meet safety needs, the Administration plans to spend $8.4 billion on FAA operations and capital modernization, 10 percent more than in 1999. In 2000, the FAA seeks to:

- Reduce the fatal aviation accident rate for commercial air carriers from a 1994–1996 baseline of 0.037 fatal accidents per 100,000 flight hours. The 2000 target is 0.033 per 100,000—with the reduction to be achieved in six key areas outlined in the agency's Safer Skies Agenda.

The Federal Government also plays a key safety role on our waterways. The Coast Guard operates radio distress systems, guides vessels through busy ports, operates reliable and safe navigation systems, regulates vessel design and operation, enforces U.S. and international safety standards, provides boating safety grants to States, and supports a 35,000-member voluntary auxiliary that provides safety education and assists regular Coast Guard units. The Coast Guard is recognized as the world leader in maritime search and rescue, maintaining and operating a fleet of cutters, boats, and aircraft that saved over 4,000 lives in 1998 alone. The budget proposes $3.3 billion for Coast Guard operations and capital. The Coast Guard seeks to:

- Reduce the number of recreational boating fatalities from a 1997 baseline of 819 fatalities. The 2000 target is at or below 720 fatalities.
- Continue to save at least 93 percent of all mariners reported in imminent danger.

The Federal railroad safety program, for which the budget proposes $132 million in 2000, works in partnership with the rail industry. The Safety Assurance and Compliance program brings together rail labor, management and the Federal Government to determine root causes of safety problems. This partnership has produced results: from 1994 to 1997, the railroad-related fatality rate, on-the-job casualty rate, and train crash rate fell by 19, 53, and eight percent respectively. The Federal Railroad Administration seeks to:

- Reduce the rate of rail-related crashes from a 1995 baseline of 3.91 per million train-miles to 3.32 or less in 2000; and to reduce the rate of rail-related fatalities from a 1995 baseline of 1.71 per million train miles to 1.54 or less in 2000.

Similarly, the Federal pipeline safety program has implemented several risk management projects to improve the targeting and effectiveness of regulations while reducing or minimizing their costs. The Federal Government also develops regulations and standards for hazardous materials shipping, and enforces those standards for every mode of transportation. DOT seeks to:

- Reduce the number of serious hazardous materials incidents in transportation to 411 or fewer in 2000, from a peak of 464 in 1996.

Infrastructure and Efficiency Investment

America has about four million miles of roads, 580,000 bridges, over 180,000 miles of railroad track, 5,400 public-use airports, 6,000 transit systems, 350 ports and harbors and 25,000 miles of commercially-navigable waterways. This extensive, intermodal network is essential to the Nation's commerce, and enhancing its efficiency advances economic

growth as well as international competitiveness.

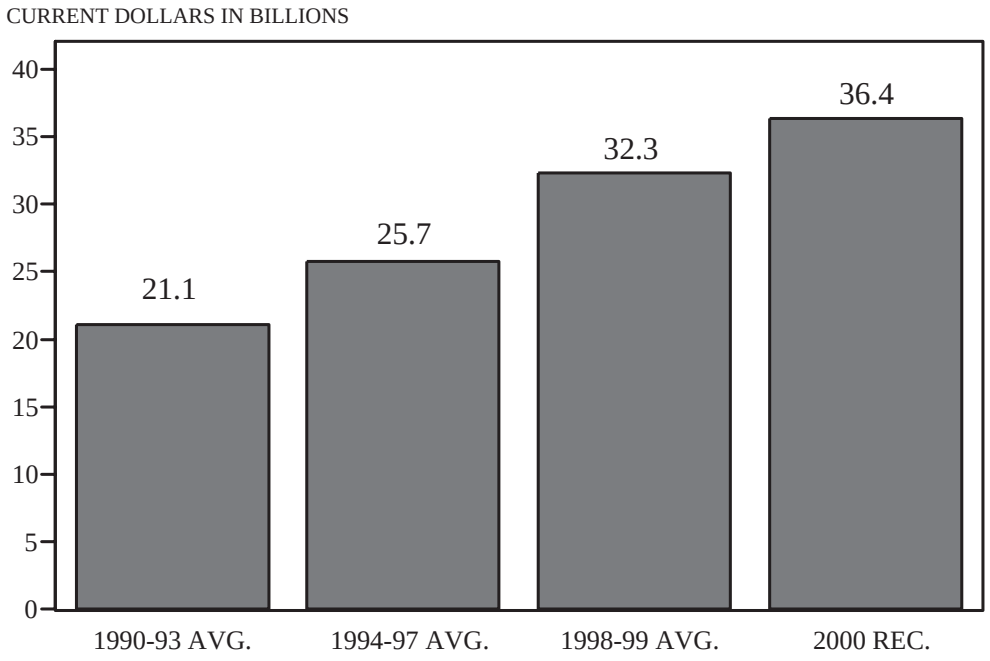
The Federal Government helped develop large parts of the system, with funding mainly through user fees and transportation taxes. Total Federal investment represents about half of total public investment—that is, $29 billion of the $61 billion of Federal, State, and local spending on transportation infrastructure in 1995. Investment is targeted to maintain and improve the condition of the existing system while at the same time advancing safety, quality, efficiency, and the intermodal character of transportation infrastructure. In 2000, Federal transportation infrastructure investment would rise to $36.4 billion, an increase of $1.3 billion or about four percent over 1999 (see Chart 20–2).

Innovative Financing: In the past six years, this Administration has taken innovative steps to sustain or accelerate fiscally responsible investment. Under the State Infrastructure Banks (SIB) program, eligible States can deposit certain Federal funds to assist surface transportation projects. So far, States have capitalized $526 million in federal funds in SIBs, and the banks have signed loan agreements to assist 41 projects.

Under the new Transportation Infrastructure Finance and Innovation Act (TIFIA), direct loans, loan guarantees, and standby lines of credit are provided to fill market gaps and encourage substantial private co-investment for infrastructure of critical importance, such as intermodal facilities, border crossing infrastructure, and expansion of multi-State highway trade corridors. With funding of $81 million in 2000, this program has the potential to leverage up to $1.8 billion in credit for major project investment.

Highways and Bridges: About 957,098 miles of roads and all bridges are eligible for Federal support, including the National Highway System and Federal lands roads. In 2000, the Federal Government plans to spend $28 billion to maintain and expand these roads with funding from motor fuels taxes, mainly the gasoline tax. The Federal gas tax is 18.4

Chart 20-2. INCREASING INVESTMENT IN AMERICA'S FUTURE: FEDERAL FUNDING OF PUBLIC-USE TRANSPORTATION INFRASTRUCTURE



cents per gallon, of which 15.4 cents goes to the Highway Trust Fund's highway account, to finance formula grants to States for highway-related repair and improvement.

State and local governments provide 56 percent of total highway and bridge infrastructure spending, most of which they generate through their own fuel and vehicle taxes. The average State gasoline tax was 19.9 cents per gallon in 1997. State and local governments accelerate their infrastructure projects through debt financing, such as bonds and revolving loan funds. The Federal Highway Administration will work with State and local governments to:

- Increase the percentage of miles on the National Highway System (NHS) that meet pavement performance standards for acceptable ride quality—from 90.4 percent in 1996 to 91.8 percent in 2000.
- Reduce delays on Federal-aid highways from 9.2 hours of delay per 1,000 vehicle miles traveled in 1996 to 9.0 in 2000.
- Reduce the percentage of bridges on the NHS that are deficient—from 23.4 percent in 1997 to 22.5 percent in 2000.

Transit: As with highways, the Federal Government partners with State and local governments to improve mass transit. Of the Federal motor fuels tax, 2.85 cents a gallon goes to the Highway Trust Fund's Mass Transit Account, which funds transit grants to States and urban and rural areas. Federal capital grants comprise about half of the total spent each year to maintain and expand the Nation's 6,000 bus, rail, trolley, van, and ferry systems. Together, States and localities invest over $3 billion a year on transit infrastructure and equipment.

In 2000, the Federal Government plans to spend $5.6 billion on transit infrastructure, an eight-percent increase over 1999. The Federal role is especially important to finance capital-intensive urban bus and rail transit systems, as well as rural bus and van networks. Millions of Americans use transit for their daily commute, easing roadway congestion and reducing air pollution. Many riders depend on public transportation due to age, disability, or income. Transit can also provide economic opportunity—the Job Access and Reverse Commute program will help to provide transportation services in urban, suburban and rural areas to assist welfare recipients and low income individuals reach employment opportunities. The Federal Transit Administration seeks to:

- Increase transit ridership from 39 billion passenger miles traveled in 1996 to 40.56 in 2000.

Passenger Rail: The Federal Government will invest $571 million in 2000 to support the Nation's passenger rail system's capital improvements and equipment maintenance. The combination of Federal and private sector investment in Northeast Corridor will show results in 2000, with the beginning of high-speed rail service between Boston and New York which is estimated to reduce trip times by 35 percent. The Federal Railroad Administration, through capital funding, seeks to:

- Increase Amtrak's intercity ridership from 20.2 million passengers per year in 1996 to a record level of 24.7 million or more in 2000.

Aviation and Airports: The Federal Government seeks to ensure that the aviation system is safe, reliable, accessible, integrated, and flexible. In 2000, spending will continue the modernization of FAA air traffic control equipment, including upgrades to controller workstations that will improve reliability and capacity for future growth. Investments also include automation tools to optimally sequence aircraft, and planning to coordinate the flow of air traffic into major hubs. In addition, about 3,300 airports throughout the country are eligible for the Airport Improvement Program, which funds projects that enhance capacity, safety, security, and noise mitigation. These funds augment other airport funding sources, such as bond proceeds, State and local grants, and passenger facility charges. With 98 percent of the population living within 20 miles of one of these airports, most citizens have excellent access to air transportation. The Federal Aviation Administration seeks to:

- Reduce the rate of air travel delays by 5.5 percent from a 1992–1996 baseline of 181 delays per 100,000 activities to 171 in 2000. To accomplish this, the FAA seeks a 20 percent reduction in volume and

equipment related delays which cause about one quarter of all air travel delays.

Maritime Transportation: For our Nation's commercial shipping infrastructure, Federal loan guarantees make it easier to build and renovate vessels, while the Coast Guard establishes and operates radio and visual aids-to-navigation infrastructure that enables the safe movement of shipping. Port development is left largely to State and local authorities, which have invested over $16 billion in infrastructure improvements over the past 50 years. The Maritime Administration seeks to:

- Attain a stable U.S. commercial shipbuilding orderbook of 520,000 gross tons by 2000.

Research and Technology

The Federal Government has an integral role in developing transportation technology. Federal research helps build stronger roads and bridges, design safer cars, reduce human error in operations, and improve the efficiency of existing infrastructure. In 2000, the Federal Government will spend over $1.2 billion on transportation research and technology, 40 percent more than in 1999.

The DOT Joint Program Office's Intelligent Transportation Systems (ITS) program is developing and deploying technologies to help States and localities improve traffic flow and safety on streets and highways. ITS provides a cost-effective way to improve the management of our infrastructure, boosting efficiency and capacity. The private sector, which works closely with the ITS program, will deploy many of the technologies developed jointly with Federal funding.

The FAA's research, engineering, and development programs help improve safety, security, capacity, and efficiency in the National Airspace System. For example, the development of the advanced traffic management system and the demonstration of user preferred routing and navigation procedures will improve not only safety but the air system capacity and efficiency. In 2000, the budget includes work on improved modeling of airspace capacity; improved weather forecast processing, reporting, and use; and air travel delay forecasting/management technology. Other FAA research will focus on the causes of human error; aircraft safety and fire protection methods; quieter engines and reduced aircraft emissions; and security and explosives detection systems.

The National Aeronautics and Space Administration's (NASA) Aeronautical Research and Technology Program funds partnerships with industry that may revolutionize the next generation of planes, making them safer, faster, more efficient, and more compatible with the environment.

Using technology, the Federal Government seeks to balance new physical capacity with the operational efficiency and safety of the Nation's existing transportation infrastructure. With this goal in mind, we will:

- Increase the number of metropolitan areas with integrated ITS infrastructure from 34 in 1997 to 50 in 2000.

DOT, NASA, the Defense Department, and private industry will work together on research to reduce the fatal aviation accident rate by a factor of five in 10 years. Research will focus on preventing equipment malfunctions, reducing human error, and ensuring the separation between aircraft and potential hazards.

Regulation of Transportation

Federal rules greatly influence transportation. In the past two decades, economic deregulation of the domestic railroad, airline, and interstate and intrastate trucking industries has reduced costs for consumers and shippers, while improving service.

The Federal Government also issues regulations that spur safer, cleaner transportation. The regulations—of cars, trucks, ships, trains, and airplanes—have substantially cut the number of transportation-related deaths and injuries, improved the safe handling of hazardous materials shipments, and helped reduce the number of oil spills.

Where regulations are used to meet our transportation safety, security, and environmental goals, the government aims for rulemakings that are cost-effective and make common sense. For example, in establishing security standards for passenger vessels and

associated terminals, the Coast Guard listened to public comment and tailored the rulemaking to be consistent with international standards while giving operators the flexibility to customize their plans and choice of equipment.

Tax Expenditures

For the most part, employees do not pay income taxes on what their employers pay for parking and transit passes. These tax expenditures will cost the Government an estimated $1.7 billion for 2000. To finance infrastructure, State and local governments issue tax-exempt bonds. The Federal costs in lost revenues are included in the calculations for Function 450, "Community and Regional Development," and Function 800, "General Government."

21. COMMUNITY AND REGIONAL DEVELOPMENT

Table 21–1. FEDERAL RESOURCES IN SUPPORT OF COMMUNITY AND REGIONAL DEVELOPMENT
(In millions of dollars)

Function 450	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	10,263	8,884	8,902	8,902	8,902	8,902	8,902
Mandatory Outlays:							
Existing law	–407	–477	–602	–701	–734	–761	–815
Proposed legislation	.....	.....	29	116	194	223	231
Credit Activity:							
Direct loan disbursements	1,502	2,402	2,085	N/A	N/A	N/A	N/A
Guaranteed loans	1,427	2,165	3,144	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	1,150	1,275	1,365	1,290	1,210	1,090	1,080
Proposed legislation	.....	.....	12	195	376	465	543

N/A = Not available

Federal support for community and regional development helps build the Nation's economy, and helps economically distressed urban and rural communities secure a larger share of America's prosperity. The Federal Government spends over $10 billion a year, and offers about $1.4 billion in tax incentives to help States and localities create jobs and economic opportunity, and build infrastructure to support commercial and industrial development.

Federal programs have stabilized and revitalized many of these communities allowing them to expand their economic base and support their citizens, particularly those in need. Communities hard hit by natural disasters receive Federal assistance to rebuild infrastructure, businesses, and homes. States and localities also use these Federal funds to leverage private resources for their community revitalization strategies.

Department of Housing and Urban Development (HUD)

HUD provides communities with funds to promote commercial and industrial development, enhance infrastructure, and develop strategies for providing affordable housing close to jobs.

Community Development Block Grants (CDBG) provide funds for various community development activities directed primarily at low-and moderate-income persons. CDBG funds go to improving housing, public works and services, promoting economic development, and acquiring or clearing land. Seventy percent of CDBG funds go to over 950 central cities and urban counties, and the remaining 30 percent go to States to award to smaller localities. The Indian CDBG program focuses mainly on public infrastructure, community facilities, and economic development.

HUD's HOME program (which is described in the Income Security function) supports construction of new housing, rehabilitation of existing homes, acquisition of standard housing, assistance to home buyers, and assistance for tenant-based rental.

The 2000 goals for the CDBG and HOME programs include:

- Increasing the number of CDBG grantees who incorporate milestones with timetables in Consolidated Plans that can help demonstrate progress in improving locally defined conditions in their neighborhoods and communities;
- Developing a standardized HUD assessment of consolidated plans;
- Assisting 108,000 households and assisting 95,000 newly constructed units of affordable housing through HOME, helping to increase to 72 percent the number of worst case housing need households receiving Federal assistance;
- Providing housing assistance to almost 210,000 households though the CDBG program.

By the end of 2000, HUD will establish baseline measures against which to judge the contributions these programs make to community development and affordable housing.

Empowerment Zones (EZs) provide tax incentives and grants to carry out 10-year, community-wide strategic plans to revitalize designated areas. In 1994, the Administration designated nine EZs, two Supplemental EZs (which were designated full EZs in 1998) and 95 Empowerment Communities (ECs). These original EZs and related ECs have begun leveraging private investment, expanding affordable housing and homeownership opportunities, and helping create jobs. In December 1998, the Administration selected 15 new urban Zones and five new rural Zones (administered by the Agriculture Department) from more than 268 distressed areas that applied for new designations. These Zones, along with the 20 new rural ECs were selected in January 1999, and will begin implementing their comprehensive strategies to redevelop their areas.

The 2000 goals for the EZ and EC program include:

- Increase to 95 percent the share of urban EZs and ECs that show satisfactory progress toward locally defined benchmarks, as measured by the tracking system.

Department of Commerce

The Economic Development Administration (EDA) provides assistance to communities to help build capacity and address long-term economic challenges through its nationwide program delivery network. EDA's public works grants help build or expand public facilities to stimulate industrial and commercial growth, such as industrial parks, business incubators, access roads, water and sewer lines, and port and terminal developments. EDA, working with State and local governments and the private sector, has completed a total of 8,570 projects, creating or retaining over 783,000 private sector jobs, invested over $4.9 billion in grants, and generated over $49.5 billion in private investment. Between 1992 and 1998, EDA awarded 1,208 public works grants, totaling $1.2 billion, to economically distressed communities to build these types of infrastructure projects.

EDA's revolving loan fund (RLF) program enhances communities' capacity to invest in locally identified commercial development that creates jobs. Since 1976, when the RLF program was implemented, EDA has provided initial capital for over 550 local RLFs.

These funds have made more than 7,200 loans to private businesses and have leveraged more than $1.9 billion in private capital that upon repayment has tended to stay in the community for re-lending and further economic development activity.

The 2000 goals for EDA include:

- Creation or retention of a total of 66,753 jobs.

Department of the Treasury

The Community Development Financial Institutions (CDFI) Fund seeks to promote economic revitalization and community development in distressed areas by increasing the availability of capital and leveraging private sector funds. The CDFI Fund provides financial and technical assistance to a diverse set of specialized, private, for-profit and non-profit financial institutions known as community development financial institutions. CDFIs

have a primary mission of community development and include community development banks, credit unions, loan funds, venture capital funds, and microenterprise loan funds.

The 2000 goals for the CDFI Fund include:

- Increasing the diversity of CDFIs that receive assistance so that all 50 States have at least one CDFI awardee; and
- Increasing the number of CDFIs that receive assistance to 135 from an estimated 125 in 1999.

Department of Agriculture (USDA)

USDA gives financial assistance to rural communities and businesses to boost employment and further diversify the rural economy. The Rural Community Advancement Program's grants, loans, and loan guarantees help build rural community facilities, such as health clinics and day care centers, and create or expand rural businesses. USDA also provides loans through the Intermediary Relending Program (IRP), which provides funds to an intermediary such as a State or local government that, in turn, provides funds for economic and community development projects in rural areas.

The 2000 goals for these USDA programs include:

- Creating 100,000 new jobs, compared to 82,000 in 1998, through the Business and Industry loans, IRP, and community facilities programs.

Department of the Interior

The Interior Department's Bureau of Indian Affairs (BIA) helps Tribes manage and generate revenues from mineral, agricultural and forestry resources. BIA also promotes Tribal and individual self-sufficiency by developing Tribal resources and obtaining capital investments. The Department of the Interior (DOI) is partnering with the Department of Commerce, the Small Business Administration and Tribal governments to fulfill the Administration's directive to develop a strategic plan and coordinate existing public and private sector economic development initiatives. BIA and the Department of Justice seek to lower crime rates on the 56 million acres of Indian lands that are held in trust for tribes by DOI, through the expansion of its joint law enforcement initiative begun in 1998. BIA maintains over 7,000 buildings, including 185 schools and 3,000 housing units; over 100 high-hazard dams; and (with the Transportation Department and State and local governments) about 50,000 miles of roads and 745 bridges. Finally the Department will strengthen its trust services program by facilitating more prudent land management and maintaining about 150 Tribal resource management plans, projects, co-management programs, and fishing access sites; supporting 15 irrigation projects; managing 46 million acres for farming and grazing; completing the first phase of a comprehensive environmental audit; and funding 20 water rights negotiation teams.

The 2000 goals for DOI include:

- Generating nearly $60 million in federally-guaranteed commercial loans on reservations. These loans, supported by a $5 million appropriation, will foster growth and development in Indian country;
- Reducing crime rates on Indian lands by increasing the number of police officers from 1.3 per 1,000 citizens, which is currently just over half the national average;
- Replacing at least two of BIA's oldest, most dilapidated schools, making major improvements and repairs to additional schools (including a joint demonstration project with the Department of Energy utilizing energy-efficient construction materials), and about 430 minor improvement projects. In addition, BIA will provide financial assitance to Tribes for participating in the Administration's school modernization initiative; and
- Obtaining about $250 million in timber sales revenue by helping Tribes manage 16 million acres of forest land.

Tennessee Valley Authority (TVA)

TVA operates integrated navigation, flood control, water supply, and recreation programs. Along with TVA's electric power program, these programs contribute to the economic prosperity of the seven-State region it serves. In 2000, TVA plans to pay for most of these programs in a new way,

using proceeds from the agency's $6.8 billion power program, user fees and sources other than appropriations. The budget proposes appropriations of $7 million for TVA to manage the Land Between The Lakes National Recreation Area.

The 2000 goals for TVA include:

- Maximizing the number of days the Tennessee River is open to commercial navigation from Knoxville, Tennessee to Paducah, Kentucky, with a 2000 performance target of full availability 93 percent of the time; and
- Minimizing flood damage by operating the river system with flood control as a priority, and maintaining a 2000 target of 80 percent of flood storage availability.

Appalachian Regional Commission (ARC)

ARC targets its resources to highly distressed areas, focusing on critical development issues on a regional scale, and making strategic investments that encourage other Federal, State, local and private participation and dollars. From 1988 to 1996, Appalachian employment grew at the national rate of 10.6 percent.

The 2000 goals for ARC include:

- 5,000 people will retain or get jobs;
- 18,000 households will have access to new or improved water, sewerage and waste management systems;
- 7,000 people will benefit from business development services; and
- 140 physicians will be placed in the region's health professional shortage areas to provide another 700,000 patient office visits a year.

Disaster Relief and Insurance

The Federal Government provides financial help to cover a large share of the Nation's losses from natural disasters. Over the last five years, the two major Federal disaster assistance programs—the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund and the Small Business Administration's (SBA) Disaster Loan program—have provided over $24.9 billion in emergency assistance. The Federal Government shares the costs with States for infrastructure rebuilding; makes disaster loans on uninsured losses to individuals and businesses; and provides grants for emergency needs and housing assistance, unemployment assistance, and crisis counseling.

In addition to its post disaster response activities, FEMA is working to establish 100 "disaster resistant communities" in each State by the end of 1999. In exchange for offering the only source of flood insurance available to property owners, participating communities must mitigate future losses by adopting and enforcing floodplain management measures that protect lives and new construction from flooding. FEMA is also modernizing its inventory of floodplain maps, and will be taking measures to mitigate properties experiencing repetitive flood damages.

The 2000 goals for FEMA include:

- Processing disaster declarations within eight days, making 50 percent of funding for emergency work projects available to States within 30 days of application approval, making 80 percent of public assistance funding determination within an average of 180 days, and closing 90 percent of disasters in the Public Assistance Program within two years of the declaration date; and
- increasing the number of flood insurance policies in force by five percent per year, on average.

The 2000 goals for the SBA Disaster Loan Program include:

- Increasing the number of disaster loan applications processed within 21 days of receipt from 77 percent in 1998 to 80 percent; and
- Establishing an effective field presence (being able to accept disaster loan applications) within three days of a disaster, for 98 percent of declared events.

Tax Expenditures

The Federal Government provides tax incentives to encourage community and regional development activities, including: (1) tax-exempt bonds for airports, docks, high-speed rail facilities, and sports and convention facilities (costing $3.6 billion from 2000 to 2004); (2) tax incentives for qualifying businesses in economically distressed areas that qualify as Empowerment Zones—including an employer wage credit, higher up-front deductions for investments in equipment, tax-exempt financing, and accelerated depreciation—as well as capital gains preferences for certain investments in the District of Columbia and incentives for first-time buyers of a principal residence in the District (costing $1.9 billion over the five years); (3) a 10-percent investment tax credit for rehabilitating buildings that were built before 1936 for non-residential purposes (costing $150 million over the five years); (4) tax exemptions for qualifying mutual and cooperative telephone and electric companies (costing $135 million over the five years); and (5) up-front deductions of environmental remediation costs at qualified sites (costing $135 million over the five years).

22. EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Table 22–1. FEDERAL RESOURCES IN SUPPORT OF EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
(In millions of dollars)

Function 500	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	46,700	46,595	52,138	54,152	54,160	54,108	54,025
Mandatory Outlays:							
Existing law	12,418	14,031	14,876	13,905	13,090	15,113	16,088
Proposed legislation	.....	–9	–1,716	–101	–342	–636	–397
Credit Activity:							
Direct loan disbursements	12,145	16,118	16,015	N/A	N/A	N/A	N/A
Guaranteed loans	21,966	23,171	24,557	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	29,885	37,580	40,035	42,025	43,975	45,885	49,035
Proposed legislation	.....	165	1,577	3,656	2,674	2,527	2,550

N/A = Not available

A wide variety of Federal programs assist States and localities in providing essential education, training, employment and social services. These programs educate young people; offer training and employment services to all Americans, especially the low-skilled and jobless; assist youth and adults to overcome financial barriers to postsecondary education and training; provide essential assistance to poor Americans; and work with employers and employees to maintain safe and stable workplaces.

The Government spends over $65 billion a year on: grants to States and localities; grants, loans, and scholarships to individuals; direct Federal program administration; and subsidies leveraging nearly $41 billion in loans to individuals. It also allocates about $42 billion a year in tax incentives for individuals.

Education Department

Elementary and Secondary Education: Federal spending for elementary and secondary education targets important national needs, such as equal opportunity and the use of challenging academic standards to improve student achievement. Most low-performing children in high priority schools receive extra educational assistance through Title I-Education for the Disadvantaged. Other programs provide related support for children with disabilities and limited English proficient children; support teacher and administrator training; help finance and encourage State, school, and system reforms; help reduce class size; and support research and technical assistance. The Administration's long-term goal is to help all children, especially low-income and minority children, make steady educational achievement gains over time.

The Federal focus began to change in 1994 from supporting individual programs to emphasizing school-wide and school system reforms, through the President's Goals 2000 Educate America Act and his Improving America's Schools Act, of which Title I is a part. These laws support State and local standards-based reform efforts and speed the expansion of the use of technology in education

to help raise learning gains. These new approaches freed States and schools from unnecessary Federal process restrictions, providing greater flexibility while requiring more accountability for results. Early results show that the new approaches are having a significant impact: for example, in the 1997–98 school year, all but one State had content standards in at least reading and math. About seven percent of schools based reading and math curricula on challenging academic standards, and 17 States had tests tied to challenging academic standards. Before Goals 2000, only a handful of States had challenging academic standards and tests in place. Minority students have made substantial gains in science, math, and reading since the 1970s, narrowing the gap between minority and Caucasian student achievement by about a third.

Title I: Citing Title I, as well as Head Start and child nutrition programs, a 1994 RAND study found that "the most plausible" way to explain big education gains of low-income and minority children in the past 30 years is "some combination of increased public investment in education and social programs and changed social policies aimed at equalizing educational opportunities." The budget provides $8.78 billion for Title I including $8 billion for grants to local education agencies.

As described in Chapter 3, "Investing in Education and Training," the 1994 reauthorization of Title I set in motion a series of new requirements on States for improving educational results for disadvantaged children, as a condition for receipt of Title I funds. Implementation has been uneven. For 2000, the Administration proposes a stronger emphasis on accountability for improved education results in Title I, financed with $200 million for a new Accountability Fund and will reinforce this approach with its 1999 reauthorization proposal for the Elementary and Secondary Education Act. States and districts will identify their worst performing schools (establishing a baseline for measurement), and take specific actions to improve those schools, while providing immediate extra educational assistance to the children in those schools.

- In 2000, Title I grants to school districts will provide educational services to over 12 million students in high poverty communities, 500,000 more children than in 1999.

The National Assessment of Education Progress (NAEP) will continue to be one of the data bases that indicates whether Title I is helping students catch up with their more advantaged peers. NAEP measures progress toward achieving the goal that rising percentages of all students will meet or exceed basic, proficient, and advanced performance levels in national and State assessments of reading, math, and other core subjects, and the goal that students in high-poverty schools will show improvement gains comparable to those for all students.

Improving Accountability: The budget provides $200 million to help accelerate States' implementation of accountability provisions in the Title I program.

- In 2000, States will identify their lowest performing schools, begin intervening with effective strategies to improve student outcomes, and begin periodic reporting on their results.

21st Century Community Learning Centers/Ending Social Promotion: The budget proposes to triple this program to $600 million, as part of a comprehensive approach to fix failing schools and help end social promotion the way successful schools do it—without harming the children. School districts will have a competitive advantage for these new funds if they combine before and after school and summer school programs with other resources that support State and school commitments to high educational standards, more qualified teachers, smaller classes that enhance learning, and accept accountability for increased student achievement.

- In 2000, 7,500 schools will receive 21st Century Community Learning Center grants. Most of these districts will have made commitments to use these funds as part of a comprehensive effort to improve learning in low performing schools. In future years, grantees will report their progress and receive continuation grants if they meet program terms.

America Reads: A student's most basic skill to master is reading. Although reading problems are particularly severe for disadvantaged students, students with reading difficulties represent a cross-section of American children. In 1994, only 30 percent of 4th graders scored at the proficient level in reading on NAEP, while only 59 percent scored at basic level. In 1998, the President launched the America Reads Challenge to provide extra help to meet the goal that every child will read well and independently by the end of the third grade, and obtained enactment of new legislation that will begin funding local programs on July 1, 1999. The budget provides $286 million for America Reads.

- In 2000, America Reads will continue to help increase the percentages of fourth-graders who meet basic, proficient, and advanced levels in reading on the 4th grade NAEP (administered in 1998 and every two years thereafter).
- By 2002, 68 percent of fourth grade public school students will score at or above the basic level of proficiency on the NAEP.

Education Technology: The Administration's education technology programs serve to make modern computers and technologies accessible to all students; connect classrooms to one another and to the outside world; make high-quality educational software an integral part of the curriculum; and enable teachers to effectively integrate technology into their instruction. The budget provides $801 million for education technology.

- The percentage of public schools with access to the Internet will increase to 95 percent by 2000, compared to 65 percent in 1996.
- In Fall 1996, 20 percent of public school teachers used advanced telecommunications for teaching. In 1994, 40 percent of the fourth graders and 17 percent of the eighth graders had teachers reporting use of computers to teach reading. In 1996, about 75 percent of fourth grade students and 46 percent of eighth grade students had teachers reporting use of computers for math instruction. In 2000, a higher percentage of teachers will integrate high-quality technology-based instruction into their curriculum.

Special Education: Under the Individuals with Disabilities Education Act (IDEA), the Education Department works with States to ensure that children with disabilities benefit from the Act's requirement for a "free appropriate public education" and are part of all accountability systems. As of July 1, 1998, all States were required to have performance goals and strategies in place for children with disabilities aged three to 21, and will report their progress toward meeting those goals on a biennial basis. The budget provides $5.45 billion for IDEA.

- In 2000, all States will include children with disabilities in State and district-wide regular assessments or provide alternate assessments to measure educational performance.

Bilingual Education: Federal funds help children and adults learn English while progressing in school, and help States train teachers to educate individuals who are limited English proficient. The budget provides $415 million for Bilingual Education with special emphasis on expanding teacher training.

- In 1999, Federal funds supported the training of 4,000 teachers. In 2000, funds will support training of 6,000 teachers to specialize in teaching limited English-proficient children.

Class Size Reduction: The budget proposes $4.1 billion, an increase of $200 million over 1999, as the second installment of the President's plan to help schools recruit, hire, and train 100,000 new teachers by 2005 and reduce class size in the early grades.

- States will annually reduce the average class size in grades one through three so that by 2005, the average class size nationally in the targeted grades is 18 students per classroom. In 1993–94, the average number of students in a grade one to three classroom was 22.

Public School Choice: The budget includes several initiatives to expand the availability of choice in public schools, including funding for private sector and school partnerships to create "Worksite Schools" in the more inte-

grated setting of the workplace, and funding for inter-district Magnet Schools. The largest public school choice program is Charter Schools.

Charter schools introduce innovation and choice into public schools. In 1992, there was one charter school in operation, funded locally. In 1998, approximately 1,000 charter schools are operating around the nation, of which about 950 received Federal funding. The budget provides $130 million for charter schools.

- In 2000, nearly 2,000 charter schools will be operating, continuing progress toward the President's goal of 3,000 charter schools by 2002.

Safe and Drug-Free Schools and Communities: Since 1993, this program has provided a total of $3.7 billion to help 97 percent of all school districts implement anti-drug and anti-violence programs. The budget proposes $591 million, including $90 million in competitive grants for projects that use proven program designs in high-need areas; $50 million for the newly established School Drug Prevention Coordinators program to ensure that half of all middle schools have a director of drug and violence prevention programs to monitor local programs and link school-based programs to community-based programs; and $12 million for SERVE, a resource for responding to school violence incidents. In 1997, rates of alcohol use in schools were five percent for 8th graders and eight percent for 10th and 12th graders; 1997 rates of marijuana use in school were five percent, 11 percent and 10 percent for eighth, 10th and 12th graders respectively.

- By 2001, rates of annual alcohol use in schools will decline to four percent for eighth graders and seven percent for 10th and 12th graders; rates of annual marijuana use in school for the same time period will decline to three percent, 10 percent and nine percent for eighth, 10th, and 12th graders respectively.

Title VI Education Block Grant: This program provides general resources for education. It does not have clear, measurable goals and is not designed in law to produce specific results in terms of student achievement gains. Evaluations of the program show that school districts generally use the funds for routine activities that do not necessarily improve teaching and learning. As a result, the budget eliminates funding for this program in order to support other programs, such as Title I, for which there are stronger indicators of results in terms of student achievement gains.

Postsecondary Education: The economic returns to a college education are dramatic. Males working full time who are over 25 years old and have at least a bachelor's degree earned 89 percent more in 1993 than comparable workers with just a high school degree. Moreover, the benefits of college extend beyond the college graduates themselves. The resulting higher socioeconomic status of parents with college degrees leads to greater educational achievement by their children.

Since the GI Bill was enacted following World War II, the Federal Government has played a growing role in helping Americans go to college. From 1964 to 1993, Federal postsecondary programs have helped nearly triple college enrollment, increasing by a third the share of high school graduates who attended college, and raise college enrollment rates for minority high school graduates by nearly two-thirds.

- In 2000, the Education Department will provide financial aid to an estimated nine million students.

Hope Scholarships and Lifetime Learning Tax Credits: These tax benefits for postsecondary education were proposed by President Clinton in 1996 and enacted in 1997. They have helped make college more affordable for many American families.

- In 2000, 5.5 million students will receive over $4 billion in Hope tax credits, and 7.2 million students will receive almost $3 billion in Lifetime Learning tax credits.

College Completion Challenge Grants: This initiative will award $35 million in 2000 to colleges that submit high quality applications demonstrating how they will close the difference in the rates at which disadvantaged and other students complete college. Grants will be used to strengthen counseling, mentoring and related services, increase grant aid, or help finance summer programs. The gap between the persistence rates of low-income and

at-risk students receiving services under this program and of students who do not receive need-based aid will decrease at school receiving grants.

Pell Grants: When President Clinton took office in 1993, the Pell Grant maximum award was $2,300—the same as it was when President Bush took office in 1989. Over the next five years, from 1994 to 1999, the maximum award increased 36 percent to $3,125. Currently 76 percent of Pell Grant funds go to students below 150 percent of the poverty level. The budget provides $7.5 billion for Pell Grants.

- An estimated 3.9 million needy students will receive Pell Grants in 2000, for which the budget proposes a maximum award of $3,250, an increase of $125 over 1999.

Work-Study: The Work-Study program helps needy undergraduate and graduate students finance postsecondary education through part-time employment. In 1996, the President set a goal of supporting one million work-study students each year by 2000. The budget includes $934 million, an increase of $64 million over 1999.

- In 2000, Work-Study will add 56,000 students and reach the President's goal of supporting one million students.

GEAR-UP: The budget proposes doubling funding for GEAR-UP, the early intervention program based on the President's High Hopes proposal, to $240 million in 2000. GEAR-UP provides funds for States and local partnerships to help students in high-poverty schools prepare for and attend college.

- Program participants will successfully complete college preparatory curricula at higher rates than comparable non-participants.
- Program participants will enroll in postsecondary education programs at higher rates than comparable non-participants.

Initial data should be available in 2001.

Teacher Quality: A new teacher recruitment program will provide grants to partnerships of high-need school districts and institutions of higher education to provide scholarships to college students who commit to teaching in high-poverty communities upon graduation. The President proposes $115 million for teacher quality enhancement grants, including $35 million for teacher recruitment in 2000.

- In districts with grantees, the percentage of individuals who teach in low-income communities who satisfy all State licensure requirements will increase each year. Baseline data will be collected in 2000.

Modernization of the Student Aid Delivery System: The Education Department manages the delivery of student aid benefits to nearly nine million students in approximately 6,200 postsecondary schools, and oversees the direct and guaranteed loan systems affecting 37 million individuals, 4,100 lenders, and 36 guarantee agencies. The Department has made modernization of student financial aid management one of its highest priorities. Through the Higher Education Amendments of 1998, the Administration and Congress authorized the Department to establish the Government's first ever Performance-Based Organization (PBO). This new organization will have unprecedented flexibility in procurement, operations and management of Federal student financial assistance programs. Major parts of the effort include improving customer service at lower cost through better contracting practices and using new information technology. For example, students can now apply for student financial aid electronically and access their direct student loan information over the Internet. The PBO is one of the Vice President's High Impact Agencies (see Section IV, "Improving Performance Through Better Management"). Among its goals are:

- By October 2000, increase the annual number of students applying for Federal aid electronically to three million, up from 1.9 million in 1997 and 2.3 million in 1998.
- By October 2000, enable students and families applying for Federal aid electronically to have their eligibility determined in four days, cutting in half the current processing time;
- By December 1999, make the Department's website the most comprehensive and efficient source of information on Federal student aid and program require-

ments, reducing hard copies of materials that now must be printed and mailed by at least a third;

- By July 2000, test a multi-year promissory note for student loans to streamline application procedures, minimize delays in receiving funds, and provide better consumer information for borrowers; and
- By December 1999, establish, with its partners in the financial aid community, mutually agreed upon industry-wide standards for data exchanges needed in administering student aid.

Student Loan Defaults: In recent years, the Education Department has made great progress in reducing defaults and increasing collections from defaulters. The national student loan cohort default rate used for institutional eligibility dropped for the sixth straight year to 9.6 percent for 1996, down from 10.4 percent for 1995 and from 22.4 percent in 1990. This dramatic reduction is due, in large part, to the Education Department's improved institutional oversight that has led to the removal of 1700 schools from all student aid programs and 300 additional schools from only the loan programs. In addition, the department has implemented rigorous recertification standards for institutions to participate in the student aid programs. As a result, it has rejected about a third of initial applications to participate in the student aid programs over the last three years—twice the rate in 1990.

- In 2000, the default rate will remain below 10 percent.

Student Aid Income Verification: In 1999, in accordance with the Higher Education Amendments of 1998, the Secretary of Education and the Secretary of Treasury will begin development of methods by which Education can reduce fraud and improve eligibility determinations through access to IRS data. In addition, the 2000 budget proposes a new debt collection initiative through use of the New Hire Data Base (in HHS) that will increase collections by approximately $1 billion over five years.

Direct Loan Consolidations: By relying more on performance-based contracting, the Education Department is ensuring the availability of this option to borrowers in repayment to consolidate multiple loans into single loans at lower interest rates and with greatly reduced paperwork. The Department is also improving the loan consolidation process by improving the accuracy of its data, strengthening managerial controls through better tracking and reporting, increasing the number and expertise of consolidation contractor staff, and speeding up the loan certification process. As a result of new procedures, the department now averages just under 60 days to complete a loan consolidation application.

- In 2000, the average time to complete a loan consolidation application will continue to be no more than 60 days.
- In 2000, surveys of borrowers will show that the majority of applicants for loan consolidation are highly satisfied with the timeliness and accuracy of the loan consolidation process. In 1998, 60 percent of applicants were highly satisfied.

Adult Education: Federal adult education programs assist adults to become literate and obtain the knowledge and skills necessary to attain employment and self-sufficiency, to be better parents, and to complete their secondary education. The new Adult Education and Family Literacy Act places a strong emphasis on performance and accountability, and States must now establish annual performance targets for the educational achievement of participating adults. States that meet or exceed their targets in adult education and other Federal workforce development programs are eligible to receive special incentive grants. The budget proposes $575 million for adult education, an increase of $190 million over 1999.

- By 2000, 40 percent of the adults in beginning level adult basic education, adult secondary education, and English as a second language (ESL) programs will achieve basic skill proficiency, earn a diploma or General Educational Development (GED) credential, or achieve basic English proficiency. In 1998, 28 percent of the adults in basic education, 38 percent of those in secondary education, and 27 percent of those in ESL programs achieved basic skill proficiency, earned a diploma or GED, or achieved basic English proficiency.

- By 2000, 300,000 participating adults will enroll in further academic education and/or vocational training compared with 175,000 in 1998. Also by 2000, 300,000 participating adults will get a job or retain or advance in their current job, compared with 268,000 in 1998.

Vocational Rehabilitation Services: The Vocational Rehabilitation program provides funds to States to help individuals with disabilities prepare for and obtain gainful employment. In 1997, the program helped to rehabilitate 211,520 individuals with disabilities. The program has not had consistent performance goals and measures of progress. The budget includes $2.7 billion for Vocational Rehabilitation. Starting in 1999, as a result of the program's reauthorization in 1998, all States will develop challenging State-specific goals based on a comprehensive assessment of the vocational rehabilitation needs of individuals with disabilities in the State, describe the strategies it will use to address those needs, and report on progress made towards those goals. State agencies will begin reporting progress toward achieving those goals in 2000.

- In 2000, about 750,000 individuals will be served, approximately the same number as in 1999.

Labor Department

Elementary, secondary, and postsecondary investments enable Americans to acquire the skills to get good jobs in an increasingly competitive global economy. In addition, most workers acquire more skills on the job or through billions of dollars that employers spend each year to enhance worker skills and productivity. However, some workers also need special, targeted assistance. In addition to Pell Grants, student loans, and tax credits, the Federal Government spends nearly $7 billion a year through Department of Labor (DOL) programs that finance job training and related services. Workers who want to learn about job openings can use the State Employment Service and One-Stop Career Center System and DOL's popular America's Job Bank (AJB) website, which lists over 900,000 job vacancies every day and has over six million job searches each month.

The Workforce Investment Act (WIA) of 1998: The WIA takes full effect on July 1, 2000 as the Job Training Partnership Act is repealed and all States will be implementing the requirements of the WIA. The WIA reflects the principles the President sought in his GI Bill for America's Workers proposal including: the streamlining of services; empowering individuals with the information and resources they need to choose the training that is right for them; providing universal access to a core set of employment services such as job search assistance; increasing accountability; ensuring a strong role for the private sector and the local boards who develop and over-see programs; facilitating State and local flexibility; and improving the quality of youth job training services.

DOL has launched several longitudinal evaluations of its job training programs over the past two decades, including major impact evaluations of the Job Corps and Dislocated Worker Assistance programs. Past studies have found mixed, but generally positive results.

While impact evaluations are the best measure of program effectiveness, DOL also sets annual performance goals for its major job training programs. Performance goals for 2000 will continue to emphasize placement in unsubsidized employment, employment retention, and earnings levels.

Reemployment Services: This budget includes funding for new initiatives to ensure that (1) every displaced worker would receive training he or she want and need; (2) every person who lost his or her job due to no fault of his or her own could get the re-employment services; and (3) every American would have access to One-Stop Career Centers.

WIA's Dislocated Worker Employment and Training Activities: This program will provide training and employment services to about 840,000 displaced workers in 2000. The budget proposes $1.6 billion for dislocated workers, an increase of $190 million over 1999.

- In 2000, about 74 percent of those who receive services will be working three months after leaving the program, earning an average hourly wage that represents

93 percent of the wage in their previous job.

Employment Service/One-Stop Career Centers: The Employment Service provides a free labor exchange for all workers and job seekers, and is growing more effective through implementation of One-Stop Career Centers. The budget proposes $1.048 billion for these activities.

- In 2000, continue to expand the One-Stop Career Center System to include 60 percent of all local employment service and WIA offices, compared to 16 percent in 1997, and to increase the number of employers listing jobs with the American Job Bank (AJB) website by 19 percent over the 1998 level while expanding the basic One-Stop concept. The new concept for 2000 will include access through a toll-free number, access to AJB for the blind, mobile One-Stops, and on-line job information made available at Community-Based Organizations.

Work Incentive Assistance Grants: In order to enhance the prospects of employment for individuals with disabilities, the budget includes $50 million for competitive grants to partnerships or consortia in each State to provide new services and information sources for people with disabilities who want to return to work. These partnerships would work with the One-Stop system to augment its capabilities to provide timely and accurate information that people with disabilities need to get jobs and to learn about the benefits available to them when they return to work. In addition, the partnerships would help improve local service delivery by coordinating the various State and local agencies and disability organizations which help ensure persons with disabilities are prepared to enter or reenter the workforce. Performance goals and measures will be developed with the grantees.

WIA's Adult Employment and Training Activities: This program currently helps about 380,000 low-income individuals get training, support services, and job placement assistance. The budget proposes $955 million for adult programs.

- In 2000, about 64.8 percent of those who receive services will be working three months after leaving the program, with weekly earnings averaging $361.

Right Track Partnership: The budget includes $100 million for this new initiative designed to prevent youth from dropping out of school and encourage those who already have to return to school and complete their high school education.

- In 2000, the Right Track Partnership program will provide grants to serve 100,000 economically disadvantaged and Limited English Proficiency youth ages 14–21. From baseline data developed for each grantee, RTP will increase the rate at which these youth reenter, complete, and excel in high school through integrated Federal, State, local, public and private sector efforts.

Youth Opportunity Grants: The Youth Opportunity Grants initiative addresses the special problems of out-of-school youth, especially in inner-cities and other areas where unemployment rates are high. The budget provides $250 million for this program.

- The Department will develop with each successful applicant a goal for a substantial increase in the rate of employment for youth in the program area, as well as improvement in the rate at which participants return to high school, go on to college, receive vocational training that leads to a good job, or go in to the military.

Job Corps: The Corps provides skill training, academic and social education, and support services in a structured, residential setting to approximately 70,000 very disadvantaged youth a year at 121 centers:

- In 2000, about 85 percent of graduates will get jobs or pursue further education. This compares with 75 percent in 1999. In addition, 70 percent of those students will still have a job or will be pursuing education 90 days after their initial placement date.

School-to-Work: All States are implementing school-to-work systems, using the five-year Federal venture capital grants to devise new collaborations between schools and the private sector. By June 1997, over 805,000 students

in 2,200 high schools throughout the nation, as well as 200,000 employers, participated in School-to-Work systems.

- In 2000, the final year of school-to-work funding, all States will have completed the portion of their Statewide systems financed with Federal funds. Two million youth will be actively engaged in school-to-work activities, 500,000 more than in 1999, and 40 percent of high schools will offer key school-to-work components, an increase of five percent over 1999.

Workplace Protections: DOL regulates compliance with various laws that give workers certain workplace protections—a minimum wage for virtually all workers, prevailing wages and equal employment opportunity for workers on government contracts, overtime pay, restrictions on child labor, and time off for family illness or childbirth. In these areas, the Federal Government is working to increase industry's compliance with labor protections through voluntary compliance initiatives (coupled with continued strong enforcement), outreach to new and small business, and targeted enforcement in specific industries, with specific measurable goals.

- In 2000, increase compliance by five percent (compared to baseline) among employers who were previously violators and the subject of repeat investigations in targeted health care, garment, and identified agricultural commodities.

International Child Labor: The budget proposes $52 million in additional funding to continue the Administration's commitment increasing opportunity to improving work conditions for children and raising international labor standards.

- Increase the implementation of core labor standards in five countries in 2000.

