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104TH CONGRESS, *1st Session* | SENATE | REPORT 104–82

FY

CONCURRENT RESOLUTION ON THE BUDGET

1996

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 13

TOGETHER WITH

ADDITIONAL AND MINORITY VIEWS

Setting forth the congressional budget for the United States Government for fiscal years 1996, 1997, 1998, 1999, 2000, 2001, and 2002

MAY 15, 1995.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
90–754 WASHINGTON : 1995

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(II)

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104TH CONGRESS, *1st Session* | SENATE | REPORT 104–82

CONCURRENT RESOLUTION ON THE BUDGET FOR FISCAL YEAR 1996

MAY 15, 1995.—Ordered to be printed

Mr. DOMENICI, from the Committee on the Budget, submitted the following

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. Con. Res. 13]

The Committee on the Budget submits the following report, accompanying the Concurrent Resolution on the Budget and setting forth the congressional budget for the United States Government for fiscal years 1996, 1997, 1998, 1999, 2000, 2001, and 2002 pursuant to the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93–344).

I. INTRODUCTION AND OVERVIEW

The Committee's reported Concurrent Resolution on the Budget for Fiscal Year 1996 provides a fiscal blueprint that would for the first time in three decades result in a balanced federal budget, measured by a comprehensive accounting of all federal activities.[1] The Committee's recommendations are based on the unequivocal

[1] During the Committee's deliberations on the FY 1996 Concurrent Resolution a discussion of budget concepts transpired. The Committee's reported resolution complies with the Budget Enforcement Act, Subtitle C, Social Security, Section 13301, which requires the exclusion of receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund from the reported budget resolution. As is the custom in the budgets submitted by the President and analyzed by the Congressional Budget Office and others, summary tables are included in this report that present a complete accounting of all federal activities as well as the exclusion of off-budget programs (currently Social Security and U.S. Postal Service).

90–754

goal expressed by the American public and by a majority of the members of the 104th Congress—balance the federal budget early in the next century, specifically by the year 2002.[2] The Committee's recommendations are based on one simple proposition: by meeting our requirement to fiscal responsibility we will insure a better future for our children and a better future for our country.

The Committee's reported budget resolution stands in stark contrast to President Clinton's 1996 budget which surrenders to the deficit and, based on the Congressional Budget Office's recent estimates, sentences the country to increasing deficits each and every year into the next century.[3] President Clinton's federal deficit would increase from $177 billion this year to nearly $280 billion in the year 2000. Under President Clinton's do nothing deficit policy, total debt held by the public would increase both in absolute terms and as a proportion of the total economy (from $3.5 trillion this year to $5.0 trillion in the year 2000; from 52 percent of GDP this year to over 55 percent of GDP in 2000.)

Committee's recommendations provide a real alternative for a brighter fiscal future. Following the assumptions of the Committee's recommendations, total federal spending will still increase from $1.5 trillion this year to nearly $1.9 trillion in 2002. But for the first time in nearly three decades, wages and salaries will be growing faster than the rate of growth in federal spending—5 percent versus 3 percent annually. The federal deficit, left unchanged would grow from $175 billion this year to nearly $230 billion in 2002, and the debt burden on the public would increase from $3.8 trillion to over $5.4 trillion in 2002, or 54 percent of GDP. Under the Committee's recommendations—a real, no-smoke and mirrors budget—fully implemented and enforceable, the deficit declines to zero in the year 2002. Debt held by the public would reach $4.3 trillion in 2002 before declining thereafter. More importantly debt held by the public would decline as a proportion of the GDP to 43 percent in 2002—a 20 percent decline.

Under the assumptions of the Committee's recommendations annual expenditures for appropriated accounts will decline from $278 billion this year to $245 billion in 2002. Annual expenditures for appropriated defense programs, as requested by President Clinton, would decline slightly from the current spending level ($270 billion) throughout the remainder of the century before returning to an annual level of $270 billion in 2002.