Welfare-to-Work: Moving people from welfare to work is a primary goal of Federal welfare policy. In addition to the $16.5 billion per year provided through the Temporary Assistance for Needy Children Program, the President obtained $3 billion to help achieve this goal through Welfare-to-Work (WtW) grants in fiscal years 1998 and 1999. These grants provide welfare recipients with the job placement services, transitional employment, and job retention and support services they need to achieve economic self-sufficiency. The budget includes $1 billion to extend WtW in 2000.

- In 2000, an estimated 56 percent of participants will be placed in unsubsidized employment.

Department of Health and Human Services

Head Start: Head Start gives low-income children a comprehensive approach to child development, stressing language and cognitive development, health, nutrition, and social competency. Head Start is administered by the Administration for Children and Families (ACF) in the Department of Health and Human Services. ACF is one of the Vice President's High Impact Agencies (see Section IV). The 2000 budget provides $5.3 billion for Head Start, a $607 million increase over the 1999 level.

- In 2000, Head Start will serve an additional 42,000 children, for a total of 877,000 children. The Head Start program goal established by the President is to serve one million children annually by 2002.
- Within the overall total of children served, in 2000 an additional 7,000 children under age three will participate in the Early Head Start component, for a total of nearly 45,000. The President established the goal of doubling the number of children below age three served in Head Start by 2002, within the goal of one million total children.

National evaluation studies of both the regular Head Start program and the Early Head Start component are under way to increase outcomes for Head Start families, including child growth and development. Preliminary results are expected in late 1999 for the regular Head Start program and in 2001 for the early Head Start component.

Foster Care and Adoption Assistance: The Administration for Children and Families (ACF), a high impact agency (see Section IV), administers a number of programs that focus on preventing maltreatment of children, protecting children from abuse and neglect, and finding permanent placements for children who cannot safely return to their homes. The

budget proposes a $265 million initiative to support the transition from foster care to independent living in addition to the new Foster Care Medical benefits described in Chapter 3. As part of the comprehensive effort to develop performance measures for the child welfare system, ACF is developing specific performance goals for the Independent Living Program that will establish goals for increasing the proportion of children that have graduated from high school, or received a GED within one year of aging out of foster care.

- In 2000, the Foster Care, Adoption Assistance and Independent Living Programs will support over 600,000 youth monthly at an annual cost of $5.5 billion.

Aging Services Programs: The Administration on Aging (AoA) administers information and assistance, home and community-based support services for older people and support programs that protect the rights of vulnerable, at-risk older people. In 2000, the budget proposes $1 billion for AoA programs. The budget includes $125 million for a new state grant program that will assist families who are caring for frail elderly relatives. The goal of this National Family Care Giver Support Program is to help sustain the efforts of family care givers by providing information, education and counseling, and respite services. AoA will develop performance measures for activities supported through the program's formula and competitive grants. The budget includes $147 million, an increase of $35 million, 30 percent, for the Home-Delivered Meals Program.

- In 2000, AoA will increase the number of meals served under the Home-Delivered Meals Program to 146 million, compared to 119 million meals in 1996.

National Service

The Corporation for National and Community Service supports programs providing service opportunities Nation-wide for Americans of all ages and backgrounds. Through Corporation-supported projects, over 1.5 million participants work to address the Nation's unmet, critical needs. The Corporation organizes its programs into three streams of service, with various annual performance goals.

AmeriCorps: In 1999, there were 53,000 participants in AmeriCorps.

- In 2000, AmeriCorps will engage 69,000 Americans of all ages and backgrounds in community service, and provide education awards in return for such service with a goal of 100,000 participants in AmeriCorps by 2002.
- In 2000, AmeriCorps participants will recruit and organize 53,000 community volunteers to serve in elementary school reading programs.

Learn and Serve America: This program provides opportunities for students to improve their academic learning while participating in service-learning projects in schools, universities, and communities.

- In 2000, 20,000 high school students who have provided outstanding community service will receive Presidential Service Scholarships—compared with 15,000 students in 1999.

National Senior Service Corps: The Corps, comprising over 500,000 people age 55 and older, encourages seniors to use their experience, skills and talents while serving as Foster Grandparents, Senior Companions, and the Retired and Senior Volunteers.

- In 2000, Foster Grandparents and Senior Companions will serve 160,000 special needs youth and frail elderly, while 9,375 retired senior volunteers and volunteer leaders will work in furtherance of the goals of America's Promise and the America Reads Challenge.

Cultural Agencies

The Smithsonian Institution and other Cultural Agencies: The Smithsonian Institution, the National Gallery of Art, the U.S. Holocaust Memorial Museum, and the John F. Kennedy Center for the Performing Arts all have advancement of knowledge and sharing that knowledge with the American public as part of their mission. In order to accomplish their missions, each institution must maintain its physical infrastructure and provide access to its unique assets.

- In 2000, each agency will provide new and updated exhibits and performances, in-

cluding the conservation of the Star Spangled Banner in a special laboratory at the Smithsonian's National Museum of American History; the National Gallery of Art's exhibit entitled "Art Nouveau: Sources and Cities, 1890–1914"; the implementation of a state-of-the-art memorial interpretation program at the John F. Kennedy (JFK) Center; and the "Flight and Rescue" exhibit at the U.S. Holocaust Memorial Museum.

- In 2000, each agency will protect its unique assets through implementing its comprehensive plans for repair and renovation, including continuation of capital renovation at the Smithsonian's National Museum of Natural History; analysis and preliminary design work to repair or replace the National Gallery of Art's mechanical, electrical, and plumbing systems; a building-wide sprinkler system and new fire alarm system at the JFK Center; and completion of the security bollards project at the U.S. Holocaust Memorial Museum.

The National Endowment for the Arts and the National Endowment for the Humanities: The budget proposes $150 million, each, for the National Endowment for the Arts and the National Endowment for the Humanities to provide support for important cultural, educational and artistic programs for communities across America. The budget also proposes $188.5 million for the Institute of Museum and Library Services (IMLS) to support museums and libraries. In 2000, the Endowments and IMLS will fund education and lifelong learning as well as projects designed to increase public access to performances, exhibitions, and our Nation's cultural treasures held by museums, libraries, archives, and historical organizations. Special attention will be afforded underserved areas and to the use of the arts and humanities to strengthen community and family life.

- In 2000, NEA, through its new Challenge America program, will award more than 1,200 grants through direct grants or in partnerships with the States, to communities across America to address Arts Education, Access to the Arts, Youth-at-Risk, Cultural Heritage and Preservation, and Community Arts Partnerships.
- In 2000, NEH will help improve the quality of humanities education offered to hundreds of thousands of American school children and college students; provide opportunities for citizens from all walks of life to engage in a lifetime of learning about the Nation's history and culture; preserve and democratize access to millions of brittle books and other important cultural and intellectual resources; and dramatically expand access to humanities programming for millions of citizens in rural areas, communities, and cities across America.
- In 2000, IMLS will promote access to learning and information resources held by museums and libraries through electronic linkages, helping all 55 State library agencies expand materials available electronically and increase Internet access. IMLS will help museums develop and support regional electronic networks, providing technical support to thousands of museums in putting collection information online, and supporting after-school programs located in museums.

Tax Incentives

The Federal Government helps individuals, families, and employers (on behalf of their employees) plan for and buy education and training through numerous tax benefits, which will cost an estimated $42 billion in 2000. Along with the Hope Scholarship and Lifetime Learning tax credits for college costs, the tax code provides other ways to pay for education and training. State and local governments, for instance, can issue tax-exempt debt to finance student loans or to build the facilities of non-profit educational institutions. Interest from certain U.S. Savings Bonds is tax-free if the bonds go solely to pay for education. Many employers provide education benefits that do not count as income. Starting in 1998, many taxpayers can deduct the interest on student loans. Finally, the tax code gives employers a Work Opportunity Tax Credit and a Welfare-to-Work Tax Credit, letting them claim a tax credit for part of the wages they pay to certain hard-to-employ people who work for them for a minimum period.

New tax provisions for education in the President's budget include proposals to modify the current exclusion for employer-provided educational assistance by extending it for another year and including graduate as well as undergraduate courses; to eliminate the 60-month limit on the student loan interest deduction to provide longer-term relief to low-and middle-income taxpayers with large educational debt; to eliminate the tax owed when certain student loans are forgiven after 25 years of repayment; and to provide a tax credit for employer-provided workplace literacy and basic education programs. In addition, the budget proposes exclusion from income for repayment or cancellation of a student loan under the AmeriCorps Education Award Program.

23. HEALTH

Table 23–1. FEDERAL RESOURCES IN SUPPORT OF HEALTH
(In millions of dollars)

Function 550	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	26,386	30,070	30,611	30,971	30,846	30,836	30,836
Mandatory Outlays:							
Existing law	106,588	115,481	122,769	131,625	141,724	152,964	165,038
Proposed legislation	.....	8	–52	693	828	890	683
Credit Activity:							
Direct loan disbursements	.....	.....	.....	N/A	N/A	N/A	N/A
Guaranteed loans	94	73	48	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	80,545	85,810	91,795	97,885	104,410	111,640	119,660
Proposed legislation	.....	.....	59	1,235	1,281	1,423	1,577

N/A = Not available

In 2000, the Federal Government will spend about $152 billion and allocate about $92 billion in tax incentives to provide direct health care services, promote disease prevention, further consumer and occupational safety, conduct and support research, and help train the Nation's health care work force. Together, these Federal activities will contribute to considerable progress in extending life expectancy, cutting the infant mortality rate to historic lows, preventing and eliminating infectious diseases, improving treatment and quality of care, and improving the quality of life for individuals suffering from chronic diseases and disability. Estimated life expectancy reached a record-high of 76.5 years for those born in 1997, and infant mortality has reached a record low of 7.1 infant deaths per 1,000 live births, an eight-percent reduction from the previous year. Age-adjusted death rates associated with HIV/AIDS fell 47 percent from 1996 to 1997, and the 1997 rate of 5.9 deaths per 100,000 is the lowest since mortality data have been available.

The Department of Health and Human Services (HHS), the Federal Government's lead agency for health, aims: "to enhance the health and well-being of Americans by providing for effective health and human services and by fostering strong, sustained advances in the sciences underlying medicine, public health, and social services." This mission is supported by the following strategic goals: (1) Reduce the major threats to health and productivity of all Americans; (2) Improve the economic and social well-being of individuals, families, and communities in the United States; (3) Improve access to health services and ensure the integrity of the Nation's health entitlement and safety net programs; (4) Improve the quality of health care and human services; (5) Improve public health systems; and (6) Strengthen the Nation's health sciences research enterprise and enhance its productivity.

Health Care Services and Financing

Of the estimated $152 billion in Federal health care outlays in 2000, 88 percent finances or supports direct health care services to individuals.

Medicaid: This Federal-State health care program served about 33 million low-income Americans in 1998, the latest year for which statistics are currently available The Federal

Government spent $101 billion, 57 percent of the total, on the program in 1998 while States spent $76 billion, or 43 percent. States that participate in Medicaid must cover several categories of eligible people, including certain low-income elderly, women, and children, and people with disabilities, as well as several mandated services, including hospital care, nursing home care, and physician services. States also may cover optional populations and services. Under current law, Federal experts expect total Medicaid spending to grow an average of 7.7 percent a year from 2000 to 2004.

Medicaid covers a fourth of the Nation's children and is the largest single purchaser of maternity care as well as of nursing home services and other long-term care services; the program covers almost two-thirds of nursing home residents. The elderly and disabled made up less than a third of Medicaid beneficiaries in 1997, but accounted for almost two-thirds of spending on benefits. Other adults and children made up over two-thirds of recipients, but accounted for less than a third of spending on benefits. Medicaid serves at least half of all adults living with AIDS (and up to 90 percent of children with AIDS), and is the largest single payer of direct medical services to adults living with AIDS. Medicaid pays for over one-third of the nation's long-term care services. Medicaid spends more on institutional care today than it does for home care, but the mix of payment will be almost equal in 10 years.

Enrollment in Medicaid managed care arrangements rose from 7.8 million in 1994 to approximately 15 million in 1997. In 1998, the Federal Government proposed regulations to improve the quality of care and patient protections for Medicaid beneficiaries enrolled in managed care plans.

Because the Health Care Financing Administration (HCFA) and States jointly administer Medicaid, HCFA must consult with State Medicaid agencies to develop and test national performance goals for Medicaid. Understanding that Federal and State Medicaid funding must result in improved health conditions and quality of care for children and low-income families, the State agencies are working with HCFA to define performance goals and measures that are measurable. The States and HCFA have agreed to increase immunization rates among needy children, to increase the number of children enrolled in the Children's Health Insurance program and Medicaid, and to increase enrollment of dually-eligible Medicare beneficiaries, for example. State cooperation with the Federal GPRA program will produce quantifiable national goals and measures during 1999, for 2000 and beyond.

Children's Health Insurance Program: More than 11 million American children lack health insurance. To increase the number of children with insurance, the Children's Health Insurance Program (CHIP) was established in 1997 to provide $24 billion over five years for States to expand health insurance coverage to low-income, uninsured children. CHIP provides States with broad flexibility in program design while protecting beneficiaries through basic Federal standards. In the program's first year, States have expanded Medicaid, created separate State programs, and developed programs that combine the two.

A State receives CHIP funding after HCFA approves its child health plan. Nearly every State submitted and received approval of its State CHIP plan in 1998. These plans describe the strategic objectives, performance goals, and performance measures used to assess the effectiveness of the plan. In addition, HCFA is working with the States to develop baselines and targets for the CHIP/Medicaid goal as well as to develop additional goals for CHIP:

- Decrease the number of uninsured children by working with States to implement CHIP and by enrolling children in Medicaid. In 1999, HCFA will work with the States to establish performance measurement baselines and performance targets.

Other Health Care Services: HHS supplements Medicare and Medicaid with a number of "gap-filling" grant activities to support health services for low-income or specific populations, including Consolidated Health Center grants, Ryan White AIDS treatment grants, the Maternal and Child Health block grant, Family Planning grants, and the Substance Abuse block grant. In addition, the Indian Health Service (IHS) delivers direct care to

about 1.4 million American Indians and Alaska Natives. In 2000, the following agencies will work to meet the following goals:

- *IHS:* Increase the proportion of women who have annual pap screening to 55 percent, from the 1997 baseline of 43 percent.
- *Substance Abuse and Mental Health Services Administration (SAMHSA):* Reverse the upward trend and cut monthly marijuana use among 12 to 17-year-olds by 25 percent, from the 1995 baseline of 8.2 percent to 6.2 percent by the end of 2002.
- *Health Resources and Services Administration (HRSA):* Increase the number of AIDS Drug Assistance Program (ADAP) clients receiving appropriate anti-retroviral therapy (consistent with clinical guidelines) through State ADAPs during at least one month of the year, to a projected monthly average of 82,200 by the year 2000. This would constitute a 49 percent increase over the 1998 baseline of 55,000.
- *HRSA:* Increase the number of women served by family planning clinics by at least two million over the 1995 baseline of 4.5 million women served.
- *Agency for Health Care Policy and Research:* Release and disseminate Medical Expenditure Panel Survey (MEPS) data and associated products to the public within nine to 12 months of data collection.
- *Consumer Product Safety Commission (CPSC):* CPSC, an independent agency, will reduce product-related head injuries to children by 10 percent in 2000, from a 1997 level of 650,000.

Public Health Initiative for the Uninsured: HHS has established a new initiative to increase the capacity and effectiveness of the Nation's health care safety-net in ways that increase the number of uninsured people receiving needed health care and improve the quality of care that is received.

HHS has set the following performance goals for the year 2000 and beyond:

- Increase the number of new integrated health services networks that are providing care using report card information to integrate and improve health services for the uninsured.
- Increase the number of uninsured people receiving primary care, mental health, substance abuse, and other health services and expand the number of services supported.
- Reduce, where appropriate, hospital admissions for ambulatory care-sensitive conditions for uninsured people living in project service areas.

Strengthening Graduate Medical Education at the Nation's Children's Hospitals: The budget includes a significant new investment in training pediatric care-givers at the Nation's free-standing children's hospitals. In 2000, this program has the following two goals:

- Increase the number of pediatric care-givers receiving training; and Increase the number of children with acute illnesses receiving appropriate care in their communities.

Prevention Services: Measures to protect public health range from providing sanitation to prevent bacteria from developing resistance to antibiotics. State and local health departments traditionally lead such efforts, but the Federal Government—through HHS' Centers for Disease Control and Prevention (CDC)—also provides financial and technical support.

- Working with HCFA, CDC will continue to help States ensure that at least 90 percent of all U.S. children by age two receive each recommended basic childhood vaccine.
- With FDA and SAMHSA, CDC will work to reduce the number of children in grades nine through twelve who smoke from 36.4 percent to 21 percent by 2010 by conducting education campaigns, providing funding and technical assistance to state programs, and working with nongovernmental entities.
- CDC will increase purchase of vaccines in support of the World Health Organization's goal to eliminate polio globally by December 31, 2000.

Public Health Electronic Surveillance: Increase the number of State and local health departments that have integrated their electronic surveillance systems for infectious disease, food safety, and bioterrorism, and have electronic linkages to the medical community.

Bioterrorism: While research and product regulation are primarily Federal roles, enhancing surveillance, epidemiologic capabilities, and laboratory capacities, and medical response systems, are activities where the Federal government can work in partnerships with states, providing leadership and funding early in this multi-year effort. States should be expected to assume more responsibility for their share of partnership expenses over time.

- Implement the plan developed in 1999 to ensure ready availability of a national pharmaceutical stockpile to respond to terrorist use of potential biological or chemical agents, including the ability to protect four million civilians from an anthrax attack.
- Develop blood and urine analytical chemistry methods that will rapidly measure 50 chemicals likely to be used in chemical terrorism.
- Create a network of twelve state or major city laboratories to provide rapid and accurate diagnostic and/or reference support for 10–15 select biologic agents.

Biomedical Research: The National Institutes of Health (NIH) supports and conducts research to gain knowledge to help prevent, detect, diagnose, and treat disease and disability. NIH conducts research in its own laboratories and clinical facilities; supports research by non-Federal scientists in universities, medical schools, and hospitals across the Nation, and helps train research investigators. NIH supports over 50,000 grants to universities, medical schools, and other research and research training institutions while conducting over 1,200 projects in its own laboratories and clinical facilities. Examples of recent research advances include new discoveries of genes associated with diseases, including a form of Parkinson's disease that occurs early in life; discovery that a drug used to treat breast cancer can also reduce breast cancer in high-risk women; and the use of high-energy X-rays to visualize how HIV begins to attack the body's immune system. NIH performance goals for the next century of research, include:

- increasing the rate of sequencing to 190 million base pairs a year in 2000 in order to complete the human genome sequencing project by 2003; and
- promoting private sector participation and investment in applications of novel research discoveries by increasing the number of executed cooperative development agreements by five percent over the 1998 level.

Additionally, NIH is leading the national effort to meet the President's goal of developing an AIDS vaccine by 2007.

Public Health Regulation and Safety Inspection: The Food and Drug Administration (FDA) spends $1 billion a year to promote public health by helping to ensure that foods are safe, wholesome, and sanitary; human and veterinary drugs, biological products, and medical devices are safe and effective; and cosmetics and electronic products that emit radiation are safe. It leads Federal efforts to ensure the timely review of products and ensure that regulations enhance public health, and not serve as an unnecessary regulatory burden. In addition, the FDA supports research, consumer education, and the development of both voluntary and regulatory measures to ensure the safety and efficacy of drugs, medical devices, and foods.

To speed the review process, FDA has set the following performance goals for 2000:

- review and process 90 percent of complete new drug applications within a year of submission;
- review and process 85 percent of new medical device applications (know as pre-market applications) within 180 days, compared to 79 percent in 1997. To give the public useful health information, FDA has set the following performance goal:
- Ensure that, by the year 2000, 75 percent of consumers receiving new drug prescriptions will get more useful and readable information about their product.

The Food Safety and Inspection Service (FSIS) in the U.S. Department of Agriculture uses $600 million annually to inspect the Nation's meat, poultry, and egg products, ensuring that they are safe, wholesome, and not adulterated. In 1996, FSIS began implementing a modernized inspection system, Hazard Analysis and Crisis Control Point (HACCP) system, that will begin shifting responsibility for ensuring meat and poultry safety from FSIS to the industry. Together with FSIS, HHS has the following food safety goals:

- By 2000, 99 percent of Federally-inspected meat and poultry plants will comply with the HACCP.
- 80 percent of the domestic seafood industry will be operating preventive controls for safety as evidenced by functioning HACCP systems.
- Increase the frequency of inspection of high-risk domestic food establishments to once every year, from once every three to four years.
- More than double the number of inspections conducted of foreign food processors from 100 to 250.
- Establish and enhance eight active FoodNet food-borne surveillance sites. Expand state health department capacity to subtype and rapidly exchange information using PulseNet for E.coli (currently 29 labs) and Typhimurium Salmonella (currently 15 labs) to 40 labs for each.
- Increase the number of outbreaks of diarrheal and/or food borne illness that will be detected and investigated to 24.

Workplace Safety and Health

The Federal Government spends $620 million a year to promote safe and healthy workplaces for over 100 million workers in six million workplaces, mainly through the Labor Department's Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA). Regulations that help businesses create and maintain safe and healthy workplaces have significantly cut illness, injury, and death from exposure to hazardous substances and dangerous employment. In 1997, workplace injuries and illnesses fell to the lowest rate on record.

- To improve workplace safety and health for all workers, by September 30, 2000, OSHA will: (1) reduce injury/illness rates 20 percent in at least 50,000 of the most hazardous workplaces; and (2) initiate investigation of 95 percent worker complaints within one working day or conduct an on-site inspection within five working days.
- MSHA will, in 2000, reduce fatalities and lost workdays in all mines to below the average number recorded for the previous five years. From 1993–1997, there was an average of 95.8 fatalities and 4.29 lost workdays.

Federal Employees Health Benefit Program (FEHBP)

Established in 1960, the FEHBP is America's largest employer-sponsored health benefit program, providing $17 billion in health care benefits a year to about nine million Federal workers, annuitants, and their dependents. About 85 percent of all Federal employees participate in the FEHBP, and they select from nearly 300 health care plans. The Office of Personnel Management administers the FEHBP. By the year 2000, the FEHBP will be fully compliant with the President's Patients' Bill of Rights. The Patients' Bill of Rights is an Administration initiative to provide health care consumers with rights of information disclosure, choice of providers and plans, access to emergency services, participation in treatment decisions, respect and nondiscrimination, confidentiality of health information, and rights of complaint and appeal.

Tax Expenditures

Federal tax laws help finance health insurance and care. Most notably, employer contributions for health insurance premiums are excluded from employees' taxable income. In addition, self-employed people may deduct a part (60 percent in 1999, rising to 100 percent in 2003 and beyond) of what they pay for health insurance for themselves and their families. Total health-related tax expend-

itures, including other provisions, will reach an estimated $91.8 billion in 2000, and $525 billion from 2000 to 2004. The exclusion for employer-provided insurance and related benefits (including deductions by the self employed) accounts for most of these costs ($79 billion in 2000 and $455 billion from 2000 to 2004).

24. MEDICARE

Table 24–1. FEDERAL RESOURCES IN SUPPORT OF MEDICARE
(In millions of dollars)

Function 570	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	2,723	2,989	2,926	2,926	2,926	2,926	2,926
Mandatory Outlays:							
Existing law	190,233	202,037	214,944	229,182	233,195	251,244	265,201
Proposed legislation	.....	.....	–1,243	–1,496	–1,526	–1,673	–1,824

Created by the Social Security Amendments of 1965, and expanded in 1972, Medicare is a Nation-wide health insurance program for the elderly and certain people with disabilities. The program, which will spend an estimated $217 billion in 2000 on benefits and administrative costs, consists of two complementary but distinct parts, each tied to a trust fund: (1) Hospital Insurance (Part A) and; (2) Supplementary Medical Insurance (Part B).

Over 30 years ago, Medicare was designed to address a serious, national problem in health care—the elderly often could not afford to buy health insurance, which was more expensive for them than for other Americans because they had higher health care costs. Medicare was expanded in 1972 to address a similar problem of access to insurance for people with disabilities. Through Medicare, the Federal Government created one insurance pool for all of the elderly and eligible disabled individuals while subsidizing some of the costs, thus making insurance much more affordable for almost all elderly Americans and for certain people with disabilities.

Medicare has very successfully expanded access to quality care for the elderly and people with disabilities, but at an increasing cost. The Balanced Budget Act (BBA) of 1997 improved Medicare's financial outlook for the near future, yet its trust funds face financing challenges as the Nation moves into the 21st Century. Along with legislative proposals discussed elsewhere in the budget, the Health Care Financing Administration (HCFA), which runs Medicare, is working to improve Medicare through its regulatory authority and demonstration programs.

Because it serves almost 40 million Medicare beneficiaries, HCFA has been designated as a High Impact Agency by the National Partnership for Reinventing Government. To meet the challenges of the changing health care system and increase responsiveness to its constituencies, HCFA has begun a process of management reform (see Section IV). Included in this reform are increased management and program flexibilities, increased accountability to constituencies, structural reforms, and legislative changes to promote competition and increase efficiency in Medicare contracting.

The Department of Health and Human Services (HHS), which houses HCFA, is the Federal Government's lead agency for health programs. HHS' Strategic Plan states the agency mission as: "to enhance the health and well-being of Americans by providing for effective health and human services and by fostering strong, sustained advances in the sciences underlying medicine, public health, and social services." Medicare supports HHS' second, third, fourth and sixth strategic goals, as described in Chapter 23, "Health."

Part A

Part A covers almost all Americans age 65 or older, and most persons who are disabled for 24 months or more and who are entitled to Social Security or Railroad Retirement benefits. People with end-stage renal disease (ESRD) also are eligible for Part A coverage. Part A reimburses providers for the inpatient hospital, skilled nursing facility, home health care related to a hospital stay, and hospice services provided to beneficiaries. Part A's Hospital Insurance (HI) Trust Fund receives most of its income from the HI payroll tax—2.9 percent of payroll, split evenly between employers and employees.

Part B

Part B coverage is optional, and it is available to almost all resident citizens age 65 or older and to people with disabilities who are entitled to Part A. About 94 percent of those enrolled in Part A have chosen to enroll in Part B. Enrollees pay monthly premiums that cover about 25 percent of Part B costs, while general taxpayer dollars subsidize the remaining costs. For most beneficiaries, the Government simply deducts the Part B premium from their monthly Social Security checks.

Part B pays for medically necessary physician services; outpatient hospital services; diagnostic clinical laboratory tests; certain durable medical equipment (e.g., wheelchairs) and medical supplies (e.g., oxygen); home health care; physical and occupational therapy; speech pathology services; and outpatient mental health services. Part B also covers kidney dialysis and other services for ESRD patients.

Fee-for-Service vs. Managed Care

Beneficiaries can choose the coverage they prefer. Under the traditional fee-for-service option, beneficiaries can go to virtually any provider in the country. Medicare pays providers primarily based on prospective payment, an established fee schedule, or reasonable costs. About 85 percent of Medicare beneficiaries now opt for fee-for-service coverage.

Alternatively, beneficiaries can enroll in a Medicare managed care plan, and the 15 percent who do are concentrated in several geographic areas. Generally, enrollees receive care from a network of providers, although Medicare managed care plans may offer a point-of-service benefit, allowing beneficiaries to receive certain services from non-network providers. Additional kinds of managed care plans, including provider sponsored organizations and preferred provider organizations, will be phased in for Medicare beneficiaries over the next few years as part of Medicare + Choice.

Most managed care plans receive a monthly, per-enrollee capitated payment that covers the cost of Part A and B services. As of March 1998, 72 percent of all Medicare beneficiaries lived in a county served by at least one Medicare managed care plan.

Successes

Medicare has dramatically increased access to health care for the elderly—from slightly over 50 percent of the elderly in 1966 to almost 100 percent today. According to a recent Medicare Payment Advisory Commission report, 97 percent of Medicare fee-for-service beneficiaries (94 percent for managed care) reported no trouble obtaining care. Further, 88 percent of fee-for-service Medicare beneficiaries (92 percent for managed care) reported having a physician or physician's office as a usual source of care. Medicare beneficiaries have access to the most up-to-date medical technology and procedures.

Under the BBA and other recent legislation, Medicare beneficiaries now have expanded access to many important preventive care services including mammographies, prostate and colorectal cancer screening, bone mass measurements and diabetes self-management services. These benefits will help prevent or reduce the complications of disease for millions of beneficiaries.

Medicare also gives beneficiaries an attractive choice of managed care plans, which can provide coordinated care that is focused on prevention and wellness. As of December 1, 1998, over six million beneficiaries have enrolled in 346 Medicare managed care plans. During the 12-month period ending December 1, 1998, enrollment in the capitated managed care plans called "risk contracts" grew by 16 percent.

In addition, Medicare is working to protect the integrity of its payment systems. Building on the success of Operation Restore Trust, a five-State demonstration aimed at cutting fraud and abuse in home health agencies, nursing homes, and durable medical equipment suppliers, Medicare is increasing its efforts to root out fraud and abuse. Recent legislation provides mandatory Federal funds and greater authority to prevent inappropriate payments to fraudulent providers, and to seek out and prosecute providers who continue to defraud Medicare and other health care programs. Since 1993 the Federal Government has assigned more Federal prosecutors and FBI agents to fight health care fraud. As a result, it has increased prosecutions by over 60 percent, convictions by 240 percent, and saved $20 billion in health care claims. The budget also proposes legislation that can save Medicare another $2 billion over the next five years.

Spending and Enrollment

Net Medicare outlays will rise by an estimated 31 percent from 1999 to 2004—from $201 billion to $264 billion.[1] Part A outlays will grow by an estimated 30 percent over the period—from $130 billion to $169 billion—or an average of 5.4 percent a year. Part B outlays will grow by an estimated 33 percent—from $71 billion to $95 billion—or an average of six percent a year.

Medicare is consuming a growing share of the budget. In 1980, Federal spending on Medicare benefits was $31 billion, comprising 5.2 percent of all Federal outlays. In 1995, Federal spending on Medicare benefits was $156.6 billion, or just over 10 percent of all Federal outlays. By 2004, assuming no changes in current law, Federal spending on Medicare benefits will total an estimated $264 billion, or almost 14 percent of all Federal outlays.

Medicare enrollment will grow slowly until 2010, then explode as the baby boom generation begins to reach age 65. From 1995 to 2010, enrollment will grow at an estimated average annual rate of 1.5 percent, from 37.6 million enrollees in 1995 to 46.9 million in 2010. But after 2010, average annual growth will almost double, with enrollment reaching an estimated 61.3 million in 2020.

[1] These figures cover Federal spending on Medicare benefits, but do not include spending financed by beneficiaries' premium payments or administrative costs.

The Two Trust Funds

HI Trust Fund: As noted earlier in this chapter, the HI Trust Fund is financed by a 2.9 percent payroll tax, split evenly between employers and employees. In 1995, HI expenditures began to exceed the annual income to the Trust Fund and, as a result, Medicare began drawing down the Trust Fund's accounts to help finance Part A spending. Prior to the BBA, the Government's actuaries predicted that the HI Trust Fund would become insolvent in 2001. The BBA, however, extended the solvency of the Trust Fund until 2008.

Medicare Part A still faces a long-term financing challenge. Since current benefits are paid by current workers, Medicare costs associated with the retirement of the baby boomers starting in 2010, will be borne by the relatively small number of people born after the baby boom. As a result, only 2.3 workers will be available to support each beneficiary in 2030—compared to today's four workers per beneficiary. The President plans to work with Congress and the bipartisan Medicare Commission to develop a long-term solution to this financing challenge.

SMI Trust Fund: The SMI Trust Fund receives about 75 percent of its income from general Federal revenues and about 25 percent from beneficiary premiums. Unlike HI, the SMI Trust Fund is really a trust fund in name only; the law lets the SMI Trust Fund tap directly into general revenues to ensure its annual solvency.

Balanced Budget Act Implementation

HCFA continues to implement the many changes in Medicare payment methodologies and provider options that were mandated in the BBA. Although HCFA has been forced to delay some provisions due to the year 2000 (Y2K) computer problem, the agency has issued major rules that implement the new Medicare + Choice program, PSO solvency standards, an interim payment system for home health services and a prospective pay-

ment system for skilled nursing facilities. According to the Board of Trustees for the Part A Trust Fund, the reform measures enacted in the BBA extended the solvency of the Part A Trust Fund from 2001 to 2008 and lowered its projected 75-year deficit by about one-half.

Performance Plan

HCFA has developed a set of performance goals to measure its progress in ensuring that Medicare beneficiaries receive the highest quality health care. HCFA's performance goals relate to four critical areas: quality assurance; access to care for the elderly and disabled; administrative efficiency; and a reduction in fraud and abuse. For example, HCFA's 2000 goals include:

- Increasing the percentage of Medicare beneficiaries who receive a mammogram once every two years from 55 percent in 1994 to 60 percent in 2000;
- Increasing the number of Medicare beneficiaries over age 65 receiving vaccinations for influenza from 55 percent in 1995 to 60 percent in 2000;
- Increasing the percentage of Medicare beneficiaries who have at least one managed care choice from 70 percent in 1997 to 80 percent in 2000.
- Decreasing the one-year mortality rate among Medicare beneficiaries hospitalized for heart attacks from 31.4 percent in 1995 to 27.4 percent in 2000.
- Reducing the telephone busy rate for Medicare carriers, for which measurement will begin in 2000. By 2001, the number of Medicare carriers who answer calls within two minutes and the number who answer 80 percent of calls within one minute will increase.
- Reducing the payment error rate under Medicare's fee-for-service program from 14 percent in 1996 to seven percent in the year 2000 and five percent by the year 2002; and
- Ensuring that all systems necessary for continuity of HCFA payments and other mission critical outputs through and beyond 2000 will be Y2K computer compliant. Specifically, all systems will be certified compliant (mission-critical certified by the independent contractor and others by appropriate HCFA personnel) prior to the need for those systems to process new dates.

The budget includes legislative proposals relating to the Patients' Bill of Rights, long term care, and several proposals expanding Medicare access. Appropriate performance measures will be developed as legislation is enacted and implemented.

25. INCOME SECURITY

Table 25–1. FEDERAL RESOURCES IN SUPPORT OF INCOME SECURITY
(In millions of dollars)

Function 600	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	29,748	32,819	32,652	36,396	36,196	36,196	36,196
Mandatory Outlays:							
Existing law	192,303	202,410	214,844	223,419	232,353	240,912	250,073
Proposed legislation	.....	.....	829	1,879	2,205	2,164	2,816
Credit Activity:							
Direct loan disbursements	35	21	7	N/A	N/A	N/A	N/A
Guaranteed loans	24	88	85	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	117,906	132,388	135,291	138,642	141,850	144,946	147,757
Proposed legislation	.....	27	277	817	807	779	656

N/A=Not available

The Federal Government provides about $248 billion a year in cash or in-kind benefits to individuals through income security programs, including about $164 billion for programs in this chapter generally defined as part of the "social safety net." Since the 1930s, these safety net programs, plus Social Security, Medicare, Medicaid, and housing assistance (each discussed in other chapters in this Section), have grown enough in size and coverage so that even in the worst economic times, most Americans can count on some form of minimum support to prevent destitution.

The remaining $84 billion for income security programs include retirement and disability insurance (excluding Social Security, which is described in Chapter 26), Federal activity related to private pensions and Federal employee retirement and disability programs.

Major Public Benefit Programs

The largest means-tested income security programs are Food Stamps, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and the Earned Income Tax Credit (EITC). The various kinds of low-income housing assistance are discussed in Chapter 19, "Commerce and Housing Credit." These programs, along with unemployment compensation (which is not means-tested), form the backbone of cash and in-kind "safety net" assistance in the Income Security function.

The major income security programs are managed by four of the High Impact Agencies (see Section IV, "Improving Performance through Better Management"), agencies designated as such because they interact the most with the American people and businesses. These agencies are the Food and Nutrition Service, the Administration on Children and Families, the Social Security Administration, and the Internal Revenue Service.

Nutrition Assistance

Federal nutrition assistance programs are managed by the Department of Agriculture's Food and Nutrition Service (FNS). The largest of all means-tested income security programs is the Food Stamp Program. In addition, FNS administers the Special Supplemental Nutrition Program for Women, Infants and

Children, and the National School Lunch and Breakfast Programs.

Food Stamps: Food Stamps help most low-income people get a more nutritious diet. In an average month in 1998, 19.8 million people, or 8.2 million households, received benefits and that year, the program provided total benefits of $17 billion. In 2000, the program will provide an average projected benefit of $75 to 20.1 million persons each month. Food Stamps is the only Nationwide, low-income assistance program available to essentially all financially-needy households that does not impose non-financial criteria, such as whether households include children or elderly persons. (The new welfare law limits the eligibility of non-citizens as well as the number of months that childless, able-bodied individuals can receive benefits while unemployed.)

- In 2000, FNS will expand the number of States using Electronic Benefits Transfer (EBT) to issue Food Stamp benefits to 42 percent, compared to 36 percent in 1998, improving the delivery of benefits, and increasing the ability to track benefits redemption as a fraud prevention tool.

Nutrition Program for Women, Infants and Children (WIC): WIC provides nutrition assistance, nutrition education and counseling, and health and immunization referrals to low-income women, infants and children. The program reached an average of 7.4 million people each month in 1998. The budget proposes $4.1 billion to serve 7.5 million people through 2000 fulfilling the President's goal of full participation in WIC.

- In 2000, FNS, together with State public health agencies, will increase the incidence of breast-feeding among WIC mothers to 36 percent, compared to 34 percent in 1998.

Child Nutrition Programs: The National School Lunch and Breakfast Programs provide free or low-cost nutritious meals to children in participating schools. In 2000, the programs will serve an estimated 27.3 million lunches daily.

- In 2000, FNS' goal is that school districts will have reduced the average percent of calories from saturated fat in school lunches to 10 percent, compared to 11 percent in elementary schools and 12 percent in secondary schools in 1998.

Income Assistance to Aged, Blind, and Disabled Individuals

The SSI program, administered by the Social Security Administration (SSA), provides benefits to needy aged, blind, and disabled adults and children. In 1998, 6.3 million individuals received $27.3 billion in benefits. In 2000, an estimated 6.3 million individuals will receive a total of $28.7 billion in SSI benefits. Eligibility rules and payment standards are uniform across the Nation. Average monthly benefit payments range from $242 for aged adults to $430 for blind and disabled children. Most States supplement the SSI benefit.

- In 2000, SSA will process 66 percent of initial SSI aged claims within 14 days of the filing date. SSA estimates that only 54 percent of these claims met this goal in 1998. In future years, the agency's goal is to continue to increase the proportion of SSI aged claims processed within 14 days.

Income Assistance to Families

Major income assistance for low-income families is provided through the TANF program, administered by the Department of Health and Human Service's Administration for Children and Families (ACF) and the Earned Income Tax Credit, administered by the Internal Revenue Service. In addition, ACF administers the Child Support Enforcement Program and the Child Care and Development Fund. Other income security programs run by ACF include refugee assistance and low-income home energy assistance.

Temporary Assistance for Needy Families: In the 1996 welfare reform law, the President and Congress enacted TANF as the successor to the 60-year-old Aid to Families with Dependent Children (AFDC) program. TANF, for which the Federal Government allocates about $16.5 billion each year, is designed to meet the President's goal of dramatically changing the Nation's welfare system into one that requires and rewards work in exchange for time-limited assistance. The TANF program gives States broad flexibility to set

eligibility criteria and to determine the types of assistance they provide.

- The strong work focus of welfare reform and the economy have enabled ACF to meet its goal of moving one million welfare recipients into new employment before its 2000 goal date. Using new program data, ACF will continue to develop measures of high performance in the areas of job retention and earnings gains.

Individual Development Accounts (IDAs): The budget includes $20 million for IDAs, to empower low-income individuals to save for a first home, post-secondary education, or to start a new business. ACF will select sites to administer this program in 1999. Performance measures will be developed based on the design of these programs.

Child Support Enforcement: The Child Support Enforcement Program establishes and enforces the support obligations owed by noncustodial parents to their children. In 1998, the Federal Government provided $2.6 billion to State and local governments to help them run this program. The Federal Government retained more than $1.3 billion in TANF-related collections from the States, making the net cost of this program to the Federal Government $1.2 billion. In 2000, estimated Federal costs net of TANF collections will be $1.9 billion. In 2000, the budget provides an additional $6.5 million to the Departments of Health and Human Services and Justice to investigate and prosecute noncustodial parents who owe large sums of child support.

- By October 2000, ACF will increase parents' financial support for their children by increasing the amount of total child support collections to $20.8 billion, an increase of 40 percent over 1998 and 160 percent over 1992. The agency's goal is to maximize child support collections for all families served in the program.

Child Care: The Child Care and Development Fund provides grants to States for the purposes of providing low-income families with financial assistance for child care, improving the quality and availability of child care, and establishing, expanding or conducting early childhood development programs and before- and after-school programs. Federal child care funding has risen by 80 percent under this Administration, providing child care services for 1.25 million children from low-income working families or whose parents are moving from welfare to work.

In addition to the $173 million increase for child care quality already provided by Congress for 2000, the President also proposes a 2000 increase of $1.2 billion for child care subsidies as well as a new $600 million Early Learning Fund for grants to communities to improve early childhood education and the quality and safety of child care for children under five years old. For the proposed Early Learning Fund, ACF will measure the type of quality and safety activities funded and will work to establish performance measures that focus on language development, emergent literacy, and other child development outcomes and aspects of school readines.

Access to high-quality, affordable child care is critical to the achievement of self-sufficiency by TANF recipients and low-income working families. ACF is currently developing performance measures and baseline data for the program's twin goals of increasing access to affordable care and improving the quality of care to promote children's development.

- In 2000, the Child Care and Development Fund, including new funds, will provide child care assistance to an additional 500,000 low-income children over 1999.

Earned Income Tax Credit: The EITC, a refundable tax credit for low-income workers, has two broad goals: (1) to encourage families to move from welfare to work by making work pay; and (2) to reward work so parents who work full-time do not have to raise their children in poverty. In 1998, the EITC provided $29.6 billion in credits for low-income tax filers, including spending on both tax refunds and reduced tax receipts. For every dollar that low-income workers earn—up to certain limits—they receive between seven and 40 cents as a tax credit. In 1998, the EITC provided an average credit of nearly $1,584 to nearly 20 million workers and their families. In 2000, an estimated 20 million families will receive an average credit of $1,644.

Unemployment Compensation

Unemployment Compensation, administered by the Department of Labor's Employment and Training Administration, provides benefits, which are taxable, to individuals who are temporarily out of work and whose employer has previously paid payroll taxes to the program. The State payroll taxes finance the basic benefits out of a dedicated trust fund. States set benefit levels and eligibility criteria, which are not means-tested. Regular benefits are typically available for up to 26 weeks of unemployment. In 1998, about 7.1 million persons claimed unemployment benefits that averaged $191 weekly. In 2000, an estimated 8.3 million persons will receive an average benefit of $210 a week.

Benefits are available to experienced workers who lose their jobs through no fault of their own. Thus, unemployment compensation does not cover all of the unemployed in any given month. In 1998, on average, the "insured unemployed" represented about 36 percent of the estimated total number of unemployed. Those who are not covered include new labor force entrants, re-entrants with no recent job experience, and those who quit their jobs voluntarily without good cause and, thus, are not eligible for benefits. However, others do not receive benefits because State laws restrict eligibility or because the unemployed worker is not aware of the program.

- In 2000, DOL's goal is that all States will meet the Secretary's standard for promptness in paying worker claims by providing 87 percent of initial intrastate payments and 70 percent of interstate payments within 14 days in States with a waiting period and within 21 days in States without a waiting period. In 1998, 78 percent of States met the interstate standard and 90 percent met the intrastate standard.

Effects of Income Security Programs

Federal safety net programs have a major effect on reducing poverty. Chapter 26, "Social Security," explores the impact of Social Security alone on the income and poverty of the elderly. This section looks at the cumulative impact across the major programs.

For purposes of this discussion, Government benefits includes both means-tested and social insurance benefits. Means-tested benefits include AFDC, SSI, certain veterans pensions, Food Stamps, child nutrition meals subsidies, rental assistance, and State-funded general assistance. Medicare and Medicaid greatly help eligible families who need medical services during the year, but experts do not agree about how much additional income Medicare or Medicaid coverage represents to the covered. Consequently, those benefits are not included in the analysis that follows. Social insurance benefits include Social Security, railroad retirement, veterans compensation, unemployment compensation, Pell Grants, and workers' compensation. The definition of income for this discussion (cash and in-kind benefits), and the notion of pre- and post-Government transfers, do not match the Census Bureau's definitions for developing official poverty statistics. Census counts income from cash alone, including Government transfers.

Reducing Numbers of People in Poverty: Based on special tabulations from the March 1998 Current Population Survey (CPS), 56.4 million people were poor in 1997 before accounting for the effect of Government programs. After accounting for Government transfer programs and taxes, the number of poor fell to 29.8 million, a drop of 47 percent.

Reducing the Poverty Gap: The poverty gap is the amount by which the incomes of all poor people fall below the poverty line. Before counting Government benefits, the poverty gap was $205.7 billion in 1997. Benefits from Government programs cut it by $139 billion, or 68 percent.

Employee Retirement Benefits

Federal Employee Retirement Benefits: The Civil Service Retirement and Disability Program provides a defined benefit pension for 1.9 million Federal civilian employees and 800,000 U.S. Postal Service employees. In 1998, the program paid $43 billion in benefits to 1.7 million retirees and 600,000 survivors. Along with the defined benefit, employees can participate in a defined contribution plan—the Thrift Savings Plan (TSP). Employees hired since 1983 are also covered by

Social Security. The budget proposal to increase pension portability includes provisions that would allow newly-hired Federal employees to participate immediately in, and to roll over private sector accounts into, the TSP. (For a discussion of military retirement programs, see Chapter 27, "Veterans Benefits and Services." For a discussion of performance measures for this program, see Chapter 29 "General Government.")

Private Pensions: The Department of Labor's Pension and Welfare Benefits Administration (PWBA) establishes and enforces safeguards to protect the roughly $3.5 trillion in pension assets. Also at the Department of Labor, the Pension Benefit Guaranty Corporation (PBGC) protects the pension benefits of about 42 million workers and retirees who earn traditional (i.e., "defined benefit") pensions. Through its early warning program, PBGC also works with solvent companies to more fully fund their pension promises, and has protected the benefits of more than 1.6 million people since its inception eight years ago. The budget proposes a new, simplified defined benefit plan for small businesses that PBGC will insure. The budget also proposes new rules to improve the audits of private pension plans to ensure that promised benefits are secure. In 2000:

- PWBA will more speedily process the exemptions that allow certain financial transactions that are needed by pension plans, reducing the time taken by 5.6 percent from the 1998 average of 179 days.
- PBGC will more quickly replace the initial calculation with the final dollar levels of its pension benefits, reducing the time taken by about 13 percent from seven to eight years, which is the 1998 level.

Tax Treatment of Retirement Savings: The Federal Government encourages retirement savings by providing income tax benefits. Generally, earnings devoted to workplace pension plans and to many traditional individual retirement accounts (IRAs) receive beneficial tax treatment in the year earned and ordinarily are taxed only in retirement, when lower tax rates usually prevail. Moreover, taxpayers can defer taxes on the interest and other gains that add value to these retirement accounts. For the newer Roth IRA accounts, contributions are made from after-tax earnings, with no tax deduction. However, account earnings are free from tax when the account is used in retirement. These tax incentives amount to $99 billion in 2000—one of the three largest sets of preferences in the income tax system.

26. SOCIAL SECURITY

Table 26–1. FEDERAL RESOURCES IN SUPPORT OF SOCIAL SECURITY
(In millions of dollars)

Function 650	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	3,205	3,164	3,226	3,225	3,225	3,225	3,225
Mandatory Outlays:							
Existing law	376,119	389,157	405,231	423,519	443,918	464,915	487,192
Proposed legislation	.....	.....	3	78	141	177	186
Tax Expenditures:							
Existing law	22,770	23,415	24,650	25,930	27,395	28,990	30,660

The Old-Age, Survivors, and Disability Insurance (OASDI) programs, popularly known as Social Security, will spend $408 billion in 2000 to provide a comprehensive package of protection against the loss of earnings due to retirement, disability, or death.