Under the assumptions of the Committee's recommendations, social security expenditures will continue to grow from $334 billion this year to over $480 billion in 2002. The Committee's recommendations does not change any social security benefit or any social security COLA.

Under the assumptions of the Committee's recommendations, the Medicare program will remain the fastest growing program in the federal budget, increasing at an annual rate of 7.1 percent, growing from $178 billion this year to $288 billion in 2002. The Committee

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[2] The reported resolution also complies with S.Amdt.No. 238 adopted by the full Senate on February 10, 1995, (87–10). The amendment directed the Senate Budget Committee "to report . . . at the earliest possible date to the Senate how to achieve a balanced budget. . . ."

[3] An *Analysis of the President's Budgetary Proposals for Fiscal Year 1996*, Prepared at the Request of the Senate Committee on Appropriations, April 1995.

adopted (13–9) an amendment offered by Senator Frist that would encourage the Congress to quickly establish a bipartisan commission similar to that recommended by the Social Security and Medicare Trustees in April. The commission would make recommendations to the Congress in two steps. In the first step, the commission would address the current short-term insolvency of the Medicare program early this summer. In the second step, the commission would address the long-term insolvency of the account early next year. The establishment of such a commission it was felt would provide expert advice that could be used by the authorizing committees of the Congress as they worked to provide solvency to the Medicare program and meet their required reconciliation instructions later this summer.

Under the Committee's recommendations, the federal Medicaid program could be converted into a block grant program to the states, and its annual growth rate would be reduced from nearly 10 percent annually to an average of 5 percent over the next seven years. In total, federal and state Medicaid spending would increase from about $160 billion this year to over $220 billion in 2002. Federal spending for Medicaid would increase from nearly $89 billion this year to over $125 billion in 2002.

The Committee's recommendations were designed to achieve the goal of fiscal solvency while building on the following themes:

Protect and preserve programs that provide income security for our senior citizens.—Again, no changes are recommended to the social security program. No changes to any COLA are assumed for any federal pension program.

Begin deficit reduction in our own backyard.—The Committee's recommendations assumes a seven year freeze on all members pay, federal judges, and SES employees. The reported resolution assumes a 15 percent reduction in Senate Committee staff, a 12.5 percent reduction in Senate support staff, a 25 percent reduction in GAO, and the termination of OTA. The resolution assumes rank and file federal workers would receive current law pay adjustments.

Devolve federal programs to states.—Move power and money out of Washington and back to citizens in their states and communities. The Committee's recommendations assumes consolidation of federal health, transportation, education and other social service programs. The Committee's recommendations assumes federal assistance would be returned to states in the form of various block grants. The Committee recognizes that changes to major federal-state programs will require careful coordination to ensure state and local administrative changes take place in an orderly manner.

Reduce the size of the federal government.—Terminate, eliminate, reduce duplication and modernize programs that were created for the 1960's—not the 21st century. The Committee's recommendations assumes the termination of more than 100 federal programs, agencies, and commissions. The Committee's recommendations assumes the orderly termination of the Department of Commerce and the Office of Personnel Management.

Public programs that could better be run as commercial endeavors should be privatized.—The Committee's recommendations assumes the creation of a private air traffic control system, privatization of Sallie Mae, privatize the naval petroleum reserve and the uranium enrichment corporation, close GSA supply depots, repeal of the Davis-Bacon Act and other proposals discussed later.

Protect national security and people's security.—The Committee's recommendations assumes President Clinton's defense request in his 1996 budget submission. The Committee's recommendations assumes that the Crime Trust Fund would be funded and that the FBI, DEA, and INS funding would increase.

Reform federal assistance programs.—The Committee's recommendations assumes welfare reform savings over the next seven years that will total $80 billion, and yet the budget blueprint continues significant funding for vulnerable low-income families and their children. Over the same seven year period federal food stamp spending will exceed $192 billion, AFDC and Child Care Programs will exceed $131 billion, the federal SSI program will expend $231 billion, the EITC program will continue to grow and expend $155 billion, the federal child nutrition programs will expend $66 billion and the WIC program will cost $26 billion. In total these programs alone would provide over $800 billion in assistance to low-income families and their children.