Social Security provides monthly benefits to retired and disabled workers who gain insured status and to their eligible spouses, children, and survivors. The Social Security Act of 1935 provided retirement benefits, and the 1939 amendments provided benefits for survivors and dependents. These benefits now comprise the Old Age and Survivors Insurance (OASI) program. Congress provided benefits for disabled workers by enacting the Disability Insurance (DI) program in 1956 and added benefits for the dependents of disabled workers in 1958.

The Government will collect $473 billion in Social Security taxes in 2000. These taxes will be credited to the OASI and DI trust funds, along with $57 billion of interest on Treasury securities held by the trust funds.

In 1998, Social Security paid out $372 billion to 42 million beneficiaries. These payments included $250 billion in benefits to more than 30 million retired workers and their families. Along with retirement benefits, Social Security also provides income security for survivors of deceased workers. In 1998, Social Security paid about $73 billion in benefits to more than seven million survivors. The DI program provides income security for workers and their families in the event the family's primary wage earner becomes disabled. In 1998, Social Security paid about $48 billion in benefits to more than six million disabled workers and their families.

Social Security is a crucial source of income for millions of Americans and their families. Without Social Security, elderly retirees and disabled workers would face a significantly higher risk of poverty. The OASDI programs will serve 45 million beneficiaries in 2000.

The Social Security Administration (SSA)

To operate a program of this magnitude, both in terms of the dollar amounts involved and the size of the population served, requires an efficient and responsive administrative structure. SSA, which administers the OASI and DI programs, touches the lives of millions of Americans every year. SSA also runs the Supplemental Security Income (SSI) program for low-income aged and disabled individuals, which is part of the Income Security function (see Chapter 25). In addition, the agency provides services that support the Medicare program on behalf of the Health

Care Financing Administration, which is part of the Medicare function (see Chapter 24). Because SSA interacts extensively with the American public, the Vice President's National Partnership for Reinventing Government designated SSA as a High Impact Agency.

SSA's caseload has grown markedly in recent decades, while its staffing levels have declined. The agency serves over 11 million more people today than it did 14 years ago, with 19,000 fewer full-time equivalent staff. More than 44 percent of the caseload growth has occurred in disability claims, which are substantially more complicated to administer than other types of claims. To maintain and improve performance under these conditions requires the agency to continuously increase productivity and efficiency.

SSA undertakes a variety of activities in administering its programs. These activities include issuing Social Security numbers, maintaining earnings records for wage earners and self-employed individuals, taking claims for benefits and determining eligibility, updating beneficiary eligibility information, educating the public about the programs, combating fraud, and conducting research, policy analysis and program evaluation. These activities are largely integrated across the various programs, allowing the agency to minimize duplication of effort and provide one-stop service to customers.

SSA's Performance Plan for 2000 includes a number of performance indicators that reflect the agency's goals of responsive programs, good customer service, efficiency and program integrity, and strengthening public understanding of Social Security. Like the agency's administrative activities, these goals cut across programs. SSA's commitments and performance measures for 2000 include the following.

Promoting responsive programs: SSA recognizes that Social Security programs must reflect the interests of beneficiaries and society as a whole. Programs must evolve to reflect changes in the economy, demographics, technology, medicine, and other areas. Many DI and SSI beneficiaries with disabilities, for example, want to be independent and work. Many of them can work, despite their impairments, if they receive the support they need. Yet less than one percent of disabled beneficiaries in any given year actually leave SSA's programs due to work. One of SSA's strategic objectives is to shape the disability program in a manner that increases self-sufficiency.

The budget proposes a new program to encourage DI beneficiaries and SSI disabled recipients to enter the workforce. Currently, SSA refers these beneficiaries to State employment service providers. Under this proposal, beneficiaries can choose their own employment service provider—and the provider can keep a share of the DI and SSI benefits that the Federal Government will no longer pay to these individuals once they leave the rolls. The budget also includes a demonstration project that reduces an individual's DI benefits by $1 for each $2 earned above a specified level. Under current law, a DI beneficiary in the extended period of eligibility receives no cash benefit if he or she earns more than $500 in a month.

SSA plans to set numerical goals for increasing the number of working DI and SSI disabled beneficiaries. The goals will be set once baseline data is available.

Improving customer service delivery: Roughly three-quarters SSA's total administrative budget is devoted to the day-to-day work generated by requests for service from the general public. Much of this work takes the form of determining eligibility and processing claims for benefits. The time required to process claims for benefits is affected by the design of the eligibility determination procedure, as well as by the level of resources earmarked for claims-processing activities and the number of claims received.

- In 2000, the average processing time for initial disability claims will be 100 days, maintaining SSA's current performance level on this measure.

The budget provides sufficient administrative funding to meet this goal. SSA also is investigating ways to streamline its disability eligibility determination process. Because any benefits from process changes would not materialize until after 2000, the performance goal is based on the current process. Once SSA has made decisions on how to redesign its disability determination process,

it will specify long-term performance goals for claims processing time that are relevant to the redesigned process. Improving the disability determination process is one of the Administration's PMO's for 2000.

- SSA will maintain its current performance level of processing 83 percent of OASI claims by the time the first regular payment is due or within 14 days from the effective filing date, if later.
- SSA will maintain its current performance level of ensuring that callers gain access to the toll-free 800 number within five minutes of their first call 95 percent of the time. Ninety percent of callers will get through on their first attempt.

Increasing operational efficiency and program integrity: The budget includes approximately $1.7 billion for activities undertaken by SSA to ensure the integrity of records and payments. These activities include reviewing claimants' eligibility for continued benefits, collecting debt, detecting overpayments, and investigating and deterring fraud.

SSA is in the midst of a seven-year effort to eliminate the backlog of Continuing Disability Reviews (CDRs) that built up prior to 1996. To stay on schedule for eliminating the backlog by the end of 2002, SSA will conduct 1.9 million CDRs in 2000. SSA completed 26 percent of its plan in 1998 and expects to reach 44 percent completion by the end of 1999. This concentrated effort is helping increase public confidence in the integrity of SSA's disability programs by ensuring that only people who continue to be disabled receive benefits. CDRs conducted in 1998–2002 will produce an estimated five-year savings of $5.3 billion in the DI program and $3 billion in the SSI program. The budget includes the funds necessary to keep the plan on schedule.

- In 2000, SSA will complete 63 percent of its plan for eliminating the backlog of Continuing Disability Reviews.

In a program the size of SSI, a small percentage error translates into large dollar amounts. Consequently, SSA has committed to improving the SSI payment accuracy rate to at least 96 percent by 2002. The goal for 2000 equates to a reduction in overpayment errors of $160 million below the 1996 level; the goal for 2002 equates to a $535 million overpayment error reduction.

- SSA will improve the SSI payment accuracy rate to 95 percent in 2000, up from 94.5 percent in 1996.

The best tool for improving the accuracy of SSI payments is the redetermination process, which assesses the income and resources affecting beneficiaries' eligibility and payment amounts. SSA saves $7 in for every $1 spent on redeterminations. The budget includes $75 million for an additional 400,000 high-error profile redeterminations, bringing the total number of non-disability redeterminations to 2.2 million.

Strengthening public understanding of Social Security programs: The budget includes more than $100 million for the development, production and distribution of products to educate the public about the benefits available through Social Security, as well as Social Security's larger impact on society. SSA will conduct a survey in 1999 to measure the current level of public understanding, which will be used as baseline data to measure progress toward this strategic goal.

Part of the public education is the issuance of Personal Earnings and Benefit Estimate Statements (PEBES), which provide workers with an estimate of their potential future Social Security benefits based on their earning history to date. Starting in 2000, SSA is required by law to issue PEBES every year to all eligible workers age 25 and over.

- SSA will issue 126 million PEBES in 2000, reaching all eligible workers age 25 and over as required by law.

Tax Expenditures

Social Security recipients pay taxes on their Social Security benefits only when their overall income, including Social Security, exceeds certain income thresholds. The exclusion of Social Security income below these thresholds reduces total income tax revenue by $25 billion in 2000 and $138 billion from 2000 to 2004.

27. VETERANS BENEFITS AND SERVICES

Table 27–1. FEDERAL RESOURCES IN SUPPORT OF VETERANS BENEFITS AND SERVICES
(In millions of dollars)

Function 700	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	18,943	19,282	19,282	19,279	19,274	19,292	19,293
Mandatory Outlays:							
Existing law	23,280	24,322	24,680	25,313	25,851	26,981	27,628
Proposed legislation	.....	.....	269	644	964	569	947
Credit Activity:							
Direct loan disbursements	1,344	1,959	672	N/A	N/A	N/A	N/A
Guaranteed loans	39,862	32,635	31,244	N/A	N/A	N/A	N/A
Tax Expenditures:							
Existing law	2,990	3,120	3,265	3,415	3,560	3,715	3,875

N/A = Not available

The Federal Government provides benefits and services to veterans and their survivors of conflicts as distant as the Spanish-American War and as recent as the Persian Gulf War, recognizing the sacrifices of war- and peacetime veterans during military service. The Federal Government spends over $42 billion a year on veterans benefits and services, and provides over $3 billion in tax benefits to compensate veterans and their survivors for service-related disabilities; provide medical care to low-income and disabled veterans; and help returning veterans prepare to reenter civilian life through education and training. In addition, veterans benefits provide financial assistance to needy veterans of wartime service and their survivors.

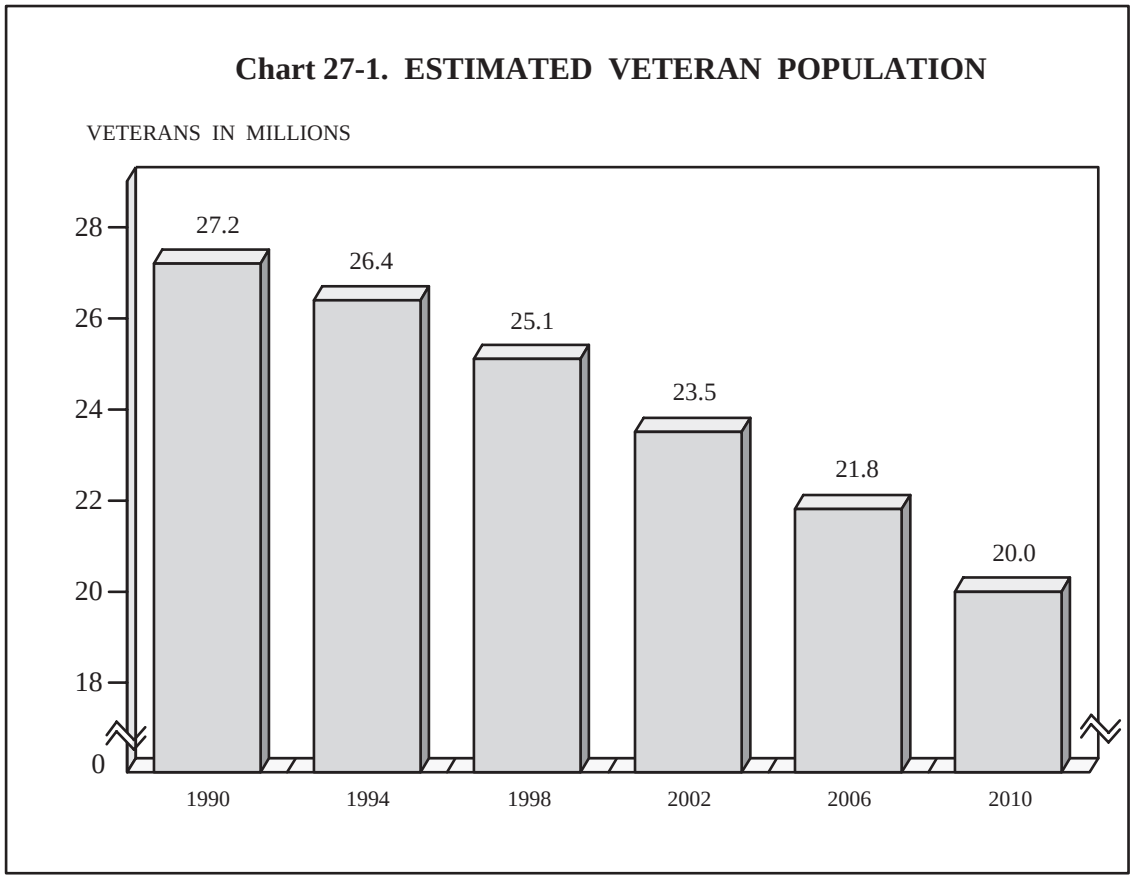
About seven percent of veterans are military retirees who can receive both military retirement from the Department of Defense (DOD) and veterans benefits from the Department of Veterans Affairs (VA). Active duty military personnel are eligible for veterans housing benefits, and they can contribute to the Montgomery GI Bill (MGIB) program for education benefits that are paid later. VA employs 21 percent of the Federal Government's non-DOD workforce—approximately 240,000 people, about 192,000 of whom deliver or support medical services to veterans.

VA's mission is "to administer the laws providing benefits and other services to veterans and their dependents and the beneficiaries of veterans. To serve America's veterans and their families with dignity and compassion and be their principal advocate in ensuring that they receive medical care, benefits, social support, and lasting memorials promoting the health, welfare and dignity of all veterans in recognition of their service to this Nation."

The veteran population continues to decline and age (see Chart 27–1). The types of benefits and services needed by veterans likely will change as the population ages. Further, as the veteran population shrinks and technology improves, access to, and the quality of, service should continue to improve.

Medical Care

VA provides health care services to 3.2 million veterans through its national system of 22 integrated health networks, consisting of 166 hospitals, 544 ambulatory clinics, 132



nursing homes, 40 domiciliaries[1], and 206 vet centers. VA is an important part of the Nation's social safety net because over half of its patients are low-income veterans who might not otherwise receive care. It also is a leading health care provider for veterans with substance abuse problems, mental illness, HIV/AIDS, and spinal cord injuries because private insurance usually does not fully cover these conditions.

VA's core mission is to meet the health care needs of veterans who have compensable service-connected injuries or very low incomes. By law, these "core" veterans are the highest priority for available Federal dollars for health care. However, VA may provide care to lower-priority veterans if resources allow after it meets the needs of higher-priority veterans.

In recent years, VA has reorganized its field facilities from 172 largely independent medical centers into 22 Veterans Integrated Service Networks, charged with providing veterans the full continuum of care. Recent legislation eased restrictions on VA's ability to contract for care and share resources with DOD hospitals, State facilities, and local health care providers.

To improve veterans health care further, VA will continue to enhance the efficiency of, access to, and quality of care. Between 1997 and 2002, VA is pursuing its "30/20/10" goal to:

- reduce the cost per patient by 30 percent from the 1997 level of $5,458 (by 18 percent in 2000);
- increase the number of patients treated by 20 percent from the 1997 level of 3,142,065 (by 16 percent in 2000); and
- increase resources from outside sources (primarily private insurers) to 10 percent of the total operating budget from less than one percent in 1997 (to five percent in 2000).

[1] Domiciliaries serve homeless veterans and veterans rehabilitation with special needs.

Also, VA formed partnerships with the National Committee on Quality Assurance, the American Hospital Association, the American Medical Association, the American Nurses Association, and other national associations to ensure quality patient care. The Chronic Disease Care Index measures VA physicians' adherence to established industry practice guidelines for key diseases affecting veterans. Similarly, the Prevention Index measures adherence to disease prevention and screening guidelines. VA plans to:

- increase the scores on the Chronic Disease Care Index to 95 percent by 2001 from the 1997 level of 76 percent (to 93 percent in 2000); and
- increase the scores on the Prevention Index to 95 percent by 2003 from the 1997 level of 67 percent (to 89 percent in 2000).

The budget includes a legislative proposal to authorize VA to cover the cost of out-of-network emergency care for enrolled veterans with compensable disabilities related to military service. Under law, these veterans have top priority for VA medical services. This legislation would ensure that these veterans have access to emergency care when treatment in VA facilities is not an option.

The budget also proposes a new smoking cessation program for any honorably discharged veteran who began smoking in the military. In addition, increased funding is proposed for evaluting, testing, and treating Hepatitis C in the veteran population and for programs that directly assist homeless veterans.

Medical Research: VA's research program provides $316 million to conduct basic, clinical, epidemiological, and behavioral studies across the spectrum of scientific disciplines, seeking to improve veterans medical care and health and enhance our knowledge of disease and disability. In 2000, VA will focus its research efforts on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma-related impairment, health systems research, special populations (including Persian Gulf War veterans), and military occupational and environmental exposures.

- In 2000, at least 99 percent of funded research projects will be reviewed by appropriate peers and selected through a merit-based competitive process (1997 base of 99 percent).

Health Care Education and Training: The Veterans Health Administration (VHA) is the Nation's largest trainer of health care professionals. About 91,000 students a year get some or all of their training in VA facilities through affiliations with over 1,200 educational institutions. The program trains medical, dental, nursing, and related health professionals to ensure an adequate supply of clinical care providers for veterans and the Nation. The program will continue to realign its academic training and update its curriculum, focusing more on primary care to meet more effectively the needs of the VHA and its patients, students, and academic partners.

- By 2000, 46 percent of VA's residents will be trained in primary care and, in 2004, that figure will increase to 48 percent (from the 1997 level of 39 percent).

Veterans Benefits Administration (VBA)

VBA processes veterans' claims for benefits in 58 regional offices across the country. As the veteran population declines, the number of new claims and appeals is expected to decline. VBA is implementing a "balanced scorecard," a tool that will help management to weigh the importance of and measure progress toward meeting VBA's strategic goals, which include:

- improving responsiveness to customers' needs and expectations;
- improving service delivery and benefit claims processing; and
- ensuring best value for the available taxpayers' dollar.

VBA monitors its performance in deciding disability benefits claims through measures of accuracy, customer satisfaction, processing timeliness, and unit cost. The following key measures have been established for disability claims requiring a rating:

- In 2000, VA will process rating-related disability claims in 95 days, improving to 74 days by 2004 (from 128 days in 1998).

- In 2000, VA will improve its rating accuracy (for core rating work) to 81 percent, improving to 96 percent by 2004 (from 64 percent in 1998).

Income Security

Several VA programs help veterans and their survivors maintain their income when the veteran is disabled or deceased. The Federal Government will spend over $23 billion for these programs in 2000, including the funds the Congress approves each year to subsidize life insurance for veterans who are too disabled to get affordable coverage from private insurers. Veterans may receive these benefits in addition to the income security benefits available to all Americans, such as Social Security and unemployment insurance. VBA is developing strategic goals for the compensation and pension programs.

Compensation: Veterans with disabilities resulting from, or coincident with, military service receive monthly compensation payments based on the degree of disability. The payment does not depend on a veteran's income or age or whether the disability is the result of combat or a natural-life affliction. It does depend, however, on the average fall in earnings capacity that the Government presumes for veterans with the same degree of disability. Survivors of veterans who die from service-connected injuries receive payments in the form of dependency and indemnity compensation. Compensation benefits are indexed annually by the same cost-of-living adjustment (COLA) as Social Security, which is an estimated 2.4 percent for 2000.

The number of veterans and survivors receiving compensation benefits will total an estimated 2.6 million in 2000. While the veteran population will decline, the compensation caseload is expected to remain relatively constant due to changes in eligibility and better outreach efforts. COLAs and increased payments to aging veterans will increase compensation spending by about $3 billion from 2000 to 2004.

Pensions: The Government provides pensions to lower-income, wartime-service veterans or veterans who became permanently and totally disabled after their military service. Survivors of wartime-service veterans may qualify for pension benefits based on financial need. Veterans pensions, which also increase annually with COLAs, will cost over $3 billion in 2000. The number of pension recipients will continue to fall from an estimated 650,000 in 2000 to less than 585,000 in 2004 as the number of veterans drops.

Insurance: VA has provided life insurance coverage to service members and veterans since 1917 and now directly administers or supervises eight distinct programs. Six of the programs are self-supporting, with the costs covered by policyholders' premium payments and earnings from Treasury securities investments. The other two programs, designed for service-disabled veterans, require annual congressional appropriations to meet the claims costs. Together, these eight programs will provide $460 billion in insurance coverage to over 4.5 million veterans and service members in 2000. The program is designed to provide insurance protection and best-in-class service to veterans who cannot purchase commercial policies at standard rates because of their service-connected disabilities. To reach this goal, the program is designed to provide disbursements (e.g., death claims, policy loans, and cash surrenders) quickly and accurately, meeting or exceeding customers' expectations.

Veterans' Education, Training, and Rehabilitation

Several Federal programs support job training and finance education for veterans and others. The Department of Labor runs several programs for veterans. In addition, several VA programs provide education, training, and rehabilitation benefits to veterans and military personnel who meet specific criteria. These programs include the Montgomery GI bill (MGIB)—which is the largest—the post-Vietnam-era education program, the Vocational Rehabilitation and Counseling (VR&C) program, and the Work-Study program. Spending for all these VA programs will total an estimated $1.5 billion in 2000. One of the program's strategic goals is:

- In 2000, VA will increase to 50 percent the number of VR&C participants who acquire and maintain suitable employment and are considered to be rehabilitated, and

further increase it to 55 percent in 2004 (from the 1998 level of 41 percent).

The Montgomery GI Bill: The Government originally created MGIB as a test program, with more generous benefits than the post-Vietnam-era education program, to help veterans move to civilian life and to help the Armed Forces with recruitment. Service members who choose to enter the program have their pay reduced by $100 a month in their first year of military service. VA administers the program and pays basic benefits once the service member leaves the military. Basic benefits now total over $19,000 per recipient.

MGIB beneficiaries receive a monthly check based on whether they are enrolled as full- or part-time students. They can get 36 months worth of payments, but they must certify monthly that they are in school. DOD may provide additional benefits to help recruit certain specialties and critical skills. Nearly 284,000 veterans and service members will use these benefits in 2000. The MGIB also provides education benefits to reservists while they are in service. DOD pays these benefits, and VA administers the program. In 2000, over 72,000 reservists will use the program. Over 90 percent of MGIB beneficiaries use their benefits to attend a college or university. In 1999, MGIB beneficiaries, dependents, and survivors got a one-time 20 percent increase in their benefit rate. VA has set the following goal:

- In 2000, VA will increase the usage rate of eligible veterans in the MGIB from to 57 percent, and increase the figure to 70 percent in 2004 (from 53 percent in 1997).

Veterans' Housing

Along with the mortgage assistance that veterans can get through the Federal Housing Administration insurance program, in 2000 the VA-guaranteed loan program will help an estimated 280,000 veterans get mortgages totaling almost $31.2 billion. The Federal Government will spend an estimated $264 million on this program in 1999, reflecting the Federal subsidies implicit in loans issued during the year. Slightly over 40 percent of veterans who have owned homes have used the VA loan guaranty program. To increase veteran home ownership and the program's efficiency, VA will cut its administrative costs. Improving loan servicing to avoid veteran foreclosures also is a key goal.

- In 2000, of the loans headed for foreclosure, VA will be successful 40 percent of the time in ensuring that veterans retain their homes (from the 1998 level of 37 percent).

National Cemetery Administration (NCA)

VA provides burial in its national cemetery system for eligible veterans, active duty military personnel, and their dependents. VA manages 119 national cemeteries across the country and will spend over $97 million in 2000 for VA cemetery operations, excluding reimbursements from other accounts. Over 76,700 veterans and their family members were buried in national cemeteries in 1998. In addition, VA has jointly funded 38 state veterans cemeteries through its State Cemetery Grants Program (SCGP). The program will open four new national cemeteries in 1999 and 2000, expand existing cemeteries, make more effective use of available burial space, and encourage States' participation in the SCGP. VA has established this measure:

- In 2000, VA will increase the percentage of veterans served by a burial option within a reasonable distance of the veteran's place of residence to 77 percent (from the 1998 level of 69 percent).

Related Programs

Many veterans get help from other Federal income security, health, housing credit, education, training, employment, and social service programs that are available to the general population. A number of these programs have components specifically designed for veterans. Some veterans also receive preference for Federal jobs.

Tax Incentives

Along with direct Federal funding, certain tax benefits help veterans. The law keeps all cash benefits that VA administers (i.e., disability compensation, pension, and MGIB benefits) free from tax. Together, these three exclusions will cost about $3.2 billion in 2000. The Federal Government also helps veterans obtain housing through veterans bonds that State and local governments issue, the interest on which is not subject to Federal tax. In 2000, this provision will cost the Government an estimated $40 million.

28. ADMINISTRATION OF JUSTICE

Table 28–1. FEDERAL RESOURCES IN SUPPORT OF ADMINISTRATION OF JUSTICE
(In millions of dollars)

Function 750	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	24,840	26,177	26,376	26,754	26,915	26,734	26,833
Mandatory Outlays:							
Existing law	682	1,042	796	611	574	546	2,062
Proposed legislation	.....	.....	.....	.....	.....	.....	–1,522

While States and localities bear most of the responsibility for fighting crime, the Federal Government also plays a critical role. Along with supporting State and local activities, the Federal Government investigates and prosecutes criminal acts that require a Federal response. In 1999, anti-crime expenditures will consume 4.6 percent of all Federal discretionary spending, compared with about two percent in 1989.

Total Federal, State, and local resources devoted to the administration of justice—including law enforcement, litigation, judicial, and correctional activities—grew from $82 billion in 1990 to an estimated $153 billion in 1999—an 87-percent increase (see Chart 28–1). During this period, the Federal law enforcement component, including transfer payments to State and local law enforcement activities, more than doubled, from $12.4 billion in 1990 to $26.2 billion in 1999. Nevertheless, Federal resources account for only 17 percent of total governmental spending for administration of justice.

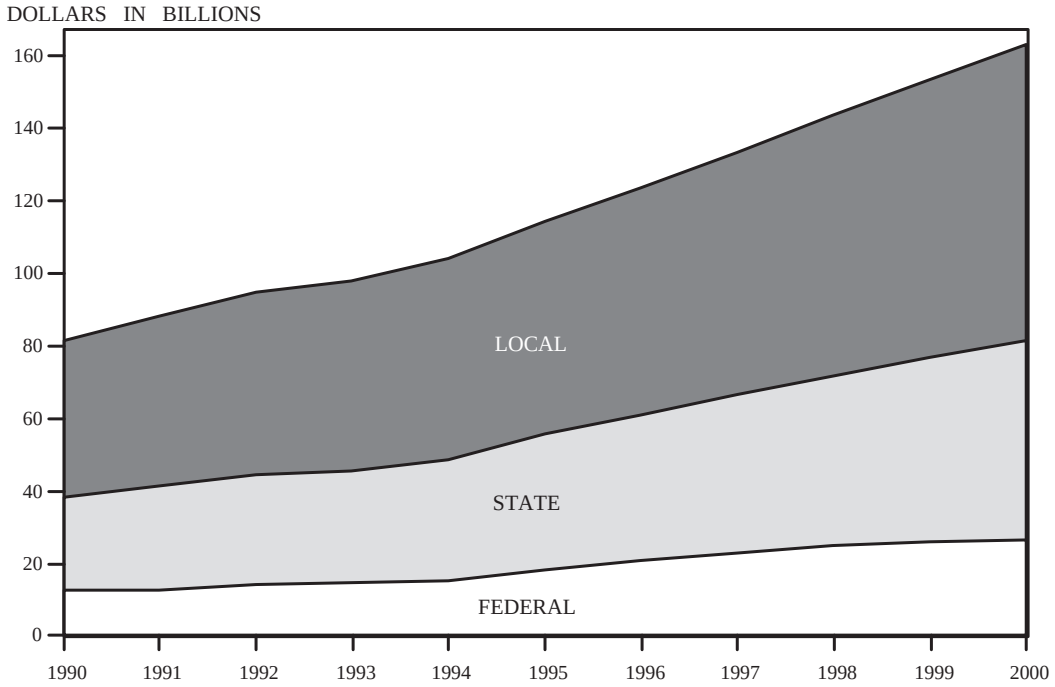
The number of criminal offenses that law enforcement agencies reported fell by two percent from 1996 to 1997—marking the sixth straight year that the crime rate has fallen. The number reported in the first six months of 1998, the most recent period for which figures are available, was five percent lower than in the same period in 1997. The drop in crime, when compared with increases in anti-crime spending during the same period, suggests a causal relationship, although crime is affected by varying factors. The budget builds upon this record of success by continuing to provide substantial funding for proven anti-crime programs.

Funding for the Administration of Justice function includes: (1) law enforcement activities; (2) litigative and judicial activities; (3) correctional activities; and (4) assistance to State and local entities (see Chart 28–2). In 1999, 69 percent of these funds went to the Justice Department (DOJ), while most of the rest went to the Treasury Department and the Judicial Branch.

Law Enforcement

The Department of Justice (DOJ): The 2000 budget enables DOJ to enforce a wide range of laws. The FBI and Drug Enforcement Administration (DEA) enforce diverse Federal laws dealing with violent crime, terrorism, white collar crime, drug smuggling, and many other criminal acts. The Immigration and Naturalization Service (INS) protects the U.S. border from illegal migration while providing services to legal aliens. Federal agencies also work with State and local law enforcement agencies, often through joint task forces, to address drug, gang, and other violent crime prob-

Chart 28-1. ADMINISTRATION OF JUSTICE EXPENDITURES



Note: Federal data includes discretionary expenditures only.

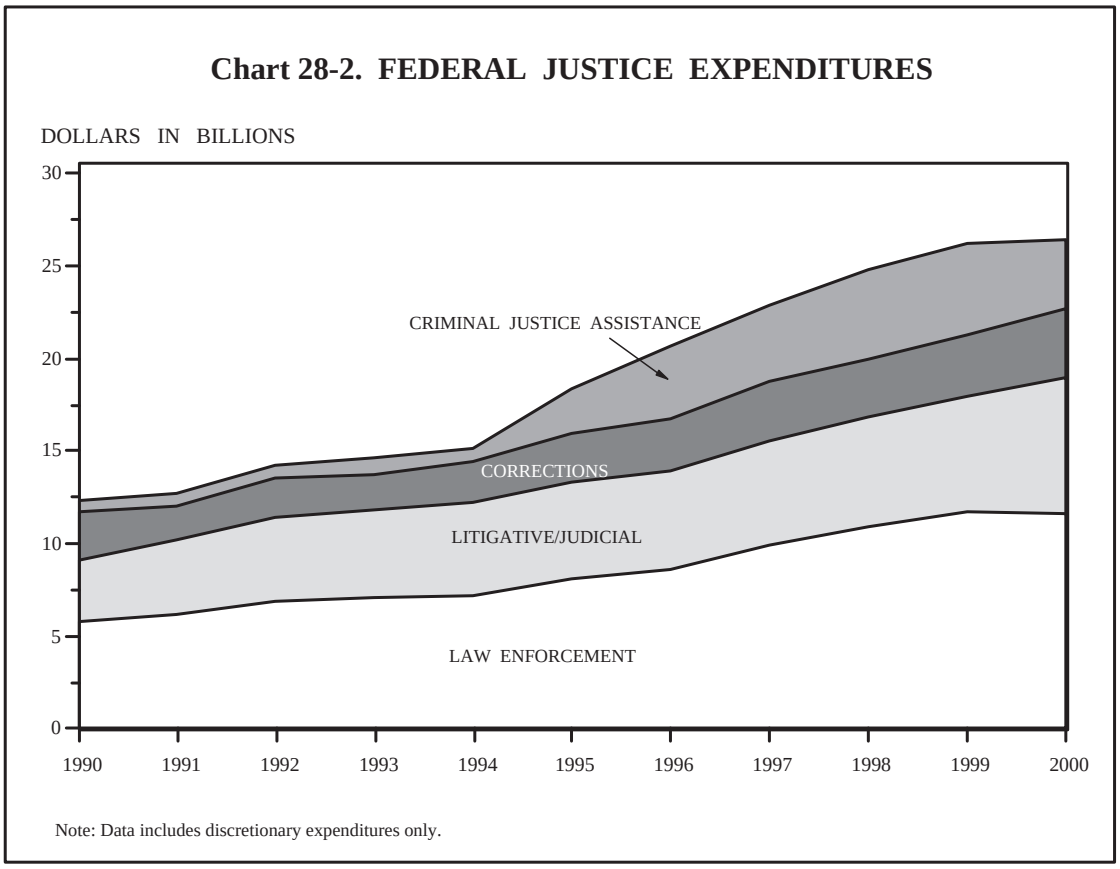
lems. In 2000, with respect to violent crime, the Justice Department will:

- maintain the Federal Government's commitment to reduce the incidence of violent crime below the 1997 level of 611 offenses per 100,000 population.
- reduce specific areas of organized crime and its influence on unions and industries from the 1998 level, while intensifying efforts to prevent emerging organized crime enterprises from gaining a foothold in particular areas.
- apprehend 80 percent of violent offenders within one year of a warrant's issuance, and reduce the fugitive backlog by five percent from 1999 levels. At the end of 1998, there were 10,677 outstanding fugitive warrants.

With respect to immigration and border control, DOJ will:

- increase the number of removals of aliens who are illegally in the United States from 114,386 in 1997 to approximately 165,800 in 2000.
- identify over 38,500 unauthorized alien workers, thereby opening up potential jobs for U.S. citizens and other legally authorized workers.
- in conjunction with the Treasury and Agriculture Departments, increase the percent of legitimate air passengers cleared through primary inspection in 30 minutes or less from 35 percent in 1998 to 65 percent in 2000; and work to process legitimate land border travelers through the primary inspection process on the Mexico border in 30 minutes or less in 2000.
- reduce the average time between application and naturalization of qualified candidates from an estimated 20 months in 1998 to six to nine months by the end of 2000.

The Treasury Department: Within the Treasury Department, the U.S. Customs Service, Bureau of Alcohol, Tobacco and Firearms



(ATF), United States Secret Service, and other bureaus enforce laws related to drug and contraband at our borders; commercial fraud; firearms trafficking; arson and explosives crime; and financial crimes, including money laundering, counterfeiting, and credit card fraud. In addition, the Customs Service regulates the importation and exportation of goods; ATF regulates the alcohol, tobacco, firearms, and explosives industries; and the Secret Service protects the President, Vice President, and visiting foreign dignitaries. The Federal Law Enforcement Training Center (FLETC) provides basic and advanced training to Treasury and other law enforcement personnel. In 2000, the Treasury Department will:

- help solve violent crimes and reduce firearms trafficking by tracing up to 285,000 firearms used in criminal activities, compared to 191,378 in 1997;
- ensure the physical protection of the President, Vice President, visiting foreign dignitaries, and others protected by the Secret Service.
- maintain or improve upon its 99 percent collection rate for trade revenue (duties, taxes, and user fees).
- enhance trade data quality by improving importers' compliance with trade laws (e.g., quotas, trademarks, classification, etc.) from 83 percent in 1997 to 86 percent in 2000.

Federal Drug Control Activities: The Office of National Drug Control Policy (ONDCP) has lead the Federal drug control agencies in the development of a comprehensive set of aggressive societal goals for anti-drug programs, recognizing that achieving National Drug Control Strategy Objectives depends critically on the actions of not only the Federal Government, but of State, local, and foreign governments, the private sector and on the behavior of individuals. At the core of these crosscutting goals are 12 Impact Targets that define what the drug control community is trying to achieve by 2002 and 2007. Following are three of these goals for 2002:

- reduce the overall rate of illegal drug use in the United States by 25 percent, from the 1996 baseline of 6.1 percent to 4.6 percent.
- reduce the rate of crime associated with drug trafficking and use by 15 percent. (Collection and reporting of 1996 data is in progress.)
- reduce by 10 percent the health and social costs associated with drug use. (Collection and reporting of 1996 data is in progress.)

Civil Rights Laws: Federal responsibility to enforce civil rights laws in employment and housing arises from Titles VII and VIII of the Civil Rights Act of 1964, as well as more recent legislation, including the Age Discrimination in Employment Act and the Americans with Disabilities Act. The Department of Housing and Urban Development (HUD) enforces laws that prohibit discrimination on the basis of race, color, sex, religion, disability, familial status, or national origin in the sale or rental, provision of brokerage services, or financing of housing. The Equal Employment Opportunity Commission enforces laws that prohibit employment discrimination on the basis of race, color, sex, religion, disability, age, and national origin. DOJ's Civil Rights Division enforces a variety of criminal and civil statutes that protect the constitutional and statutory rights of the Nation's citizens. The performance goals for this area are as follows:

- The Equal Employment Opportunity Commission will reduce the backlog of private sector complaints from 57,000 at the end of 1998 to 28,000 at the end of 2000.
- As part of a three year, 60 community initiative, HUD will ensure that its grantees in an additional 20 communities (for a total of 40 undertake fair housing audit-based enforcement, using a HUD-developed standardized methodology, to develop local indices of discrimination, to identify and pursue violations of fair housing laws, and to promote new fair housing enforcement initiatives at the local level.

Litigation and Judicial Activities

After law enforcement agencies such as the FBI, DEA, and ATF have investigated and apprehended perpetrators of Federal crimes, the United States must prosecute them. This task falls primarily to the 93 United States Attorneys and the 4,700 Assistant United States Attorneys. Along with prosecuting cases referred by Federal law enforcement agencies, the U.S. Attorneys work with State and local police and prosecutors in their efforts to bring to justice those who have violated Federal laws—whether international drug traffickers, organized crime ringleaders, or perpetrators of white collar fraud. The U.S. Marshals Service protects the Federal courts and their officers; apprehends fugitives; and maintains custody of prisoners involved in judicial proceedings.

In addition, DOJ contains several legal divisions specializing in specific areas of criminal and civil law. These divisions—including the Civil, Criminal, Civil Rights, Environment and Natural Resources, Tax, and Antitrust Divisions—work with the U.S. Attorneys to ensure that violators of Federal laws are brought to justice. The Federal Government, through the Legal Services Corporation, also promotes equal access to the Nation's legal system by funding local organizations that provide legal assistance to the poor in civil cases. In 2000, the Justice Department will seek to:

- increase the number of hate crime cases prosecuted, compared with 1999. In 1998, there were 17 cases prosecuted.
- ensure that no judge, witness, or other court participant is the victim of an assault stemming from his or her involvement in a Federal court proceeding.

The Judiciary's growth in recent years arises from increased Federal enforcement efforts and Congress' continued expansion of the Federal courts' jurisdiction. Accounting for 13 percent of total administration of justice spending, the Judiciary comprises the Supreme Court and 12 circuit courts of appeals, 94 district courts, 90 bankruptcy courts, 94 federal probation offices, the Court of Appeals for the Federal Circuit and the Court of International Trade. The Federal Judiciary is overseen by 2,196 Federal judges and nine Supreme Court justices.

Correctional Activities

The budget proposes $3.8 billion for corrections activities. As of December, 1998, there were more than 124,000 inmates in the Federal Prison System, more than double the number in 1989. This growth, which is expected to continue, is due to tougher sentencing guidelines, the abolition of parole, minimum mandatory sentences, and higher spending on law enforcement. The total U.S. inmate population, of which the Federal Prison System represents less than one tenth, has increased as well. State inmate populations have grown, in part, due to sentencing requirements tied to Federal prison grant funds. In the Federal system, 62 percent of inmates serving time were convicted on drug-related charges. In 2000, the Federal Bureau of Prisons will:

- keep the overcrowding rate below 32 percent by expanding its bed capacity and continuing to construct additional prisons within performance, schedule and budget targets.
- operate the Federal prison system in an efficient manner, in part by maintaining the 1997 daily per capita cost of $59.83.

Criminal Justice Assistance for State and Local Governments

Community Policing and Preventing Gun Violence: The budget proposes $4 billion to help State and local governments fight crime including $424 million to assist crime victims. The 2000 budget builds on the success of the Community Oriented Policing Services (COPS) program and includes $1.3 billion for the 21st Century Policing Initiative. This program expands the concept of community policing to include community prosecution, law enforcement technology assistance, and prevention. To address the continuing problem of gun violence, the Administration supports a new effort under the Brady Law to keep guns out of the hands of criminals and to make America's streets safer. As part of this effort, the Justice Department, working with the States, is now conducting computerized background checks on all firearm purchases. The instacheck system has been used to block more than 100 illegal gun sales a day since the program was implemented. In 2000, DOJ will:

- provide funding to communities to hire over 6,000 additional officers.
- in conjunction with the Treasury Department, review over nine million prospective gun sales to prevent felons, fugitives, stalkers and other prohibited purchasers from buying guns.

Stopping Violence against Women: To combat the significant problem of violence against women, the budget proposes $462 million to enhance the States' abilities to respond, and to further expand access to previously under-served rural, Indian, and other minority populations.

- As a result of grants that encourage arrests, DOJ will seek to increase by 145 percent over the 1997 baseline estimate of 50, the number of grantees reporting a decrease in domestic violence calls in 2000.

Combating Juvenile Delinquency: To prevent young people from becoming involved in the juvenile justice system, the budget includes $289 million for juvenile justice programs, including those that provide supervised afternoon and evening activities for youth. In 2000, compared with 1999 levels, DOJ will seek to:

- reduce the incidence of juveniles illegally carrying guns.
- reduce the number of juvenile gun-related crimes.

29. GENERAL GOVERNMENT

Table 29–1. FEDERAL RESOURCES IN SUPPORT OF GENERAL GOVERNMENT
(In millions of dollars)

Function 800	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	12,071	13,200	12,722	13,509	13,181	13,259	13,224
Mandatory Outlays:							
Existing law	1,437	2,445	1,443	1,153	1,064	1,117	1,324
Proposed legislation	.....	.....	73	87	101	110	118
Tax Expenditures:							
Existing law	56,805	59,175	61,570	64,140	66,865	69,715	72,900
Proposed legislation	.....	.....	24	46	71	106	141

The General Government function encompasses the central management activities of the executive and legislative branches. Its major activities include Federal finances (tax collection, public debt, currency and coinage, Government-wide accounting), personnel management, and general administrative and property management.

Four agencies are responsible for these activities: the Treasury Department (for which the budget proposes $12.5 billion), the General Services Administration ($161 million), the Office of Personnel Management ($198 million), and the Office of Management and Budget in the Executive Office of the President ($63 million).

Department of the Treasury

Treasury is the Federal Government's financial agent. It produces and protects the Nation's currency; helps set domestic and international financial, economic, and tax policy; enforces economic embargoes and sanctions; regulates financial institutions and the alcohol, tobacco, and firearms industries; manages the Federal Government's financial accounts; and protects citizens and commerce against those who counterfeit money, engage in financial fraud, violate our border, and threaten our leaders. Treasury's law enforcement functions are included in Chapter 28, "Administration of Justice."

In 2000 Treasury will seek to collect an estimated $1.8 trillion in tax and tariff revenues due under law; pay electronically more than 75 percent of the 903 million payments that it makes; issue $2 trillion in marketable securities and savings bonds to finance the Government's operations and promote citizens' savings; and produce nine billion Federal Reserve Notes, 15 billion postage stamps, and 17.9 billion coins.

The Internal Revenue Service (IRS): The IRS is the Federal Government's main revenue collector. The Service's newly revised mission is to provide America's taxpayers with top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all. To carry out its new customer service oriented mission, IRS will reorganize into four operating divisions, each focused on serving a group of taxpayers with similar needs (i.e., wage and investment, small business/self-employment/supplemental income, middle market/large corporate, and tax exempt).

The IRS is introducing a new system in 1999 to assess organizational performance and identify opportunities for improvement.

The IRS is realigning management processes and activities to ensure that they support the Service's mission and incorporate the principles of a balanced measurement system. Organizational performance measures will balance business results (including quality and quantity measures), customer satisfaction, and employee satisfaction. In addition to the new measurement system, IRS is undertaking a study to improve its methodology for estimating taxpayer compliance burden.

Some performance targets will not be available for the IRS' new measures until the IRS establishes baselines. However, in 2000, the targets for the following critical areas of the Service's performance are:

- continue to improve customer service through its toll-free assistance, answering 80 to 90 percent of calls, (89.9 percent in 1998), with an accuracy rate of 85 percent for tax law questions;
- receive 25.0 percent of individual returns filed electronically, up from 19.8 percent in 1998, with seven to eight million using Telefile, which allows taxpayers to file a simple tax return on the telephone in 10 minutes;
- receive 78.0 percent of tax revenues electronically (up from 41 percent in 1997); and
- process 98 percent of refunds for electronic returns within 21 days.

The Financial Management Service (FMS): The FMS mission is to improve the quality of Federal Government financial management by providing financial services, information and advice to Federal program agencies and other clients. In 2000, FMS will:

- increase the percentage of Federal payments and associated information transmitted electronically from 58 percent in 1997 to 75 percent in 2000; and
- increase electronic collections as a percentage of total collections from 52 percent in 1997 to 75 in 2000.

The Bureau of Public Debt (BPD): BPD conducts all public debt operations for the Federal government and promotes the sale of U.S. savings-type securities. In 2000, BPD will:

- issue at least 95 percent of over-the-counter bonds within three weeks of their purchase; and
- announce auction results within one hour 95 percent of the time.

The U.S. Mint: The U.S. Mint produces the Nation's coinage and manufactures numismatic products for the public. In 2000, the U.S. Mint will:

- introduce a new dollar coin and the second five-State series in the 50 States Commemorative Quarter Program; and
- maintain high levels of customer service by shipping commemorative coins within four weeks and recurring coins within three weeks of order placement.

The Bureau of Engraving and Printing (BEP): BEP produces all U.S. currency, about half of U.S. postage stamps, and other government securities. In 2000, the BEP will:

- introduce the newly-designed $10 and $5 notes with enhanced security features; and
- meet all currency shipment requirements for the Federal Reserve.

General Services Administration (GSA)

GSA provides policy leadership and expertly managed space, products, and services to support the administrative needs of Federal agencies. In 2000, revenues from GSA's various business lines will approach $14 billion. GSA is responsible for more than $50 billion a year in Federal spending for property management and administrative services, and management of assets valued at nearly $500 billion.

In recent years, GSA has worked to develop a new Federal management model, focusing on performance measurement, accountability for agencies and employees, and the effective use of technology in changing work environments. GSA has established inter-agency groups to advise it on the policies, best practices, and performance benchmarks appropriate for each administrative service and information system. GSA's ultimate goal is a Federal Government in which agencies receive the administrative services they need

according to the best practices known and at the least cost.

As a provider of many administrative services, GSA seeks to exceed all Government-wide performance goals and industry benchmarks for these services as such benchmarks are developed or identified. Its overall goals as a service provider are to exceed its customer agencies' expectations for price, service and quality. In 2000:

- the Public Buildings Service will deliver 80 percent of its construction and repair projects on schedule and within budget, up from 78 percent in 1998;
- the Federal Technology Service projects a monthly line charge for local telephone service of $19.84, a 31-percent cut from 1994 rates; and
- the Federal Supply Service will lease automobiles and other motor vehicles to Federal agencies at rates that average 20 percent below comparable commercial lease rates.

Because GSA provides services on a reimbursable basis, agency budgets fund most of GSA's activities. In 2000, for example, the budget proposes an appropriation of $161 million for GSA, primarily for the Office of Government-wide Policy and the Office of the Inspector General. However, the budget projects obligations of nearly $14 billion through GSA's revolving funds. In addition, GSA will administer contracts through which agencies will buy more than $19 billion in goods and services outside of GSA's revolving funds.

Office of Personnel Management (OPM)

OPM provides human resource management leadership and services, based on merit principles, to Federal agencies and employees. It provides policy guidance, advice, and direct personnel services and systems to the agencies; operates a Worldwide job information and application system; and provides fast, friendly, accurate, and cost-effective retirement, health benefit, and life insurance services to Federal employees, annuitants, and agencies.

In 2000, OPM will:

- maintain the average time to process an annuity application of 23 days (which exceeds the 1999 goal of 35 days—down from 83 days in 1994) and reduce survivor pay processing time from 20 days in 1998 to nine days;
- handle about 1,072,000 annuity inquiries, a 10-percent increase in volume, and increase its customer satisfaction rate to 95 percent;
- increase the percentage of health benefits program customer phone calls answered and completed within the performance standard of 1.5 minutes from 85 percent in 1998 to 90 percent; and
- reduce annuity rolls processing time from 4.5 days 1998 to 4.0 days.

OPM administers the Federal civil service merit systems, covering nearly 1.5 million employees. In 1998, OPM conducted nationwide reviews of eight major agencies, finding few serious problems and discovering many "best practices" it shared with other agencies. In 1999, OPM will conduct seven reviews. In 2000, additional reviews will expand to non-Title 5 agencies (e.g., personnel in the Executive Branch who are not covered by Title 5 of the U.S. Code) and more small agencies, increasing site visits from 120 to 134.

OPM plays a proactive role in diversity initiatives. In 1998, OPM issued a strengthened nine-point plan to increase Hispanic employment, an initiative for improving African-American representation at higher grade levels, and targeted recruitment guidance for women and for persons with disabilities. OPM will build upon these efforts by institutionalizing the successful outreach strategies employed in the Presidential Management Intern program, and utilizing competency-based assessment tools to identify high quality, diverse candidates for professional and administrative careers.

Office of Management and Budget (OMB)

OMB helps the President create policy relating to receipts and expenditures, regulations, information, and legislation; and manage the Executive Branch in the faithful execution of laws, policies, and programs. OMB also

provides the President with the highest-quality analysis and advice on a broad range of topics.

OMB advocates the appropriate allocation and effective use of Government resources. OMB helps the President prepare the Federal budget and oversee its execution in the departments and agencies. In helping formulate the President's spending plans, OMB examines the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; and provides policy options. OMB works to ensure that proposed legislation, and agency testimony, reports, and policies are consistent with Administration policies. OMB focuses particular attention on managing the processes for coordinating and integrating policies for interagency programs. On behalf of the President, OMB often presents and justifies major policies and initiatives related to the budget and Government management before Congress.

OMB has a central role in developing, overseeing, coordinating, and implementing Federal procurement, financial management, information, and regulatory policies. OMB helps to strengthen administrative management, develop better performance measures, and improve coordination among Executive Branch agencies.

In 2000, OMB will produce the annual budget for 2001 using a state-of-the art off-site secure data center, to improve efficiency and timeliness, improve services to agency customers, and ensure Y2K compliance.

Tax Incentives

The Federal Government provides significant tax benefits for State and local governments. It permits tax-exempt borrowing for public purposes, costing $20.4 billion in Federal revenue losses in 2000 and $104.3 billion over five years, from 2000 to 2004. (The budget describes tax-exempt borrowing for non-public purposes in the chapters on other Government functions.) In addition, taxpayers can deduct State and local income taxes against their Federal income tax, costing $37.0 billion in 2000 and $210 billion over five years. Corporations with business in Puerto Rico and other U.S. possessions receive a special tax credit, costing an estimated $4.6 billion in 2000 and $21 billion over five years. This tax credit is phasing out and will expire at the end of 2005. Finally, up to certain limits, taxpayers can credit State death taxes against Federal estate taxes, costing $28.4 billion over five years.

30. NET INTEREST

Table 30–1. NET INTEREST
(In millions of dollars)

Function 900	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Mandatory Outlays:							
Existing law	243,359	227,244	215,187	205,905	194,741	183,237	172,959
Tax Expenditures:							
Existing law	965	1,015	1,065	1,115	1,175	1,235	1,295

The Federal Government pays large amounts of interest to the public, mainly on the debt it incurred to finance past budget deficits.

The Government also pays interest from one budget account to another, mainly because it invests its various trust fund balances in Treasury securities. Net interest—which does not include these internal payments—closely measures Federal interest transactions with the public. In 2000, Federal outlays for net interest will total an estimated $215.2 billion.

The Interest Burden

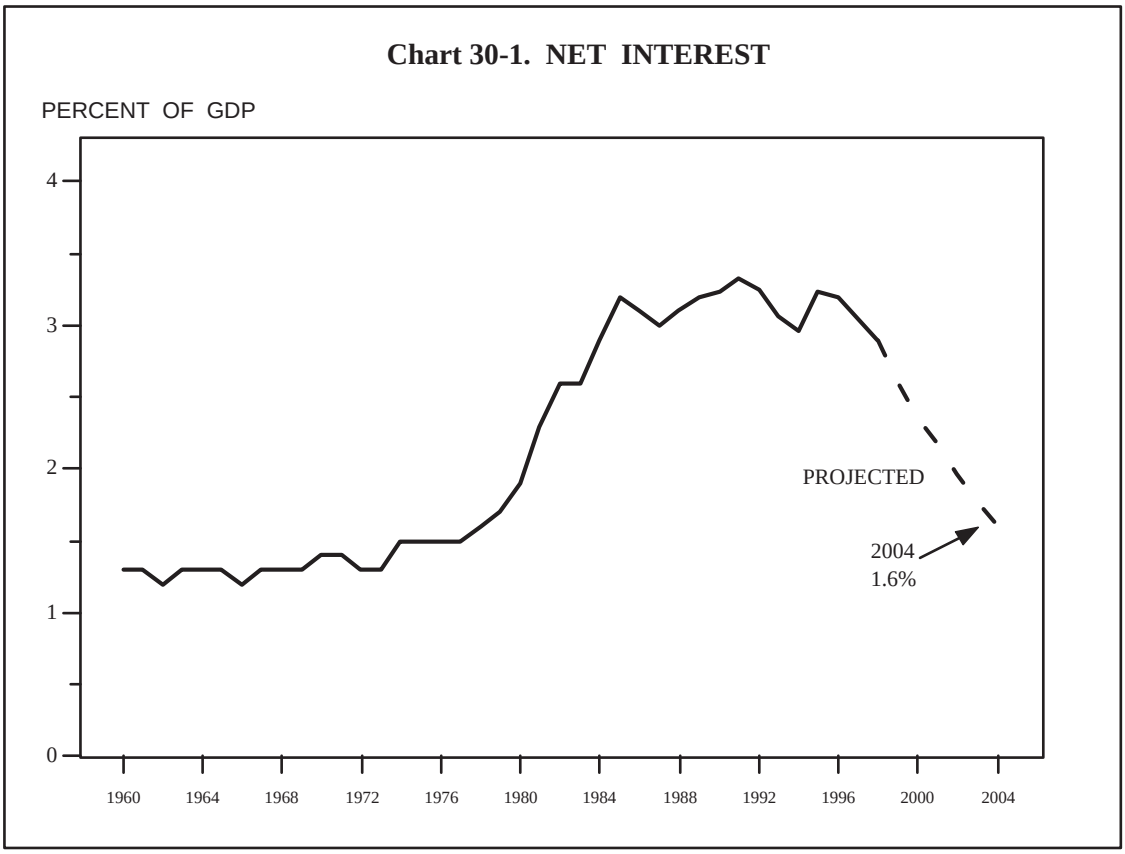
As noted above, the amount of net interest depends on the amount of debt held by the public, as well as on the interest rates on the Treasury securities that comprise that debt. Debt held by the public is the total of all deficits that have accumulated in the past—minus the amount offset by budget surpluses. Large deficits in the 1980s and early 1990s sharply increased the ratio of debt held by the public to the Gross Domestic Product (GDP)—from 26.1 percent in 1980 to 50.2 percent in 1993. Partly due to the huge rise in debt, interest rates on Treasury securities also rose sharply. The combination of much more debt and higher interest rates caused a substantial increase in Federal interest costs—from 1.9 to 3.3 percent of GDP between 1980 and 1991 (see Chart 30–1).

As budget deficits were gradually eliminated, and as interest rates declined, the ratio of net interest to GDP fell from 3.3 percent in 1991 to 2.9 percent in 1998. The combination of budget surpluses starting in 1998, and continued low interest rates, reduce the projected ratio further, to an estimated 1.6 percent in 2004. Thus, the interest burden is projected to fall by one-half in just over a decade. As shown in the table above, net interest in dollars is expected to begin to decline in 1999.

Components of Net Interest

Net interest is defined as gross interest on the public debt minus the interest received by on-budget and off-budget trust funds and minus all activities that fall under "other interest" (discussed later in this chapter).

Gross Interest on the Public Debt: Gross interest on the public debt will total an estimated $346.5 billion in 2000 and $339.0 billion in 2004. At the end of 1998, the gross Federal debt totaled $5.479 trillion, of which $3.720 trillion was held by the public. The debt held by the public accounted for 23.4 percent of the total credit-market debt owed by the non-financial sector of the U.S. economy. The proportion peaked at 26.8 percent in 1994 and has trended down over the last few years as Federal Government borrowing diminished with



the declining deficits (see Table 12-1 in *Analytical Perspectives*).

Interest Received by Trust Funds: Under current law, the receipts and disbursements of Social Security's old-age and survivors insurance (OASI) trust fund and disability insurance (DI) trust fund are excluded from the budget. Social Security, however, is a Federal program. Thus, the net interest of the Federal Government as a whole includes the off-budget interest earnings. Because Social Security will accumulate large surpluses over the next several years, its interest earnings will rise from an estimated $56.5 billion in 2000 to $82.7 billion in 2004.

The other major trust funds are on-budget. The interest earnings of the civil service retirement and disability fund will rise from an estimated $34.6 billion in 2000 to $37.4 billion in 2004, and the interest of the military retirement fund will rise from $12.7 billion to $13.6 billion. The Medicare Hospital Insurance (HI) trust fund will receive $9.1 billion in 2000.

Other Interest: Other interest includes both interest payments and interest collections—much of it consisting of intra-governmental payments and collections that arise from Federal revolving funds. These funds borrow from the Treasury to carry out lending or other business-type activities.

Budgetary Effect, including the Federal Reserve

The Federal Reserve System buys and sells Treasury securities in the open market to implement monetary policy. The interest that Treasury pays on the securities owned by the Federal Reserve is included in net interest as a cost, but virtually all of it comes back to the Treasury as "deposits of earnings of the Federal Reserve System." These budget receipts will total an estimated $25.1 billion in 2000 and $29.0 billion in 2004.

31. ALLOWANCES

Table 31–1. ALLOWANCES
(In millions of dollars)

Function 920	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	.....	7,577	–307	–47,652	–41,599	–20,491	–22,452
Mandatory Outlays:							
Proposed legislation	.....	.....	.....	–2,824	–3,917	–4,553	–4,688

Resources Contingent upon Social Security Reform

The budget assumes that Social Security will be reformed and that the surplus will be reserved until Social Security is reformed. Once Social Security has been reformed, additional resources would be made available for defense and non-defense discretionary spending. The budget request for the Department of Defense (DOD) provides for substantial program expansion to ensure adequate funding levels for national security. Increases in non-DOD programs ensure continuity for critical functions of core Government, and provide for a discretionary Reserve for Priority Initiatives for funding initiatives such as increasing funding for the National Institutes of Health by nearly 50 percent, and investments that raise student achievement and that protect Americans at home and abroad. If Social Security reform is not enacted, allowances reduce the defense and non-defense top lines to levels consistent with the discretionary caps for 2001 through 2004.

Natural Disasters and Other Emergencies

This allowance will provide funding for unanticipated emergencies such as the response to the devastating damage caused to Central America by Hurricane Mitch.

Expected Release of Contingent Emergency Funding

This allowance provides funding for the release of amounts already appropriated as contingent emergencies that are expected to be, but have not been released at the time of transmittal of the budget.

Tobacco Recoupment Policy

U.S. taxpayers paid a substantial portion of the Medicaid costs that were the basis for much of the State settlement with the tobacco companies, and Federal law requires that the Federal Government recoup its share. This allowance recognizes that the Administration will again support legislation to waive direct Federal recoupment, if States agree to use a portion of funds from the settlement to support shared national and State priorities.

Adjustments to Certain Accounts

This allowance provides for growth in the budgets of certain agencies at rates closer to historical levels.

32. UNDISTRIBUTED OFFSETTING RECEIPTS

Table 32–1. UNDISTRIBUTED OFFSETTING RECEIPTS
(In millions of dollars)

Function 950	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Spending:							
Discretionary Budget Authority	.....	.....	–2,800	1,100	1,100	–200	–200
Mandatory Outlays:							
Existing law	–47,194	–40,028	–42,271	–45,330	–51,278	–45,865	–46,673
Proposed legislation	.....	.....	–585	–787	–898	–971	–1,009

Offsetting receipts, totaling $45.7 billion in 2000, fall into two categories: (1) the Government's receipts from performing business-like activities, such as proceeds from the sale of Outer Continental Shelf leases or a Federal asset; and (2) the amounts that the Government shifts from one account to another, such as agency payments to retirement funds.

Rents and Royalties on the Outer Continental Shelf (OCS)

The Interior Department's Outer Continental Shelf Lands leasing program, which it began in 1954, currently generates about 20 percent and 27 percent of U.S. domestic oil and natural gas production, respectively. Since its inception, it has held 126 lease sales, covering areas three to 200 miles offshore and generating over $117 billion in rents, bonuses, and royalties—mainly for the Treasury.

OCS revenues help to reduce the deficit, but they also provide most funding for the Land and Water Conservation Fund and Historic Preservation Fund programs. The OCS program will generate more than $3 billion in receipts in 1999. In 2000, the Administration will continue the leasing moratoria for the environmentally sensitive areas—offshore California, Oregon, and Washington; the Eastern Seaboard; the southwestern coastline of Florida, including the Everglades; and certain parts of Alaska.

Asset Sales

The United States Enrichment Corporation (USEC): USEC, which began operations in July, 1993, sells enriched uranium globally to utilities as fuel for nuclear power plants. Congress created USEC as a wholly-owned Government corporation—the first step in a series of actions designed to lead to privatization. On July 28, 1998, the sale of USEC common stock in connection with an initial public offering was completed, resulting in proceeds to the Government of $1,385 million and a payment of an additional $500 million exit dividend.

Naval Petroleum Reserve 1 (Elk Hills): The Defense Authorization Act of 1996 required the sale of Naval Petroleum Reserve 1 in California, commonly known as Elk Hills, by February 10, 1998. The sale of Elk Hills to Occidental Petroleum for $3.5 billion was completed on February 5, 1998. This sale was the largest privatization in the history of the U.S. Government.

Alaska Power Administration: The Administration completed the sale of the power plants at Anchorage and Juneau to current customers, as authorized under a 1995 law. The sale, which raised an estimated $88 mil-

lion in Federal revenues, was completed in August 1998.

Employee Retirement

In 2000, Federal agencies will pay an estimated $37.5 billion on behalf of their employees to the Federal retirement funds,[1] the Medicare health insurance trust fund, and the Social Security trust funds. As civilian employee pay rises, agencies must make commensurate increases in their payments to recognize the rising cost of retirement.

[1] The major programs are the Military retirement System, the Civil Service Retirement System, and the Federal Employee Retirement System.

Other Undistributed Offsetting Receipts

Beginning in 1993, the President and Congress gave the Federal Communications Commission authority to assign spectrum licenses through competitive bidding, which has proven an extremely efficient and effective way to allocate this scarce public resource. The budget reflects the continued policy of assigning licenses by auction, as authorized by the 1997 Balanced Budget Act. The Government will auction spectrum made available from the transition to digital broadcast technology as well as 120 MHZ of reallocated spectrum—raising an estimated $21 billion over the next 10 years, and helping to balance the budget while compensating the public for the use of this valuable resource.

33. REGULATION: COSTS AND BENEFITS

Along with taxing and spending, the Federal Government makes policy through regulating—that is, generally, through Executive Branch actions to interpret or implement legislation. The Administration's approach to regulation is careful design and implementation at the least cost. The Office of Management and Budget (OMB), the White House office that sets regulatory policy, has adopted the following objective in its Strategic Plan: maximize social benefits of regulation while minimizing the costs and burdens of regulation.

The Government is still learning how to accurately estimate regulatory costs, such as how much the private sector spends to comply with regulations, and benefits, such as safer cars and food. For more than 20 years, a series of Executive Orders has charged OMB with reviewing regulations and providing information on their costs and benefits. The President's September 1993 Executive Order, "Regulatory Planning and Review," directs agencies to assess the costs and benefits of available regulatory alternatives and to issue only regulations that maximize net benefits (benefits minus costs), unless a law requires another approach.

Developing and evaluating the best possible data on benefits and costs are central to the Government's ability to assess how well the regulatory system functions to fulfill public needs. To meet that goal, OMB works with the agencies to improve the quality of the data and analyses they use in making regulatory decisions for both new and existing regulations, and to promote the use of standardized assumptions and methodologies uniformly across regulatory programs.

Difficulties in Estimation: Estimating regulatory costs and benefits is hard for a variety of reasons, two of the most important of which are the "baseline" problem and the "apples and oranges" problem.

To estimate how regulations affect society and the economy, the Government must determine the baseline against which to measure costs and benefits; that is, what would have happened if the Government had not issued the regulation? But, several problems arise. First, no one can craft such a hypothetical baseline with certainty. Second, measures of costs and benefits often vary, depending on who is measuring. Agencies generally support their regulatory programs and, thus, may understate costs or overstate the likely benefits; at the same time, businesses and others who bear the costs will likely do the opposite. Third, the timing of estimates also may make a difference. Most estimates are made before the regulation takes effect, but evidence exists that once regulations are in place, the affected entities find less costly ways to comply.

The "apples and oranges" problem derives from the nature and diversity of regulation itself. Over 60 Federal agencies regulate over 4,000 times a year for a wide array of public purposes. OMB itself reviews about 500 proposed and final rules per year. The Government must make decisions about the chemicals introduced into commerce, the accessibility of public transportation, and safety of the Nation's food supply. Estimating the costs of such diverse activities is hard; estimating the benefits is even harder. The Government is working on these problems and is making steady progress on methodology and data collection.

Costs and Benefits of Regulation: OMB's second survey, *Report to Congress on the Costs and Benefits of Federal Regulations, 1998,* presents new estimates of the aggregate costs and benefits of Federal regulation and regulatory programs, as well as the costs and benefits of major individual regulations issued during the last three last years. The report continues progress toward developing a system to track OMB performance in minimizing costs while achieving social benefits.

The report uses information on costs and benefits published in peer-reviewed journals, or published for public comment by agencies and reviewed by OMB, to estimate aggregate

costs and benefits for four categories of social regulation: environmental, transportation, labor, and other social regulations, such as food safety (see Table 33–1).

The estimates in Table 33–1 are presented in wide ranges to emphasize their inherent uncertainty, particularly with the benefit estimates. Moreover, only costs and benefits that could be quantified and assigned a dollar value are included in the estimates. The estimates indicate that regulation has most likely produced very large net benefits for society, especially for the environment and transportation. The benefits of environmental regulations reflect the value that society places on improved health, recreational opportunities, quality of life, preservation of ecosystems, biodiversity, and so on. The broadening of the upper end of the range in the benefit estimates for the environment is largely due to an Environmental Protection Agency (EPA) report that, due to a court-ordered deadline did not go through an interagency review, and which estimates that the annual benefits of the Clean Air Act might be as high as $3.2 trillion. The OMB report discusses the key assumptions behind these estimates and specifically notes that the results appear to be sensitive to choices made concerning the baseline for the analysis and the translation of improvements in air quality to human health benefits.

The benefits of transportation, labor, and other social regulation mainly include the value provided by improved safety and health. Generally, the costs are the expenses incurred in compliance, based on engineering designs and current prices, although sometimes they properly include the opportunity costs of foregoing the benefits of what would have been produced in the absence of the regulation.

Although Table 33–1 shows that, in total and for important categories, Federal regulations have provided more benefits than costs, it says little about current regulatory policy or how to improve it. To address these issues, the Government needs estimates of the costs and benefits of the incremental changes to recent regulations. In its report, OMB also provided estimates of the costs and benefits of 34 final regulations that it reviewed from April 1, 1995, to March 31, 1998, for which it had relatively complete monetized estimates. These 34 rules represent about 25 percent of the "major" rules—rules that are expected to have an economic impact on the economy of over $100 million—and about five percent of all the rules reviewed by OMB over this period.

The 34 rules are estimated to provide $30 billion to almost $100 billion in annualized benefits to society for about $28 billion in annualized costs, suggesting net benefits even at the lower benefit estimate. Three rules dominate these estimates: a 1996 Health and Human Services rule that places restrictions on the sale of tobacco and the two 1997 EPA rules revising the National Ambient Air Quality Standards for ozone and particulate matter.

Table 33–1. Estimates of the Total Annual Benefits and Costs of Social Regulations

(In billions of 1996 dollars as of 1998, Q1)

	Benefits	Costs
Environmental	[1] 93 to 3,300	120 to 170
Transportation	84 to 110	15 to 18
Labor	28 to 30	18 to 19
Other	53 to 58	17 to 22
Total	260 to 3,500	170 to 230

Source: OMB, *Report to Congress On the Costs and Benefits of Federal Regulations, 1998.*
[1] The upper end of the range is based on an EPA report.

Further Action: The Government needs better data and analysis to determine whether proposed regulations maximize social benefits while minimizing cost. But agencies have legitimate reasons for their often incomplete estimates. In some cases, they face significant technical problems in assessing costs and benefits. In others, legal or judicial deadlines force the agencies to act within time frames that do not allow for adequate analysis. In still others, agencies may need to allocate their limited financial and human resources to higher priorities. Finally, in cases of emergencies, the public expects its elected leaders to respond without the delay that careful analysis would entail.

OMB is committed to improving the indicators to assess its performance in meeting the goal of ensuring that it is faithfully executing and managing regulatory policy. It will continue to lead an inter-agency effort to raise the quality of analyses that agencies use in developing regulations, such as by offering technical outreach programs and training sessions on using OMB's "Best Practices" on economic analysis, and to make recommendations for better estimation techniques to value costs and benefits.

OMB also will:

- continue to develop a database on benefits and costs of major rules, using consistent assumptions and better estimation techniques to refine agency estimates of incremental costs and benefits; and
- work on developing appropriate methodologies to evaluate whether to reform or eliminate existing regulatory programs or their elements.

Regulation and regulatory reform can do much good for society, depending on whether the Government has the needed information and analysis for wise decision-making. The steps outlined above are designed to continue the Government's efforts to improve its ability to make better regulatory decisions.

34. DETAILED FUNCTIONAL TABLES

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	69,822	70,932	73,724	76,259	78,417	80,914	83,748
Operation and maintenance	96,939	97,779	103,251	103,565	104,673	107,469	110,887
Procurement	44,772	48,951	53,021	61,783	62,297	66,552	69,211
Research, development, test and evaluation	37,090	36,635	34,374	34,290	34,680	34,518	35,015
Military construction	5,463	5,079	2,297	7,079	4,246	4,342	4,452
Family housing	3,829	3,580	3,141	3,827	3,614	3,744	3,851
Revolving, management and trust funds	1,968	955	281	598	544	714	755
Proposed Legislation (non-PAYGO)	.....	.....	.....	.....	830	1,447	582
Discretionary offsetting receipts	–35	–394	–217	–1	–2	–2	–2
DOD-wide savings proposals	.....	.....	–1,650	.....	.....	.....	.....
Total, Department of Defense—Military	259,848	263,517	268,222	287,400	289,299	299,698	308,499
Atomic energy defense activities:							
Department of Energy	11,548	12,363	12,184	12,744	12,732	12,706	12,667
Formerly utilized sites remedial action	140	140	150	150	150	150	150
Defense nuclear facilities safety board	17	17	18	18	18	18	18
Total, Atomic energy defense activities	11,705	12,520	12,352	12,912	12,900	12,874	12,835
Defense-related activities:							
Discretionary programs	817	945	1,014	1,009	1,009	1,009	1,009
Total, Discretionary	272,370	276,982	281,588	301,321	303,208	313,581	322,343
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	1,041	448	382	385	388	385	384
Offsetting receipts	–2,353	–1,402	–1,379	–1,416	–1,418	–1,384	–1,324
Total, Department of Defense—Military	–1,312	–954	–997	–1,031	–1,030	–999	–940
Atomic energy defense activities:							
Proceeds from sales of excess DOE assets	–1	.....	.....	.....	.....	.....	.....

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Defense-related activities:							
Mandatory programs	197	202	209	221	233	242	254
Total, Mandatory	–1,116	–752	–788	–810	–797	–757	–686
Total, National defense	271,254	276,230	280,800	300,511	302,411	312,824	321,657
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	1,681	1,710	1,811	1,811	1,811	1,811	1,811
Multilateral development banks (MDB's)	1,487	1,512	1,473	1,473	1,473	1,473	1,473
Proposed Legislation (non-PAYGO)	.....	.....	50	50	50	50	50
Subtotal, Multilateral development banks (MDB's)	1,487	1,512	1,523	1,523	1,523	1,523	1,523
Assistance for the New Independent States	581	847	1,032	1,032	1,032	1,032	1,032
Food aid	867	862	787	787	787	787	787
Refugee programs	700	670	690	690	690	690	690
Assistance for Central and Eastern Europe	408	430	393	393	393	393	393
Voluntary contributions to international organizations	303	292	293	293	293	293	293
Peace Corps	226	241	270	270	270	270	270
Other development and humanitarian assistance	904	1,264	975	975	975	975	975
Total, International development, humanitarian assistance	7,157	7,828	7,774	7,774	7,774	7,774	7,774
International security assistance:							
Foreign military financing grants and loans	3,359	4,032	3,780	3,780	3,430	3,430	3,430
Economic support fund	2,435	2,633	2,539	2,539	2,389	2,389	2,389
Other security assistance	308	345	413	413	413	413	413
Total, International security assistance	6,102	7,010	6,732	6,732	6,232	6,232	6,232
Conduct of foreign affairs:							
State Department operations	2,087	2,922	2,929	2,929	2,929	2,929	2,929
Foreign buildings	389	1,031	484	784	934	1,084	1,234
Assessed contributions to international organizations	943	922	963	963	963	963	963
Assessed contributions for international peacekeeping	257	231	235	235	235	235	235
Arrearage payment for international organizations and peacekeeping	.....	475	446	.....	.....	.....	.....
Other conduct of foreign affairs	168	171	140	140	140	140	140
Total, Conduct of foreign affairs	3,844	5,752	5,197	5,051	5,201	5,351	5,501

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Foreign information and exchange activities:							
Broadcasting Board of Governors	427	397	453	453	453	453	453
Other information and exchange activities	795	719	274	274	274	274	274
Total, Foreign information and exchange activities	1,222	1,116	727	727	727	727	727
International financial programs:							
Export-Import Bank	718	799	881	881	881	881	881
Special defense acquisition fund	–52	–48	.....	.....	.....	.....	.....
IMF new arrangements to borrow	.....	3,450	.....	.....	.....	.....	.....
Other IMF	.....	14,943	.....	.....	.....	.....	.....
Total, International financial programs	666	19,144	881	881	881	881	881
Total, Discretionary	18,991	40,850	21,311	21,165	20,815	20,965	21,115
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	51	–456	–445	–445	–464	–458	–449
Other development and humanitarian assistance	17	–8	–34	–4	–4	–4	–4
Total, International development, humanitarian assistance	68	–464	–479	–449	–468	–462	–453
International security assistance:							
Repayment of foreign military financing loans	–534	–371	.....	.....	.....	.....	.....
Foreign military loan reestimates	19	5	.....	.....	.....	.....	.....
Foreign military loan liquidating account	–215	–287	–550	–458	–402	–339	–271
Total, International security assistance	–730	–653	–550	–458	–402	–339	–271
Foreign affairs and information:							
Conduct of foreign affairs	1	12	3	4	2	3	3
U.S. Information Agency trust funds	–1	–1	–1	–1	–1	–1	–1
Miscellaneous trust funds	2	2	2	2	2	2	2
Japan-U.S. Friendship Commission	1	2	3	3	3	3	3
Total, Foreign affairs and information	3	15	7	8	6	7	7

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
International financial programs:							
Foreign military sales trust fund (net)	–3,459	–1,910	–2,670	–2,430	–3,100	–1,540	–680
Exchange stabilization fund	30	.....	.....	.....	.....	.....	.....
Other international financial programs	–134	–285	–251	–327	–159	–72	–80
Total, International financial programs	–3,563	–2,195	–2,921	–2,757	–3,259	–1,612	–760
Total, Mandatory	–4,222	–3,297	–3,943	–3,656	–4,123	–2,406	–1,477
Total, International affairs	14,769	37,553	17,368	17,509	16,692	18,559	19,638
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,368	3,608	3,858	3,916	3,899	3,873	3,875
Department of Energy general science programs	2,261	2,698	2,835	2,835	2,835	2,835	2,835
Total, General science and basic research	5,629	6,306	6,693	6,751	6,734	6,708	6,710
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,770	4,885	4,805	5,017	5,141	5,501	5,609
Human space flight	5,560	5,480	5,638	5,544	5,290	4,925	4,782
Mission support	1,973	2,084	2,045	2,075	2,186	2,184	2,213
Other NASA programs	18	20	21	21	21	21	21
Total, Space flight, research, and supporting activities	12,321	12,469	12,509	12,657	12,638	12,631	12,625
Total, Discretionary	17,950	18,775	19,202	19,408	19,372	19,339	19,335
Mandatory:							
General science and basic research:							
National Science Foundation donations	45	72	78	68	34	34	34
Total, General science, space, and technology	17,995	18,847	19,280	19,476	19,406	19,373	19,369
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,149	1,134	964	1,414	1,265	1,237	1,210
Naval petroleum reserves operations	107	14	.....	.....	.....	.....	.....
Uranium enrichment activities	226	220	235	235	235	235	235
Decontamination transfer	–388	–398	–420	–420	–420	–420	–420
Nuclear waste program	156	169	297	180	180	180	180
Federal power marketing	230	222	178	178	178	178	178

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Rural electric and telephone discretionary loans	59	69	41	41	41	41	41
Financial management services	503	466	316	316	316	316	316
Total, Energy supply	2,042	1,896	1,611	1,944	1,795	1,767	1,740
Energy conservation and preparedness:							
Energy conservation	584	628	838	838	838	838	838
Emergency energy preparedness	208	160	164	164	164	164	164
Total, Energy conservation and preparedness	792	788	1,002	1,002	1,002	1,002	1,002
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	22	20	23	23	23	23	23
Federal Energy Regulatory Commission fees and recoveries, and other	–10	–29	–28	–28	–28	–28	–28
Departmental and other administration	231	213	228	228	228	228	228
Total, Energy information, policy, and regulation	243	204	223	223	223	223	223
Total, Discretionary	3,077	2,888	2,836	3,169	3,020	2,992	2,965
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–210	–3	–4	–4	–3	–3	–2
Federal power marketing	–782	–728	–588	–743	–822	–787	–879
Tennessee Valley Authority	–754	–480	–757	–1,008	–978	–922	–1,367
Proceeds from uranium sales	–13	–6	–17	–17	–32	–32	–4
Nuclear waste fund program	–600	–642	–632	–632	–631	–632	–632
Rural electric and telephone liquidating accounts	–422	–1,168	–3,098	–1,962	–1,844	–1,716	–1,347
Rural electric and telephone loan subsidy reestimate	.....	–171	.....	.....	.....	.....	.....
Total, Mandatory	–2,781	–3,198	–5,096	–4,366	–4,310	–4,092	–4,231
Total, Energy	296	–310	–2,260	–1,197	–1,290	–1,100	–1,266
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,995	3,922	3,713	3,746	3,742	3,778	3,795
Bureau of Reclamation	864	780	856	856	856	856	856
Other discretionary water resources programs	250	134	122	131	120	124	134
Total, Water resources	5,109	4,836	4,691	4,733	4,718	4,758	4,785

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Conservation and land management:							
Forest Service	2,461	2,534	2,704	2,719	2,704	2,704	2,704
Proposed Legislation (non-PAYGO)	.....	.....	–111	–111	–111	–111	–111
Subtotal, Forest Service	2,461	2,534	2,593	2,608	2,593	2,593	2,593
Management of public lands (BLM)	989	1,030	1,115	1,115	1,115	1,115	1,115
Conservation of agricultural lands	673	692	766	766	766	766	766
Proposed Legislation (non-PAYGO)	.....	.....	5	5	5	5	5
Subtotal, Conservation of agricultural lands	673	692	771	771	771	771	771
Other conservation and land management programs	564	554	772	772	772	772	772
Total, Conservation and land management	4,687	4,810	5,251	5,266	5,251	5,251	5,251
Recreational resources:							
Operation of recreational resources	3,151	2,759	2,970	3,027	2,986	2,985	2,980
Other recreational resources activities	221	118	118	118	118	118	118
Total, Recreational resources	3,372	2,877	3,088	3,145	3,104	3,103	3,098
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,616	2,637	2,831	2,831	2,831	2,831	2,831
State and tribal assistance grants	3,213	3,407	2,838	2,838	2,838	2,838	2,838
Hazardous substance superfund	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Other control and abatement activities	138	187	192	192	192	192	192
Proposed Legislation (non-PAYGO)	.....	.....	–20	–20	–20	–20	–20
Total, Pollution control and abatement	7,467	7,731	7,341	7,341	7,341	7,341	7,341
Other natural resources:							
NOAA	2,051	2,234	2,536	2,597	2,567	2,553	2,584
Proposed Legislation (non-PAYGO)	.....	.....	–34	–34	–34	–34	–34
Subtotal, NOAA	2,051	2,234	2,502	2,563	2,533	2,519	2,550
Other natural resource program activities	770	867	939	939	939	939	939
Total, Other natural resources	2,821	3,101	3,441	3,502	3,472	3,458	3,489
Total, Discretionary	23,456	23,355	23,812	23,987	23,886	23,911	23,964

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory:							
Water resources:							
Mandatory water resource programs	18	–23	18	–19	–19	–23	–27
Proposed Legislation (PAYGO)	.....	.....	9	12	15	17	17
Legislative proposal, discretionary offset	.....	.....	–966	–963	–960	–996	–1,014
Total, Water resources	18	–23	–939	–970	–964	–1,002	–1,024
Conservation and land management:							
Conservation Reserve Program and other agricultural programs	2,147	1,830	2,016	1,973	2,061	2,114	2,122
Proposed Legislation (PAYGO)	.....	.....	90	90	90	90	90
Subtotal, Conservation Reserve Program and other agricultural programs	2,147	1,830	2,106	2,063	2,151	2,204	2,212
Other conservation programs	525	479	496	479	479	475	477
Proposed Legislation (PAYGO)	.....	.....	–5	–3	4	31	41
Subtotal, Other conservation programs	525	479	491	476	483	506	518
Offsetting receipts	–1,843	–1,978	–2,075	–2,037	–2,043	–2,044	–2,053
Proposed Legislation (PAYGO)	.....	.....	–5	–15	–34	–34	–35
Subtotal, Offsetting receipts	–1,843	–1,978	–2,080	–2,052	–2,077	–2,078	–2,088
Total, Conservation and land management	829	331	517	487	557	632	642
Recreational resources:							
Operation of recreational resources	835	922	970	948	797	847	932
Proposed Legislation (PAYGO)	.....	.....	3	3	148	149	152
Subtotal, Operation of recreational resources	835	922	973	951	945	996	1,084
Offsetting receipts	–350	–434	–433	–440	–302	–309	–317
Proposed Legislation (PAYGO)	.....	.....	.....	.....	–98	–110	–122
Subtotal, Offsetting receipts	–350	–434	–433	–440	–400	–419	–439
Total, Recreational resources	485	488	540	511	545	577	645

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Pollution control and abatement:							
Superfund resources and other mandatory	–270	–201	–177	–149	–124	–124	–124
Proposed Legislation (PAYGO)	.....	.....	200	200	200	200	200
Total, Pollution control and abatement	–270	–201	23	51	76	76	76
Other natural resources:							
Other fees and mandatory programs	–42	–8	–1	3	3	4	3
Total, Mandatory	1,020	587	140	82	217	287	342
Total, Natural resources and environment	24,476	23,942	23,952	24,069	24,103	24,198	24,306
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	347	341	291	291	291	291	291
P.L.480 market development activities	196	194	128	128	128	128	128
Administrative expenses	976	831	824	824	824	824	824
Total, Farm income stabilization	1,519	1,366	1,243	1,243	1,243	1,243	1,243
Agricultural research and services:							
Research programs	1,262	1,357	1,236	1,236	1,236	1,236	1,236
Extension programs	423	438	402	402	402	402	402
Marketing programs	48	50	61	61	61	61	61
Animal and plant inspection programs	431	433	442	442	442	442	442
Proposed Legislation (non-PAYGO)	.....	.....	–9	–9	–9	–9	–9
Subtotal, Animal and plant inspection programs	431	433	433	433	433	433	433
Economic intelligence	190	167	157	157	157	157	157
Grain inspection	24	27	26	26	26	26	26
Proposed Legislation (non-PAYGO)	.....	.....	–15	–15	–15	–15	–15
Subtotal, Grain inspection	24	27	11	11	11	11	11
Foreign agricultural service	144	136	138	138	138	138	138
Proposed Legislation (non-PAYGO)	.....	.....	–28	–28	–28	–28	–28
Subtotal, Foreign agricultural service	144	136	110	110	110	110	110

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other programs and unallocated overhead	305	344	487	487	500	487	487
Total, Agricultural research and services	2,827	2,952	2,897	2,897	2,910	2,897	2,897
Total, Discretionary	4,346	4,318	4,140	4,140	4,153	4,140	4,140
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	8,652	19,462	9,875	7,496	5,490	5,382	5,511
Proposed Legislation (PAYGO)	.....	.....	–30	–51	–63	–75	–84
Subtotal, Commodity Credit Corporation	8,652	19,462	9,845	7,445	5,427	5,307	5,427
Crop insurance and other farm credit activities	824	1,557	1,004	1,677	1,739	1,811	1,895
Credit liquidating accounts (ACIF and FAC)	–1,150	–1,144	–1,110	–1,085	–1,069	–1,048	–1,028
Total, Farm income stabilization	8,326	19,875	9,739	8,037	6,097	6,070	6,294
Agricultural research and services:							
Fund for Rural America (Proposed Legislation PAYGO)	.....	.....	.....	8	8	8	8
Miscellaneous mandatory programs	199	358	418	428	435	542	549
Proposed Legislation (PAYGO)	.....	.....	.....	30	30	30	30
Subtotal, Miscellaneous mandatory programs	199	358	418	458	465	572	579
Offsetting receipts	–141	–149	–149	–150	–150	–150	–150
Total, Agricultural research and services	58	209	269	316	323	430	437
Total, Mandatory	8,384	20,084	10,008	8,353	6,420	6,500	6,731
Total, Agriculture	12,730	24,402	14,148	12,493	10,573	10,640	10,871
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	657	621	699	699	699	699	699
Government National Mortgage Association (GNMA)	–355	–346	–407	–407	–407	–407	–407
Other Housing and Urban Development	5	–154	–400	–400	–400	–400	–400
Rural housing insurance fund	581	558	560	560	560	560	560
Total, Mortgage credit	888	679	452	452	452	452	452
Postal service:							
Payments to the Postal Service fund (On-budget)	86	.....	164	164	164	164	164

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Deposit insurance:							
National Credit Union Administration	1	2	.....	.....	.....	.....	.....
Other advancement of commerce:							
Small and minority business assistance	568	554	581	581	581	581	581
Proposed Legislation (non-PAYGO)	.....	.....	83	83	83	83	83
Subtotal, Small and minority business assistance	568	554	664	664	664	664	664
Science and technology	703	683	764	689	674	674	674
Economic and demographic statistics	736	1,388	3,127	870	445	471	445
Regulatory agencies	–115	97	–141	76	84	97	161
International Trade Administration	299	285	305	305	305	305	305
Other discretionary	–38	16	34	123	75	75	76
Total, Other advancement of commerce	2,153	3,023	4,753	2,727	2,247	2,286	2,325
Total, Discretionary	3,128	3,704	5,369	3,343	2,863	2,902	2,941
Mandatory:							
Mortgage credit:							
FHA General and Special Risk, downward reestimate of negative subsidies	–333	.....	.....	.....	.....	.....	.....
FHA and GNMA negative subsidies	–2,332	–6,117	–388	–177	–1,977	–2,063	–2,300
Mortgage credit reestimates	1,076	1,264	.....	.....	.....	.....	.....
Mortgage credit liquidating accounts	–764	–1,226	–145	828	–516	–534	–605
Other mortgage credit activities	.....	205	.....	.....	.....	.....	.....
Total, Mortgage credit	–2,353	–5,874	–533	651	–2,493	–2,597	–2,905
Postal service:							
Postal Service (Off-budget)	6,359	5,607	4,874	1,829	521	96	–144
Deposit insurance:							
Bank Insurance Fund	–19	–23	–22	–22	–23	–24	–25
FSLIC Resolution Fund	–42	–10	–10	–10	–10	–10	–10
Savings Association Insurance Fund	–2	–2	–2	–2	–2	–2	–2
Other deposit insurance activities	29	35	34	34	35	36	37
Total, Deposit insurance	–34	.....	.....	.....	.....	.....	.....
Other advancement of commerce:							
Universal Service Fund	2,759	2,750	4,668	6,463	10,772	10,922	11,075
Payments to copyright owners	250	260	282	300	311	327	343
Spectrum auction subsidy	4,811	.....	.....	.....	.....	.....	.....
Regulatory fees	–29	–30	–30	–30	–30	–30	–30
Patent and trademark fees	–119	.....	.....	.....	.....	.....	.....
Credit liquidating accounts	1	–756	–251	.....	.....	.....	.....

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other mandatory	–445	–477	93	95	96	87	88
Total, Other advancement of commerce	7,228	1,747	4,762	6,828	11,149	11,306	11,476
Total, Mandatory	11,200	1,480	9,103	9,308	9,177	8,805	8,427
Total, Commerce and housing credit	14,328	5,184	14,472	12,651	12,040	11,707	11,368
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	559	332	–451	–125	–125	–125	–128
Highway safety	147	88	125	125	125	125	128
Mass transit	2,584	–371	291	.....	.....	.....	.....
Railroads	747	777	745	710	710	710	710
Proposed Legislation (non-PAYGO)	.....	.....	–87	–87	–87	–87	–87
Subtotal, Railroads	747	777	658	623	623	623	623
Regulation	14	13	14	14	14	14	14
Proposed Legislation (non-PAYGO)	.....	.....	–14	–14	–14	–14	–14
Subtotal, Regulation	14	13	.....	.....	.....	.....	.....
Total, Ground transportation	4,051	839	623	623	623	623	623
Air transportation:							
Airports and airways (FAA)	7,351	7,716	8,531	9,147	9,672	10,296	10,801
Aeronautical research and technology	1,327	1,196	1,070	1,095	1,120	1,120	1,126
Payments to air carriers	9	–3	.....	.....	.....	.....	.....
Total, Air transportation	8,687	8,909	9,601	10,242	10,792	11,416	11,927
Water transportation:							
Marine safety and transportation	2,901	3,244	3,002	3,126	3,126	3,126	3,126
Proposed Legislation (non-PAYGO)	.....	.....	–41	–165	–165	–165	–165
Subtotal, Marine safety and transportation	2,901	3,244	2,961	2,961	2,961	2,961	2,961
Ocean shipping	129	90	97	97	97	97	97
Total, Water transportation	3,030	3,334	3,058	3,058	3,058	3,058	3,058
Other transportation:							
Other discretionary programs	237	248	251	251	251	251	251
Proposed Legislation (non-PAYGO)	.....	.....	–15	–15	–15	–15	–15
Total, Other transportation	237	248	236	236	236	236	236
Total, Discretionary	16,005	13,330	13,518	14,159	14,709	15,333	15,844

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory:							
Ground transportation:							
Highways	24,582	29,315	31,406	30,556	31,108	31,658	32,307
Highway safety	268	372	384	397	412	422	425
Mass transit	2,260	5,363	5,797	6,272	6,746	7,225	7,256
Offsetting receipts and subsidy reestimates	–48	–12	–12	–12	–12	–12	–12
Credit liquidating accounts	–14	–26	–30	–29	–29	–29	–29
Total, Ground transportation	27,048	35,012	37,545	37,184	38,225	39,264	39,947
Air transportation:							
Airports and airways (FAA)	1,668	2,322	1,600	1,600	1,600	1,600	1,600
Payments to air carriers	39	.....	50	50	50	50	50
Total, Air transportation	1,707	2,322	1,650	1,650	1,650	1,650	1,650
Water transportation:							
Coast Guard retired pay	653	684	730	778	825	877	926
Other water transportation programs	–46	–86	–1	–3	–5	70	71
Proposed Legislation (PAYGO)	.....	.....	12	12	13	14	14
Subtotal, Other water transportation programs	–46	–86	11	9	8	84	85
Total, Water transportation	607	598	741	787	833	961	1,011
Other transportation:							
Other mandatory transportation programs	–30	–30	–31	–33	–534	–35	–36
Total, Mandatory	29,332	37,902	39,905	39,588	40,174	41,840	42,572
Total, Transportation	45,337	51,232	53,423	53,747	54,883	57,173	58,416
450 Community and regional development:							
Discretionary:							
Community development:							
Community development loan guarantees	30	30	30	30	30	30	30
Community development block grant	4,925	4,873	4,725	4,725	4,725	4,725	4,725
Proposed Legislation (non-PAYGO)	.....	.....	50	50	50	50	50
Subtotal, Community development block grant	4,925	4,873	4,775	4,775	4,775	4,775	4,775
Community adjustment and investment program	.....	10	17	17	17	17	17

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Community development financial institutions	80	95	110	110	110	110	110
Proposed Legislation (non-PAYGO)	.....	.....	15	15	15	15	15
Subtotal, Community development financial institutions	80	95	125	125	125	125	125
Brownfields redevelopment	25	25	50	50	50	50	50
Other community development programs	260	469	385	385	385	385	385
Proposed Legislation (non-PAYGO)	.....	.....	137	137	137	137	137
Subtotal, Other community development programs	260	469	522	522	522	522	522
Total, Community development	5,320	5,502	5,519	5,519	5,519	5,519	5,519
Area and regional development:							
Rural development	819	905	826	826	826	826	826
Economic Development Administration	366	413	393	393	393	393	393
Regional connections (Proposed Legislation non-PAYGO)	.....	.....	50	50	50	50	50
Indian programs	1,013	1,045	1,169	1,169	1,169	1,169	1,169
Appalachian Regional Commission	170	66	66	66	66	66	66
Tennessee Valley Authority	70	50	7	7	7	7	7
Denali commission	.....	20	.....	.....	.....	.....	.....
Total, Area and regional development	2,438	2,499	2,511	2,511	2,511	2,511	2,511
Disaster relief and insurance:							
Disaster relief	1,920	308	297	297	297	297	297
Small Business Administration disaster loans	173	197	125	125	125	125	125
Other disaster assistance programs	412	378	450	450	450	450	450
Total, Disaster relief and insurance	2,505	883	872	872	872	872	872
Total, Discretionary	10,263	8,884	8,902	8,902	8,902	8,902	8,902
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	172	.....	.....	.....	.....	.....	.....
Urban empowerment zones (Proposed Legislation PAYGO)	.....	.....	150	150	150	150	150
Total, Community development	172	.....	150	150	150	150	150

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Area and regional development:							
Indian programs	596	481	111	113	113	116	118
Rural development programs	5	128	36	36	36	36	36
Proposed Legislation (PAYGO)	.....	.....	15	22	22	22	22
Subtotal, Rural development programs	5	128	51	58	58	58	58
Credit liquidating accounts	–143	304	61	1,002	1,347	–111	303
Offsetting receipts	–321	–401	–102	–104	–104	–107	–108
Total, Area and regional development	137	512	121	1,069	1,414	–44	371
Disaster relief and insurance:							
National flood insurance fund	–14	–92	–138	–166	–206	–20	–20
National flood mitigation fund	27	20	20	20	20	20	20
Flood map modernization fund (Proposed Legislation PAYGO)	.....	.....	58	60	63	65	68
Radiological emergency preparedness fees	–12	.....	.....	.....	.....	.....	.....
Disaster loans program account	61	9	.....	.....	.....	.....	.....
SBA disaster loan subsidy reestimate	.....	–236	.....	.....	.....	.....	.....
Credit liquidating accounts	–5	–6	–6	–6	–6	–6	–6
Total, Disaster relief and insurance	57	–305	–66	–92	–129	59	62
Total, Mandatory	366	207	205	1,127	1,435	165	583
Total, Community and regional development	10,629	9,091	9,107	10,029	10,337	9,067	9,485
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	1,275	1,314	1,947	1,947	1,947	1,947	1,947
School improvement programs	1,538	2,811	2,723	2,723	2,723	2,723	2,723
Education for the disadvantaged	7,871	3,670	8,744	8,744	8,744	8,744	8,744
Special education	4,811	5,334	3,525	5,450	5,450	5,450	5,450
Impact aid	808	864	736	736	736	736	736
Vocational and adult education	1,508	1,539	1,750	1,750	1,750	1,750	1,750
Indian education programs	621	640	686	686	686	686	686
Bilingual and immigrant education	354	380	415	415	415	415	415
Other	8	269	295	295	295	295	295
Total, Elementary, secondary, and vocational education	18,794	16,821	20,821	22,746	22,746	22,746	22,746
Higher education:							
Student financial assistance	8,979	9,348	9,183	9,183	9,183	9,183	9,183