The food stamp program would be reformed and benefits would be tied to the rate of growth in food inflation. The school lunch and school breakfast program would not be changed but the Committee's recommendations assumes targeting the Child Adult Care Feeding Program on low-income families. The Committee's recommendations assumes funding for the WIC program will increase. The Committee's recommendations assumes an important expansion of the Child Support Enforcement Program requiring absent fathers and mothers to provide support to their abandoned children.

Control the growth of public health care expenditures.—The Committee's recommendations assumes that unsustainable growth in federal health care costs must be curbed to insure the solvency of the Medicare trust fund and to guarantee its survival for future recipients.

Reduce spending on corporate subsidies.—The Committee's recommendations reduces federal corporate subsidies for agriculture, trade, energy, and transportation industries. According to the Congressional Budget Office, federal spending to support business and industry totals about $27 billion annually. The Committee's recommendations would reduce these corporate subsidies by nearly one-third.

The Committee's recommendations do not assume any net change in revenues from that which would result from a continuation of current tax policies. However, a special reserve fund would provide, after spending restraint is enacted as assumed in the reported resolution, and that restraint is estimated and certified to achieve balance in 2002 by the Congressional Budget Office, that

then and only then would any resulting ''fiscal dividend'' be made available to the tax writing committees of Congress for consideration of tax reduction not to exceed the estimated fiscal dividend. The Committee further adopted a Sense of the Congress resolution, that should any tax reduction legislation be considered, then that tax reduction should go to working families with annual incomes below $100,000. To achieve any fiscal dividend and therefore any tax reduction, however, the Committee reported resolution restraining the rate of growth in federal spending must first be implemented—legislation enacted, Congressional Budget Office certification of balance and estimate of dividend, and Presidential signature of the deficit reduction legislation that achieves balance in 2002.

Finally, the Committee's recommendations would enforce the assumptions of the budget resolution through tough and disciplined provisions governing the consideration of enacting legislation. First, discretionary spending caps would be consistent with the assumptions of the Committee's recommendations and extended through 2002. Defense and nondefense discretionary firewalls would be reestablished to protect President Clinton's requested defense mark. The Committee's recommendations would enforce the mandatory spending assumptions through the process of reconciling spending savings. Reconciled committees would be required to meet the Chairman's assumptions of direct spending savings in the first year, the cumulative five year sum, and the cumulative seven year sum. The Committee's recommendations would require emergency spending outside the spending caps to secure 60 votes—true emergency spending would have no difficulty meeting this test. And finally, the Committee's recommendations would extend the Budget Act's 60 vote enforcement and pay-as-you-go provisions through the year 2002. A 10 year point-of-order, adopted in the last two budget resolutions would be continued in the Committee's recommendations.

The Committee's recommendations are real, enforceable, and achieve the fiscal policy goal of a comprehensive, unified balanced budget in 2002. It is a budget blueprint that will guide the country into a successful and prosperous 21st Century. The Committee's recommendations if implemented would restore our nation's fiscal equilibrium. It would protect our children and grandchildren by putting the breaks on government borrowing and underscores the simple notion that our government cannot continue to spend our children's legacy.