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Higher education account	947	1,308	1,527	1,527	1,527	1,527	1,527
Proposed Legislation (non-PAYGO)	.....	.....	52	52	52	52	52
Subtotal, Higher education account	947	1,308	1,579	1,579	1,579	1,579	1,579
Federal family education loan program	46	47	48	48	48	48	48
Other higher education programs	342	349	360	360	360	360	360
Total, Higher education	10,314	11,052	11,170	11,170	11,170	11,170	11,170
Research and general education aids:							
Library of Congress	269	283	301	312	320	329	340
Public broadcasting	291	314	412	490	490	429	335
Smithsonian institution	490	515	555	555	555	555	555
Education research, statistics, and improvement	431	665	540	540	540	540	540
Other	729	773	884	884	884	884	884
Total, Research and general education aids	2,210	2,550	2,692	2,781	2,789	2,737	2,654
Training and employment:							
Training and employment services	4,988	5,281	5,500	5,500	5,500	5,500	5,500
Proposed Legislation (non-PAYGO)	.....	.....	–40	–40	–40	–40	–40
Subtotal, Training and employment services	4,988	5,281	5,460	5,460	5,460	5,460	5,460
Older Americans employment	440	440	440	440	440	440	440
Federal-State employment service	1,249	1,249	1,326	1,326	1,326	1,326	1,326
Proposed Legislation (non-PAYGO)	.....	.....	–20	–20	–20	–20	–20
Subtotal, Federal-State employment service	1,249	1,249	1,306	1,306	1,306	1,306	1,306
Other employment and training	90	96	103	103	103	103	103
Total, Training and employment	6,767	7,066	7,309	7,309	7,309	7,309	7,309
Other labor services:							
Labor law, statistics, and other administration	1,041	1,126	1,306	1,306	1,306	1,306	1,306
Proposed Legislation (non-PAYGO)	.....	.....	–25	–25	–25	–25	–25
Total, Other labor services	1,041	1,126	1,281	1,281	1,281	1,281	1,281
Social services:							
National service initiative	686	716	849	849	849	849	849
Children and families services programs	5,677	6,032	6,588	6,588	6,588	6,588	6,588

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Aging services program	865	882	923	923	923	923	923
Proposed Legislation (non-PAYGO)	.....	.....	125	125	125	125	125
Subtotal, Aging services program	865	882	1,048	1,048	1,048	1,048	1,048
Other	346	350	380	380	380	380	380
Total, Social services	7,574	7,980	8,865	8,865	8,865	8,865	8,865
Total, Discretionary	46,700	46,595	52,138	54,152	54,160	54,108	54,025
Mandatory:							
Higher education:							
Federal family education loan program	2,055	3,335	3,684	3,927	3,089	3,988	3,713
Proposed Legislation (PAYGO)	.....	–105	–849	–636	–691	–672	–270
Legislative proposal, discretionary offset	.....	.....	–1,556	–18	–18	–19	–16
Subtotal, Federal family education loan program	2,055	3,230	1,279	3,273	2,380	3,297	3,427
Federal direct loan program	897	327	84	–133	–240	42	457
Proposed Legislation (PAYGO)	.....	98	15	.....	.....	.....	.....
Legislative proposal, discretionary offset	.....	.....	–110	–7	–9	–9	–10
Subtotal, Federal direct loan program	897	425	–11	–140	–249	33	447
Other higher education programs	12	–37	–40	–40	–40	–40	–40
Credit liquidating account (Family education loan program)	551	–411	–539	–525	–477	–402	–318
Proposed Legislation (non-PAYGO)	.....	.....	480	–121	–111	–97	–80
Subtotal, Credit liquidating account (Family education loan program)	551	–411	–59	–646	–588	–499	–398
Total, Higher education	3,515	3,207	1,169	2,447	1,503	2,791	3,436
Research and general education aids:							
Mandatory programs	22	32	33	21	19	19	19
Training and employment:							
Trade adjustment assistance	127	131	94	94	94	95	95
Proposed Legislation (PAYGO)	.....	.....	82	82	.....	.....	.....
Subtotal, Trade adjustment assistance	127	131	176	176	94	95	95

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Welfare to work grants	1,488	1,409	.....	.....	.....	.....	.....
Proposed Legislation (PAYGO)	.....	.....	1,000	.....	.....	.....	.....
Subtotal, Welfare to work grants	1,488	1,409	1,000	.....	.....	.....	.....
Other training and employment	.....	42	50	48	.....	.....	.....
Total, Training and employment	1,615	1,582	1,226	224	94	95	95
Other labor services:							
Other labor services	.....	5	5	5	.....	.....	.....
Social services:							
Payments to States for foster care and adoption assistance	4,311	4,922	5,627	6,154	6,722	7,358	8,024
Proposed Legislation (PAYGO)	.....	.....	40	45	50	55	35
Subtotal, Payments to States for foster care and adoption assistance	4,311	4,922	5,667	6,199	6,772	7,413	8,059
Family support and preservation	255	275	295	305	305	305	305
Social services block grant	2,299	1,909	2,380	1,700	1,700	1,700	1,700
Rehabilitation services	2,247	2,305	2,339	2,393	2,448	2,504	2,562
Other social services	12	27	32	32	32	32	32
Total, Social services	9,124	9,438	10,713	10,629	11,257	11,954	12,658
Total, Mandatory	14,276	14,264	13,146	13,326	12,873	14,859	16,208
Total, Education, training, employment, and social services	60,976	60,859	65,284	67,478	67,033	68,967	70,233
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,147	2,488	2,627	2,727	2,627	2,627	2,627
Indian health	2,099	2,242	2,412	2,447	2,422	2,412	2,412
Other discretionary health care services programs	5,797	6,864	7,105	7,105	7,105	7,105	7,105
Proposed Legislation (non-PAYGO)	.....	.....	65	290	290	290	290
Subtotal, Other discretionary health care services programs	5,797	6,864	7,170	7,395	7,395	7,395	7,395
Total, Health care services	10,043	11,594	12,209	12,569	12,444	12,434	12,434
Health research and training:							
National Institutes of Health	13,632	15,612	15,933	15,933	15,933	15,933	15,933
Clinical training	296	309	258	258	258	258	258

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other health research and training	303	327	239	239	239	239	239
Total, Health research and training	14,231	16,248	16,430	16,430	16,430	16,430	16,430
Consumer and occupational health and safety:							
Food safety and inspection	589	617	653	653	653	653	653
Proposed Legislation (non-PAYGO)	.....	.....	–504	–504	–504	–504	–504
Subtotal, Food safety and inspection	589	617	149	149	149	149	149
Occupational safety and health	553	582	631	631	631	631	631
Other consumer health programs	970	1,029	1,192	1,192	1,192	1,192	1,192
Total, Consumer and occupational health and safety	2,112	2,228	1,972	1,972	1,972	1,972	1,972
Total, Discretionary	26,386	30,070	30,611	30,971	30,846	30,836	30,836
Mandatory:							
Health care services:							
Medicaid grants	99,591	102,522	114,821	122,356	131,137	141,197	152,321
Proposed Legislation (PAYGO)	.....	.....	–161	–155	–74	425	563
Subtotal, Medicaid grants	99,591	102,522	114,660	122,201	131,063	141,622	152,884
State children's health insurance fund	4,235	4,247	4,215	4,215	3,090	3,150	3,150
Proposed Legislation (PAYGO)	.....	.....	34	34	25	25	25
Subtotal, State children's health insurance fund	4,235	4,247	4,249	4,249	3,115	3,175	3,175
Long-term care tax credit (Proposed Legislation PAYGO)	.....	.....	6	123	127	146	156
Federal employees' and retired employees' health benefits	4,095	4,631	5,101	5,537	5,988	6,464	7,008
Coal miner retiree health benefits (including UMWA funds)	373	362	354	345	336	329	320
Proposed Legislation (PAYGO)	.....	8	57	14	13	12	12
Subtotal, Coal miner retiree health benefits (including UMWA funds)	373	370	411	359	349	341	332
Other mandatory health services activities	389	464	377	390	404	336	351
Total, Health care services	108,683	112,234	124,804	132,859	141,046	152,084	163,906

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Health research and safety:							
Health research and training	39	64	59	56	54	22	17
Proposed Legislation (PAYGO)	.....	.....	10	190	250	300	.....
Subtotal, Health research and training	39	64	69	246	304	322	17
Consumer and occupational health and safety	.....	.....	–1	–1	–1	–1	–1
Total, Health research and safety	39	64	68	245	303	321	16
Total, Mandatory	108,722	112,298	124,872	133,104	141,349	152,405	163,922
Total, Health	135,108	142,368	155,483	164,075	172,195	183,241	194,758
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,196	1,331	1,423	1,423	1,423	1,423	1,423
Proposed Legislation (non-PAYGO)	.....	.....	–116	–116	–116	–116	–116
Subtotal, Hospital insurance (HI) administrative expenses	1,196	1,331	1,307	1,307	1,307	1,307	1,307
Supplementary medical insurance (SMI) administrative expenses	1,527	1,658	1,697	1,697	1,697	1,697	1,697
Proposed Legislation (non-PAYGO)	.....	.....	–78	–78	–78	–78	–78
Subtotal, Supplementary medical insurance (SMI) administrative expenses	1,527	1,658	1,619	1,619	1,619	1,619	1,619
Total, Discretionary	2,723	2,989	2,926	2,926	2,926	2,926	2,926
Mandatory:							
Medicare:							
Hospital insurance (HI)	135,341	145,005	144,562	150,880	153,250	162,507	170,540
Proposed Legislation (PAYGO)	.....	.....	–163	–189	–5	–85	–44
Legislative proposal, discretionary offset	.....	.....	–645	–580	–677	–641	–703
Subtotal, Hospital insurance (HI)	135,341	145,005	143,754	150,111	152,568	161,781	169,793
Supplementary medical insurance (SMI)	74,841	77,797	92,326	102,160	106,529	117,566	125,605
Proposed Legislation (PAYGO)	.....	.....	–115	–112	–3	–46	–23
Legislative proposal, discretionary offset	.....	.....	–455	–340	–353	–339	–367
Subtotal, Supplementary medical insurance (SMI)	74,841	77,797	91,756	101,708	106,173	117,181	125,215

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Health care fraud and abuse control	659	764	864	950	1,010	1,075	1,075
Medicare premiums, collections, and interfunds	–19,897	–21,005	–22,991	–25,032	–27,158	–30,093	–32,252
Proposed Legislation (PAYGO)	.....	.....	135	–275	–488	–562	–687
Subtotal, Medicare premiums, collections, and interfunds	–19,897	–21,005	–22,856	–25,307	–27,646	–30,655	–32,939
Total, Mandatory	190,944	202,561	213,518	227,462	232,105	249,382	263,144
Total, Medicare	193,667	205,550	216,444	230,388	235,031	252,308	266,070
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	299	285	267	267	267	267	267
Pension Benefit Guaranty Corporation	10	11	11	11	11	11	11
Pension and Welfare Benefits Administration and other	83	92	104	104	104	104	104
Total, General retirement and disability insurance	392	388	382	382	382	382	382
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	85	80	83	83	83	83	83
Armed forces retirement home	69	71	68	68	68	68	68
Total, Federal employee retirement and disability	154	151	151	151	151	151	151
Unemployment compensation:							
Unemployment programs administrative expenses	2,484	2,364	2,464	2,464	2,464	2,464	2,464
Housing assistance:							
Public housing operating fund	2,900	2,818	3,003	3,003	3,003	3,003	3,003
Public housing capital fund	2,500	3,000	2,555	2,555	2,555	2,555	2,555
Subsidized, public, homeless and other HUD housing	11,436	14,180	12,866	17,066	17,066	17,066	17,066
Proposed Legislation (non-PAYGO)	.....	.....	45	45	45	45	45
Subtotal, Subsidized, public, homeless and other HUD housing	11,436	14,180	12,911	17,111	17,111	17,111	17,111
Rural housing assistance	613	650	524	924	724	724	724
Total, Housing assistance	17,449	20,648	18,993	23,593	23,393	23,393	23,393

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,924	3,924	4,105	4,105	4,105	4,105	4,105
Other nutrition programs	498	488	598	598	598	598	598
Total, Food and nutrition assistance	4,422	4,412	4,703	4,703	4,703	4,703	4,703
Other income assistance:							
Refugee assistance	423	435	443	443	443	443	443
Low income home energy assistance	1,160	1,100	1,100	1,100	1,100	1,100	1,100
Child care and development block grant	1,002	1,000	1,183	1,183	1,183	1,183	1,183
Contingency fund (Proposed legislation non-PAYGO)	.....	.....	–1,644	.....	.....	.....	.....
Supplemental security income (SSI) administrative expenses	2,262	2,321	2,377	2,377	2,377	2,377	2,377
Total, Other income assistance	4,847	4,856	3,459	5,103	5,103	5,103	5,103
Total, Discretionary	29,748	32,819	30,152	36,396	36,196	36,196	36,196
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,243	4,389	4,551	4,740	4,710	4,794	4,904
Special benefits for disabled coal miners	1,088	1,056	1,010	964	911	864	814
Pension Benefit Guaranty Corporation	–10	–11	–11	–12	–12	–12	–13
District of Columbia pension funds	.....	234	222	230	238	248	256
Proceeds from sale of DC retirement fund assets	.....	–3,075	.....	.....	.....	.....	.....
Special workers' compensation expenses	128	152	160	164	168	171	174
Total, General retirement and disability insurance	5,449	2,745	5,932	6,086	6,015	6,065	6,135
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	43,616	45,325	47,386	49,340	51,291	53,320	55,514
Military retirement	31,234	32,287	33,180	34,100	34,973	35,851	36,748
Proposed Legislation (PAYGO)	.....	.....	1	1	1	1	2
Subtotal, Military retirement	31,234	32,287	33,181	34,101	34,974	35,852	36,750
Federal employees workers' compensation (FECA)	201	181	81	82	73	66	63

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Federal employees life insurance fund	28	33	35	36	37	38	39
Total, Federal employee retirement and disability	75,079	77,826	80,683	83,559	86,375	89,276	92,366
Unemployment compensation:							
Unemployment insurance programs	19,424	22,512	25,286	27,534	28,869	30,164	31,424
Proposed Legislation (PAYGO)	.....	.....	90	190	260	20	40
Subtotal, Unemployment insurance programs	19,424	22,512	25,376	27,724	29,129	30,184	31,464
Trade adjustment assistance	222	230	220	218	225	231	239
Proposed Legislation (PAYGO)	.....	.....	75	84	9	.....	.....
Subtotal, Trade adjustment assistance	222	230	295	302	234	231	239
Total, Unemployment compensation	19,646	22,742	25,671	28,026	29,363	30,415	31,703
Housing assistance:							
Mandatory housing assistance programs	37	50	40	40	40	40	40
Proposed Legislation (PAYGO)	.....	.....	87	88	90	92	94
Total, Housing assistance	37	50	127	128	130	132	134
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	24,907	22,586	22,455	23,306	23,944	24,472	25,278
Proposed Legislation (PAYGO)	.....	.....	10	10	10	15	15
Subtotal, Food stamps (including Puerto Rico)	24,907	22,586	22,465	23,316	23,954	24,487	25,293
State child nutrition programs	7,998	9,179	9,543	10,012	10,559	11,022	11,502
Proposed Legislation (PAYGO)	.....	.....	–57	–66	–52	–66	–75
Subtotal, State child nutrition programs	7,998	9,179	9,486	9,946	10,507	10,956	11,427
Funds for strengthening markets, income, and supply (Sec.32)	513	587	669	536	548	548	548
Total, Food and nutrition assistance	33,418	32,352	32,620	33,798	35,009	35,991	37,268

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other income support:							
Supplemental security income (SSI)	25,969	28,331	28,936	29,950	31,248	32,337	33,392
Proposed Legislation (PAYGO)	.....	.....	–14	–18	13	110	277
Subtotal, Supplemental security income (SSI)	25,969	28,331	28,922	29,932	31,261	32,447	33,669
Family support payments	607	2,649	750	2,569	3,350	3,630	3,910
Proposed Legislation (PAYGO)	.....	.....	–9	32	31	31	30
Subtotal, Family support payments	607	2,649	741	2,601	3,381	3,661	3,940
Federal share of child support collections	–1,007	–945	–965	–974	–939	–927	–947
Proposed Legislation (PAYGO)	.....	.....	–65	–66	–87	–117	–129
Subtotal, Federal share of child support collections	–1,007	–945	–1,030	–1,040	–1,026	–1,044	–1,076
Temporary assistance for needy families and related programs	18,632	17,053	17,087	17,142	16,824	16,824	16,824
Legislative proposal, discretionary offset	.....	.....	–83	–158	.....	.....	.....
Subtotal, Temporary assistance for needy families and related programs	18,632	17,053	17,004	16,984	16,824	16,824	16,824
Child care entitlement to states	2,070	2,167	2,367	2,567	2,717	2,717	2,717
Proposed Legislation (PAYGO)	.....	.....	1,755	1,880	2,000	2,200	2,665
Subtotal, Child care entitlement to states	2,070	2,167	4,122	4,447	4,717	4,917	5,382
Earned income tax credit (EITC)	23,239	26,273	26,880	27,631	28,595	29,529	30,538
Simplification of foster child definition for purposes of the EITC (Proposed Legislation PAYGO)	.....	.....	–2	–36	–37	–39	–40
Child tax credit	.....	415	528	496	483	453	425
Other assistance	53	52	62	63	63	64	64
SSI recoveries and receipts	–1,361	–1,415	–1,452	–1,497	–1,544	–1,594	–1,642
Total, Other income support	68,202	74,580	75,775	79,581	82,717	85,218	88,084
Total, Mandatory	201,831	210,295	220,808	231,178	239,609	247,097	255,690
Total, Income security	231,579	243,114	250,960	267,574	275,805	283,293	291,886
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,773	1,746	1,765	1,765	1,765	1,765	1,765

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Disability insurance (DI) administrative expenses (Off-budget)	1,422	1,406	1,465	1,465	1,465	1,465	1,465
Proposed Legislation (non-PAYGO)	.....	.....	–19	–19	–19	–19	–19
Subtotal, Disability insurance (DI) administrative expenses (Off-budget)	1,422	1,406	1,446	1,446	1,446	1,446	1,446
Office of the Inspector General—Social Security Adm.	10	12	15	14	14	14	14
Total, Discretionary	3,205	3,164	3,226	3,225	3,225	3,225	3,225
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	328,873	338,405	350,694	367,529	382,223	398,341	415,229
Proposed Legislation (non-PAYGO)	.....	.....	.....	64	113	144	153
Subtotal, Old-age and survivors insurance (OASI)(Off-budget)	328,873	338,405	350,694	367,593	382,336	398,485	415,382
Disability insurance (DI)(Off-budget)	48,394	49,793	54,891	58,707	63,438	68,385	73,911
Proposed Legislation (non-PAYGO)	.....	.....	3	14	28	33	33
Subtotal, Disability insurance (DI)(Off-budget)	48,394	49,793	54,894	58,721	63,466	68,418	73,944
Quinquennial OASI and DI adjustments	.....	.....	.....	–1,121	.....	.....	.....
Intragovernmental transactions (On-budget)	9,142	11,277	10,339	10,818	11,383	12,033	12,785
Intragovernmental transactions (Off-budget)	–9,140	–11,278	–10,340	–10,818	–11,383	–12,033	–12,785
Total, Mandatory	377,269	388,197	405,587	425,193	445,802	466,903	489,326
Total, Social security	380,474	391,361	408,813	428,418	449,027	470,128	492,551
700 Veterans benefits and services:							
Discretionary:							
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	1	1	1	1	1
Hospital and medical care for veterans:							
Medical care and hospital services	18,056	18,283	18,432	18,593	18,805	18,830	18,857
Proposed Legislation (non-PAYGO)	.....	.....	56	56	56	56	56
Subtotal, Medical care and hospital services	18,056	18,283	18,488	18,649	18,861	18,886	18,913

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Collections for medical care	–700	–638	–762	–926	–1,143	–1,150	–1,176
Construction of medical facilities	465	407	275	275	275	275	275
Total, Hospital and medical care for veterans	17,821	18,052	18,001	17,998	17,993	18,011	18,012
Veterans housing:							
Housing program loan subsidies	161	160	158	158	158	158	158
Other veterans benefits and services:							
Other general operating expenses	960	1,069	1,112	1,112	1,112	1,112	1,112
Proposed Legislation (non-PAYGO)	.....	.....	10	10	10	10	10
Total, Other veterans benefits and services	960	1,069	1,122	1,122	1,122	1,122	1,122
Total, Discretionary	18,943	19,282	19,282	19,279	19,274	19,292	19,293
Mandatory:							
Income security for veterans:							
Compensation	17,295	18,623	18,310	19,003	19,565	20,162	20,754
Proposed Legislation (non-PAYGO)	.....	.....	293	639	988	1,338	1,707
Proposed Legislation (PAYGO)	.....	.....	5	5	5	–10	–19
Subtotal, Compensation	17,295	18,623	18,608	19,647	20,558	21,490	22,442
Pensions	3,071	3,106	3,136	3,161	3,180	3,712	3,732
Proposed Legislation (PAYGO)	.....	.....	.....	.....	.....	–513	–520
Subtotal, Pensions	3,071	3,106	3,136	3,161	3,180	3,199	3,212
Burial benefits and miscellaneous assistance	117	129	123	125	127	128	130
National service life insurance trust fund	1,196	1,122	1,050	1,001	949	890	829
All other insurance programs	57	52	34	43	43	43	43
Insurance program receipts	–219	–213	–198	–186	–173	–161	–149
Total, Income security for veterans	21,517	22,819	22,753	23,791	24,684	25,589	26,507
Veterans education, training, and rehabilitation:							
Readjustment benefits (GI Bill and related programs)	1,366	1,175	1,469	1,722	1,714	1,712	1,740
Post-Vietnam era education	–1	.....	.....	.....	.....	.....	.....
All-volunteer force educational assistance trust fund	–198	–174	–209	–213	–217	–220	–235
Total, Veterans education, training, and rehabilitation	1,167	1,001	1,260	1,509	1,497	1,492	1,505

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	138	.....	.....	.....	.....	.....	.....
Veterans housing:							
Housing loan subsidies	920	311	285	251	251	484	521
Proposed Legislation (PAYGO)	.....	.....	.....	.....	.....	–188	–190
Subtotal, Housing loan subsidies	920	311	285	251	251	296	331
Housing loan reestimate	–206	.....	.....	.....	.....	.....	.....
Housing loan liquidating account	270	.....	.....	.....	.....	.....	.....
Total, Veterans housing	984	311	285	251	251	296	331
Other veterans programs:							
Other mandatory veterans programs	43	44	82	39	39	131	36
Total, Mandatory	23,849	24,175	24,380	25,590	26,471	27,508	28,379
Total, Veterans benefits and services	42,792	43,457	43,662	44,869	45,745	46,800	47,672
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,337	4,389	4,582	4,582	4,582	4,582	4,582
Alcohol, tobacco, and firearms investigations (ATF)	533	549	600	600	600	600	600
Border enforcement activities (Customs and INS)	3,994	4,637	4,768	4,768	4,768	4,768	4,768
Proposed Legislation (non-PAYGO)	.....	.....	–475	–255	–255	–230	–230
Subtotal, Border enforcement activities (Customs and INS)	3,994	4,637	4,293	4,513	4,513	4,538	4,538
Equal Employment Opportunity Commission	242	279	312	312	312	312	312
Tax law, criminal investigations (IRS)	372	371	376	376	376	376	376
Other law enforcement activities	1,488	1,452	1,481	1,481	1,481	1,481	1,481
Total, Federal law enforcement activities	10,966	11,677	11,644	11,864	11,864	11,889	11,889
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,421	2,518	2,985	2,985	2,985	2,985	2,985
Representation of indigents in civil cases	283	300	340	340	340	340	340

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Federal judicial and other litigative activities	3,236	3,491	3,989	3,999	4,065	4,101	4,136
Total, Federal litigative and judicial activities	5,940	6,309	7,314	7,324	7,390	7,426	7,461
Correctional activities:							
Discretionary programs	3,099	3,302	3,780	3,929	4,024	3,782	3,846
Criminal justice assistance:							
Discretionary programs	4,835	4,889	3,638	3,637	3,637	3,637	3,637
Total, Discretionary	24,840	26,177	26,376	26,754	26,915	26,734	26,833
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	411	479	410	425	430	440	451
Border enforcement activities (Customs and INS)	1,681	1,630	1,716	1,681	1,757	1,789	1,823
Customs and INS fees	–2,316	–2,612	–2,792	–2,826	–2,790	–2,866	–1,403
Proposed Legislation (PAYGO)	.....	.....	.....	.....	.....	.....	–1,522
Subtotal, Customs and INS fees	–2,316	–2,612	–2,792	–2,826	–2,790	–2,866	–2,925
Other mandatory law enforcement programs	440	390	350	348	327	330	333
Total, Federal law enforcement activities	216	–113	–316	–372	–276	–307	–318
Federal litigative and judicial activities:							
Mandatory programs	422	435	461	469	481	492	505
Correctional activities:							
Mandatory programs	–2	–3	–3	–3	–3	–3	–3
Criminal justice assistance:							
Mandatory programs	394	356	407	408	409	410	411
Total, Mandatory	1,030	675	549	502	611	592	595
Total, Administration of justice	25,870	26,852	26,925	27,256	27,526	27,326	27,428
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	1,976	2,245	2,263	2,289	2,310	2,345	2,380
Executive direction and management:							
Drug control programs	327	362	411	411	411	411	411
Executive Office of the President	233	296	263	263	263	263	263

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Presidential transition and former Presidents	2	2	2	2	2	2	2
Total, Executive direction and management	562	660	676	676	676	676	676
Central fiscal operations:							
Tax administration	7,469	7,980	7,974	8,494	8,301	8,301	8,301
Other fiscal operations	502	640	636	636	636	636	636
Total, Central fiscal operations	7,971	8,620	8,610	9,130	8,937	8,937	8,937
General property and records management:							
Real property activities	–57	293	4	189	112	155	84
Records management	221	248	223	294	213	213	213
Other general and records management	141	160	156	156	156	156	156
Total, General property and records management	305	701	383	639	481	524	453
Central personnel management:							
Discretionary central personnel management programs	149	152	164	164	164	164	164
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	823	429	313	313	313	313	313
Payments to States and counties from Federal land management activities	11	11	10	10	10	10	10
Payments in lieu of taxes	120	125	125	125	125	125	125
Other	1	.....	–5	–5	–5	–5	–5
Total, General purpose fiscal assistance	955	565	443	443	443	443	443
Other general government:							
Discretionary programs	153	257	183	168	170	170	171
Total, Discretionary	12,071	13,200	12,722	13,509	13,181	13,259	13,224
Mandatory:							
Legislative functions:							
Congressional members compensation and other	98	100	102	96	96	98	95
Central fiscal operations:							
Federal financing bank	3,081	1,300	31	32	34	36	32
Other mandatory programs	–2,327	–51	–20	–19	–17	–20	–24
Total, Central fiscal operations	754	1,249	11	13	17	16	8
General property and records management:							
Mandatory programs	22	18	19	20	21	21	22

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Offsetting receipts	–63	–26	–29	–34	–35	–35	–32
Total, General property and records management	–41	–8	–10	–14	–14	–14	–10
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	–50						
Payments to States and counties	784	845	860	876	875	882	894
Proposed Legislation (PAYGO)			27	41	55	64	72
Subtotal, Payments to States and counties	784	845	887	917	930	946	966
Tax revenues for Puerto Rico (Treasury, BATF)	342	328	329	336	338	341	344
Proposed Legislation (PAYGO)			34	34	34	34	34
Subtotal, Tax revenues for Puerto Rico (Treasury, BATF)	342	328	363	370	372	375	378
Other general purpose fiscal assistance	90	98	99	93	93	93	93
Proposed Legislation (PAYGO)			12	12	12	12	12
Subtotal, Other general purpose fiscal assistance	90	98	111	105	105	105	105
Total, General purpose fiscal assistance	1,166	1,271	1,361	1,392	1,407	1,426	1,449
Other general government:							
Territories	167	162	164	166	192	194	194
Treasury claims	678	764	712	712	712	712	712
Presidential election campaign fund	63	63	63	63	63	63	63
Other mandatory programs	–84	–60		–11			
Total, Other general government	824	929	939	930	967	969	969
Deductions for offsetting receipts:							
Offsetting receipts	–1,069	–1,160	–1,160	–1,160	–1,160	–1,160	–1,160
Total, Mandatory	1,732	2,381	1,243	1,257	1,313	1,335	1,351
Total, General government	13,803	15,581	13,965	14,766	14,494	14,594	14,575

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	363,793	353,356	346,297	344,325	341,427	339,018	338,013
Proposed Legislation (non-PAYGO)	.....	73	207	301	419	508	579
Legislative proposal, discretionary offset	.....	.....	.....	93	195	296	396
Total, Interest on the public debt	363,793	353,429	346,504	344,719	342,041	339,822	338,988
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–29,925	–31,649	–33,262	–33,946	–34,714	–35,412	–36,179
CSRDF interest receipts from FFB, Postal, and TVA	–1,841	–2,539	–1,379	–1,373	–1,368	–1,368	–1,174
Military retirement	–12,358	–12,533	–12,716	–12,912	–13,121	–13,338	–13,568
Medicare	–11,760	–12,038	–12,033	–11,917	–11,895	–12,022	–11,999
Other on-budget trust funds	–11,324	–8,401	–9,064	–9,397	–9,728	–10,089	–10,521
Proposed Legislation (non-PAYGO)	.....	–73	–157	–251	–369	–458	–529
Legislative proposal, discretionary offset	.....	.....	.....	–93	–195	–296	–396
Subtotal, Other on-budget trust funds	–11,324	–8,474	–9,221	–9,741	–10,292	–10,843	–11,446
Total, Interest received by on-budget trust funds	–67,208	–67,233	–68,611	–69,889	–71,390	–72,983	–74,366
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–46,630	–51,869	–56,492	–62,107	–68,500	–75,448	–82,749
Other interest:							
Interest on loans to Federal Financing Bank	–4,141	–2,736	–2,352	–2,153	–1,996	–1,845	–1,859
Interest on refunds of tax collections	2,599	2,904	3,036	3,180	3,304	3,423	3,560
Payment to the Resolution Funding Corporation	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest paid to loan guarantee financing accounts	3,435	2,693	2,773	2,862	2,973	3,087	3,205
Interest received from direct loan financing accounts	–5,670	–6,609	–7,740	–8,797	–9,851	–10,902	–11,892
Interest on deposits in tax and loan accounts	–1,228	–1,050	–1,115	–1,105	–1,105	–1,105	–1,105
Interest received from Outer Continental Shelf escrow account, Interior	–3	–1,264	–9	.....	.....	.....	.....

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
All other interest	–3,912	–3,349	–3,085	–3,083	–3,013	–3,090	–3,101
Proposed Legislation (non-PAYGO)	.....	.....	–50	–50	–50	–50	–50
Subtotal, All other interest	–3,912	–3,349	–3,135	–3,133	–3,063	–3,140	–3,151
Total, Other interest	–6,592	–7,083	–6,214	–6,818	–7,410	–8,154	–8,914
Total, Net interest	243,363	227,244	215,187	205,905	194,741	183,237	172,959
920 Allowances:							
Discretionary:							
Resources contingent upon Social Security reform	.....	.....	.....	–50,652	–47,599	–29,491	–34,452
Reserve for priority initiatives	.....	.....	.....	3,000	6,000	9,000	12,000
Natural disaster and other emergencies	.....	3,250	.....	.....	.....	.....	.....
Adjustment to certain accounts	.....	.....	–307	.....	.....	.....	.....
Expected release of contingent emergency funding	.....	4,327	.....	.....	.....	.....	.....
Total, Discretionary	.....	7,577	–307	–47,652	–41,599	–20,491	–22,452
Mandatory:							
Tobacco recoupment policy (Proposed Legislation PAYGO)	.....	.....	.....	–4,600	–1,315	–519	–545
Tobacco recoupment policy (Legislative proposal, discretionary offset)	.....	.....	.....	.....	–3,385	–4,281	–4,255
Total, Mandatory	.....	.....	.....	–4,600	–4,700	–4,800	–4,800
Total, Allowances	.....	7,577	–307	–52,252	–46,299	–25,291	–27,252
950 Undistributed offsetting receipts:							
Discretionary:							
Other undistributed offsetting receipts:							
Spectrum auction	.....	.....	–2,600	1,300	1,300	.....	.....
Analog spectrum lease fee (Proposed Legislation non-PAYGO)	.....	.....	–200	–200	–200	–200	–200
Total, Discretionary	.....	.....	–2,800	1,100	1,100	–200	–200
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	–10,421	–10,534	–10,740	–10,981	–11,268	–11,585	–11,969
Legislative proposal, discretionary offset	.....	.....	–849	–1,058	–1,159	–1,231	–1,270
Subtotal, Contributions to military retirement fund	–10,421	–10,534	–11,589	–12,039	–12,427	–12,816	–13,239
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,109	–6,071	–6,274	–6,451	–6,620	–6,760	–6,849

Table 34–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other contributions to civil and foreign service retirement and disability fund	–8,791	–8,931	–9,283	–9,782	–10,204	–10,286	–10,843
Contributions to HI trust fund	–2,499	–2,567	–2,684	–2,775	–2,913	–3,045	–3,187
Total, Employer share, employee retirement (on-budget)	–27,820	–28,103	–29,830	–31,047	–32,164	–32,907	–34,118
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,052	–7,355	–7,969	–8,442	–9,102	–9,746	–10,442
Proposed Legislation (non-PAYGO)	.....	.....	264	271	261	260	261
Total, Employer share, employee retirement (off-budget)	–7,052	–7,355	–7,705	–8,171	–8,841	–9,486	–10,181
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–4,522	–3,123	–2,779	–2,798	–2,806	–2,673	–2,608
Sale of major assets:							
Proceeds from Sale of U.S. Enrichment Corporation	–1,885	.....	.....	.....	.....	.....	.....
Privatization of Elk Hills	–3,185	.....	–323	.....	.....	.....	.....
Proceeds from sale of Power Marketing Administrations	–88	.....	.....	.....	.....	.....	.....
Total, Sale of major assets	–5,158	.....	–323	.....	.....	.....	.....
Other undistributed offsetting receipts:							
Spectrum auction	–2,642	–1,447	–2,219	–4,101	–8,365	–1,770	–775
Total, Mandatory	–47,194	–40,028	–42,856	–46,117	–52,176	–46,836	–47,682
Total, Undistributed offsetting receipts	–47,194	–40,028	–45,656	–45,017	–51,076	–47,036	–47,882
Total	1,692,252	1,770,106	1,781,050	1,802,748	1,833,377	1,920,008	1,976,842
On-budget	(1,368,253)	(1,443,651)	(1,441,914)	(1,452,490)	(1,472,567)	(1,546,765)	(1,590,164)
Off-budget	(323,999)	(326,455)	(339,136)	(350,258)	(360,810)	(373,243)	(386,678)

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	68,976	71,957	75,437	73,915	77,883	80,606	83,413
Operation and maintenance	93,138	96,560	97,291	103,506	104,680	106,814	109,837
Procurement	48,206	48,422	47,038	51,205	55,089	60,023	63,932
Research, development, test and evaluation	37,420	36,758	34,523	34,477	34,514	34,537	34,823
Military construction	6,044	5,287	4,708	3,969	5,130	4,833	4,455
Family housing	3,871	3,894	3,700	3,472	3,621	3,660	3,741
Revolving, management and trust funds	490	1,809	23	671	787	696	710
General transfer authority	.....	280	220	100	.....	.....	.....
Proposed Legislation (non-PAYGO)	.....	.....	.....	.....	182	616	648
DoD budget amendments	.....	.....	.....	–1,323	–2,477	–560	–645
Discretionary offsetting receipts	–35	–394	–217	–1	–2	–2	–2
DOD-wide savings proposals	.....	.....	–914	–591	–99	–23	–12
Total, Department of Defense—Military	258,110	264,573	261,809	269,400	279,308	291,200	300,900
Atomic energy defense activities:							
Department of Energy	11,181	11,824	11,898	12,170	12,331	12,338	12,350
Formerly utilized sites remedial action	71	169	146	150	150	150	150
Defense nuclear facilities safety board	17	19	18	18	18	18	18
Total, Atomic energy defense activities	11,269	12,012	12,062	12,338	12,499	12,506	12,518
Defense-related activities:							
Discretionary programs	869	960	964	998	1,011	1,009	1,009
Total, Discretionary	270,248	277,545	274,835	282,736	292,818	304,715	314,427
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	365	385	404	581	442	432	410
Offsetting receipts	–2,353	–1,402	–1,379	–1,416	–1,418	–1,384	–1,324
Total, Department of Defense—Military	–1,988	–1,017	–975	–835	–976	–952	–914
Atomic energy defense activities:							
Proceeds from sales of excess DOE assets	–1	.....	.....	.....	.....	.....	.....
Defense-related activities:							
Mandatory programs	197	202	209	221	233	242	254
Total, Mandatory	–1,792	–815	–766	–614	–743	–710	–660
Total, National defense	268,456	276,730	274,069	282,122	292,075	304,005	313,767

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	2,131	1,823	1,779	1,696	1,753	1,754	1,756
Multilateral development banks (MDB's)	1,565	1,432	1,471	1,672	1,955	1,765	1,675
Proposed Legislation (non-PAYGO)	.....	.....	50	50	50	50	50
Subtotal, Multilateral development banks (MDB's)	1,565	1,432	1,521	1,722	2,005	1,815	1,725
Assistance for the New Independent States	626	565	602	708	923	990	1,017
Food aid	778	815	823	799	762	790	787
Refugee programs	722	687	694	692	690	690	690
Assistance for Central and Eastern Europe	470	450	411	356	372	384	388
Voluntary contributions to international organizations	300	293	293	296	293	293	293
Peace Corps	217	241	270	269	270	270	270
Other development and humanitarian assistance	398	739	951	924	963	928	923
Total, International development, humanitarian assistance	7,207	7,045	7,344	7,462	8,031	7,914	7,849
International security assistance:							
Foreign military financing grants and loans	3,152	3,851	3,531	3,637	3,499	3,504	3,491
Economic support fund	2,461	2,201	2,269	2,186	2,323	2,348	2,328
Other security assistance	252	338	388	411	413	413	413
Total, International security assistance	5,865	6,390	6,188	6,234	6,235	6,265	6,232
Conduct of foreign affairs:							
State Department operations	1,824	2,588	3,087	2,990	2,928	2,929	2,929
Foreign buildings	235	508	610	725	777	885	1,029
Assessed contributions to international organizations	829	1,000	962	963	963	963	963
Assessed contributions for international peacekeeping	151	336	235	235	235	235	235
Arrearage payment for international organizations and peacekeeping	.....	.....	.....	475	446	.....	.....
Other conduct of foreign affairs	177	170	160	145	140	140	140
Total, Conduct of foreign affairs	3,216	4,602	5,054	5,533	5,489	5,152	5,296
Foreign information and exchange activities:							
Broadcasting Board of Governors	403	415	450	450	453	453	453

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other information and exchange activities	753	797	347	280	274	274	274
Total, Foreign information and exchange activities	1,156	1,212	797	730	727	727	727
International financial programs:							
Export-Import Bank	672	594	584	658	754	824	873
Special defense acquisition fund	–39	–36	5	6	5	.....	.....
Other IMF	24	22	16	9	.....	.....	.....
Total, International financial programs	657	580	605	673	759	824	873
Total, Discretionary	18,101	19,829	19,988	20,632	21,241	20,882	20,977
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–1,781	–1,323	–1,226	–1,184	–1,136	–1,092	–1,044
Other development and humanitarian assistance	20	–8	–34	–4	–3	–3	–3
Total, International development, humanitarian assistance	–1,761	–1,331	–1,260	–1,188	–1,139	–1,095	–1,047
International security assistance:							
Repayment of foreign military financing loans	–534	–371	.....	.....	.....	.....	.....
Foreign military loan reestimates	19	5	.....	.....	.....	.....	.....
Foreign military loan liquidating account	–215	–287	–550	–458	–402	–339	–271
Total, International security assistance	–730	–653	–550	–458	–402	–339	–271
Foreign affairs and information:							
Conduct of foreign affairs	46	15	4	4	2	3	3
U.S. Information Agency trust funds	–1	–1	–1	–1	–1	–1	–1
Miscellaneous trust funds	2	2	2	2	2	2	2
Japan-U.S. Friendship Commission	2	3	3	3	1	1	1
Total, Foreign affairs and information	49	19	8	8	4	5	5
International financial programs:							
Foreign military sales trust fund (net)	–125	.....	.....	.....	.....	.....	.....
International monetary fund	–175	.....	.....	.....	.....	.....	.....
Exchange stabilization fund	–1,236	–1,254	–1,312	–1,380	–1,394	–1,408	–1,422
Credit liquidating account (Exim)	–880	–851	–521	–335	–303	–241	–242

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other international financial programs	–134	–285	–251	–327	–159	–72	–80
Total, International financial programs	–2,550	–2,390	–2,084	–2,042	–1,856	–1,721	–1,744
Total, Mandatory	–4,992	–4,355	–3,886	–3,680	–3,393	–3,150	–3,057
Total, International affairs	13,109	15,474	16,102	16,952	17,848	17,732	17,920
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,070	3,132	3,491	3,706	3,875	3,881	3,883
Department of Energy general science programs	2,239	2,534	2,747	2,824	2,835	2,835	2,835
Total, General science and basic research	5,309	5,666	6,238	6,530	6,710	6,716	6,718
Space flight, research, and supporting activities:							
Science, aeronautics and technology	5,118	5,055	4,617	4,791	4,842	5,282	5,510
Human space flight	5,551	5,526	5,528	5,510	5,378	5,055	4,842
Mission support	2,061	2,146	1,988	2,047	2,163	2,181	2,206
Other NASA programs	136	64	120	21	21	21	21
Total, Space flight, research, and supporting activities	12,866	12,791	12,253	12,369	12,404	12,539	12,579
Total, Discretionary	18,175	18,457	18,491	18,899	19,114	19,255	19,297
Mandatory:							
General science and basic research:							
National Science Foundation donations	44	72	78	68	34	34	34
Total, General science, space, and technology	18,219	18,529	18,569	18,967	19,148	19,289	19,331
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,673	1,437	1,285	1,385	1,390	1,360	1,292
Naval petroleum reserves operations	96	42	22	1	.....	.....	.....
Uranium enrichment activities	249	223	234	240	240	240	240
Decontamination transfer	–388	–398	–420	–420	–420	–420	–420
Nuclear waste program	164	163	234	239	180	180	180
Federal power marketing	247	245	203	178	178	178	178
Rural electric and telephone discretionary loans	91	91	82	77	63	53	49
Financial management services	489	487	396	371	366	367	367
Total, Energy supply	2,621	2,290	2,036	2,071	1,997	1,958	1,886

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Energy conservation and preparedness:							
Energy conservation	621	560	722	816	838	838	838
Emergency energy preparedness	233	182	169	164	164	164	164
Total, Energy conservation and preparedness	854	742	891	980	1,002	1,002	1,002
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	37	24	23	23	23	23	23
Federal Energy Regulatory Commission fees and recoveries, and other	–10	–29	–28	–28	–28	–28	–28
Departmental and other administration	208	206	225	228	228	228	228
Total, Energy information, policy, and regulation	235	201	220	223	223	223	223
Total, Discretionary	3,710	3,233	3,147	3,274	3,222	3,183	3,111
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–210	–3	–4	–4	–3	–3	–2
Federal power marketing	–945	–702	–619	–753	–821	–813	–905
Tennessee Valley Authority	–869	–463	–746	–1,011	–981	–1,025	–1,370
Proceeds from uranium sales	–13	–6	–17	–17	–32	–32	–4
United States Enrichment Corporation	–46	1	.....	.....	.....	.....	.....
Nuclear waste fund program	–597	–642	–632	–632	–631	–632	–632
Rural electric and telephone liquidating accounts	240	–1,198	–3,124	–1,987	–1,868	–1,739	–1,368
Rural electric and telephone loan subsidy reestimate	.....	–171	.....	.....	.....	.....	.....
Total, Mandatory	–2,440	–3,184	–5,142	–4,404	–4,336	–4,244	–4,281
Total, Energy	1,270	49	–1,995	–1,130	–1,114	–1,061	–1,170
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,866	3,920	3,811	3,754	3,759	3,784	3,802
Bureau of Reclamation	775	1,121	838	856	856	856	856
Other discretionary water resources programs	272	340	217	157	120	124	134
Total, Water resources	4,913	5,381	4,866	4,767	4,735	4,764	4,792
Conservation and land management:							
Forest Service	2,549	2,449	2,604	2,718	2,706	2,704	2,704
Proposed Legislation (non-PAYGO)	.....	.....	–111	–111	–111	–111	–111
Subtotal, Forest Service	2,549	2,449	2,493	2,607	2,595	2,593	2,593

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Management of public lands (BLM)	1,015	790	1,264	1,196	1,115	1,115	1,115
Conservation of agricultural lands	669	752	749	764	760	763	768
Proposed Legislation (non-PAYGO)	.....	.....	3	4	5	5	5
Subtotal, Conservation of agricultural lands	669	752	752	768	765	768	773
Other conservation and land management programs	584	505	577	739	730	767	772
Total, Conservation and land management	4,817	4,496	5,086	5,310	5,205	5,243	5,253
Recreational resources:							
Operation of recreational resources	2,552	3,230	2,917	3,040	3,076	3,079	3,078
Other recreational resources activities	102	134	127	118	118	118	118
Total, Recreational resources	2,654	3,364	3,044	3,158	3,194	3,197	3,196
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,544	2,687	2,808	2,832	2,838	2,835	2,835
State and tribal assistance grants	2,597	2,800	3,140	3,298	3,038	2,949	2,880
Hazardous substance superfund	1,431	1,419	1,432	1,447	1,482	1,528	1,572
Other control and abatement activities	135	159	177	185	191	191	192
Proposed Legislation (non-PAYGO)	.....	.....	–20	–20	–20	–20	–20
Total, Pollution control and abatement	6,707	7,065	7,537	7,742	7,529	7,483	7,459
Other natural resources:							
NOAA	2,110	2,033	2,327	2,455	2,496	2,561	2,569
Proposed Legislation (non-PAYGO)	.....	.....	–34	–34	–34	–34	–34
Subtotal, NOAA	2,110	2,033	2,293	2,421	2,462	2,527	2,535
Other natural resource program activities	754	873	964	950	951	951	951
Total, Other natural resources	2,864	2,906	3,257	3,371	3,413	3,478	3,486
Total, Discretionary	21,955	23,212	23,790	24,348	24,076	24,165	24,186

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory:							
Water resources:							
Mandatory water resource programs	–192	73	46	51	–143	–14	–43
Proposed Legislation (PAYGO)	.....	.....	9	12	15	17	17
Legislative proposal, discretionary offset	.....	.....	–966	–963	–960	–996	–1,014
Total, Water resources	–192	73	–911	–900	–1,088	–993	–1,040
Conservation and land management:							
Conservation Reserve Program and other agricultural programs	1,928	1,890	1,944	2,013	2,014	2,072	2,096
Proposed Legislation (PAYGO)	.....	.....	18	31	52	66	72
Subtotal, Conservation Reserve Program and other agricultural programs	1,928	1,890	1,962	2,044	2,066	2,138	2,168
Other conservation programs	573	666	507	481	473	475	478
Proposed Legislation (PAYGO)	.....	.....	–12	–8	1	29	29
Subtotal, Other conservation programs	573	666	495	473	474	504	507
Offsetting receipts	–1,843	–1,978	–2,075	–2,037	–2,043	–2,044	–2,053
Proposed Legislation (PAYGO)	.....	.....	–5	–15	–34	–34	–35
Subtotal, Offsetting receipts	–1,843	–1,978	–2,080	–2,052	–2,077	–2,078	–2,088
Total, Conservation and land management	658	578	377	465	463	564	587
Recreational resources:							
Operation of recreational resources	680	1,022	896	900	860	838	832
Proposed Legislation (PAYGO)	.....	.....	3	3	47	102	150
Subtotal, Operation of recreational resources	680	1,022	899	903	907	940	982
Offsetting receipts	–350	–434	–433	–440	–302	–309	–317
Proposed Legislation (PAYGO)	.....	.....	.....	.....	–98	–110	–122
Subtotal, Offsetting receipts	–350	–434	–433	–440	–400	–419	–439
Total, Recreational resources	330	588	466	463	507	521	543