TABLE 1.—AGGREGATE BUDGET TOTALS

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
On-budget:								
Budget authority	$1,260.9	$1,268.5	$1,295.3	$1,343.3	$1,385.9	$1,444.8	$1,472.0	$1,518.1
Outlays	1,243.7	1,274.8	1,292.7	1,319.9	1,367.1	1,422.3	1,451.0	1,498.5
Revenues	997.8	1,042.4	1,082.8	1,134.2	1,188.4	1,247.4	1,314.2	1,385.0
Deficit	−245.9	−232.4	−209.9	−185.7	−178.7	−174.9	−136.8	−113.5

TABLE 1.—AGGREGATE BUDGET TOTALS—Continued

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
Off-budget:								
Budget authority	292.6	306.2	321.1	329.4	345.1	356.4	371.8	387.7
Outlays	286.1	299.4	310.1	323.2	338.4	351.7	368.1	383.8
Revenues	357.4	374.7	392.0	411.4	430.9	452.0	475.2	498.6
Surplus	71.3	75.3	81.9	88.1	92.5	100.3	107.1	114.8
Unified budget:								
Budget authority	1,553.6	1,574.7	1,616.5	1,672.8	1,731.0	1,801.2	1,843.8	1.905.8
Outlays	1,529.9	1,574.2	1,602.8	1,643.2	1,705.5	1,774.0	1,819.1	1,882.3
Revenues	1,355.2	1,417.1	1,474.8	1,545.6	1,619.3	1,699.4	1,789.4	1,883.6
Deficit/surplus	−174.7	−157.1	−128.0	−97.6	−86.2	−74.6	−29.7	1.3
Debt subject to limit	4,903.0	5,201.7	5,481.0	5,734.9	5,980.0	6,219.0	6,421.8	6,599.5

TABLE 2.—COMMITTEE RECOMMENDATION

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
Discretionary:								
Defense	$270	$262	$257	$255	$261	$268	$268	$260
Nondefense	278	268	255	250	248	250	248	248
Subtotal discretionary	548	530	512	506	509	518	517	518
Mandatory:								
Social Security	334	352	371	391	411	433	456	480
Medicare	178	187	198	213	228	244	262	283
Medicaid	89	96	102	107	112	116	121	125
Other mandatory	146	152	156	159	172	181	185	197
Net interest	235	258	264	267	272	278	278	279
Total outlays	1,530	1,574	1,602	1,643	1,705	1,771	1,818	1,882
Revenues	1,355	1,418	1,476	1,546	1,618	1,698	1,789	1,884
Resulting deficit/surplus	−175	−157	−128	−98	−86	−75	−30	1

Note: Detail may not add to totals due to rounding. All totals shown on a unified budget basis.

TABLE 3.—COMMITTEE RECOMMENDATION COMPARISON TO BASELINE

[Dollars in billions]

	1996	1997	1998	1999	2000	5-yr total	2001	2002	Grand total
Current Law Deficit	$197	$214	$209	$223	$236	$0	$224	$227	$0
Discretionary:									
Defense	4	0	−2	2	6	10	6	8	25
Nondefense	−12	−26	−29	−30	−29	−127	−31	−31	−189
Mandatory:									
Social Security	.....	.....	.....	.....	.....	.....	.....	.....	.....
Medicare	−12	−22	−27	−36	−44	−141	−53	−62	−256
Medicaid	−4	−8	−15	−23	−32	−81	−42	−53	−175
Other mandatory	−14	−25	−29	−30	−33	−132	−37	−39	−208
Revenues	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total policy changes	−39	−81	−101	−117	−132	−470	−156	−177	−804

TABLE 3.—COMMITTEE RECOMMENDATION COMPARISON TO BASELINE—Continued

[Dollars in billions]

	1996	1997	1998	1999	2000	5-yr total	2001	2002	Grand total
Debt service	−1	−5	−11	−19	−28	−65	−39	−51	−155
Total deficit reduction	−40	−86	−113	−136	−160	−535	−195	−229	−958
Resulting deficit/surplus	157	128	98	86	75	0	30	−1	0

Note: Details may not add to totals due to rounding. All totals shown on a unified budget basis.

II. ECONOMICS

The Committee baseline is predicated on assumptions about the future yearly path of the U.S. economy, detailed in Table 1. These economic assumptions were developed by the Congressional Budget Office (CBO) and are the same as the assumptions underlying CBO's budget projections in its January 1995 report, updated for CBO revisions to its 1998 through 2002 CPI inflation assumptions. The figures reflect a short-term forecast for 1995 and 1996 and projections in later years based on longer-term trends in the economy. The near-term forecast is the result of likely outcomes based on analysis of the current state of the economy and in particular its position in the business cycle.