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Pollution control and abatement:							
Superfund resources and other mandatory	–285	–210	–185	–157	–147	–147	–147
Proposed Legislation (PAYGO)	.....	.....	200	200	200	200	200
Total, Pollution control and abatement	–285	–210	15	43	53	53	53
Other natural resources:							
Other fees and mandatory programs	–70	20	9	–9	–11	–11	–12
Total, Mandatory	441	1,049	–44	62	–76	134	131
Total, Natural resources and environment	22,396	24,261	23,746	24,410	24,000	24,299	24,317
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	347	353	299	303	300	300	300
P.L.480 market development activities	175	934	154	132	128	128	128
Administrative expenses	967	770	825	824	824	824	824
Total, Farm income stabilization	1,489	2,057	1,278	1,259	1,252	1,252	1,252
Agricultural research and services:							
Research programs	1,259	1,372	1,364	1,230	1,205	1,247	1,236
Extension programs	413	430	424	404	402	402	402
Marketing programs	42	44	60	61	61	61	61
Animal and plant inspection programs	451	433	449	446	442	442	442
Proposed Legislation (non-PAYGO)	.....	.....	–9	–9	–9	–9	–9
Subtotal, Animal and plant inspection programs	451	433	440	437	433	433	433
Economic intelligence	179	157	158	157	157	157	157
Grain inspection	24	27	26	26	26	26	26
Proposed Legislation (non-PAYGO)	.....	.....	–15	–15	–15	–15	–15
Subtotal, Grain inspection	24	27	11	11	11	11	11
Foreign agricultural service	157	137	134	138	138	138	138
Proposed Legislation (non-PAYGO)	.....	.....	–28	–28	–28	–28	–28
Subtotal, Foreign agricultural service	157	137	106	110	110	110	110

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other programs and unallocated overhead	313	347	383	458	497	491	488
Total, Agricultural research and services	2,838	2,947	2,946	2,868	2,876	2,912	2,898
Total, Discretionary	4,327	5,004	4,224	4,127	4,128	4,164	4,150
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	8,248	16,383	10,477	8,105	6,721	5,307	5,324
Proposed Legislation (PAYGO)	.....	.....	–20	–41	–53	–65	–74
Subtotal, Commodity Credit Corporation	8,248	16,383	10,457	8,064	6,668	5,242	5,250
Crop insurance and other farm credit activities	997	1,200	1,493	1,569	1,465	1,522	1,588
Credit liquidating accounts (ACIF and FAC)	–1,437	–1,235	–1,184	–1,194	–1,180	–1,186	–1,110
Total, Farm income stabilization	7,808	16,348	10,766	8,439	6,953	5,578	5,728
Agricultural research and services:							
Fund for Rural America (Proposed Legislation PAYGO)	.....	.....	.....	1	3	5	6
Miscellaneous mandatory programs	212	246	305	427	486	539	546
Proposed Legislation (PAYGO)	.....	.....	.....	3	17	30	30
Subtotal, Miscellaneous mandatory programs	212	246	305	430	503	569	576
Offsetting receipts	–141	–149	–149	–150	–150	–150	–150
Total, Agricultural research and services	71	97	156	281	356	424	432
Total, Mandatory	7,879	16,445	10,922	8,720	7,309	6,002	6,160
Total, Agriculture	12,206	21,449	15,146	12,847	11,437	10,166	10,310
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	762	693	923	737	763	748	699
Government National Mortgage Association (GNMA)	–355	–346	–407	–407	–407	–407	–407
Other Housing and Urban Development	3	–156	–319	–399	–399	–398	–400
Rural housing insurance fund	576	603	588	568	557	561	558
Total, Mortgage credit	986	794	785	499	514	504	450
Postal service:							
Payments to the Postal Service fund (On-budget)	86	.....	164	164	164	164	164

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Deposit insurance:							
National Credit Union Administration	1	2	.....	.....	.....	.....	.....
Other advancement of commerce:							
Small and minority business assistance	521	469	571	608	580	580	580
Proposed Legislation (non-PAYGO)	.....	.....	50	79	83	83	83
Subtotal, Small and minority business assistance	521	469	621	687	663	663	663
Science and technology	696	687	676	696	732	726	704
Economic and demographic statistics	665	1,288	2,891	1,206	534	466	450
Regulatory agencies	–137	35	–148	75	84	97	161
International Trade Administration	303	273	295	304	305	305	305
Other discretionary	53	–38	–25	98	134	143	146
Total, Other advancement of commerce	2,101	2,714	4,310	3,066	2,452	2,400	2,429
Total, Discretionary	3,174	3,510	5,259	3,729	3,130	3,068	3,043
Mandatory:							
Mortgage credit:							
FHA General and Special Risk, downward reestimate of negative subsidies	–333	.....	.....	.....	.....	.....	.....
FHA and GNMA negative subsidies	–2,332	–6,117	–388	–177	–1,977	–2,063	–2,300
Mortgage credit reestimates	1,076	1,264	.....	.....	.....	.....	.....
Mortgage credit liquidating accounts	–2,334	2,742	–2,895	–2,500	–2,386	–2,767	–3,137
Other mortgage credit activities	3	205	2	.....	.....	.....	.....
Total, Mortgage credit	–3,920	–1,906	–3,281	–2,677	–4,363	–4,830	–5,437
Postal service:							
Postal Service (Off-budget)	217	964	1,833	1,829	902	223	280
Deposit insurance:							
Bank Insurance Fund	–1,220	–763	–774	–251	270	696	1,117
Proposed Legislation (non-PAYGO)	.....	.....	–2	–7	–12	–17	–23
Proposed Legislation (PAYGO)	.....	.....	–84	–88	–91	–95	–100
Subtotal, Bank Insurance Fund	–1,220	–763	–860	–346	167	584	994
FSLIC Resolution Fund	–2,485	–3,658	–906	–895	–1,011	–325	–76
Savings Association Insurance Fund	–448	–402	–317	–251	–198	69	280
National Credit Union Administration	–213	–249	–263	–330	–328	–372	–404

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other deposit insurance activities	–6	23	22	34	35	36	37
Total, Deposit insurance	–4,372	–5,049	–2,324	–1,788	–1,335	–8	831
Other advancement of commerce:							
Universal Service Fund	1,769	3,770	4,668	6,463	10,772	10,922	11,075
Payments to copyright owners	275	307	275	220	220	220	220
Spectrum auction subsidy	4,811	.....	.....	.....	.....	.....	.....
Regulatory fees	–30	–30	–30	–30	–30	–30	–30
Patent and trademark fees	–119	.....	.....	.....	.....	.....	.....
Credit liquidating accounts	–207	–578	–80	–87	–78	–72	–63
Other mandatory	–584	–536	32	29	33	26	25
Total, Other advancement of commerce	5,915	2,933	4,865	6,595	10,917	11,066	11,227
Total, Mandatory	–2,160	–3,058	1,093	3,959	6,121	6,451	6,901
Total, Commerce and housing credit	1,014	452	6,352	7,688	9,251	9,519	9,944
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	18,684	21,716	24,378	25,797	26,148	26,518	27,170
State infrastructure banks	64	37	17	11	9	5	3
Highway safety	380	452	506	537	523	537	548
Mass transit	4,297	4,002	4,141	4,968	5,482	6,179	6,603
Railroads	1,086	519	639	735	730	717	713
Proposed Legislation (non-PAYGO)	.....	.....	–87	–87	–87	–87	–87
Subtotal, Railroads	1,086	519	552	648	643	630	626
Regulation	14	13	14	14	14	14	14
Proposed Legislation (non-PAYGO)	.....	.....	–14	–14	–14	–14	–14
Subtotal, Regulation	14	13	.....	.....	.....	.....	.....
Total, Ground transportation	24,525	26,739	29,594	31,961	32,805	33,869	34,950
Air transportation:							
Airports and airways (FAA)	9,215	9,311	9,937	10,490	10,987	11,668	12,193
Aeronautical research and technology	1,339	1,251	1,103	1,074	1,086	1,118	1,125
Payments to air carriers	40	–3	20	.....	.....	.....	.....
Total, Air transportation	10,594	10,559	11,060	11,564	12,073	12,786	13,318
Water transportation:							
Marine safety and transportation	2,843	2,904	3,114	3,080	3,118	3,112	3,125
Proposed Legislation (non-PAYGO)	.....	.....	–41	–165	–165	–165	–165
Subtotal, Marine safety and transportation	2,843	2,904	3,073	2,915	2,953	2,947	2,960
Ocean shipping	125	106	26	98	97	91	60

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Panama Canal Commission	–47	–15	44				
Total, Water transportation	2,921	2,995	3,143	3,013	3,050	3,038	3,020
Other transportation:							
Other discretionary programs	229	276	250	253	252	251	251
Proposed Legislation (non-PAYGO)			–28	–20	–15	–15	–15
Total, Other transportation	229	276	222	233	237	236	236
Total, Discretionary	38,269	40,569	44,019	46,771	48,165	49,929	51,524
Mandatory:							
Ground transportation:							
Highways	1,541	1,632	1,504	1,339	1,183	1,021	921
Offsetting receipts and subsidy reestimates	–48	–12	–12	–12	–12	–12	–12
Credit liquidating accounts	–14	–26	–30	–29	–29	–29	–29
Total, Ground transportation	1,479	1,594	1,462	1,298	1,142	980	880
Air transportation:							
Airports and airways (FAA)	28						
Payments to air carriers			30	50	50	50	50
Total, Air transportation	28		30	50	50	50	50
Water transportation:							
Coast Guard retired pay	647	651	714	771	818	869	919
Other water transportation programs	–61	–144	234	–52	–52	26	31
Proposed Legislation (PAYGO)			12	12	13	14	14
Subtotal, Other water transportation programs	–61	–144	246	–40	–39	40	45
Total, Water transportation	586	507	960	731	779	909	964
Other transportation:							
Other mandatory transportation programs	–30	–30	–36	–33	–534	–35	–36
Total, Mandatory	2,063	2,071	2,416	2,046	1,437	1,904	1,858
Total, Transportation	40,332	42,640	46,435	48,817	49,602	51,833	53,382
450 Community and regional development:							
Discretionary:							
Community development:							
Community development loan guarantees	6	16	23	24	30	30	30

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Community development block grant	4,621	4,964	4,855	4,801	4,754	4,711	4,731
Proposed Legislation (non-PAYGO)	.....	.....	1	17	38	46	48
Subtotal, Community development block grant	4,621	4,964	4,856	4,818	4,792	4,757	4,779
Community adjustment and investment program	.....	10	9	18	17	17	17
Community development financial institutions	39	64	75	109	109	110	110
Proposed Legislation (non-PAYGO)	.....	.....	5	16	15	15	15
Subtotal, Community development financial institutions	39	64	80	125	124	125	125
Brownfields redevelopment	.....	10	20	32	43	47	49
Other community development programs	250	405	385	385	394	405	394
Proposed Legislation (non-PAYGO)	.....	.....	29	64	109	127	133
Subtotal, Other community development programs	250	405	414	449	503	532	527
Total, Community development	4,916	5,469	5,402	5,466	5,509	5,508	5,527
Area and regional development:							
Rural development	735	850	822	848	854	857	829
Economic Development Administration	387	439	439	424	402	393	393
Regional connections (Proposed Legislation non-PAYGO)	.....	.....	1	17	38	46	48
Indian programs	1,022	1,000	1,100	1,142	1,282	1,293	1,293
Appalachian Regional Commission	188	152	131	75	76	59	66
Tennessee Valley Authority	85	45	14	10	7	7	7
Denali commission	.....	2	4	6	3	3	2
Total, Area and regional development	2,417	2,488	2,511	2,522	2,662	2,658	2,638
Disaster relief and insurance:							
Disaster relief	1,998	2,232	2,290	1,974	1,345	1,075	941
Small Business Administration disaster loans	354	263	158	128	125	125	125
Other disaster assistance programs	442	453	446	477	450	450	450
Total, Disaster relief and insurance	2,794	2,948	2,894	2,579	1,920	1,650	1,516
Total, Discretionary	10,127	10,905	10,807	10,567	10,091	9,816	9,681

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	253	4	3	.....	.....	.....	.....
Urban empowerment zones (Proposed Legislation PAYGO)	.....	.....	3	51	114	138	144
Credit liquidating accounts	–51	–36	–35	–34	–32	–26	–18
Total, Community development	202	–32	–29	17	82	112	126
Area and regional development:							
Indian programs	527	472	111	111	112	115	117
Rural development programs	15	108	73	40	37	35	35
Proposed Legislation (PAYGO)	.....	.....	.....	12	19	21	21
Subtotal, Rural development programs	15	108	73	52	56	56	56
Credit liquidating accounts	–182	–97	–104	–106	–277	–482	–506
Offsetting receipts	–321	–401	–102	–104	–104	–107	–108
Total, Area and regional development	39	82	–22	–47	–213	–418	–441
Disaster relief and insurance:							
National flood insurance fund	–450	–124	–184	–229	–278	–310	–349
National flood mitigation fund	4	21	25	20	20	20	20
Flood map modernization fund (Proposed Legislation PAYGO)	.....	.....	26	53	61	64	66
Radiological emergency preparedness fees	–12	.....	.....	.....	.....	.....	.....
SBA disaster loan subsidy reestimate	.....	–236	.....	.....	.....	.....	.....
Credit liquidating accounts	–190	–188	–389	–399	–212	–6	–6
Total, Disaster relief and insurance	–648	–527	–522	–555	–409	–232	–269
Total, Mandatory	–407	–477	–573	–585	–540	–538	–584
Total, Community and regional development	9,720	10,428	10,234	9,982	9,551	9,278	9,097
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	746	1,267	1,304	1,752	1,915	1,947	1,947
School improvement programs	1,366	1,437	2,175	2,526	2,837	2,853	2,863
Education for the disadvantaged	7,817	6,687	7,963	8,612	8,725	8,744	8,744
Special education	3,659	4,264	5,130	5,756	5,444	5,450	5,450
Impact aid	700	985	848	808	736	736	736
Vocational and adult education	1,444	1,319	1,485	1,794	1,740	1,750	1,750
Indian education programs	615	615	664	687	686	686	686

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Bilingual and immigrant education	207	386	416	419	414	415	415
Other	10	27	117	244	318	322	324
Total, Elementary, secondary, and vocational education	16,564	16,987	20,102	22,598	22,815	22,903	22,915
Higher education:							
Student financial assistance	7,934	9,352	9,144	9,524	9,167	9,158	9,158
Higher education account	785	1,061	1,243	1,476	1,523	1,527	1,527
Proposed Legislation (non-PAYGO)	.....	.....	6	41	51	52	52
Subtotal, Higher education account	785	1,061	1,249	1,517	1,574	1,579	1,579
Federal family education loan program	38	47	51	47	48	48	48
Other higher education programs	340	341	358	359	358	358	358
Total, Higher education	9,097	10,801	10,802	11,447	11,147	11,143	11,143
Research and general education aids:							
Library of Congress	262	264	320	360	372	384	396
Public broadcasting	289	313	392	413	463	427	425
Smithsonian institution	487	490	553	551	554	553	552
Education research, statistics, and improvement	514	529	660	563	544	540	540
Other	700	830	846	875	881	884	884
Total, Research and general education aids	2,252	2,426	2,771	2,762	2,814	2,788	2,797
Training and employment:							
Training and employment services	4,644	5,151	5,123	5,411	5,463	5,500	5,500
Proposed Legislation (non-PAYGO)	.....	.....	–40	–40	–40	–40	–40
Subtotal, Training and employment services	4,644	5,151	5,083	5,371	5,423	5,460	5,460
Older Americans employment	448	444	440	440	440	440	440
Federal-State employment service	1,296	1,211	1,294	1,297	1,321	1,326	1,326
Proposed Legislation (non-PAYGO)	.....	.....	–20	–20	–20	–20	–20
Subtotal, Federal-State employment service	1,296	1,211	1,274	1,277	1,301	1,306	1,306
Other employment and training	89	99	105	103	103	103	103
Total, Training and employment	6,477	6,905	6,902	7,191	7,267	7,309	7,309

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other labor services:							
Labor law, statistics, and other administration	1,036	1,103	1,266	1,304	1,304	1,304	1,304
Proposed Legislation (non-PAYGO)	.....	.....	–25	–25	–25	–25	–25
Total, Other labor services	1,036	1,103	1,241	1,279	1,279	1,279	1,279
Social services:							
National service initiative	591	732	821	714	791	816	820
Children and families services programs	5,329	5,841	6,210	6,575	6,614	6,586	6,587
Aging services program	828	864	890	893	924	923	923
Proposed Legislation (non-PAYGO)	.....	.....	81	118	125	125	125
Subtotal, Aging services program	828	864	971	1,011	1,049	1,048	1,048
Other	327	384	371	380	380	380	380
Total, Social services	7,075	7,821	8,373	8,680	8,834	8,830	8,835
Total, Discretionary	42,501	46,043	50,191	53,957	54,156	54,252	54,278
Mandatory:							
Elementary, secondary, and vocational education:							
Vocational and adult education	7	2	.....	.....	.....	.....	.....
Higher education:							
Federal family education loan program	2,352	2,769	3,231	3,442	2,577	3,628	3,412
Proposed Legislation (PAYGO)	.....	–105	–700	–587	–638	–594	–343
Legislative proposal, discretionary offset	.....	.....	–1,554	–12	–16	–17	–15
Subtotal, Federal family education loan program	2,352	2,664	977	2,843	1,923	3,017	3,054
Federal direct loan program	876	342	53	–182	–252	41	458
Proposed Legislation (PAYGO)	.....	96	15	.....	.....	.....	.....
Legislative proposal, discretionary offset	.....	.....	–110	–7	–9	–9	–10
Subtotal, Federal direct loan program	876	438	–42	–189	–261	32	448
Other higher education programs	–137	–69	–72	–55	–71	–70	–68

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Credit liquidating account (Family education loan program)	–118	213	–490	–498	–460	–392	–312
Proposed Legislation (non-PAYGO)	.....	.....	468	–110	–111	–97	–80
Subtotal, Credit liquidating account (Family education loan program)	–118	213	–22	–608	–571	–489	–392
Total, Higher education	2,973	3,246	841	1,991	1,020	2,490	3,042
Research and general education aids:							
Mandatory programs	19	22	21	17	18	18	18
Training and employment:							
Trade adjustment assistance	95	124	113	47	94	95	95
Proposed Legislation (PAYGO)	.....	.....	26	66	56	16	.....
Subtotal, Trade adjustment assistance	95	124	139	113	150	111	95
Welfare to work grants	16	872	1,464	523	22	.....	.....
Proposed Legislation (PAYGO)	.....	.....	133	518	333	16	.....
Subtotal, Welfare to work grants	16	872	1,597	1,041	355	16	.....
Payments to States for AFDC work programs	48	39	15	8	.....	.....	.....
Other training and employment	.....	1	22	41	47	23	6
Total, Training and employment	159	1,036	1,773	1,203	552	150	101
Other labor services:							
Other labor services	.....	5	5	5	.....	.....	.....
Social services:							
Payments to States for foster care and adoption assistance	4,451	4,939	5,485	6,081	6,679	7,281	7,931
Proposed Legislation (PAYGO)	.....	.....	6	31	43	49	51
Subtotal, Payments to States for foster care and adoption assistance	4,451	4,939	5,491	6,112	6,722	7,330	7,982
Family support and preservation	214	224	257	288	299	303	305
Social services block grant	2,441	2,050	2,445	1,812	1,707	1,700	1,700

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Rehabilitation services	2,154	2,498	2,327	2,376	2,430	2,486	2,543
Total, Social services	9,260	9,711	10,520	10,588	11,158	11,819	12,530
Total, Mandatory	12,418	14,022	13,160	13,804	12,748	14,477	15,691
Total, Education, training, employment, and social services	54,919	60,065	63,351	67,761	66,904	68,729	69,969
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,213	2,331	2,519	2,644	2,660	2,623	2,624
Indian health	2,128	2,219	2,301	2,345	2,383	2,424	2,425
Other discretionary health care services programs	5,433	6,217	6,754	7,062	7,110	7,107	7,106
Proposed Legislation (non-PAYGO)	.....	.....	19	89	232	279	290
Subtotal, Other discretionary health care services programs	5,433	6,217	6,773	7,151	7,342	7,386	7,396
Total, Health care services	9,774	10,767	11,593	12,140	12,385	12,433	12,445
Health research and training:							
National Institutes of Health	12,475	13,995	15,426	15,871	15,929	15,939	15,935
Clinical training	269	296	283	267	259	258	258
Other health research and training	301	324	320	256	244	242	239
Total, Health research and training	13,045	14,615	16,029	16,394	16,432	16,439	16,432
Consumer and occupational health and safety:							
Food safety and inspection	592	617	651	653	653	653	653
Proposed Legislation (non-PAYGO)	.....	.....	–504	–504	–504	–504	–504
Subtotal, Food safety and inspection	592	617	147	149	149	149	149
Occupational safety and health	557	579	623	629	631	631	631
Other consumer health programs	884	1,028	1,161	1,183	1,188	1,191	1,193
Total, Consumer and occupational health and safety	2,033	2,224	1,931	1,961	1,968	1,971	1,973
Total, Discretionary	24,852	27,606	29,553	30,495	30,785	30,843	30,850

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory:							
Health care services:							
Medicaid grants	101,234	108,534	114,821	122,356	131,138	141,197	152,321
Proposed Legislation (PAYGO)	.....	.....	–161	–155	–74	425	563
Subtotal, Medicaid grants	101,234	108,534	114,660	122,201	131,064	141,622	152,884
State children's health insurance fund	5	1,437	1,900	2,800	3,520	4,320	4,645
Proposed Legislation (PAYGO)	.....	.....	36	521	512	7	–48
Subtotal, State children's health insurance fund	5	1,437	1,936	3,321	4,032	4,327	4,597
Long-term care tax credit (Proposed Legislation PAYGO)	.....	.....	6	123	127	146	156
Federal employees' and retired employees' health benefits	4,514	4,716	5,192	5,682	6,294	6,730	7,379
Coal miner retiree health benefits (including UMWA funds)	373	362	354	345	336	329	320
Proposed Legislation (PAYGO)	.....	8	57	14	13	12	12
Subtotal, Coal miner retiree health benefits (including UMWA funds)	373	370	411	359	349	341	332
Other mandatory health services activities	436	366	444	387	383	367	357
Total, Health care services	106,562	115,423	122,649	132,073	142,249	153,533	165,705
Health research and safety:							
Health research and training	28	66	59	56	54	22	17
Proposed Legislation (PAYGO)	.....	.....	10	190	250	300	.....
Subtotal, Health research and training	28	66	69	246	304	322	17
Consumer and occupational health and safety	–2	.....	–1	–1	–1	–1	–1
Total, Health research and safety	26	66	68	245	303	321	16
Total, Mandatory	106,588	115,489	122,717	132,318	142,552	153,854	165,721
Total, Health	131,440	143,095	152,270	162,813	173,337	184,697	196,571

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,160	1,296	1,400	1,414	1,421	1,422	1,435
Proposed Legislation (non-PAYGO)	.....	.....	–116	–116	–116	–116	–116
Subtotal, Hospital insurance (HI) administrative expenses	1,160	1,296	1,284	1,298	1,305	1,306	1,319
Supplementary medical insurance (SMI) administrative expenses	1,429	1,649	1,692	1,696	1,695	1,686	1,697
Proposed Legislation (non-PAYGO)	.....	.....	–78	–78	–78	–78	–78
Subtotal, Supplementary medical insurance (SMI) administrative expenses	1,429	1,649	1,614	1,618	1,617	1,608	1,619
Total, Discretionary	2,589	2,945	2,898	2,916	2,922	2,914	2,938
Mandatory:							
Medicare:							
Hospital insurance (HI)	135,530	144,722	144,706	151,057	152,900	162,658	170,726
Proposed Legislation (PAYGO)	.....	.....	–163	–189	–5	–85	–44
Legislative proposal, discretionary offset	.....	.....	–645	–580	–677	–641	–703
Subtotal, Hospital insurance (HI)	135,530	144,722	143,898	150,288	152,218	161,932	169,979
Supplementary medical insurance (SMI)	74,841	77,757	92,365	102,207	106,443	117,604	125,652
Proposed Legislation (PAYGO)	.....	.....	–115	–112	–3	–46	–23
Legislative proposal, discretionary offset	.....	.....	–455	–340	–353	–339	–367
Subtotal, Supplementary medical insurance (SMI)	74,841	77,757	91,795	101,755	106,087	117,219	125,262
Health care fraud and abuse control	608	860	864	950	1,010	1,075	1,075
Medicare premiums, collections, and interfunds	–20,746	–21,302	–22,991	–25,032	–27,158	–30,093	–32,252
Proposed Legislation (PAYGO)	.....	.....	135	–275	–488	–562	–687
Subtotal, Medicare premiums, collections, and interfunds	–20,746	–21,302	–22,856	–25,307	–27,646	–30,655	–32,939
Total, Mandatory	190,233	202,037	213,701	227,686	231,669	249,571	263,377
Total, Medicare	192,822	204,982	216,599	230,602	234,591	252,485	266,315

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	294	283	269	267	267	267	267
Pension Benefit Guaranty Corporation	10	11	11	11	11	11	11
Pension and Welfare Benefits Administration and other	81	97	103	104	104	104	104
Total, General retirement and disability insurance	385	391	383	382	382	382	382
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	89	89	83	83	83	83	83
Armed forces retirement home	63	68	68	68	68	68	68
Foreign service national separation liability trust fund	–10	.....	.....	.....	.....	.....	.....
Total, Federal employee retirement and disability	142	157	151	151	151	151	151
Unemployment compensation:							
Unemployment programs administrative expenses	2,484	2,436	2,480	2,464	2,464	2,464	2,464
Housing assistance:							
Public housing operating fund	3,116	2,806	2,907	3,001	3,003	3,003	3,003
Public housing capital fund	3,321	2,703	3,151	3,429	3,378	3,317	3,231
Subsidized, public, homeless and other HUD housing	21,650	22,137	22,829	22,128	20,213	19,411	18,549
Proposed Legislation (non-PAYGO)	.....	.....	1	11	29	39	44
Subtotal, Subsidized, public, homeless and other HUD housing	21,650	22,137	22,830	22,139	20,242	19,450	18,593
Rural housing assistance	599	647	667	671	686	700	722
Total, Housing assistance	28,686	28,293	29,555	29,240	27,309	26,470	25,549
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,902	3,951	4,097	4,105	4,105	4,105	4,105
Other nutrition programs	474	493	582	598	598	598	598
Total, Food and nutrition assistance	4,376	4,444	4,679	4,703	4,703	4,703	4,703
Other income assistance:							
Refugee assistance	325	420	429	438	441	443	443
Low income home energy assistance	1,132	1,134	1,134	1,100	1,100	1,100	1,100
Child care and development block grant	1,094	1,004	1,117	1,157	1,181	1,183	1,183

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Supplemental security income (SSI) administrative expenses	2,275	2,441	2,428	2,407	2,377	2,377	2,377
Total, Other income assistance	4,826	4,999	5,108	5,102	5,099	5,103	5,103
Total, Discretionary	40,899	40,720	42,356	42,042	40,108	39,273	38,352
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,239	4,400	4,548	4,730	4,701	4,785	4,893
Special benefits for disabled coal miners	1,094	1,069	1,014	964	924	880	835
Pension Benefit Guaranty Corporation	–1,227	–854	–1,051	–1,261	–1,376	–1,392	–1,383
Proposed Legislation (PAYGO)	.....	.....	1	1	2	3	3
Subtotal, Pension Benefit Guaranty Corporation	–1,227	–854	–1,050	–1,260	–1,374	–1,389	–1,380
District of Columbia pension funds	.....	234	222	230	238	248	256
Proceeds from sale of DC retirement fund assets	.....	–3,075	.....	.....	.....	.....	.....
Special workers' compensation expenses	141	147	155	159	163	166	169
Total, General retirement and disability insurance	4,247	1,921	4,889	4,823	4,652	4,690	4,773
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	43,464	45,154	47,164	49,138	51,082	53,103	55,282
Military retirement	31,142	32,192	33,083	34,000	34,871	35,746	36,640
Proposed Legislation (PAYGO)	.....	.....	1	1	1	1	2
Subtotal, Military retirement	31,142	32,192	33,084	34,001	34,872	35,747	36,642
Federal employees workers' compensation (FECA)	53	73	115	159	140	129	136
Federal employees life insurance fund	–1,316	–1,314	–1,432	–1,485	–1,534	–1,571	–1,625
Total, Federal employee retirement and disability	73,343	76,105	78,931	81,813	84,560	87,408	90,435
Unemployment compensation:							
Unemployment insurance programs	19,398	22,512	25,286	27,534	28,869	30,164	31,424
Proposed Legislation (PAYGO)	.....	.....	90	190	260	20	40
Subtotal, Unemployment insurance programs	19,398	22,512	25,376	27,724	29,129	30,184	31,464

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Trade adjustment assistance	188	230	220	218	225	231	239
Proposed Legislation (PAYGO)	.....	.....	75	84	9	.....	.....
Subtotal, Trade adjustment assistance	188	230	295	302	234	231	239
Total, Unemployment compensation	19,586	22,742	25,671	28,026	29,363	30,415	31,703
Housing assistance:							
Mandatory housing assistance programs	55	83	43	–33	13	5	5
Proposed Legislation (PAYGO)	.....	.....	8	46	77	78	80
Total, Housing assistance	55	83	51	13	90	83	85
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	20,141	21,204	21,475	21,952	22,599	23,124	24,088
Proposed Legislation (PAYGO)	.....	.....	10	10	10	15	15
Subtotal, Food stamps (including Puerto Rico)	20,141	21,204	21,485	21,962	22,609	23,139	24,103
State child nutrition programs	8,556	9,072	9,563	9,953	10,483	10,956	11,434
Proposed Legislation (PAYGO)	.....	.....	–57	–66	–52	–66	–75
Subtotal, State child nutrition programs	8,556	9,072	9,506	9,887	10,431	10,890	11,359
Funds for strengthening markets, income, and supply (Sec.32)	512	551	535	535	535	535	535
Total, Food and nutrition assistance	29,209	30,827	31,526	32,384	33,575	34,564	35,997
Other income support:							
Supplemental security income (SSI)	27,472	28,244	28,949	29,951	31,256	32,346	33,400
Proposed Legislation (PAYGO)	.....	.....	–14	–18	13	110	277
Subtotal, Supplemental security income (SSI)	27,472	28,244	28,935	29,933	31,269	32,456	33,677
Family support payments	2,171	2,738	2,950	3,049	3,328	3,574	3,857
Proposed Legislation (PAYGO)	.....	.....	–9	32	31	31	30
Subtotal, Family support payments	2,171	2,738	2,941	3,081	3,359	3,605	3,887

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Federal share of child support collections	–1,007	–945	–965	–974	–939	–927	–947
Proposed Legislation (PAYGO)	.....	.....	–65	–66	–87	–117	–129
Subtotal, Federal share of child support collections	–1,007	–945	–1,030	–1,040	–1,026	–1,044	–1,076
Temporary assistance for needy families and related programs	13,286	13,071	14,499	15,330	16,472	17,645	18,734
Proposed Legislation (PAYGO)	.....	.....	–364	187	90	20	117
Legislative proposal, discretionary offset	.....	.....	–45	–87	–48	–41	–20
Subtotal, Temporary assistance for needy families and related programs	13,286	13,071	14,090	15,430	16,514	17,624	18,831
Child care entitlement to states	2,028	2,302	2,460	2,581	2,707	2,714	2,717
Proposed Legislation (PAYGO)	.....	.....	1,200	1,601	1,936	2,149	2,516
Subtotal, Child care entitlement to states	2,028	2,302	3,660	4,182	4,643	4,863	5,233
Earned income tax credit (EITC)	23,239	26,273	26,880	27,631	28,595	29,529	30,538
Simplification of foster child definition for purposes of the EITC (Proposed Legislation PAYGO)	.....	.....	–2	–36	–37	–39	–40
Child tax credit	.....	415	528	496	483	453	425
Other assistance	35	49	55	59	62	63	63
SSI recoveries and receipts	–1,361	–1,415	–1,452	–1,497	–1,544	–1,594	–1,642
Total, Other income support	65,863	70,732	74,605	78,239	82,318	85,916	89,896
Total, Mandatory	192,303	202,410	215,673	225,298	234,558	243,076	252,889
Total, Income security	233,202	243,130	258,029	267,340	274,666	282,349	291,241
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,571	1,968	1,841	1,810	1,774	1,765	1,765
Disability insurance (DI) administrative expenses (Off-budget)	1,518	1,469	1,505	1,491	1,470	1,465	1,465
Proposed Legislation (non-PAYGO)	.....	.....	–19	–19	–19	–19	–19
Subtotal, Disability insurance (DI) administrative expenses (Off-budget)	1,518	1,469	1,486	1,472	1,451	1,446	1,446

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Office of the Inspector General—Social Security Adm.	17	14	14	15	14	14	14
Total, Discretionary	3,106	3,451	3,341	3,297	3,239	3,225	3,225
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	328,188	337,932	350,617	366,237	380,851	396,934	413,740
Proposed Legislation (non-PAYGO)	.....	.....	.....	64	113	144	153
Subtotal, Old-age and survivors insurance (OASI)(Off-budget)	328,188	337,932	350,617	366,301	380,964	397,078	413,893
Disability insurance (DI)(Off-budget)	47,932	51,225	54,614	58,403	63,067	67,981	73,452
Proposed Legislation (non-PAYGO)	.....	.....	3	14	28	33	33
Subtotal, Disability insurance (DI)(Off-budget)	47,932	51,225	54,617	58,417	63,095	68,014	73,485
Quinquennial OASI and DI adjustments	.....	.....	.....	–1,121	.....	.....	.....
Intragovernmental transactions (On-budget)	9,139	11,278	10,340	10,818	11,383	12,033	12,785
Intragovernmental transactions (Off-budget)	–9,140	–11,278	–10,340	–10,818	–11,383	–12,033	–12,785
Total, Mandatory	376,119	389,157	405,234	423,597	444,059	465,092	487,378
Total, Social security	379,225	392,608	408,575	426,894	447,298	468,317	490,603
700 Veterans benefits and services:							
Discretionary:							
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	1	1	1	1	1
Hospital and medical care for veterans:							
Medical care and hospital services	17,576	18,127	18,084	18,563	18,693	18,817	18,843
Proposed Legislation (non-PAYGO)	.....	.....	56	56	56	56	56
Subtotal, Medical care and hospital services	17,576	18,127	18,140	18,619	18,749	18,873	18,899
Collections for medical care	–700	–638	–762	–926	–1,143	–1,150	–1,176
Construction of medical facilities	521	445	429	385	338	287	278
Total, Hospital and medical care for veterans	17,397	17,934	17,807	18,078	17,944	18,010	18,001
Veterans housing:							
Housing program loan subsidies	161	161	159	158	158	158	158

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other veterans benefits and services:							
Other general operating expenses	942	1,108	1,105	1,113	1,112	1,112	1,112
Proposed Legislation (non-PAYGO)	.....	.....	3	7	9	10	10
Total, Other veterans benefits and services	942	1,108	1,108	1,120	1,121	1,122	1,122
Total, Discretionary	18,501	19,204	19,075	19,357	19,224	19,291	19,282
Mandatory:							
Income security for veterans:							
Compensation	17,123	18,295	18,658	18,991	19,553	20,156	20,745
Proposed Legislation (non-PAYGO)	.....	.....	264	639	959	1,280	1,676
Proposed Legislation (PAYGO)	.....	.....	5	5	5	–10	–19
Subtotal, Compensation	17,123	18,295	18,927	19,635	20,517	21,426	22,402
Pensions	3,059	3,102	3,135	3,155	3,175	3,700	3,722
Proposed Legislation (PAYGO)	.....	.....	.....	.....	.....	–513	–520
Subtotal, Pensions	3,059	3,102	3,135	3,155	3,175	3,187	3,202
Burial benefits and miscellaneous assistance	117	129	123	125	127	128	130
National service life insurance trust fund	1,210	1,262	1,273	1,361	1,298	1,306	1,304
All other insurance programs	32	65	56	48	53	69	79
Insurance program receipts	–219	–213	–198	–186	–173	–161	–149
Total, Income security for veterans	21,322	22,640	23,316	24,138	24,997	25,955	26,968
Veterans education, training, and rehabilitation:							
Readjustment benefits (GI Bill and related programs)	1,310	1,475	1,466	1,743	1,712	1,709	1,738
Post-Vietnam era education	.....	37	32	8	9	8	8
All-volunteer force educational assistance trust fund	–209	–176	–209	–213	–217	–220	–235
Total, Veterans education, training, and rehabilitation	1,101	1,336	1,289	1,538	1,504	1,497	1,511
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	148	–1	.....	–1	–2	–2	–2
Veterans housing:							
Housing loan subsidies	920	311	285	250	289	260	260
Proposed Legislation (PAYGO)	.....	.....	.....	.....	.....	–188	–190
Subtotal, Housing loan subsidies	920	311	285	250	289	72	70

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Housing loan reestimate	–206						
Housing loan liquidating account	–38	–4	–21	–7	–3	–3	–5
Total, Veterans housing	676	307	264	243	286	69	65
Other veterans programs:							
Other mandatory veterans programs	33	40	80	39	30	31	33
Total, Mandatory	23,280	24,322	24,949	25,957	26,815	27,550	28,575
Total, Veterans benefits and services	41,781	43,526	44,024	45,314	46,039	46,841	47,857
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,175	4,286	4,163	4,481	4,576	4,582	4,582
Alcohol, tobacco, and firearms investigations (ATF)	467	526	625	598	600	598	600
Border enforcement activities (Customs and INS)	3,912	4,194	4,609	4,676	4,737	4,765	4,765
Proposed Legislation (non-PAYGO)			–475	–332	–288	–250	–234
Subtotal, Border enforcement activities (Customs and INS)	3,912	4,194	4,134	4,344	4,449	4,515	4,531
Equal Employment Opportunity Commission	242	259	311	312	312	312	312
Tax law, criminal investigations (IRS)	364	371	375	376	376	376	376
Other law enforcement activities	1,149	1,426	1,515	1,506	1,483	1,481	1,481
Total, Federal law enforcement activities	10,309	11,062	11,123	11,617	11,796	11,864	11,882
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,450	2,280	2,805	2,960	3,002	3,007	3,008
Representation of indigents in civil cases	284	298	337	340	340	340	340
Federal judicial and other litigative activities	3,235	3,356	3,823	3,997	4,064	4,101	4,137
Total, Federal litigative and judicial activities	5,969	5,934	6,965	7,297	7,406	7,448	7,485
Correctional activities:							
Discretionary programs	2,697	3,432	3,591	3,962	4,146	4,191	3,998
Criminal justice assistance:							
Discretionary programs	3,175	2,997	5,054	5,321	3,726	3,643	3,637
Total, Discretionary	22,150	23,425	26,733	28,197	27,074	27,146	27,002

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	355	331	496	393	403	403	403
Border enforcement activities (Customs and INS)	1,598	1,657	1,712	1,709	1,754	1,786	1,820
Customs and INS fees	–2,316	–2,612	–2,792	–2,826	–2,790	–2,866	–1,403
Proposed Legislation (PAYGO)	.....	.....	.....	.....	.....	.....	–1,522
Subtotal, Customs and INS fees	–2,316	–2,612	–2,792	–2,826	–2,790	–2,866	–2,925
Other mandatory law enforcement programs	407	399	400	327	331	334	337
Total, Federal law enforcement activities	44	–225	–184	–397	–302	–343	–365
Federal litigative and judicial activities:							
Mandatory programs	359	765	490	484	480	491	504
Correctional activities:							
Mandatory programs	–15	–30	–29	–9	–13	–12	–10
Criminal justice assistance:							
Mandatory programs	294	532	519	533	409	410	411
Total, Mandatory	682	1,042	796	611	574	546	540
Total, Administration of justice	22,832	24,467	27,529	28,808	27,648	27,692	27,542
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	1,910	2,114	2,319	2,293	2,328	2,382	2,417
Executive direction and management:							
Drug control programs	150	260	361	410	411	411	411
Executive Office of the President	226	286	263	263	263	263	263
Presidential transition and former Presidents	2	2	2	2	2	2	2
Total, Executive direction and management	378	548	626	675	676	676	676
Central fiscal operations:							
Tax administration	6,945	7,623	8,014	8,402	8,341	8,298	8,287
Other fiscal operations	420	549	583	648	646	646	646
Total, Central fiscal operations	7,365	8,172	8,597	9,050	8,987	8,944	8,933
General property and records management:							
Real property activities	770	75	218	241	218	157	74
Records management	209	229	195	239	215	213	204

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other general and records management	139	258	217	191	175	176	177
Total, General property and records management	1,118	562	630	671	608	546	455
Central personnel management:							
Discretionary central personnel management programs	116	153	164	164	164	164	164
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	823	429	313	313	313	313	313
Payments to States and counties from Federal land management activities	11	11	10	10	10	10	10
Payments in lieu of taxes	120	125	125	125	125	125	125
Other	–2	8	–5	–5	–5	–5	–5
Total, General purpose fiscal assistance	952	573	443	443	443	443	443
Other general government:							
Discretionary programs	168	285	195	186	173	173	173
Total, Discretionary	12,007	12,407	12,974	13,482	13,379	13,328	13,261
Mandatory:							
Legislative functions:							
Congressional members compensation and other	97	100	102	96	96	98	95
Central fiscal operations:							
Federal financing bank	3,071	1,310	31	32	34	36	32
Other mandatory programs	–2,530	–16	–35	–67	–75	–70	–74
Total, Central fiscal operations	541	1,294	–4	–35	–41	–34	–42
General property and records management:							
Mandatory programs	–25	17	17	19	5	3	5
Offsetting receipts	–63	–26	–29	–34	–35	–35	–32
Total, General property and records management	–88	–9	–12	–15	–30	–32	–27
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	–50	.....	.....	.....	.....	.....	.....
Payments to States and counties	785	845	860	875	874	881	893
Proposed Legislation (PAYGO)	.....	.....	27	41	55	64	72
Subtotal, Payments to States and counties	785	845	887	916	929	945	965

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Tax revenues for Puerto Rico (Treasury, BATF)	340	328	329	336	338	341	344
Proposed Legislation (PAYGO)	.....	.....	34	34	34	34	34
Subtotal, Tax revenues for Puerto Rico (Treasury, BATF)	340	328	363	370	372	375	378
Other general purpose fiscal assistance	90	100	99	93	93	93	93
Proposed Legislation (PAYGO)	.....	.....	12	12	12	12	12
Subtotal, Other general purpose fiscal assistance	90	100	111	105	105	105	105
Total, General purpose fiscal assistance	1,165	1,273	1,361	1,391	1,406	1,425	1,448
Other general government:							
Territories	167	229	257	238	194	197	197
Treasury claims	678	764	712	712	712	712	712
Presidential election campaign fund	.....	26	231	7	.....	29	216
Other mandatory programs	–54	–72	29	6	–12	–8	3
Total, Other general government	791	947	1,229	963	894	930	1,128
Deductions for offsetting receipts:							
Offsetting receipts	–1,069	–1,160	–1,160	–1,160	–1,160	–1,160	–1,160
Total, Mandatory	1,437	2,445	1,516	1,240	1,165	1,227	1,442
Total, General government	13,444	14,852	14,490	14,722	14,544	14,555	14,703
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	363,793	353,356	346,297	344,325	341,427	339,018	338,013
Proposed Legislation (non-PAYGO)	.....	73	207	301	419	508	579
Legislative proposal, discretionary offset	.....	.....	.....	93	195	296	396
Total, Interest on the public debt	363,793	353,429	346,504	344,719	342,041	339,822	338,988
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–29,925	–31,649	–33,262	–33,946	–34,714	–35,412	–36,179
CSRDF interest receipts from FFB, Postal, and TVA	–1,841	–2,539	–1,379	–1,373	–1,368	–1,368	–1,174
Military retirement	–12,358	–12,533	–12,716	–12,912	–13,121	–13,338	–13,568
Medicare	–11,760	–12,038	–12,033	–11,917	–11,895	–12,022	–11,999

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Other on-budget trust funds	–11,324	–8,401	–9,064	–9,397	–9,728	–10,089	–10,521
Proposed Legislation (non-PAYGO)	.....	–73	–157	–251	–369	–458	–529
Legislative proposal, discretionary offset	.....	.....	.....	–93	–195	–296	–396
Subtotal, Other on-budget trust funds	–11,324	–8,474	–9,221	–9,741	–10,292	–10,843	–11,446
Total, Interest received by on-budget trust funds	–67,208	–67,233	–68,611	–69,889	–71,390	–72,983	–74,366
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–46,630	–51,869	–56,492	–62,107	–68,500	–75,448	–82,749
Other interest:							
Interest on loans to Federal Financing Bank	–4,141	–2,736	–2,352	–2,153	–1,996	–1,845	–1,859
Interest on refunds of tax collections	2,599	2,904	3,036	3,180	3,304	3,423	3,560
Payment to the Resolution Funding Corporation	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest paid to loan guarantee financing accounts	3,435	2,693	2,773	2,862	2,973	3,087	3,205
Interest received from direct loan financing accounts	–5,670	–6,609	–7,740	–8,797	–9,851	–10,902	–11,892
Interest on deposits in tax and loan accounts	–1,228	–1,050	–1,115	–1,105	–1,105	–1,105	–1,105
Interest received from Outer Continental Shelf escrow account, Interior	–3	–1,264	–9	.....	.....	.....	.....
All other interest	–3,916	–3,349	–3,085	–3,083	–3,013	–3,090	–3,101
Proposed Legislation (non-PAYGO)	.....	.....	–50	–50	–50	–50	–50
Subtotal, All other interest	–3,916	–3,349	–3,135	–3,133	–3,063	–3,140	–3,151
Total, Other interest	–6,596	–7,083	–6,214	–6,818	–7,410	–8,154	–8,914
Total, Net interest	243,359	227,244	215,187	205,905	194,741	183,237	172,959
920 Allowances:							
Discretionary:							
Resources contingent upon Social Security reform	.....	.....	.....	–26,276	–40,852	–36,457	–34,088
Reserve for priority initiatives	.....	.....	.....	1,600	4,100	7,000	9,900
Natural disaster and other emergencies	.....	861	1,365	699	325	.....	.....
Adjustment to certain accounts	.....	.....	–142	–165	.....	.....	.....
Expected release of contingent emergency funding	.....	2,257	1,408	385	167	64	4
Total, Discretionary	.....	3,118	2,631	–23,757	–36,260	–29,393	–24,184
Mandatory:							
Tobacco recoupment policy (Proposed Legislation PAYGO)	.....	.....	.....	–2,824	–2,123	–1,235	–690

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Tobacco recoupment policy (Legislative proposal, discretionary offset)	.....	.....	.....	.....	–1,794	–3,318	–3,998
Total, Mandatory	.....	.....	.....	–2,824	–3,917	–4,553	–4,688
Total, Allowances	.....	3,118	2,631	–26,581	–40,177	–33,946	–28,872
950 Undistributed offsetting receipts:							
Discretionary:							
Other undistributed offsetting receipts:							
Spectrum auction	.....	.....	–2,600	1,300	1,300	.....	.....
Analog spectrum lease fee (Proposed Legislation non-PAYGO)	.....	.....	–200	–200	–200	–200	–200
Total, Discretionary	.....	.....	–2,800	1,100	1,100	–200	–200
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	–10,421	–10,534	–10,740	–10,981	–11,268	–11,585	–11,969
Legislative proposal, discretionary offset	.....	.....	–849	–1,058	–1,159	–1,231	–1,270
Subtotal, Contributions to military retirement fund	–10,421	–10,534	–11,589	–12,039	–12,427	–12,816	–13,239
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,109	–6,071	–6,274	–6,451	–6,620	–6,760	–6,849
Other contributions to civil and foreign service retirement and disability fund	–8,791	–8,931	–9,283	–9,782	–10,204	–10,286	–10,843
Contributions to HI trust fund	–2,499	–2,567	–2,684	–2,775	–2,913	–3,045	–3,187
Total, Employer share, employee retirement (on-budget)	–27,820	–28,103	–29,830	–31,047	–32,164	–32,907	–34,118
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,052	–7,355	–7,969	–8,442	–9,102	–9,746	–10,442
Proposed Legislation (non-PAYGO)	.....	.....	264	271	261	260	261
Total, Employer share, employee retirement (off-budget)	–7,052	–7,355	–7,705	–8,171	–8,841	–9,486	–10,181
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–4,522	–3,123	–2,779	–2,798	–2,806	–2,673	–2,608
Sale of major assets:							
Proceeds from Sale of U.S. Enrichment Corporation	–1,885	.....	.....	.....	.....	.....	.....
Privatization of Elk Hills	–3,185	.....	–323	.....	.....	.....	.....

Table 34–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Function and Program	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Proceeds from sale of Power Marketing Administrations	–88	.....	.....	.....	.....	.....	.....
Total, Sale of major assets	–5,158	.....	–323	.....	.....	.....	.....
Other undistributed offsetting receipts:							
Spectrum auction	–2,642	–1,447	–2,219	–4,101	–8,365	–1,770	–775
Total, Mandatory	–47,194	–40,028	–42,856	–46,117	–52,176	–46,836	–47,682
Total, Undistributed offsetting receipts	–47,194	–40,028	–45,656	–45,017	–51,076	–47,036	–47,882
Total	1,652,552	1,727,071	1,765,687	1,799,216	1,820,313	1,892,980	1,957,904
On-budget	(1,335,948)	(1,404,015)	(1,429,830)	(1,450,483)	(1,460,851)	(1,521,421)	(1,572,750)
Off-budget	(316,604)	(323,056)	(335,857)	(348,733)	(359,462)	(371,559)	(385,154)

Table 34–3. DIRECT AND GUARANTEED LOANS BY FUNCTION

(In millions of dollars)

Function	1998 Actual	Estimate	
		1999	2000
NATIONAL DEFENSE:			
DIRECT LOANS:			
Defense Loans:			
Loan disbursements	.....	172	249
Outstandings	.....	155	322
GUARANTEED LOANS:			
Defense Loans:			
New guaranteed loans	25	32	37
Outstandings	466	494	525
INTERNATIONAL AFFAIRS:			
DIRECT LOANS:			
Public Law 480:			
Loan disbursements	.....	.....	.....
Outstandings	9,146	8,777	8,414
Foreign Military Financing Loans:			
Loan disbursements	305	541	478
Outstandings	6,983	6,438	6,100
USAID Development Assistance Loans:			
Loan disbursements	.....	53	.....
Outstandings	11,718	11,167	10,595
Export-Import Bank:			
Loan disbursements	1,500	1,288	1,092
Outstandings	10,748	9,063	9,052
Other, International Affairs:			
Loan disbursements	541	2,120	189
Outstandings	639	2,736	2,899
Total, direct loans:			
Loan disbursements	2,346	4,002	1,759
Outstandings	39,234	38,181	37,060
GUARANTEED LOANS:			
Foreign Military Financing Loans:			
New guaranteed loans	.....	.....	.....
Outstandings	5,304	4,924	4,551
Loan Guarantees to Israel:			
New guaranteed loans	1,412	.....	.....
Outstandings	9,226	9,226	9,226
Overseas Private Investment Corporation:			
New guaranteed loans	760	950	1,000
Outstandings	2,694	3,191	3,665
USAID Development Assistance Loans:			
New guaranteed loans	95	197	181
Outstandings	2,333	2,394	2,495
Export-Import Bank:			
New guaranteed loans	10,102	12,229	11,802
Outstandings	21,779	23,068	23,186
Total, guaranteed loans:			
New guaranteed loans	12,369	13,376	12,983
Outstandings	41,336	42,803	43,123
ENERGY:			
DIRECT LOANS:			
Rural electrification and telecommunications:			
Loan disbursements	976	1,570	1,273
Outstandings	32,182	31,780	29,994
Other, Energy:			
Loan disbursements	16	22	22
Outstandings	51	62	68

Table 34–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1998 Actual	Estimate 1999	Estimate 2000
Total, direct loans:			
Loan disbursements	992	1,592	1,295
Outstandings	32,233	31,842	30,062
GUARANTEED LOANS:			
Rural electrification and telecommunications:			
New guaranteed loans	.....	.....	.....
Outstandings	618	598	578
NATURAL RESOURCES AND ENVIRONMENT:			
DIRECT LOANS:			
Natural Resources and Environment:			
Loan disbursements	39	35	46
Outstandings	327	345	374
AGRICULTURE:			
DIRECT LOANS:			
Agricultural credit insurance fund:			
Loan disbursements	816	861	869
Outstandings	9,414	8,696	7,934
Commodity credit corporation fund:			
Loan disbursements	7,189	8,813	10,524
Outstandings	2,633	2,240	2,367
Public Law 480:			
Loan disbursements	217	1,128	247
Outstandings	2,100	3,223	3,463
Financial Assistance Corp. Loans:			
Loan disbursements	.....	.....	.....
Outstandings	933	900	883
Total, direct loans:			
Loan disbursements	8,222	10,802	11,640
Outstandings	15,080	15,059	14,647
GUARANTEED LOANS:			
Agricultural credit insurance fund:			
New guaranteed loans	1,493	1,842	2,182
Outstandings	7,068	7,390	7,920
Commodity credit corporation export guarantees:			
New guaranteed loans	2,733	4,721	4,506
Outstandings	4,332	4,803	4,548
Other, Agriculture:			
New guaranteed loans	.....	.....	.....
Outstandings	24	24	24
Total, guaranteed loans:			
New guaranteed loans	4,226	6,563	6,688
Outstandings	11,424	12,217	12,492
COMMERCE AND HOUSING CREDIT:			
DIRECT LOANS:			
Rural Housing insurance fund:			
Loan disbursements	1,119	1,215	1,245
Outstandings	29,115	28,883	28,664
Housing for the elderly or handicapped fund liquidating account:			
Loan disbursements	5	.....	.....
Outstandings	8,144	8,056	7,969
GNMA-Guarantees of mortgage-backed securities:			
Loan disbursements	129	127	106
Outstandings	358	423	465
Spectrum Auction Direct Loans:			
Loan disbursements	594	.....	.....
Outstandings	6,789	6,789	6,779

Table 34–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1998 Actual	Estimate 1999	Estimate 2000
Other, Commerce and Housing Credit:			
Loan disbursements	97	407	220
Outstandings	1,364	913	935
Total, direct loans:			
Loan disbursements	1,944	1,749	1,571
Outstandings	45,770	45,064	44,812
GUARANTEED LOANS:			
Rural Housing insurance fund:			
New guaranteed loans	2,416	2,927	3,125
Outstandings	7,233	9,815	12,481
FHA-Mutual mortgage and cooperative housing insurance:			
New guaranteed loans	90,518	86,398	96,162
Outstandings	380,339	438,097	497,257
FHA-General and special risk insurance:			
New guaranteed loans	15,074	17,153	16,118
Outstandings	89,287	99,651	107,683
GNMA-Guarantees of mortgage-backed securities:			
New guaranteed loans	138,450	119,390	127,884
Outstandings	541,624	545,971	557,426
SBA-Business Loans:			
New guaranteed loans	9,672	7,337	7,598
Outstandings	37,499	40,840	44,428
Other, Commerce and Housing Credit:			
New guaranteed loans	9	5	4
Outstandings	207	166	127
Total, guaranteed loans:			
New guaranteed loans	256,139	233,210	250,891
Outstandings	1,056,189	1,134,540	1,219,402
TRANSPORTATION:			
DIRECT LOANS:			
Transportation infrastructure finance and innovation program direct loan financing account:			
Loan disbursements	.....	608	866
Outstandings	.....	608	1,474
Alameda Corridor direct loan financing account:			
Loan disbursements	140	120	.....
Outstandings	280	400	400
Other, Transportation:			
Loan disbursements	11	28	34
Outstandings	254	246	239
Total, direct loans:			
Loan disbursements	151	756	900
Outstandings	534	1,254	2,113
GUARANTEED LOANS:			
Maritime Loan Guarantees:			
New guaranteed loans	686	120	120
Outstandings	2,413	2,173	1,940
COMMUNITY AND REGIONAL DEVELOPMENT:			
DIRECT LOANS:			
Rural development insurance fund:			
Loan disbursements	4	3	.....
Outstandings	3,808	3,503	3,219
Rural water and waste disposal direct loans:			
Loan disbursements	613	937	751
Outstandings	2,807	3,703	4,403

Table 34–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1998 Actual	Estimate 1999	Estimate 2000
Rural telephone bank loans:			
Loan disbursements	55	79	77
Outstandings	1,404	1,357	1,306
Rural community facility direct loans:			
Loan disbursements	137	193	217
Outstandings	606	782	977
SBA, Disaster Loans:			
Loan disbursements	595	1,009	770
Outstandings	6,859	7,189	6,817
Other, Community and Regional Development:			
Loan disbursements	98	181	270
Outstandings	933	1,033	1,214
Total, direct loans:			
Loan disbursements	1,502	2,402	2,085
Outstandings	16,417	17,567	17,936
GUARANTEED LOANS:			
Rural business and industry guaranteed loans:			
New guaranteed loans	801	1,019	1,019
Outstandings	1,855	2,734	3,575
Community development loan guarantees:			
New guaranteed loans	547	1,000	1,000
Outstandings	1,355	2,125	2,900
America's private investment companies financing account:			
New guaranteed loans	.....	.....	730
Outstandings	.....	.....	730
Other, Community and Regional Development:			
New guaranteed loans	79	146	395
Outstandings	566	578	865
Total, guaranteed loans:			
New guaranteed loans	1,427	2,165	3,144
Outstandings	3,776	5,437	8,070
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:			
DIRECT LOANS:			
Federal direct student loan program:			
Loan disbursements	12,140	16,117	16,014
Outstandings	31,670	46,361	60,051
Other, Education, Training, Employment and Social Services:			
Loan disbursements	5	1	1
Outstandings	724	707	696
Total, direct loans:			
Loan disbursements	12,145	16,118	16,015
Outstandings	32,394	47,068	60,747
GUARANTEED LOANS:			
Federal family education loan program:			
New guaranteed loans	21,966	23,170	24,550
Outstandings	100,520	105,838	110,770
Other, Education, Training, Employment and Social Services:			
New guaranteed loans	.....	1	7
Outstandings	.....	1	8
Total, guaranteed loans:			
New guaranteed loans	21,966	23,171	24,557
Outstandings	100,520	105,839	110,778
HEALTH:			
DIRECT LOANS:			
Loan disbursements	.....	.....	.....

Table 34–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1998 Actual	Estimate 1999	Estimate 2000
Outstandings	17	10	.....
GUARANTEED LOANS:			
Health Professions Graduate Student Loans:			
New guaranteed loans	85	.....	.....
Outstandings	2,974	2,867	2,750
Other, Health:			
New guaranteed loans	9	73	48
Outstandings	91	124	142
Total, guaranteed loans:			
New guaranteed loans	94	73	48
Outstandings	3,065	2,991	2,892
INCOME SECURITY:			
DIRECT LOANS:			
Low-rent public housing—loans and other expenses:			
Loan disbursements	.....	.....	.....
Outstandings	1,492	1,433	1,388
Other, Income Security:			
Loan disbursements	35	21	7
Outstandings	770	787	790
Total, direct loans:			
Loan disbursements	35	21	7
Outstandings	2,262	2,220	2,178
GUARANTEED LOANS:			
Low-rent public housing—loans and other expenses:			
New guaranteed loans	.....	.....	.....
Outstandings	3,307	3,028	2,749
Other, Income Security:			
New guaranteed loans	24	88	85
Outstandings	38	120	199
Total, guaranteed loans:			
New guaranteed loans	24	88	85
Outstandings	3,345	3,148	2,948
VETERANS BENEFITS AND SERVICES:			
DIRECT LOANS:			
Veterans Housing Loans:			
Loan disbursements	1,342	1,957	670
Outstandings	1,464	1,692	1,357
Other, Veterans Benefits:			
Loan disbursements	2	2	2
Outstandings	1	1	1
Total, direct loans:			
Loan disbursements	1,344	1,959	672
Outstandings	1,465	1,693	1,358
GUARANTEED LOANS:			
Veterans Housing Loans:			
New guaranteed loans	39,862	32,635	31,244
Outstandings	200,185	219,591	236,408
GENERAL GOVERNMENT:			
DIRECT LOANS:			
Loan disbursements	.....	.....	.....
Outstandings	57	44	30

Table 34–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1998 Actual	Estimate	
		1999	2000
FEDERAL GOVERNMENT TOTALS:			
DIRECT LOANS:			
Loan disbursements	28,720	39,608	36,239
Outstandings	185,790	200,502	211,639
GUARANTEED LOANS (Gross):			
New guaranteed loans	336,818	311,433	329,797
Outstandings	1,423,337	1,529,831	1,639,156
LESS SECONDARY GUARANTEED LOANS: [1]			
New guaranteed loans	–138,450	–119,390	–127,884
Outstandings	–541,624	–545,971	–557,426
TOTAL, PRIMARY GUARANTEED LOANS			
New guaranteed loans	198,368	192,043	201,913
Outstandings	881,713	983,860	1,081,730

[1] Loans guaranteed by FHA, VA or FmHA are included above. GNMA places a secondary guarantee on these loans, so they are deducted here to avoid double counting in the totals.

Table 34–4. TAX EXPENDITURES BY FUNCTION

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2000–2004
	1998	1999	2000	2001	2002	2003	2004	
National defense:								
Current law tax expenditures:								
Exclusion of benefits and allowances to armed forces personnel	2,095	2,120	2,140	2,160	2,180	2,200	2,220	10,900
Total, current law tax expenditures	2,095	2,120	2,140	2,160	2,180	2,200	2,220	10,900
International affairs:								
Current law tax expenditures:								
Exclusion of income earned abroad by U.S. citizens	1,990	2,235	2,500	2,800	3,125	3,460	3,830	15,715
Exclusion of income of foreign sales corporations	2,150	2,250	2,400	2,550	2,700	2,900	3,100	13,650
Inventory property sales source rules exception	1,000	1,050	1,100	1,150	1,250	1,350	1,450	6,300
Deferral of income from controlled foreign corporations (normal tax method)	5,500	5,800	6,200	6,600	7,000	7,450	7,900	35,150
Deferred taxes for financial firms on certain income earned overseas	400	1,075	65	.....	.....	.....	.....	65
Total, current law tax expenditures	11,040	12,410	12,265	13,100	14,075	15,160	16,280	70,880
Proposals affecting tax expenditures:								
Sales source rule	.....	.....	–310	–540	–570	–600	–630	–2,650
Total, proposals affecting tax expenditures	.....	.....	–310	–540	–570	–600	–630	–2,650
General science, space, and technology:								
Current law tax expenditures:								
Expensing of research and experimentation expenditures (normal tax method)	260	330	510	610	675	735	765	3,295
Credit for increasing research activities	2,125	1,655	980	425	180	60	.....	1,645
Total, current law tax expenditures	2,385	1,985	1,490	1,035	855	795	765	4,940
Proposals affecting tax expenditures:								
Extend research and experimentation tax credit	.....	311	933	656	281	133	53	2,056
Total, proposals affecting tax expenditures	.....	311	933	656	281	133	53	2,056
Energy:								
Current law tax expenditures:								
Expensing of exploration and development costs, fuels	–110	–70	–10	–15	.....	30	40	45
Excess of percentage over cost depletion, fuels	250	260	265	270	275	280	290	1,380
Alternative fuel production credit	860	810	760	720	675	435	125	2,715
Exception from passive loss limitation for working interests in oil and gas properties	30	35	35	35	40	40	40	190
Capital gains treatment of royalties on coal	60	65	65	70	70	75	80	360
Exclusion of interest on energy facility bonds	110	110	110	115	115	115	115	570
Enhanced oil recovery credit	140	160	180	210	240	275	320	1,225
New technology credit	25	30	35	40	40	35	35	185
Alcohol fuel credit [1]	15	15	15	15	15	15	15	75
Tax credit and deduction for clean-fuel burning vehicles and properties	75	80	90	95	90	75	60	410
Exclusion from income of conservation subsidies provided by public utilities	80	80	80	75	75	75	80	385
Total, current law tax expenditures	1,535	1,575	1,625	1,630	1,635	1,450	1,200	7,540
Proposals affecting tax expenditures:								
Tax credit for energy efficient building equipment	.....	.....	230	407	376	393	127	1,533
Tax credit for new energy efficient homes	.....	.....	60	109	92	72	96	429
Extend the electric vehicle credit, provide credit for fuel efficient vehicles	.....	.....	.....	.....	4	178	712	894

Table 34–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2000–2004
	1998	1999	2000	2001	2002	2003	2004	
Provide investment credit for combined heat and power systems	.....	1	64	99	110	52	7	332
Provide tax credit for rooftop solar systems	.....	.....	9	19	25	34	45	132
Extend wind and biomass tax credit and expand eligible biomass sources	.....	.....	20	48	73	88	94	323
Deny tax-exempt status for new electric utility bonds except for distribution-related expenses; repeal cost of service limitation for determining deductible contributions to nuclear decommissioning funds.	.....	.....	–4	–11	–20	–30	–41	–106
Total, proposals affecting tax expenditures	.....	1	379	671	660	787	1,040	3,537
Natural resources and environment:								
Current law tax expenditures:								
Expensing of exploration and development costs, nonfuel minerals	25	25	25	25	25	30	30	135
Excess of percentage over cost depletion, nonfuel minerals	225	240	245	255	270	280	295	1,345
Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	440	440	445	455	455	460	465	2,280
Capital gains treatment of certain timber income	60	65	65	70	70	75	80	360
Expensing of multiperiod timber growing costs	485	500	510	530	550	570	590	2,750
Investment credit and seven-year amortization for reforestation expenditures	10	10	10	10	15	15	15	65
Tax incentives for preservation of historic structures	215	235	255	275	285	305	315	1,435
Total, current law tax expenditures	1,460	1,515	1,555	1,620	1,670	1,735	1,790	8,370
Proposals affecting tax expenditures:								
Better America Bonds	.....	.....	8	49	127	205	284	673
Repeal percentage depletion for nonfuel minerals on certain Federal lands	.....	.....	–92	–94	–96	–97	–99	–478
Total, proposals affecting tax expenditures	.....	.....	–84	–45	31	108	185	195
Agriculture:								
Current law tax expenditures:								
Expensing of certain capital outlays	65	70	70	75	75	80	85	385
Expensing of certain multiperiod production costs	80	85	85	90	95	100	105	475
Treatment of loans for solvent farmers	10	10	10	10	10	10	10	50
Capital gains treatment of certain income	605	630	655	685	715	750	785	3,590
Income averaging for farmers	10	75	75	80	80	80	85	400
Deferral of gain on sale of farm refiners	10	10	10	10	10	15	15	60
Total, current law tax expenditures	780	880	905	950	985	1,035	1,085	4,960
Commerce and housing:								
Current law tax expenditures:								
Financial institutions and insurance:								
Exemption of credit union income	785	840	905	970	1,040	1,120	1,200	5,235
Excess bad debt reserves of financial institutions	70	30	10	5	5	5	.....	25
Exclusion of interest on life insurance savings	13,465	14,200	14,990	15,810	16,680	17,595	18,840	83,915
Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	25
Tax exemption of insurance companies owned by tax-exempt organizations	210	225	240	260	275	310	325	1,410
Small life insurance company deduction	100	100	100	105	105	110	100	520
Housing:								
Exclusion of interest on owner-occupied mortgage subsidy bonds	860	875	880	885	900	905	915	4,485

Table 34–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2000–2004
	1998	1999	2000	2001	2002	2003	2004	
Exclusion of interest on rental housing bonds	150	150	150	150	155	155	155	765
Deductibility of mortgage interest on owner-occupied homes	51,700	52,990	55,100	57,590	60,415	63,425	66,615	303,145
Deductibility of State and local property tax on owner-occupied homes	17,770	18,595	19,495	20,535	21,625	22,635	23,645	107,935
Deferral of income from post-1987 installment sales	975	995	1,015	1,035	1,055	1,075	1,095	5,275
Capital gains exclusion on home sales	17,475	18,000	18,540	19,095	19,670	20,260	20,870	98,435
Exception from passive loss rules for $25,000 of rental loss	4,735	4,455	4,215	4,000	3,785	3,575	3,375	18,950
Credit for low-income housing investment	3,120	3,225	3,335	3,485	3,540	3,620	3,615	17,595
Accelerated depreciation on rental housing (normal tax method)	2,405	2,740	3,095	4,170	4,590	4,495	4,570	20,920
Commerce:								
Cancellation of indebtedness	50	30	20	15	20	20	25	100
Exceptions from imputed interest rules	155	160	160	160	165	165	165	815
Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	38,275	39,415	40,585	41,795	43,035	44,310	45,625	215,350
Capital gains exclusion of small corporation stock	.....	5	5	5	5	5	5	25
Step-up basis of capital gains at death	24,570	25,800	27,090	28,240	29,370	30,545	31,765	147,010
Carryover basis of capital gains on gifts	170	175	185	195	205	210	220	1,015
Ordinary income treatment of loss from small business corporation stock sale	35	35	35	40	40	40	40	195
Accelerated depreciation of buildings other than rental housing (normal tax method)	6,270	4,895	3,430	2,385	2,365	1,875	585	10,640
Accelerated depreciation of machinery and equipment (normal tax method)	28,885	32,505	35,465	36,830	36,985	36,510	35,855	181,645
Expensing of certain small investments (normal tax method)	1,185	1,235	1,275	1,175	1,730	1,605	995	6,780
Amortization of start-up costs (normal tax method)	205	215	220	225	225	230	240	1,140
Graduated corporation income tax rate (normal tax method)	5,400	5,360	5,360	5,620	6,120	6,680	7,120	30,900
Exclusion of interest on small-issue bonds	295	300	305	305	305	310	310	1,535
Total, current law tax expenditures	219,320	227,555	236,210	245,090	254,415	261,795	268,275	1,265,785
Proposals affecting tax expenditures:								
Increase Low-Income Housing Credit per capita cap to $1.75	.....	.....	46	186	330	474	620	1,656
Tax incentives for SSBICs	.....	*	*	*	*	*	*	.....
Tax credit for first-time D.C. homebuyers	.....	–1	1	10	1	.....	.....	12
Limit the amount of long-term capital gain a taxpayer recognizes from a constructive ownership transaction with respect to a partnership interest (Kennelly II)	.....	–19	–30	–37	–32	–32	–35	–166
Provide statutory hedging and other rules to ensure business property is treated as ordinary property.[2]	.....	–16	–40	–50	–48	–47	–49	–234
Repeal installment method for accrual basis taxpayers (new sales only)	.....	.....	–685	–757	–438	–114	–16	–2,010
Require start-up and organizational costs to be amortized over 15 years	.....	.....	219	189	–48	–255	–435	–330
Clarify recovery period of utility grading costs	.....	–9	–30	–49	–61	–69	–75	–284
Section 815 surplus accounts	.....	.....	–134	–222	–219	–217	–215	–1,007
Modify rules for capitalizing policy acquisition costs of life insurance companies	.....	.....	–379	–977	–946	–914	–880	–4,096
Require consistent valuation for estate and income tax purposes	.....	.....	–3	–8	–13	–17	–22	–63
Part sale/part gift basis allocation	.....	.....	–2	–3	–4	–5	–6	–20
Disallow basis adjustment for widowed spouses in community-property states	.....	–3	–15	–33	–46	–59	–72	–225

Table 34–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2000–2004
	1998	1999	2000	2001	2002	2003	2004	
COD reporting (1998 W&M proposal)	.....	.....	–7	–7	–7	–7	–7	–35
Disallowance of interest on debt allocable to tax-exempt obligations	.....	–4	–11	–17	–23	–28	–33	–112
Increase P&C proration requirements	.....	.....	4	–49	–64	–87	–107	–303
Modify COLI rules	.....	.....	–240	–366	–398	–427	–451	–1,882
Total, proposals affecting tax expenditures	.....	–52	–1,306	–2,190	–2,016	–1,804	–1,783	–9,099
Transportation:								
Current law tax expenditures:								
Deferral of tax on shipping companies	15	15	15	15	15	15	15	75
Exclusion of reimbursed employee parking expenses	1,560	1,595	1,630	1,690	1,750	1,815	1,885	8,770
Exclusion for employer-provided transit passes	70	80	95	105	130	155	170	655
Total, current law tax expenditures	1,645	1,690	1,740	1,810	1,895	1,985	2,070	9,500
Community and regional development:								
Current law tax expenditures:								
Investment credit for rehabilitation of structures (other than historic)	30	30	30	30	30	30	30	150
Exclusion of interest for airport, dock, and similar bonds	695	705	710	715	725	730	740	3,620
Exemption of certain mutuals and cooperatives income	45	50	50	50	50	50	55	255
Empowerment zones and enterprise communities	290	380	430	435	415	305	290	1,875
Expensing of environmental remediation costs	90	110	145	60	–10	–25	–35	135
Total, current law tax expenditures	1,150	1,275	1,365	1,290	1,210	1,090	1,080	6,035
Proposals affecting tax expenditures:								
Community development equity credit	.....	.....	12	89	206	297	376	980
Extend wage credit for two supplemental EZs	.....	.....	.....	.....	.....	.....	.....	.....
Make permanent the expensing of environmental remediation costs	.....	.....	.....	106	170	168	167	611
Total, proposals affecting tax expenditures	.....	.....	12	195	376	465	543	1,591
Education, training, employment, and social services:								
Current law tax expenditures:								
Education:								
Exclusion of scholarship and fellowship income (normal tax method)	910	955	995	1,040	1,085	1,135	1,185	5,440
HOPE tax credit	200	4,015	4,855	5,325	5,730	5,765	5,950	27,625
Lifetime Learning tax credit	110	2,510	2,655	2,970	3,015	3,355	4,565	16,560
Education Individual Retirement Accounts	20	100	230	380	540	710	885	2,745
Deductibility of student-loan interest	70	245	265	315	360	385	425	1,750
Deferral of State prepaid tuition plans	85	125	180	235	285	330	365	1,395
Exclusion of interest on student-loan bonds	235	235	240	245	245	250	250	1,230
Exclusion of interest on bonds for private nonprofit educational facilities	560	570	570	575	580	590	595	2,910
Credit for holders of zone academy bonds	.....	10	20	30	35	35	35	155
Exclusion of interest on savings bonds transferred to educational institutions	10	10	15	15	15	15	20	80
Parental personal exemption for students age 19 or over	875	915	965	1,015	1,055	1,105	1,155	5,295
Deductibility of charitable contributions (education)	2,880	2,940	3,065	3,195	3,350	3,505	3,680	16,795
Exclusion of employer-provided educational assistance	215	215	210	15	.....	.....	.....	225
Training, employment, and social services:								
Work opportunity tax credit	170	335	330	160	40	5	.....	535
Welfare-to-work tax credit	15	35	35	20	10	5	.....	70

Table 34–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2000–2004
	1998	1999	2000	2001	2002	2003	2004	
Exclusion of employer-provided child care	1,325	1,385	1,445	1,510	1,575	1,645	1,715	7,890
Adoption assistance	125	295	345	390	385	235	170	1,525
Exclusion of employee meals and lodging (other than military)	620	650	680	710	740	775	810	3,715
Credit for child and dependent care expenses	2,485	2,455	2,425	2,395	2,365	2,340	2,310	11,835
Credit for disabled access expenditures	45	50	50	50	55	60	60	275
Expensing of costs of removing certain architectural barriers to the handicapped	.....	5	5	5	5	5	5	25
Deductibility of charitable contributions, other than education and health	18,580	19,150	20,055	21,005	22,050	23,150	24,335	110,595
Exclusion of certain foster care payments	35	35	40	40	45	45	50	220
Exclusion of parsonage allowances	315	340	360	385	410	440	470	2,065
Total, current law tax expenditures	29,885	37,580	40,035	42,025	43,975	45,885	49,035	220,955
Proposals affecting tax expenditures:								
Workplace literacy	.....	.....	3	18	25	38	55	139
Eliminate 60-month limit on student loan interest deduction	.....	.....	18	61	62	67	73	281
Tax credit for contributions to qualified zone academies	.....	.....	22	43	55	24	.....	144
Allow personal credits against AMT	.....	67	679	707	.....	.....	.....	1,386
Americorps	.....	.....	3	7	7	7	6	30
Increase Child and Dependent Care Tax Credit	.....	.....	253	1,175	1,058	1,099	1,130	4,715
Eliminate household maintenance test for child and dependent care tax credit	.....	.....	11	72	76	79	83	321
Employer-provided child-care tax credit	.....	.....	40	84	114	131	140	509
Extend employer-provided educational assistance and include graduate education	.....	72	267	719	236	.....	.....	1,222
School construction bonds, increase Qualified Zone Academy Bonds	.....	.....	146	570	939	1,035	1,045	3,735
Elimination of tax when forgiving student loans subject to income contingent repayment	.....	.....	.....	.....	.....	.....	.....	.....
Work opportunity credit	.....	23	116	164	81	38	16	415
Welfare-to-work credit	.....	3	19	36	21	9	2	87
Total, proposals affecting tax expenditures	.....	165	1,577	3,656	2,674	2,527	2,550	12,984
Health:								
Current law tax expenditures:								
Exclusion of employer contributions for medical insurance premiums and medical care	67,920	72,535	77,670	83,095	88,830	94,960	101,520	446,075
Self-employed medical insurance premiums	765	980	1,310	1,405	1,550	2,055	2,905	9,225
Workers' compensation insurance premiums	4,260	4,420	4,585	4,755	4,935	5,120	5,315	24,710
Medical savings accounts	15	20	25	25	20	20	15	105
Deductibility of medical expenses	3,615	3,775	3,985	4,215	4,475	4,750	5,035	22,460
Exclusion of interest on hospital construction bonds	1,160	1,170	1,185	1,190	1,205	1,220	1,230	6,030
Deductibility of charitable contributions (health)	2,560	2,630	2,730	2,860	3,000	3,145	3,300	15,035
Tax credit for orphan drug research	40	50	55	60	70	80	90	355
Special Blue Cross/Blue Shield deduction	210	230	250	280	325	290	250	1,395
Total, current law tax expenditures	80,545	85,810	91,795	97,885	104,410	111,640	119,660	525,390
Proposals affecting tax expenditures:								
Long-term care tax credit [3]	.....	.....	58	1,230	1,271	1,458	1,564	5,581
Small business health purchasing cooperatives	.....	.....	1	5	10	15	13	44
Total, proposals affecting tax expenditures	.....	.....	59	1,235	1,281	1,473	1,577	5,625

Table 34–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2000–2004
	1998	1999	2000	2001	2002	2003	2004	
Income security:								
Current law tax expenditures:								
Exclusion of railroad retirement system benefits	420	420	425	425	430	435	440	2,155
Exclusion of workmens compensation benefits	5,140	5,330	5,475	5,940	6,205	6,480	6,755	30,855
Exclusion of public assistance benefits (normal tax method)	440	345	360	375	390	405	420	1,950
Exclusion of special benefits for disabled coal miners	85	80	75	70	70	65	60	340
Exclusion of military disability pensions	120	125	130	135	140	140	145	690
Net exclusion of pension contributions and earnings:								
Employer plans	82,215	82,195	84,350	86,670	89,155	91,810	94,455	446,440
Individual Retirement Accounts	10,565	10,770	11,170	11,440	11,550	11,485	11,270	56,915
Keogh plans	3,930	4,025	4,255	4,495	4,750	5,010	5,285	23,795
Exclusion of other employee benefits:								
Premiums on group term life insurance	2,030	2,075	2,120	2,170	2,220	2,270	2,335	11,115
Premiums on accident and disability insurance	175	185	195	205	215	225	235	1,075
Income of trusts to finance supplementary unemployment benefits	5	5	5	5	5	5	5	25
Special ESOP rules	920	950	980	1,020	1,060	1,100	1,140	5,300
Additional deduction for the blind	30	30	30	30	35	35	35	165
Additional deduction for the elderly	1,690	1,720	1,740	1,795	1,880	1,945	2,020	9,380
Tax credit for the elderly and disabled	40	40	40	40	40	40	40	200
Deductibility of casualty losses	225	235	245	255	270	280	290	1,340
Earned income tax credit [4]	6,351	5,118	4,971	5,142	5,275	5,471	5,672	26,531
Child credit [5]	3,525	18,740	18,725	18,430	18,160	17,745	17,155	90,215
Total, current law tax expenditures	117,906	132,388	135,291	138,642	141,850	144,946	147,757	708,486
Proposals affecting tax expenditures:								
Tax credit for disabled workers	.....	.....	21	151	169	187	196	724
Stay-at-home parents	.....	.....	74	338	292	293	290	1,287
Immediate participation in TSP by new Federal employees	.....	.....	.....	1	1	5	7	14
3-Year subsidy plus voluntary excludable IRA -- small firms and all qualified plans	.....	27	74	106	117	100	96	493
Simplified pension plan for small business	.....	.....	44	65	66	68	70	313
Fast vesting of employer 401(k) matching contributions	.....	.....	.....	.....	.....	.....	.....	.....
Simplified method for improving benefits for nonhighly compensated employees under the safe harbor for 401(k) plans	.....	.....	11	15	18	23	26	93
Simplify definition of highly compensated employees	.....	.....	1	1	1	2	2	7
Simplify benefit limits for multiemployer plans under section 415	.....	.....	6	6	6	6	8	32
Simplify full funding limitation for multiemployer plans	.....	.....	6	8	8	8	8	38
Eliminate partial termination rules for multiemployer plans	.....	.....	.....	.....	.....	.....	.....	.....
Make first $2,000 of severence pay exempt from income tax	.....	.....	42	168	173	133	.....	516
Simplification of foster child definition	.....	.....	–2	–42	–44	–46	–47	–181
Total, proposals affecting tax expenditures	.....	27	277	817	807	779	656	3,336
Social Security:								
Current law tax expenditures:								
Exclusion of social security benefits:								
Social Security benefits for retired workers	16,780	17,210	18,125	19,045	20,100	21,260	22,460	100,990
Social Security benefits for disabled	2,265	2,420	2,615	2,820	3,060	3,325	3,625	15,445

Table 34–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2000–2004
	1998	1999	2000	2001	2002	2003	2004	
Social Security benefits for dependents and survivors	3,725	3,785	3,910	4,065	4,235	4,405	4,575	21,190
Total, current law tax expenditures	22,770	23,415	24,650	25,930	27,395	28,990	30,660	137,625
Veterans benefits and services:								
Current law tax expenditures:								
Exclusion of veterans death benefits and disability compensation	2,820	2,940	3,070	3,210	3,350	3,495	3,650	16,775
Exclusion of veterans pensions	65	65	70	75	80	85	85	395
Exclusion of GI bill benefits	65	75	85	90	90	95	100	460
Exclusion of interest on veterans housing bonds	40	40	40	40	40	40	40	200
Total, current law tax expenditures	2,990	3,120	3,265	3,415	3,560	3,715	3,875	17,830
General purpose fiscal assistance:								
Current law tax expenditures:								
Exclusion of interest on public purpose bonds	20,050	20,250	20,450	20,660	20,865	21,075	21,285	104,335
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	32,795	34,925	37,000	39,235	41,715	44,490	47,400	209,840
Tax credit for corporations receiving income from doing business in U.S. possessions	3,960	4,000	4,120	4,245	4,285	4,150	4,215	21,015
Total, current law tax expenditures	56,805	59,175	61,570	64,140	66,865	69,715	72,900	335,190
Proposals affecting tax expenditures:								
Extend and modify Puerto Rico economic activity tax credit	.....	.....	24	46	71	106	141	388
Total, proposals affecting tax expenditures	.....	.....	24	46	71	106	141	388
Interest:								
Current law tax expenditures:								
Deferral of interest on U.S. savings bonds	965	1,015	1,065	1,115	1,175	1,235	1,295	5,885
Total, current law tax expenditures	965	1,015	1,065	1,115	1,175	1,235	1,295	5,885

Notes:

* $2.5 million or less.

Revenue loss estimates for new proposals are not directly comparable to estimates for current law tax expenditures, because the current law estimates do not reflect behavioral effects. Total revenue loss estimates by function are calculated here as the simple totals for the provisions listed for each function. Because of interactions across provisions, these estimates are only rough approximations of the total revenue loss for the functions.

Negative numbers for proposals affecting tax expenditures indicate the expected increase in receipts; positive numbers indicate the expected decrease in receipts. Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method. For a discussion of these alternative baselines, see Chapter 5 of Analytical Perspectives.

All current law tax expenditure estimates have been rounded to the nearest $5 million.

Current law tax expenditure estimates here are the arithmetic sums of corporate and individual income tax revenue loss estimates from Table 5-2 in Analytical Perspectives, and do not reflect possible interactions across these two taxes.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1998 $680; 1999 $725; 2000 $755; 2001 $765; 2002 $790; 2003 $805; 2004 $830.

[2] Estimate represents only revenue in excess of 1999 Budget proposal.

[3] The figures in the table indicate the effect of the long-term care tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 2000 $6; 2001 $123; 2002 $127; 2003 $146; 2004 $156.

[4] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $23,239; 1999 $26,273; 2000 $26,880; 2001 $27,631; 2002 $28,595; 2003 $29,529; 2004 $30,538.

[5] The figures in the table indicate the effect of the child credit on receipts. The effect on outlays (in millions of dollars) is as follows: 1998 $0; 1999 $415; 2000 $528; 2001 $496; 2002 $483; 2003 $453; 2004 $425.

VII. SUMMARY TABLES

2000 Budget Proposals

2000 BUDGET PROPOSALS

Table S–1. BUDGET SUMMARY

(In billions of dollars)

	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Outlays	1,652.6	1,727.1	1,765.7	1,799.2	1,820.3	1,893.0	1,957.9
Receipts	1,721.8	1,806.3	1,883.0	1,933.3	2,007.1	2,075.0	2,165.5
Reserve pending Social Security reform	69.2	79.3	117.3	134.1	186.7	182.0	207.6
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resources contingent upon Social Security reform:							
Defense	.....	.....	.....	9.6	17.1	13.0	15.0
Non-defense	.....	.....	.....	15.1	19.7	16.5	9.2
Priority initiatives	.....	.....	.....	1.6	4.1	7.0	9.9
Debt service	.....	.....	.....	0.7	2.3	4.3	6.3
Remaining reserve	69.2	79.3	117.3	107.2	143.6	141.3	167.3

Table S–2. OUTLAYS, RECEIPTS, AND SURPLUS

(In billions of dollars)

	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Budget Policy with Social Security Reform:							
Outlays:							
Discretionary:							
Department of Defense	258.1	264.6	261.8	269.4	279.3	291.2	300.9
Non-DOD discretionary	296.6	316.6	329.7	341.4	339.2	338.1	338.5
Priority initiatives	.....	.....	.....	1.6	4.1	7.0	9.9
Subtotal, discretionary	554.7	581.2	591.5	612.4	622.6	636.3	649.3
Mandatory:							
Programmatic:							
Social Security	376.1	389.2	405.2	423.6	444.1	465.1	487.4
Medicare and Medicaid	291.5	310.6	328.4	349.9	362.7	391.2	416.3
Means-tested entitlements (except Medicaid)	99.1	106.6	111.6	117.6	123.6	128.5	134.3
Deposit insurance	–4.4	–5.0	–2.3	–1.8	–1.3	–*	0.8
Other	92.2	117.4	116.1	117.9	114.8	125.1	131.0
Subtotal mandatory	854.5	918.6	959.0	1,007.1	1,043.9	1,109.9	1,169.7
Net interest	243.4	227.2	215.2	206.6	197.1	187.6	179.2
Subtotal, mandatory and net interest	1,097.9	1,145.9	1,174.2	1,213.7	1,240.9	1,297.5	1,349.0
Total outlays	**1,652.6**	**1,727.1**	**1,765.7**	**1,826.1**	**1,863.5**	**1,933.8**	**1,998.3**
Receipts	**1,721.8**	**1,806.3**	**1,883.0**	**1,933.3**	**2,007.1**	**2,075.0**	**2,165.5**
Resources contingent upon Social Security reform:.							
Department of Defense	.....	.....	.....	–9.6	–17.1	–13.0	–15.0
Non-DOD discretionary	.....	.....	.....	–15.1	–19.7	–16.5	–9.2
Priority initiatives	.....	.....	.....	–1.6	–4.1	–7.0	–9.9
Related debt service	.....	.....	.....	–0.7	–2.3	–4.3	–6.3
Total	.....	.....	.....	–26.9	–43.2	–40.8	–40.4
Reserve pending Social Security reform	**69.2**	**79.3**	**117.3**	**134.1**	**186.7**	**182.0**	**207.6**
Surplus	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
MEMORANDUM:							
Discretionary totals if no Social Security reform is enacted, net of designated offsets	554.7	581.2	573.8	573.3	568.2	584.1	599.9

* $50 million or less.

Table S–3. SUMMARY OF BUDGET PROPOSALS

(In billions of dollars)

	Estimate						Total 2000–2004
	1999	2000	2001	2002	2003	2004	
Capped baseline surplus	79.6	116.7	134.1	186.7	182.0	207.6	827.2
Programmatic changes:							
Discretionary:							
Offset discretionary spending	–*	17.2	12.9	13.5	15.8	15.3	74.7
Mandatory offsets designated for discretionary:							
Federal tobacco revenues	0.1	–8.0	–7.1	–6.6	–6.4	–6.4	–34.5
Tobacco recoupment	.....	.....	.....	–1.8	–3.3	–4.0	–9.1
FAA user fees	.....	–1.1	–1.2	–1.1	–1.0	–0.9	–5.3
Health care savings	.....	–1.1	–0.9	–1.0	–1.0	–1.1	–5.1
Superfund revenues	–0.1	–1.5	–1.2	–1.2	–1.2	–1.3	–6.5
Other specified offsets	.....	–6.0	–2.5	–1.8	–2.8	–1.7	–14.8
Subtotal, discretionary	–*	–0.6	.....	.....	.....	.....	–0.6
Mandatory and revenues:							
Initiatives:							
Class size and child care	.....	1.2	1.6	1.9	2.1	2.5	9.4
Health care	.....	0.2	1.3	1.6	1.2	1.0	5.3
Revenue initiatives	0.7	4.1	7.7	6.6	6.9	7.3	32.6
Other	0.1	0.9	1.6	1.7	1.3	1.6	7.1
Subtotal, initiatives	0.8	6.5	12.2	11.8	11.6	12.4	54.4
Offsets:							
Tobacco recoupment	.....	.....	–2.8	–2.1	–1.2	–0.7	–6.9
Health care	.....	–0.2	–1.1	–1.3	–1.5	–1.6	–5.8
Student loans	–0.1	–0.8	–0.6	–0.6	–0.6	–0.3	–2.9
Revenue offsets	–0.3	–4.7	–6.9	–7.1	–7.3	–7.4	–33.4
Other	–*	–0.7	–0.8	–0.7	–0.9	–2.4	–5.5
Subtotal, offsets	–0.5	–6.5	–12.2	–11.8	–11.6	–12.4	–54.4
Subtotal, mandatory and revenues	0.3	.....	.....	.....	.....	.....	.....
Debt service	*	.....	–*	–*	–*	–*	–0.1
Reserve pending Social Security reform	79.3	117.3	134.1	186.7	182.0	207.6	827.8
Surplus	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resources contingent upon Social Security reform:							
Defense and non-defense discretionary spending	.....	.....	26.3	40.9	36.5	34.1	137.7
Related debt service	.....	.....	0.7	2.3	4.3	6.3	13.6
Remaining reserve	79.3	117.3	107.2	143.6	141.3	167.3	676.6

*$50 million or less.