TABLE 1.—CBO ECONOMIC PROJECTIONS

[Calendar Years]

	1994	1995	1996	1997	1998	1999	2000	2001	2002
Percent change, year over year:									
Real GDP	4.1	3.1	1.8	2.4	2.3	2.3	2.3	2.3	2.3
Implicit GDP deflator	2.1	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8
CPI–U	2.6	3.1	3.4	3.4	3.2	3.2	3.2	3.2	3.2
Percent, Annual:									
Unemployment rate	6.1	5.5	5.7	5.8	5.9	6.0	6.0	6.0	6.0
Three-month treasury bill	4.2	6.2	5.7	5.3	5.1	5.1	5.1	5.1	5.1
Ten-year treasury note rate	7.1	7.7	7.0	6.7	6.7	6.7	6.7	6.7	6.7

THE BUSINESS CYCLE EXPANSION

The Clinton Administration came to office during the fast-growing, recovery stage of the tenth business-cycle expansion since WW II. The current expansion which began in April 1991 during the Bush Administration is now just over four years old. The strongest components of growth during the expansion have been centered in interest-sensitive sectors of the economy such as construction and durable goods manufacturing, and in export sectors.

COMPONENTS OF CURRENT EXPANSION GROWTH

[Annual percent change 1991 to 1994, constant dollars]

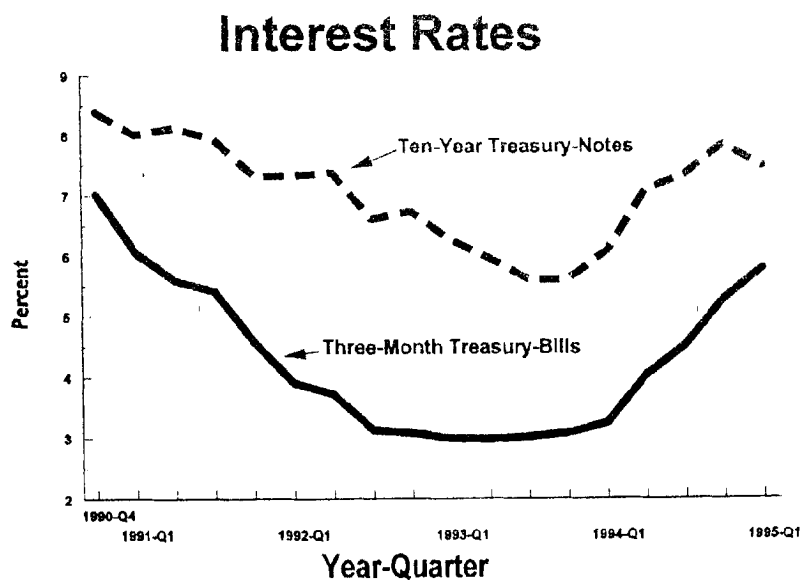
GDP	Consumer durable goods	Home construction	Equipment investment	Exports
3.1	7.7	10.8	13.7	6.5

Source: Bureau of Economic Analysis, Department of Commerce.

Beginning in 1990, in response to a faltering economy, the Federal Reserve (Fed) began a concerted policy effort to reduce interest rates. The Federal Funds rate, the primary rate the Fed controls,

was reduced from 8.3 percent in 1990 to a 1992 level of 2.9 percent, the lowest point reached during the current expansion. Fed interest rate reductions were completed by the end of 1992 as clear signs of strong economic growth became evident. By the fourth quarter of 1992, GDP growth had reached 5.7 percent, the fastest rate since 1987. Chart 1 shows the path of Three-month Treasury Bill rates which track movements in the Federal Funds rate.

Chart 1


Interest Rates
Percent
9
8
7
6
5
4
3
2
Ten-Year Treasury-Notes
Three-Month Treasury-Bills
1990-Q4
1991-Q1
1992-Q1
1993-Q1
1994-Q1
1995-Q1
Year-Quarter

Long-term interest rates also began declining in 1990. The Ten-year Treasury Note rate declined from 8.9 percent in 1990 to an expansion low of 5.3 percent by 1993. Consistent with the typical 9-month to one-and-a-half year delay experienced between monetary policy easing and its economic effects, economic growth in interest sensitive sectors began rising in 1992 and gained momentum in 1993 and 1994.

Now exceeding four years in length, the current business cycle expansion equals the average length of the nine expansions since WW II. Moreover, current conditions indicate that, after retreating in 1990 and 1991, the economy has once again reached a level of output that is close to fully utilizing the economy's current resources. Factors are developing that signal slower growth ahead than the 4.1 percent pace of 1994 or even the three percent pace since the expansion began. At this point, should economic growth continue to surpass the economy's capacity to expand—a rate of between 2.0 percent to 2.5 percent growth a year according to calculations from CBO, the Federal Reserve, and most private sector forecasters—the economy could overheat and increase inflationary pressures, hastening the expansion's end.

A number of factors suggest the economy is close to this point:

As measured by the Federal Reserve Board, utilization of factory capacity in January reached the highest level since October of 1979.

Down from a recession-induced high of 7.7 percent, the 5.5 percent unemployment rate in the first quarter is below most estimates of the level at which rising inflation usually begins to develop—approximately a 6.0 percent rate of unemployment. While actual inflation increases often lag behind tightening labor markets, inflation pressures from these markets, once started, are difficult to quell.

Prices for crude and intermediate materials that are used at early stages of processing have been accelerating in the past year suggesting tightening supplies. These rises eventually feed into more pervasive inflation measures that affect consumers. Prices for crude materials, less the more volatile food and energy prices, have risen 15 percent over the past 12 months and intermediate prices, similarly adjusted, have risen 7 percent, the fastest rate since the late 1980s.

Core consumer inflation (less food and energy) has accelerated in the past four months to 4.2 percent—faster than the 2.9 percent pace of the past two years.

Declines to historic lows of the exchange rate value of the U.S. dollar against the yen and mark in recent months puts added pressure on rising prices of imports.

With the economy at currently high capacity levels and the pace of growth in 1994 above the rate that is sustainable over the long-run, economic growth will have to slow in the near-term. This can occur in three ways: as the result of the delayed effects of monetary policy tightening engineered by the Fed through its seven monetary policy actions since the beginning of 1994, as the result of fiscal restraint that is viewed as temporary and doesn't promise budget balance in future years or, should fast growth continue in the im-

mediate future, through a more jarring and steep slow down possibly ending in recession.

ECONOMIC PROJECTIONS

CBO's growth projections reflect its judgment that the Federal Reserve will be successful in slowing real GDP growth without precipitating a recession. The economy is expected to reach a "soft landing" growth rate that matches the economy's long-run potential to expand of 2.0 to 2.5 percent. Over 1995 and 1996 on a fourth-quarter to fourth-quarter basis, CBO's GDP growth forecast averages 2.2 percent, a rate that is expected to keep inflation from heating up excessively, helping to continue the expansion. Recent statistics suggest that this scenario is in fact unfolding. In the first quarter, consumer purchases, adjusted for inflation, increased 1.4 percent after rising 5.1 percent in the fourth quarter of 1994. New housing starts have slowed to a 1.27 million annual rate in the first three months of this year, down 8 percent from the average in the second-half of 1994.

CBO traditionally focuses on underlying trends in the economy as the basis for its longer term projections rather than yearly forecasts of economic measures and these projections have been assumed by the Committee for 1997 through 2002. The trends represent estimations of the economy's ability to expand capacity based on projections about labor force growth, capital formation, and long-term productivity gains.