Table S–4. DISCRETIONARY SPENDING CAPS AND BUDGET PROPOSALS

(In billions of dollars)

	Estimate										Total 2000–2004	
	2000		2001		2002		2003		2004			
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Proposed Discretionary Program Funding Level:												
Department of Defense	268.2	261.8	287.4	269.4	289.3	279.3	299.7	291.2	308.5	300.9	1,453.1	1,402.6
Non-DOD	286.8	329.7	300.5	341.4	299.5	339.2	298.7	338.1	299.4	338.5	1,484.9	1,686.9
Reserve for Priority Initiatives	.....	.....	3.0	1.6	6.0	4.1	9.0	7.0	12.0	9.9	30.0	22.6
Total, Proposed Discretionary Funding Level	555.0	591.5	590.9	612.4	594.8	622.6	607.4	636.3	619.9	649.3	2,968.0	3,112.1
Offsets to Discretionary Spending:												
Mandatory Offsets Designated for Discretionary	–6.8	–6.8	–5.0	–4.9	–4.9	–5.0	–4.9	–4.9	–4.9	–4.9	–26.6	–26.6
Transfer of 2000 PAYGO Balances for Defense Discretionary	–2.9	–2.9	–0.8	–0.8	–0.2	–0.2	–1.1	–1.1	.....	.....	–5.0	–5.0
Tobacco Legislation:												
Federal Tobacco Revenues	–8.0	–8.0	–7.1	–7.1	–6.6	–6.6	–6.4	–6.4	–6.4	–6.4	–34.5	–34.5
Recoupment Policy	.....	.....	.....	.....	–3.4	–1.8	–4.3	–3.3	–4.3	–4.0	–11.9	–9.1
Total, Offsets to Discretionary Spending	–17.8	–17.7	–12.9	–12.9	–15.1	–13.5	–16.7	–15.8	–15.6	–15.3	–78.1	–75.2
Resources Contingent Upon Social Security Reform:												
Department of Defense	.....	.....	–14.2	–9.6	–12.8	–17.1	–13.5	–13.0	–15.2	–15.0	–55.7	–54.6
Non-DOD	.....	.....	–33.5	–15.1	–28.8	–19.7	–7.0	–16.5	–7.2	–9.2	–76.5	–60.5
Reserve for Priority Initiatives	.....	.....	–3.0	–1.6	–6.0	–4.1	–9.0	–7.0	–12.0	–9.9	–30.0	–22.6
Total, Contingent Adjustments	.....	.....	–50.7	–26.3	–47.6	–40.9	–29.5	–36.5	–34.5	–34.1	–162.2	–137.7
Total Offsets and Contingent Adjustments to Discretionary Spending	**–17.8**	**–17.7**	**–63.6**	**–39.1**	**–62.7**	**–54.4**	**–46.2**	**–52.2**	**–50.0**	**–49.4**	**–240.3**	**–212.9**
Proposed Discretionary Funding Level	**555.0**	**591.5**	**590.9**	**612.4**	**594.8**	**622.6**	**607.4**	**636.3**	**619.9**	**649.3**	**2,968.0**	**3,112.1**
Less: Offsets and Contingent Resources	**–17.8**	**–17.7**	**–63.6**	**–39.1**	**–62.7**	**–54.4**	**–46.2**	**–52.2**	**–50.0**	**–49.4**	**–240.3**	**–212.9**
Level with Offsets and Contingent Adjustments	**537.2**	**573.8**	**527.3**	**573.3**	**532.1**	**568.2**	**561.3**	**584.1**	**569.9**	**599.9**	**2,727.7**	**2,899.2**
Current Discretionary Spending Caps	**537.2**	**574.4**	**541.9**	**573.3**	**551.0**	**568.2**	**566.9**	**584.1**	**583.4**	**599.9**	**2,780.4**	**2,899.8**

Table S–5. MANDATORY AND REVENUE PROPOSALS

(In millions of dollars)

	Estimate						Total 2000–2004
	1999	2000	2001	2002	2003	2004	
Initiatives:							
Agriculture:.							
Increase Environmental Quality Incentive Program	.....	20	41	53	65	74	253
Forest Service payments to States de-coupling	.....	27	41	55	64	72	259
Wildlife Habitat Incentives Program (WHIP)	.....	3	5	7	8	8	31
Farmland Protection Program (FPP)	.....	1	6	20	28	27	82
Cooperator Export Program/quality samples	.....	30	30	30	30	30	150
Reallocate rural development and research funds	.....	.....	11	27	42	43	123
EZ/EC economic development grants	.....	.....	5	12	14	14	45
Extend CCC computer funding	.....	35	35	35	35	35	175
Restore food stamp benefits for elderly legal immigrants	.....	10	10	10	15	15	60
Education: Extend loan consolidation	133	91	.....	.....	.....	.....	91
HHS:							
Education and child care:.							
Child care	.....	828	1,085	1,333	1,525	1,904	6,675
Establish Early Learning Fund	.....	372	516	603	624	612	2,727
Subtotal, education and child care	.....	1,200	1,601	1,936	2,149	2,516	9,402
Foster care/independent living	.....	6	31	43	49	51	180
Health care:							
Medicare buy-in, health costs	.....	.....	322	406	372	336	1,436
Disability health options	.....	20	75	169	250	342	856
Cancer clinical trials	.....	10	190	250	300	.....	750
Covering children	.....	79	619	601	85	25	1,409
Long-term care eligibility expansion, Medicaid costs	.....	5	15	25	30	35	110
Immigrant proposals, Medicaid/CHIP costs	.....	31	57	107	187	285	667
Other	.....	59	.....	.....	.....	.....	59
Subtotal, Health care	.....	204	1,278	1,558	1,224	1,023	5,287
HUD:							
Fund new urban empowerment zones	.....	3	51	114	138	144	450
Elderly housing vouchers	.....	8	46	77	78	80	289
Interior:							
BLM timber payments to States delinkage	.....	9	12	15	17	17	70
Recreation/entrance fees	.....	.....	.....	–24	29	74	79
Finance land purchases with sales of surplus land	.....	.....	.....	.....	.....	.....	.....
Transfers to retired miner's health benefits	.....	42	.....	.....	.....	.....	42
Expand cover-over of distilled spirits tax to Virgin Islands	.....	12	12	12	12	12	60
Labor:							
Reauthorize NAFTA-TAA through 9/30/01 and other TAA amendments	.....	101	150	65	16	.....	332
PBGC: raise guarantee cap for multi-employer pensions and other	.....	1	1	2	3	3	10
UI reform proposal	.....	90	190	260	20	40	600
Extend welfare to work	.....	133	518	333	16	.....	1,000
Transportation:							
Shift St. Lawrence Seaway to mandatory	.....	12	12	13	14	14	65
Treasury:							
Expand cover-over of distilled spirits tax to Puerto Rico	.....	34	34	34	34	34	170
Long-term care tax credit (outlay portion)	.....	6	123	127	146	156	558
Veterans:							
Pay full compensation benefits for Filipinos residing in the United States	.....	5	5	5	5	5	25
Charge fees to lenders participating in VA's home loan program to fund information technology improvements:							
Increased technology spending	.....	5	5	5	.....	.....	15
Fees	.....	–5	–5	–5	.....	.....	–15
Department of Defense—Civil: Retirement reform	.....	1	1	1	1	2	6
EPA: Provide funding for Superfund orphan shares	.....	200	200	200	200	200	1,000

Table S–5. MANDATORY AND REVENUE PROPOSALS—Continued

(In millions of dollars)

	Estimate						Total 2000–2004
	1999	2000	2001	2002	2003	2004	
FEMA: Flood map modernization	.....	26	53	61	64	66	270
SSA:							
Return to work proposals (SSI portion)	.....	.....	.....	–5	–5	–5	–15
Restore SSI benefits for disabled legal immigrants	.....	.....	.....	77	180	328	585
United Mine Workers of America:							
Interior transfers for retired miner's health benefits	.....	–42	.....	.....	.....	.....	–42
Health benefits	8	57	14	13	12	12	108
Revenues:							
Provide tax relief and extend provisions	670	4,129	7,664	6,617	6,889	7,330	32,629
Subtotal, initiatives	811	6,454	12,180	11,783	11,592	12,420	54,429
Offsets not designated for discretionary:							
Agriculture:							
Cut conservation farm option to fund WHIP and FPP	.....	–3	–16	–21	–27	–29	–96
Reduce EEP	.....	–85	–106	–118	–130	–139	–578
Charge fair market value for timber/ Forest Service	.....	–17	–17	–17	–17	–17	–85
12 percent commodity provisions	.....	–57	–66	–52	–66	–75	–316
Forest service recreation fees	.....	.....	.....	–24	–7	–17	–48
Education—student loans:							
Advance recall of reserves	–142	–23	.....	.....	.....	.....	–23
Recall additional federal fund reserves	.....	–80	–234	–262	–159	–65	–800
Implement a 90-day non-interest accruing period before lenders file default claims.	.....	–17	–24	–27	–29	–31	–128
Eliminate GA complement at 95 percent on new loans	.....	–41	–60	–65	–70	–74	–310
Reduce guaranty agency retention rate to 18.5 percent	.....	–483	–64	–66	–72	–77	–762
Reduce lender subsidy to 20 basis points on tax exempt lenders	.....	–132	–205	–218	–264	–96	–915
HHS:							
Eliminate child support hold harmless payments and conform paternity match with administrative match rate	.....	–74	–67	–61	–63	–59	–324
Health care savings	.....	–226	–1,111	–1,266	–1,545	–1,615	–5,763
Adjustment of child support orders	.....	.....	33	–5	–43	–70	–85
Cap TANF transfer to SSBG	.....	–600	.....	.....	.....	100	–500
Interior:							
Hardrock mining production fee on public lands	.....	.....	–8	–26	–26	–26	–86
Filming and photography on public land	.....	.....	.....	.....	.....	.....	.....
Treasury:							
Extend customs user fees	.....	.....	.....	.....	.....	–1,522	–1,522
Simplification of foster child credit (outlay portion)	.....	–2	–36	–37	–39	–40	–154
Veterans:							
Extend expiring OBRA VA provisions:							
Round down to the next lower dollar COLA adjustments to disability compensation and DIC	.....	.....	.....	.....	–15	–24	–39
Limit pension benefits to Medicaid eligible beneficiaries in nursing homes (includes Medicaid offset)	.....	.....	.....	.....	–110	–117	–227
Verify income of pension beneficiaries with the IRS and SSA	.....	.....	.....	.....	–3	–3	–6
Collect higher loan fees and reduce resale losses	.....	.....	.....	.....	–188	–190	–378
SSA: Program integrity proposal (SSI portion)	.....	–14	–18	–59	–65	–46	–202
Fed/FDIC: State bank exam fee (non-Fed members)	.....	–84	–88	–91	–95	–100	–458
Allowances:							
Tobacco recoupment policy	.....	.....	–2,824	–2,123	–1,235	–690	–6,872
Revenues:							
State bank exam fees	.....	–82	–86	–90	–94	–98	–450
FEMA mortgage transaction fees	.....	–58	–59	–62	–65	–68	–312
United Mine Workers premiums	–8	–15	–14	–13	–12	–12	–66
Clergy open season for OASDHI coverage (on-budget portion)	.....	–2	–1	–1	–1	–1	–6
UI solvency incentive	.....	–224	–312	–96	.....	.....	–632

Table S–5. MANDATORY AND REVENUE PROPOSALS—Continued

(In millions of dollars)

	Estimate						Total 2000–2004
	1999	2000	2001	2002	2003	2004	
Eliminate unwarranted benefits	–334	–4,744	–6,859	–7,090	–7,303	–7,390	–33,386
Subtotal, offsets not designated for discretionary	–484	–7,063	–12,242	–11,890	–11,743	–12,591	–55,529
Subtotal, proposals subject to pay-as-you-go	327	–609	–62	–107	–151	–171	–1,100
Proposals not subject to pay-as-you-go:							
Education:							
Family education loans modification transfer	.....	468	–110	–111	–97	–80	70
Labor:							
UI integrity	.....	–118	–160	–160	–160	–160	–758
Social Security Administration:							
Return to work proposals (DI portion)	.....	10	25	41	45	46	167
Program integrity proposal (DI portion)	.....	–7	–11	–13	–12	–13	–56
Impact of Medicare buy-on on OASI	.....	.....	64	113	144	153	474
FDIC:							
Interest payments related to State exam fees	.....	–2	–7	–12	–17	–23	–61
Morris K. Udall Scholarship Foundation:							
Receipt of federal payments to the foundation	.....	–3	–3	–3	–3	–3	–15
Undistributed offsetting receipts:							
Redefine wage base for military pay covered by Social Security	.....	264	271	261	260	261	1,317
Revenues:							
Clergy open season for OASDHI coverage (off-budget portion)	.....	–3	–7	–9	–9	–10	–38
Subtotal, proposals not subject to pay-as-you-go	.....	609	62	107	151	171	1,100
Subtotal, proposals not designated for discretionary	327	.....	.....	.....	.....	.....	.....
Offsets designated for discretionary:							
Outlays:							
Education—student loans:							
NDNH savings	.....	–876	–19	–25	–26	–25	–971
Recall additional federal fund reserves	.....	–788	.....	.....	.....	.....	–788
HHS:							
Health care savings	.....	–1,100	–920	–1,030	–980	–1,070	–5,100
Freeze TANF supplemental growth at FY99 level	.....	–45	–87	–48	–41	–20	–241
Corps of Engineers:							
Harbor services fund user fees	.....	–966	–963	–960	–996	–1,014	–4,899
Undistributed offsetting receipts:							
Change in military retirement	.....	–849	–1,058	–1,159	–1,231	–1,270	–5,567
Allowances:							
Tobacco recoupment policy	.....	.....	.....	–1,794	–3,318	–3,998	–9,110
Revenues:							
Superfund tax extensions	–109	–1,532	–1,207	–1,219	–1,242	–1,259	–6,459
Repeal of existing harbor maintenance excise tax	.....	472	505	541	578	619	2,715
FAA user fees	.....	–1,122	–1,184	–1,091	–1,007	–910	–5,314
Federal tobacco taxes	77	–7,987	–7,105	–6,589	–6,418	–6,400	–34,499
Subtotal, offsets designated for discretionary	–32	–14,793	–12,038	–13,374	–14,681	–15,347	–70,233
TOTAL, mandatory and revenue proposals	**295**	**–14,793**	**–12,038**	**–13,374**	**–14,681**	**–15,347**	**–70,233**
MEMORANDUM:							
Total tobacco recoupment policy savings shown above	.....	.....	–2,824	–3,917	–4,553	–4,688	–15,982
Total health care savings shown above	.....	–1,326	–2,031	–2,296	–2,525	–2,685	–10,863

Table S–6. EFFECT OF PROPOSALS ON RECEIPTS

(In millions of dollars)

	Estimate						
	1999	2000	2001	2002	2003	2004	2000–2004
Provide tax relief and extend expiring provisions:							
Make health care more affordable:							
Provide tax relief for long-term care needs	.....	–52	–1,107	–1,144	–1,312	–1,408	–5,023
Provide tax relief for workers with disabilities	.....	–21	–151	–169	–187	–196	–724
Provide tax relief to encourage small business health plans	.....	–1	–5	–10	–15	–13	–44
Subtotal, make health care more affordable	.....	–74	–1,263	–1,323	–1,514	–1,617	–5,791
Expand education initiatives:							
Provide incentives for public school construction and modernization	.....	–146	–570	–939	–1,035	–1,045	–3,735
Extend employer-provided educational assistance and include graduate education	–72	–267	–719	–236	.....	.....	–1,222
Provide tax credit for workplace literacy and basic education programs	.....	–3	–18	–25	–38	–55	–139
Encourage sponsorship of qualified zone academies	.....	–22	–43	–55	–24	.....	–144
Eliminate 60-month limit on student loan interest deduction	.....	–18	–61	–62	–67	–73	–281
Eliminate tax when forgiving student loans subject to income contingent repayment	.....	.....	.....	.....	.....	.....	.....
Provide tax relief for participants in certain Federal education programs	.....	–3	–7	–7	–7	–6	–30
Subtotal, expand education initiatives	–72	–459	–1,418	–1,324	–1,171	–1,179	–5,551
Make child care more affordable:							
Increase, expand, and simplify child and dependent care tax credit	.....	–338	–1,585	–1,426	–1,471	–1,503	–6,323
Provide tax incentives for employer-provided child-care facilities	.....	–40	–84	–114	–131	–140	–509
Subtotal, make child care more affordable	.....	–378	–1,669	–1,540	–1,602	–1,643	–6,832
Provide incentives to revitalize communities:							
Increase low-income housing tax credit per capita cap	.....	–46	–186	–330	–474	–620	–1,656
Provide Better America Bonds to improve the environment	.....	–8	–49	–127	–205	–284	–673
Provide New Markets Tax Credit	.....	–12	–88	–207	–297	–376	–980
Expand tax incentives for SSBICs	–*	–*	–*	–*	–*	–*	–*
Extend wage credit for two new EZs	.....	.....	.....	.....	.....	.....	.....
Subtotal, provide incentives to revitalize communities	.....	–66	–323	–664	–976	–1,280	–3,309
Promote energy efficiency and improve the environment:							
Provide tax credit for energy-efficient building equipment	.....	–230	–407	–376	–393	–127	–1,533
Provide tax credit for new energy-efficient homes	.....	–60	–109	–92	–72	–96	–429
Extend electric vehicle tax credit; provide tax credit for fuel-efficient vehicles	.....	.....	.....	–4	–178	–712	–894
Provide investment tax credit for CHP systems	–1	–64	–99	–110	–52	–7	–332
Provide tax credit for rooftop solar systems	.....	–9	–19	–25	–34	–45	–132
Extend wind and biomass tax credit and expand eligible biomass sources	.....	–20	–48	–73	–88	–94	–323
Subtotal, promote energy efficiency and improve the environment	–1	–383	–682	–680	–817	–1,081	–3,643
Promote expanded retirement savings, security and portability	–27	–144	–204	–218	–213	–218	–997
Extend expiring provisions:							
Allow personal tax credits against the AMT	–67	–679	–707	.....	.....	.....	–1,386
Extend work opportunity tax credit	–23	–116	–164	–81	–38	–16	–415

Table S–6. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						
	1999	2000	2001	2002	2003	2004	2000–2004
Extend welfare-to-work tax credit	–3	–19	–36	–21	–9	–2	–87
Extend R&E tax credit	–311	–933	–656	–281	–133	–53	–2,056
Make permanent the expensing of brownfields remediation costs	.....	.....	–106	–170	–168	–167	–611
Extend tax credit for first-time DC homebuyers	1	–1	–10	–1	.....	.....	–12
Subtotal, extend expiring provisions	–403	–1,748	–1,679	–554	–348	–238	–4,567
Simplify the tax laws	–64	–141	–159	–154	–104	–41	–599
Miscellaneous provisions:							
Make first $2,000 of severance pay exempt from income tax	.....	–42	–168	–173	–133	.....	–516
Allow steel companies to carryback NOLs up to five years	–19	–190	–28	–30	–24	–20	–292
Subtotal, miscellaneous provisions	–19	–232	–196	–203	–157	–20	–808
Electricity restructuring:							
Deny tax-exempt status for new electric utility bonds except for distribution related expenses; repeal cost of service limitation for determining deductible contributions to nuclear decommissioning funds	.....	4	11	20	30	41	106
Subtotal, electricity restructuring	.....	4	11	20	30	41	106
Modify international trade provisions:							
Extend and modify Puerto Rico economic-activity tax credit	.....	–24	–46	–71	–106	–141	–388
Extend GSP and modify other trade provisions [1]	–84	–484	–223	–93	–96	–99	–995
Levy tariff on certain textiles/apparel produced in the CNMI [1]	.....	.....	187	187	187	187	748
Expand Virgin Island tariff credits [1]	.....	.....	–*	–*	–2	–1	–3
Subtotal, modify international trade provisions	–84	–508	–82	23	–17	–54	–638
Subtotal, provide tax relief and extend expiring provisions	**–670**	**–4,129**	**–7,664**	**–6,617**	**–6,889**	**–7,330**	**–32,629**
Eliminate unwarranted benefits and adopt other revenue measures:							
Limit benefits of corporate tax shelter transactions:							
Deny tax benefits resulting from non-economic transactions; modify substantial understatement penalty for corporate tax shelters; deny deductions for certain tax advice and impose excise taxes on certain fees, rescission provisions and provisions guaranteeing tax benefits	.....	11	76	162	194	214	657
Preclude taxpayers from taking tax positions inconsistent with the form of their transactions	5	50	52	55	58	62	277
Tax income from corporate tax shelters involving tax-indifferent parties	15	150	155	165	175	185	830
Require accrual of income on forward sale of corporate stock	1	4	9	13	21	31	78
Modify treatment of built-in losses and other attribute trafficking	9	113	185	192	200	208	898
Modify treatment of ESOP as S corporation shareholder	17	64	102	145	183	202	696
Prevent serial liquidation of U.S. subsidiaries of foreign corporations	.....	12	20	19	19	19	89
Prevent capital gains avoidance through basis shift transactions involving foreign shareholders	65	301	114	64	45	27	551
Limit inappropriate tax benefits for lessors of tax-exempt use property	1	35	79	119	147	163	543

Table S–6. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						
	1999	2000	2001	2002	2003	2004	2000–2004
Prevent mismatching of deductions and income exclusions in transactions with related foreign persons	.....	60	104	108	112	117	501
Restrict basis creation through Section 357(c)	3	9	19	28	39	50	145
Modify anti-abuse rule related to assumption of liabilities	1	2	4	5	7	9	27
Modify COLI rules	.....	240	366	398	427	451	1,882
Subtotal, limit benefits of corporate tax shelter transactions	117	1,051	1,285	1,473	1,627	1,738	7,174
Other proposals:							
Require banks to accrue interest on short-term obligations	.....	72	2	3	4	4	85
Require current accrual of market discount by accrual method taxpayers	3	7	11	15	20	25	78
Limit conversion of character of income from constructive ownership transactions with respect to partnership interests	19	30	37	32	32	35	166
Modify rules for debt-financed portfolio stock	1	5	9	14	20	26	74
Modify and clarify certain rules relating to debt-for-debt exchanges	15	76	109	108	107	106	506
Modify and clarify straddle rules	16	40	50	48	47	49	234
Conform control test for tax-free incorporations, distributions, and reorganizations	7	18	22	22	21	21	104
Tax issuance of tracking stock	40	105	128	127	127	127	614
Require consistent treatment and provide basis allocation rules for transfers of intangibles in certain nonrecognition transactions	2	66	83	86	90	95	420
Modify tax treatment of downstream mergers	14	42	55	59	63	67	286
Modify partnership distribution rules	–28	131	162	173	162	147	775
Deny change in method treatment to tax-free formations	6	94	64	65	67	70	360
Repeal installment method for accrual basis taxpayers	.....	685	757	438	114	16	2,010
Deny deduction for punitive damages	16	88	124	130	137	143	622
Apply uniform capitalization rules to tollers	.....	25	39	40	42	21	167
Provide consistent amortization periods for intangibles	.....	–219	–189	48	255	435	330
Clarify recovery period of utility grading costs	9	30	49	61	69	75	284
Require recapture of policyholder surplus accounts	.....	134	222	219	217	215	1,007
Modify rules for capitalizing policy acquisition costs of life insurance companies	.....	379	977	946	914	880	4,096
Subject investment income of trade associations to tax	.....	172	294	309	325	341	1,441
Restore phaseout of unified credit for large estates	.....	27	61	66	72	76	302
Require consistent valuation for estate and income tax purposes	.....	3	8	13	17	22	63
Require basis allocation for part sale/part gift transactions	.....	2	3	4	5	6	20
Conform treatment of surviving spouses in community property States	3	15	33	46	59	72	225
Expand section 864(c)(4)(B) to interest and dividend equivalents	.....	9	15	16	16	17	73
Recapture overall foreign losses when CFC stock is disposed	.....	6	6	6	6	7	31
Increase elective withholding rate for nonperiodic distributions from deferred compensation plans	.....	42	2	2	2	2	50
Increase section 4973 excise tax for excess IRA contributions	.....	1	12	12	13	14	52
Limit pre-funding of welfare benefits for 10 or more employer plans	.....	92	156	159	150	149	706
Subject signing bonuses to employment taxes	.....	5	3	3	3	3	17
Expand reporting of cancellation of indebtedness income	.....	7	7	7	7	7	35
Require taxpayers to include rental income of residence in income without regard to the period of rental	.....	4	11	11	12	12	50

Table S–6. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						
	1999	2000	2001	2002	2003	2004	2000–2004
Repeal lower-of-cost-or-market inventory accounting method	18	422	525	431	433	201	2,012
Defer interest deduction and OID on certain convertible debt	2	9	20	32	44	55	160
Modify deposit requirement for FUTA	.....	.....	.....	.....	.....	.....	.....
Reinstate Oil Spill Liability Trust Fund tax [1]	26	254	256	257	261	264	1,292
Deny DRD for certain preferred stock	4	13	26	38	52	66	195
Disallow interest on debt allocable to tax-exempt obligations	4	11	17	23	28	33	112
Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands	.....	92	94	96	97	99	478
Modify rules relating to foreign oil and gas extraction income	.....	5	65	107	112	118	407
Increase penalties for failure to file correct information returns	.....	6	12	15	19	13	65
Tighten the substantial understatement penalty for large corporations	.....	.....	25	42	43	37	147
Require withholding on certain gambling winnings	.....	17	4	1	1	1	24
Simplify foster child definition under EITC	.....	.....	6	7	7	7	27
Replace sales-source rules with activity-based rules	.....	310	540	570	600	630	2,650
Repeal tax-free conversions of large C corporations into S corporations	.....	10	32	46	56	68	212
Eliminate the income recognition exception for accrual method service providers	1	32	44	46	48	50	220
Modify structure of businesses indirectly conducted by REITs	4	27	27	27	28	28	137
Modify treatment of closely held REITs	.....	24	10	12	14	15	75
Impose excise tax on purchase of structured settlements	6	8	6	3	1	–2	16
Amend 80/20 company rules	28	48	49	51	52	53	253
Modify foreign office material participation exception applicable to inventory sales attributable to nonresident's U.S. office	1	7	10	10	11	11	49
Stop abuse of CFC exception to ownership requirements of section 883	.....	4	9	7	5	5	30
Include QTIP trust assets in surviving spouse's estate	.....	.....	2	2	2	2	8
Eliminate non-business valuation discounts	.....	206	425	443	477	494	2,045
Eliminate gift tax exemption for personal residence trusts	.....	–1	–1	–1	3	12	12
Increase proration percentage for P&C insurance companies	.....	–4	49	64	87	107	303
Subtotal, other proposals	217	3,693	5,574	5,617	5,676	5,652	26,212
Subtotal, eliminate unwarranted benefits and adopt other revenue measures [1]	**334**	**4,744**	**6,859**	**7,090**	**7,303**	**7,390**	**33,386**
Other provisions that affect receipts:							
Reinstate environmental tax on corporate taxable income [2]	.....	794	460	463	476	481	2,674
Reinstate Superfund excise taxes [1]	109	738	747	756	766	778	3,785
Convert Airport and Airway Trust Fund taxes to a cost-based user fee system [1]	.....	1,122	1,184	1,091	1,007	910	5,314
Receipts from tobacco legislation [1]	–77	7,987	7,105	6,589	6,418	6,400	34,499
Assess fees for examination of bank holding companies and State-chartered member banks (receipt effect) [1]	.....	82	86	90	94	98	450
Restore premiums for United Mine Workers of America Combined Benefit Fund	8	15	14	13	12	12	66
Assess mortgage transaction fees for flood hazard determination [1]	.....	58	59	62	65	68	312

Table S–6. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						
	1999	2000	2001	2002	2003	2004	2000–2004
Replace Harbor Maintenance tax with the Harbor Services User Fee (receipt effect)[1]	.....	–472	–505	–541	–578	–619	–2,715
Allow members of the clergy to revoke exemption from Social Security and Medicare coverage	.....	5	8	10	10	11	44
Create solvency incentive for State unemployment trust fund accounts[1]	.....	224	312	96	.....	.....	632
Subtotal, other provisions that affect receipts[1]	**40**	**10,553**	**9,470**	**8,629**	**8,270**	**8,139**	**45,061**
Total effect of proposals[1]	**–296**	**11,168**	**8,665**	**9,102**	**8,684**	**8,199**	**45,818**
(Paygo proposals)[1]	**–328**	**996**	**–333**	**735**	**586**	**239**	**2,223**
(Non-paygo proposals)	.....	**3**	**7**	**9**	**9**	**10**	**38**
(Discretionary offset)[1]	**32**	**10,169**	**8,991**	**8,358**	**8,089**	**7,950**	**43,557**

* $500,000 or less.
[1] Net of income offsets.
[2] Net of deductibility for income tax purposes.

Table S–7. FRAMEWORK FOR SOCIAL SECURITY REFORM AND LONG-TERM FISCAL DISCIPLINE

(Dollars in billions)

	Subtotal 2000–2004	Subtotal 2005–2009	Subtotal 2010–2014	Total 2000–2014	Percent of Total
Reserve pending Social Security reform	828	1,582	2,444	4,854	
Use of reserve:					
Social Security	445	886	1,433	2,764	62%
Medicare	124	226	336	686	15%
Universal Savings Accounts	96	176	264	536	12%
Military readiness and other critical national needs	138	180	164	481	11%
Total use of reserve	803	1,468	2,196	4,467	100%
Financing costs	24	114	248	387	
Total reserve	828	1,582	2,444	4,854	
Memorandum:					
Debt held by the public after use of reserve, end of period	3,290	2,466	1,168		
Percent of GDP	30%	18%	7%		

Table S–8. TOBACCO LEGISLATION

(In billions of dollars)

	Estimate				
	2000	2001	2002	2003	2004
Receipts:					
55 cent per pack increase [1]	6.9	6.4	6.4	6.4	6.4
Accelerate BBA 15 cent increase	1.1	0.7	0.2	.....	.....
Total	8.0	7.1	6.6	6.4	6.4
Tobacco-Related Health Care Costs in Federal Programs:					
Veterans	4.0	4.0	4.0	4.0	4.0
Federal Employees Health Benefits Program	2.2	2.3	2.5	2.7	2.9
Department of Defense	1.6	1.7	1.7	1.7	1.8
Indian Health Service	0.3	0.3	0.3	0.3	0.3
Total	8.0	8.2	8.5	8.7	8.9
Memorandum:					
Estimated effects of recoupment policy	.....	–4.6	–4.7	–4.8	–4.8

[1] Includes accelerated date for BATF excise tax ($381 million into 2000).

Table S–9. DISCRETIONARY PROPOSALS BY APPROPRIATIONS SUBCOMMITTEE

(In billions of dollars)

Appropriations Subcommittee	1998 Enacted		1999 Estimate		2000 Proposed		Change: 1999 to 2000	
	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Discretionary, Excluding Special Categories								
Agriculture and Rural Development	14.1	13.8	14.2	15.1	13.7	14.1	–0.4	–1.1
Commerce, Justice, State and the Judiciary	26.1	24.7	29.6	27.2	29.9	28.4	0.4	1.2
District of Columbia	0.8	0.8	0.4	0.4	0.3	0.3	–0.1	–0.1
Energy and Water Development	20.9	20.7	21.6	21.5	21.5	21.2	–0.2	–0.3
Foreign Operations:								
Subcommittee Total (Excluding Funding Listed Below)	13.1	13.0	15.3	13.2	14.6	13.3	–0.7	0.1
IMF: Increase in the U.S. Quota	.....	.....	14.5	.....	.....	.....	–14.5	.....
IMF: New Arrangements to Borrow (NAB)	.....	.....	3.4	.....	.....	.....	–3.4	.....
Interior and Related Agencies	14.0	13.6	14.0	14.3	15.0	14.9	1.0	0.7
Labor, HHS, and Education	81.1	75.2	84.5	82.0	89.2	88.1	4.6	6.1
Legislative	2.3	2.2	2.6	2.4	2.6	2.7	0.0	0.3
Military Construction	9.3	9.9	8.7	9.2	5.4	8.4	–3.2	–0.8
National Security	250.7	248.3	255.0	255.5	262.9	253.5	7.9	–2.0
Transportation and Related Agencies	14.9	37.2	12.4	13.8	12.8	14.6	0.3	0.8
Treasury, Postal Service, and General Government	12.6	12.4	14.2	13.5	13.3	13.6	–0.9	0.1
Veterans Affairs, HUD, Independent Agencies	68.9	79.0	71.3	80.1	69.6	81.5	–1.7	1.4
Designated Offsets to Discretionary Spending	.....	.....	.....	.....	–18.1	–17.9	–18.1	–17.9
Emergency Funding:								
Emergency Funding for Wye River Memorandum	.....	.....	0.9	0.6	.....	0.1	–0.9	–0.5
Contingent Emergency Funding Expected to be Released	.....	.....	6.7	2.5	.....	2.7	–6.7	0.2
Total, Discretionary, Excluding Special Categories	528.7	550.8	569.2	551.4	532.7	539.5	–36.4	–11.8
Violent Crime Reduction								
Commerce, Justice, State and the Judiciary	5.2	3.8	5.5	3.8	4.2	5.3	–1.3	1.5
Labor, HHS, and Education	0.1	0.1	0.2	0.1	0.2	0.2	–0.0	0.0
Treasury, Postal Service, and General Government	0.1	0.1	0.1	0.1	0.1	0.1	0.0	–0.0
Total, Violent Crime Reduction Spending	5.5	3.9	5.8	4.0	4.5	5.6	–1.3	1.5
Highway Category								
Transportation and Related Agencies	NA	NA	.....	21.8	.....	24.6	.....	2.8
Total, Highway Spending	NA	NA	.....	21.8	.....	24.6	.....	2.8
Mass Transit Category								
Transportation and Related Agencies	NA	NA	.....	4.0	.....	4.1	.....	0.1
Total, Mass Transit Spending	NA	NA	.....	4.0	.....	4.1	.....	0.1
Total, Discretionary Spending, Excluding IMF and Emergency Funding	534.2	554.7	549.5	578.1	537.2	571.0	–12.3	–7.0
Total, Discretionary Spending	**534.2**	**554.7**	**575.0**	**581.2**	**537.2**	**573.8**	**–37.7**	**7.4**

NA = Not applicable.

Summaries by Agency

SUMMARIES BY AGENCY

Table S–10. DISCRETIONARY BUDGET AUTHORITY BY AGENCY

(In billions of dollars)

Agency	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Legislative Branch	2.3	2.6	2.7	2.7	2.7	2.8	2.8
Judicial Branch	3.2	3.4	3.9	3.9	3.9	4.0	4.0
Agriculture	15.8	15.8	15.2	15.6	15.4	15.4	15.4
Commerce	4.2	5.1	7.2	5.1	4.6	4.6	4.5
Defense—Military	259.8	263.5	268.2	287.4	289.3	299.7	308.5
Education	29.8	28.8	32.8	34.7	34.7	34.7	34.7
Energy	16.8	17.9	17.8	18.7	18.6	18.5	18.5
Health and Human Services	37.1	41.3	41.5	43.5	43.4	43.4	43.4
Housing and Urban Development	22.4	25.5	23.8	28.0	28.0	28.0	28.0
Interior	8.1	7.8	8.6	8.6	8.6	8.6	8.6
Justice	17.6	18.1	18.4	18.5	18.6	18.4	18.4
Labor	10.7	11.0	11.5	11.5	11.5	11.5	11.5
State	5.6	7.6	6.4	6.3	6.4	6.6	6.8
Transportation	15.0	12.5	12.9	13.5	14.0	14.7	15.2
Treasury	11.5	12.7	12.0	12.7	12.5	12.6	12.6
Veterans Affairs	18.9	19.2	19.2	19.2	19.2	19.2	19.2
Corps of Engineers	4.2	4.1	3.9	3.9	3.9	4.0	4.0
Other Defense Civil Programs	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Environmental Protection Agency	7.4	7.6	7.2	7.2	7.2	7.2	7.2
Executive Office of the President	0.2	0.4	0.3	0.3	0.3	0.3	0.3
Federal Emergency Management Agency	2.4	0.8	0.9	0.9	0.9	0.9	0.9
General Services Administration	0.1	0.5	0.2	0.4	0.3	0.3	0.2
International Assistance Programs	11.4	31.2	12.7	12.7	12.2	12.2	12.2
National Aeronautics and Space Administration	13.6	13.7	13.6	13.8	13.8	13.8	13.8
National Science Foundation	3.4	3.7	3.9	4.0	4.0	3.9	3.9
Office of Personnel Management	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Small Business Administration	0.7	0.7	0.8	0.8	0.8	0.8	0.8
Social Security Administration	5.5	5.5	5.6	5.6	5.6	5.6	5.6
Other Independent Agencies	6.2	6.2	6.6	6.9	6.8	6.8	6.8
Allowances	.....	7.6	–0.3	–47.7	–41.6	–20.5	–22.5
Undistributed Offsetting Receipts	.....	.....	–2.8	1.1	1.1	–0.2	–0.2
Total	**534.2**	**575.0**	**555.0**	**540.3**	**547.2**	**578.0**	**585.5**

Table S–11. DISCRETIONARY OUTLAYS BY AGENCY

(In billions of dollars)

Agency	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Legislative Branch	2.2	2.5	2.7	2.7	2.8	2.9	2.9
Judicial Branch	3.2	3.2	3.7	3.9	3.9	4.0	4.0
Agriculture	15.6	16.7	15.5	15.5	15.4	15.5	15.4
Commerce	4.3	4.7	6.6	5.2	4.7	4.7	4.7
Defense—Military	258.1	264.6	261.8	269.4	279.3	291.2	300.9
Education	26.3	28.6	31.8	34.9	34.8	34.8	34.9
Energy	17.0	17.5	17.7	18.2	18.3	18.3	18.2
Health and Human Services	35.0	38.6	41.6	43.0	43.4	43.4	43.4
Housing and Urban Development	33.4	33.2	34.4	33.9	32.0	31.2	30.2
Interior	7.4	8.3	8.4	8.7	8.7	8.8	8.8
Justice	15.2	15.6	18.8	20.0	18.8	18.8	18.6
Labor	10.4	10.9	11.1	11.4	11.5	11.5	11.5
State	4.9	6.3	6.4	6.8	6.8	6.4	6.5
Transportation	37.4	39.7	43.3	46.1	47.5	49.2	50.8
Treasury	10.7	12.2	12.1	12.6	12.6	12.6	12.6
Veterans Affairs	18.5	19.2	19.0	19.3	19.2	19.2	19.2
Corps of Engineers	4.0	4.1	4.0	3.9	3.9	4.0	4.0
Other Defense Civil Programs	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Environmental Protection Agency	6.6	6.9	7.4	7.6	7.4	7.3	7.3
Executive Office of the President	0.2	0.4	0.3	0.3	0.3	0.3	0.3
Federal Emergency Management Agency	2.6	2.8	2.9	2.6	2.0	1.7	1.6
General Services Administration	0.9	0.3	0.4	0.4	0.4	0.3	0.3
International Assistance Programs	11.4	11.7	11.7	11.9	12.5	12.4	12.3
National Aeronautics and Space Administration	14.2	14.0	13.4	13.4	13.5	13.7	13.7
National Science Foundation	3.1	3.2	3.6	3.8	3.9	3.9	3.9
Office of Personnel Management	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Small Business Administration	0.8	0.7	0.8	0.8	0.8	0.8	0.8
Social Security Administration	5.4	5.9	5.8	5.7	5.6	5.6	5.6
Other Independent Agencies	5.8	5.9	6.2	6.5	6.6	6.7	6.8
Allowances	.....	3.1	2.6	–23.8	–36.3	–29.4	–24.2
Undistributed Offsetting Receipts	.....	.....	–2.8	1.1	1.1	–0.2	–0.2
Total	**554.7**	**581.2**	**591.5**	**586.2**	**581.7**	**599.9**	**615.2**

Other Summary Tables

OTHER SUMMARY TABLES

Table S–12. RECEIPTS BY SOURCE—SUMMARY

(In millions of dollars)

Source	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Individual income taxes	828,586	868,945	899,741	912,477	942,750	970,703	1,017,735
Corporation income taxes	188,677	182,210	189,356	196,555	203,438	212,302	221,453
Social insurance and retirement receipts	571,831	608,824	636,529	660,296	686,348	711,984	739,186
(On-budget)	(156,032)	(164,778)	(171,215)	(177,660)	(184,584)	(189,760)	(196,259)
(Off-budget)	(415,799)	(444,036)	(465,314)	(482,636)	(501,764)	(522,224)	(542,927)
Excise taxes	57,673	68,075	69,902	70,795	72,323	73,761	75,352
Estate and gift taxes	24,076	25,932	26,972	28,367	30,489	31,600	33,902
Customs duties	18,297	17,654	18,364	19,975	21,415	22,959	24,854
Miscellaneous receipts	32,658	34,694	42,128	44,851	50,295	51,713	53,045
Total receipts	**1,721,798**	**1,806,334**	**1,882,992**	**1,933,316**	**2,007,058**	**2,075,022**	**2,165,527**
(On-budget)	(*1,305,999*)	(*1,362,298*)	(*1,417,678*)	(*1,450,680*)	(*1,505,294*)	(*1,552,798*)	(*1,622,600*)
(Off-budget)	(*415,799*)	(*444,036*)	(*465,314*)	(*482,636*)	(*501,764*)	(*522,224*)	(*542,927*)

Table S–13. FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	1993 Base	Actual						Estimate		Change: 1993 base to 2000	
		1993	1994	1995	1996	1997	1998	1999	2000	FTE's	Percent
Cabinet agencies:											
Agriculture [1]	115.6	114.4	109.8	103.8	100.7	98.5	96.4	98.0	97.6	–18.0	–15.6%
Commerce	36.7	36.1	36.0	35.3	33.8	32.6	35.7	47.5	92.9	56.1	152.9%
Defense-military functions	931.3	931.8	868.3	821.7	778.9	745.8	707.2	686.5	662.9	–268.4	–28.8%
Education	5.0	4.9	4.8	4.8	4.7	4.5	4.5	4.7	4.7	–0.3	–5.7%
Energy	20.6	20.3	19.8	19.7	19.1	17.3	16.3	16.5	16.2	–4.4	–21.5%
Health and Human Services [1]	65.0	66.1	62.9	59.3	57.2	57.6	57.9	60.5	62.0	–2.9	–4.5%
Social Security Administration	65.4	64.8	64.5	64.6	64.0	65.2	64.0	63.8	63.6	–1.8	–2.8%
Housing and Urban Development	13.6	13.3	13.1	12.1	11.4	11.0	9.8	10.6	10.6	–3.0	–22.3%
Interior	79.3	78.1	76.3	72.0	66.7	65.7	66.5	68.3	69.9	–9.4	–11.8%
Justice	99.4	95.4	95.3	97.9	103.8	111.0	117.3	124.1	128.7	29.3	29.5%
Labor	18.3	18.0	17.5	16.8	16.0	15.9	16.3	16.9	17.4	–0.9	–5.1%
State	35.0	34.2	33.5	31.8	30.2	29.2	26.4	26.9	27.6	–7.4	–21.2%
Transportation	70.3	69.1	66.4	63.2	62.4	62.5	63.4	65.0	65.8	–4.6	–6.5%
Treasury	166.1	161.1	157.3	157.5	151.1	145.5	142.1	145.4	146.1	–20.0	–12.0%
Veterans Affairs [1]	232.4	234.2	233.1	228.5	221.9	211.5	207.1	205.4	197.9	–34.5	–14.8%
Other agencies—excluding Postal Service:											
Agency for International Development [1]	4.4	4.1	3.9	3.6	3.4	2.8	2.7	2.6	2.6	–1.8	–41.2%
Corps of Engineers	29.2	28.4	27.9	27.7	27.1	26.0	24.8	25.2	24.7	–4.5	–15.3%
Environmental Protection Agency	18.6	17.9	17.6	17.5	17.2	17.0	17.7	18.4	18.4	–0.2	–0.9%
Equal Employment Opportunity Commission	2.9	2.8	2.8	2.8	2.7	2.6	2.5	2.8	2.9	0.1	3.2%
Federal Emergency Management Agency	2.7	4.0	4.9	4.6	4.7	5.1	4.6	4.6	4.7	2.0	72.4%
FDIC/RTC	21.6	21.9	20.0	15.7	11.8	8.7	7.9	7.3	6.9	–14.6	–67.9%
General Services Administration	20.6	20.2	19.5	17.0	15.7	14.5	14.1	14.2	14.2	–6.5	–31.5%
National Aeronautics and Space Administration	25.7	24.9	23.9	22.4	21.1	20.1	19.1	18.8	18.2	–7.6	–29.4%
National Archives and Records Administration	2.8	2.6	2.6	2.4	2.5	2.5	2.4	2.6	2.6	–0.1	–3.7%
National Labor Relations Board	2.1	2.1	2.1	2.0	1.9	1.9	1.9	1.9	2.0	–0.1	–6.7%
National Science Foundation	1.3	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.2	–0.1	–10.7%
Nuclear Regulatory Comsmission	3.4	3.4	3.3	3.2	3.1	3.0	3.0	2.9	2.8	–0.6	–17.6%
Office of Personnel Management	6.2	5.9	5.3	4.2	3.4	2.8	2.8	3.0	3.0	–3.2	–51.9%
Panama Canal Commission	8.7	8.5	8.5	8.8	9.0	9.5	9.6	10.2	2.5	–6.2	–71.0%
Peace Corps	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.2	1.2	–0.1	–4.8%
Railroad Retirement Board	1.8	1.8	1.7	1.6	1.5	1.4	1.3	1.2	1.2	–0.7	–37.2%
Securities and Exchange Commission	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	2.9	0.2	5.8%
Small Business Administration	4.0	5.6	6.3	5.7	4.7	4.5	4.4	4.6	4.6	0.6	15.4%
Smithsonian Institution	5.9	5.5	5.4	5.3	5.1	5.0	5.0	5.2	5.2	–0.6	–10.9%
Tennessee Valley Authority	19.1	17.3	18.6	16.6	16.0	14.9	14.4	13.9	13.7	–5.4	–28.4%
All other small agencies	15.9	15.2	14.7	14.9	13.9	13.6	16.0	17.0	17.3	1.5	9.2%
Total, Executive Branch civilian employment	**2,155.2**	**2,138.8**	**2,052.7**	**1,970.2**	**1,891.7**	**1,834.7**	**1,790.2**	**1,801.6**	**1,816.8**	**–338.4**	**–15.7%**
Reduction from 1993 Base	.....	–16.4	–102.5	–185.0	–263.5	–320.5	–365.0	–353.6	–338.4	.....	.....
Subtotal, Defense	931.3	931.8	868.3	821.7	778.9	745.8	707.2	686.5	662.9	–268.4	–28.8%
Subtotal, Non-Defense	1,223.9	1,207.1	1,184.4	1,148.4	1,112.8	1,088.9	1,083.0	1,115.2	1,153.9	–70.0	–5.7%
Status of Federal Civilian Employment Relative to the Federal Workforce Restructuring Act [2]											
Total, Executive Branch Employment	NA	NA	2,052.7	1,970.2	1,891.7	1,834.7	1,790.2	1,801.6	NA	NA	NA
Less: FTEs exempt from FWRA	NA	NA	5.7	5.7	7.6	7.4	5.2	5.5	NA	NA	NA
Total, Executive Branch subject to FWRA Ceiling	NA	NA	2,047.0	1,964.4	1,884.1	1,827.3	1,785.0	1,796.1	NA	NA	NA
FWRA Ceiling	NA	NA	2,084.6	2,043.3	2,003.3	1,963.3	1,922.3	1,882.3	NA	NA	NA
Executive Branch Employment Relative to FWRA Ceiling	NA	NA	–37.6	–78.9	–119.2	–136.1	–137.3	–86.2	NA	NA	NA

[1] The Departments of Agriculture, Health and Human Services, Veterans Affairs, and the Agency for International Development have components that are exempt from FTE controls. In 1999, Agriculture has 2,128 exemptions; HHS has 358 exemptions; Veterans Affairs has 3,000 exemptions and AID has 10 exemptions.

[2] FTE limitations are set for the Executive Branch in the Federal Workforce Restructuring Act of 1994 (P.L. 103–226) from 1994–1999.

Table S–14. FEDERAL GOVERNMENT FINANCING AND DEBT: WITH SOCIAL SECURITY REFORM[1]

(In billions of dollars)

	1998 Actual	Estimate					
		1999	2000	2001	2002	2003	2004
Financing:							
Surplus pending Social Security reform	69.2	79.3	117.3	134.1	186.7	182.0	207.6
Less: Social Security reform proposals:							
Social Security trust fund	.....	.....	–84.7	–69.9	–91.6	–90.3	–108.9
Medicare trust fund	.....	.....	–18.3	–20.3	–28.1	–26.9	–30.4
Universal Savings Accounts	.....	.....	–14.0	–15.9	–21.9	–20.9	–23.6
Military readiness and other critical national needs	.....	.....	.....	–26.3	–40.9	–36.5	–34.1
Financing costs	.....	.....	–0.3	–1.7	–4.3	–7.5	–10.6
Surplus with Social Security reform	69.2	79.3	0.0	0.0	0.0	0.0	0.0
Means of financing other than borrowing from the public:							
Transfers to Social Security trust fund[2]	.....	.....	84.7	69.9	91.6	90.3	108.9
Less: Purchases of stock by Social Security trust fund:							
From transfers	.....	.....	–17.8	–14.7	–19.0	–19.0	–22.9
From reinvested dividends	.....	.....	–0.4	–1.2	–2.1	–3.1	–4.3
Transfers to Medicare trust fund[2]	.....	.....	18.3	20.3	28.1	26.9	30.4
Changes in:[3]							
Treasury operating cash balance	4.7	–1.1	.....	.....	.....	.....	.....
Checks outstanding, etc.[4]	–10.5	–3.7	–0.1	.....	.....	.....	.....
Deposit fund balances	–0.8	–1.7	.....	.....	.....	.....	.....
Seigniorage on coins	0.6	0.9	1.0	1.0	1.0	1.0	1.0
Less: Net financing disbursements:							
Direct loan financing accounts	–11.5	–25.2	–21.2	–20.1	–19.6	–19.2	–17.7
Guaranteed loan financing accounts	–0.5	1.6	0.9	1.8	1.8	1.8	2.0
Total, means of financing other than borrowing from the public	–18.0	–29.1	65.4	57.1	81.7	78.7	97.3
Total, repayment of debt held by the public	51.3	50.1	65.4	57.1	81.7	78.7	97.3
Change in debt held by the public	–51.3	–50.1	–65.4	–57.1	–81.7	–78.7	–97.3
Debt Outstanding, End of Year:							
Gross Federal debt:							
Debt issued by Treasury	5,449.3	5,586.6	5,803.7	6,016.5	6,252.1	6,496.7	6,753.2
Debt issued by other agencies	29.4	28.4	27.5	26.4	25.5	24.1	22.8
Total, gross Federal debt	5,478.7	5,614.9	5,831.2	6,043.0	6,277.5	6,520.8	6,776.0
Held by:							
Government accounts	1,758.8	1,945.2	2,226.8	2,495.7	2,811.9	3,133.8	3,486.3
The public	3,719.9	3,669.7	3,604.4	3,547.3	3,465.6	3,386.9	3,289.6
Federal Reserve Banks[5]	458.1						
Other	3,261.7						
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	5,449.3	5,586.6	5,803.7	6,016.5	6,251.1	6,496.7	6,753.2
Less: Treasury debt not subject to limitation[6]	–15.5	–15.5	–15.5	–15.5	–15.5	–15.5	–15.5
Agency debt subject to limitation	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Adjustment for discount and premium[7]	5.5	5.5	5.5	5.5	5.5	5.5	5.5
Total, debt subject to statutory limitation[8]	5,439.4	5,576.6	5,793.7	6,006.5	6,242.1	6,486.7	6,743.2

[1] Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt is almost entirely measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

[2] The transfers to the Social Security and Medicare trust funds do not require financing with borrowing from the public and therefore must be added to the surplus in order to derive the change in debt held by the public.

[3] A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing the deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing the deficit and therefore has a positive sign.

[4] Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

[5] Debt held by the Federal Reserve Banks is not estimated for future years.
[6] Consists primarily of Federal Financing Bank debt.
[7] Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.
[8] The statutory debt limit is $5,950 billion.

Table S–15. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar years)

	Projections					
	1999	2000	2001	2002	2003	2004
Real GDP (chain-weighted): [1]						
1999 Mid-Session Review	2.0	2.0	2.2	2.4	2.4	2.4
CBO January	1.8	1.9	2.3	2.4	2.5	2.4
2000 Budget	2.0	2.0	2.0	2.4	2.4	2.4
Chain-weighted GDP price index: [1]						
1999 Mid-Session Review	2.0	2.2	2.2	2.2	2.2	2.2
CBO January	2.1	2.0	2.2	2.1	2.1	2.1
2000 Budget	1.9	2.1	2.1	2.1	2.1	2.1
Consumer Price Index (all-urban): [1]						
1999 Mid-Session Review	2.1	2.3	2.3	2.3	2.3	2.3
CBO January	2.7	2.6	2.6	2.6	2.6	2.6
2000 Budget	2.3	2.3	2.3	2.3	2.3	2.3
Unemployment rate: [2]						
1999 Mid-Session Review	5.0	5.2	5.4	5.4	5.4	5.4
CBO January	4.6	5.1	5.4	5.6	5.7	5.7
2000 Budget	4.8	5.0	5.2	5.3	5.3	5.3
Interest rates: [2]						
91-day Treasury bills:						
1999 Mid-Session Review	4.9	4.8	4.7	4.7	4.7	4.7
CBO January	4.5	4.5	4.5	4.5	4.5	4.5
2000 Budget	4.2	4.3	4.3	4.4	4.4	4.4
10-year Treasury notes:						
1999 Mid-Session Review	5.6	5.6	5.6	5.6	5.6	5.6
CBO January	5.1	5.3	5.4	5.4	5.4	5.4
2000 Budget	4.9	5.0	5.2	5.3	5.4	5.4

[1] Percent change, fourth quarter over fourth quarter.
[2] Annual averages, percent.

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