Table 1 shows the components of the Committee economic assumptions. Real GDP growth slows from 4.1 percent in 1994 to 3.1 percent in 1995 and to 1.8 percent in 1996. In later years, real GDP is projected to average 2.3 percent a year, roughly the rate of growth of the economy's potential. At this rate, unemployment will remain below or at 6.0 percent through 2002. Inflation as measured by the CPI is projected to be 3.1 percent in 1995, rise to 3.4 percent, and then remain at 3.2 percent in 1998 and later years.

In January, CBO projected CPI inflation would remain at 3.4 percent for 1998 and thereafter. The downward revision reported here relative to the January figures reflects CBO's new appraisal that the 1998 benchmark revision to the CPI planned by the Bureau of Labor Statistics will likely reduce the rise in the computed measure of the CPI by 0.2 percentage points a year. Federal Reserve Chairman Greenspan and CPI experts have recently testified before the Senate that incomplete evidence suggests CPI inflation may be overstated by as much as 1.0 to 1.5 percentage points a year. However, in advance of further, more conclusive analysis, CPI biases remain speculative and have not been incorporated into the Committee assumptions.

The Committee's short-term economic assumptions in general are similar to those of private sector forecasts, as Table 2 indicates. The CBO real GDP average of 2.2 percent for 1995–1996 is the same as the Data Resources Incorporated average and only one-tenth percentage point lower than the average of 50 forecasters making up the Blue Chip Consensus. CBO's figures for inflation, unemployment, and interest rates similarly fall within the range of other estimates.

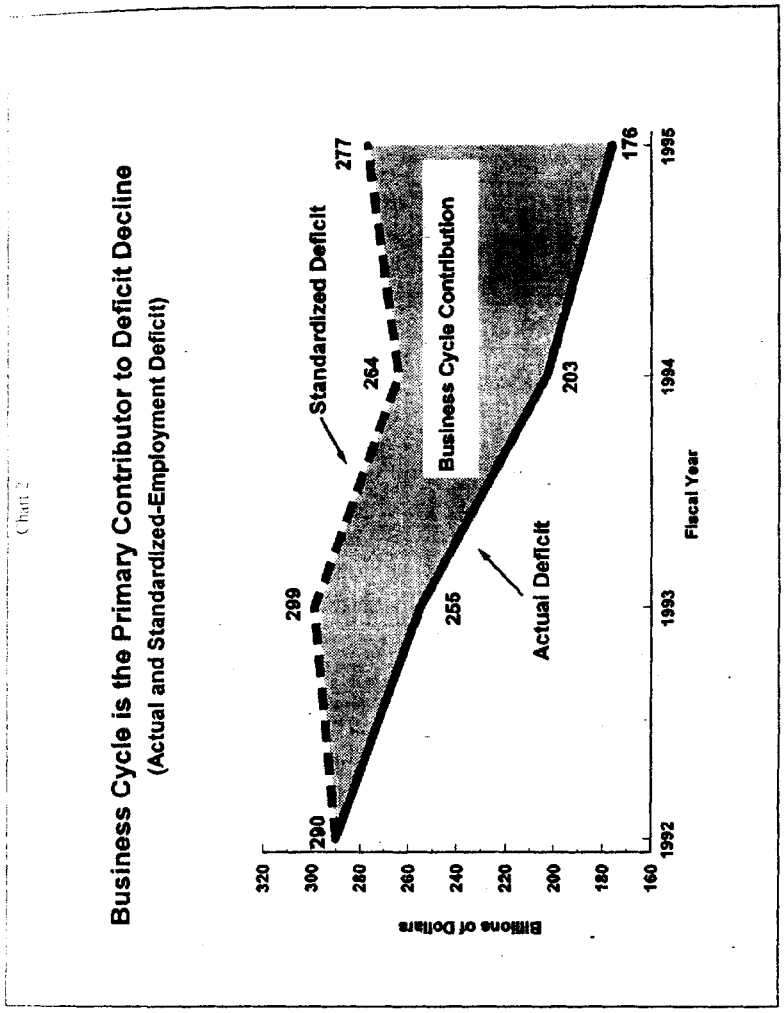
TABLE 2.—FORECAST COMPARISON

[4th-Quarter 1994 to 4th-Quarter 1996 Change, or 1995–1996 Avg. Levels]

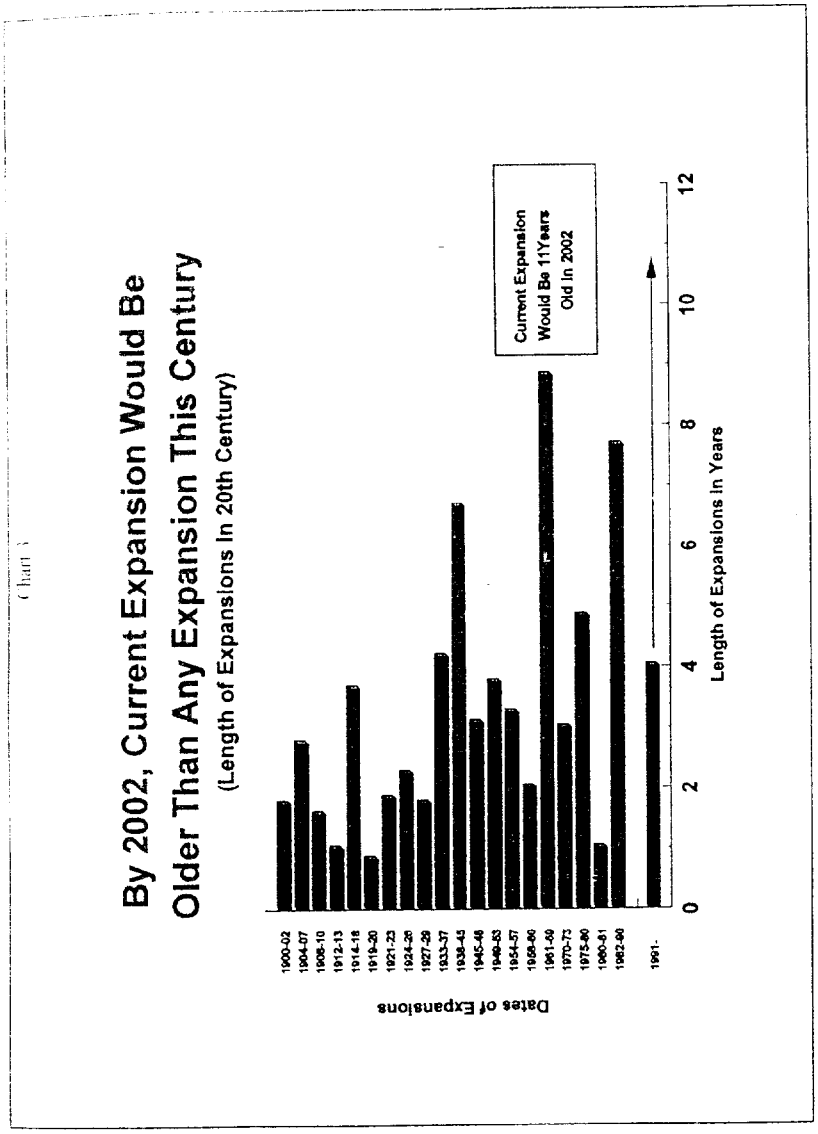
	Percent change		Unemployment rate	3-month T-bill
	Real GDP	CPI		
CBO	2.2	3.3	5.6	6.0
Blue Chip Consensus—April	2.3	3.5	5.6	6.1
Data Resources Inc.—April	2.2	3.2	5.7	5.3
L. Meyer Assoc.—April	2.3	3.3	5.6	6.0
Administration—January	2.5	3.2	5.9	5.7

NO FURTHER DEFICIT REDUCTION COMING FROM THE BUSINESS CYCLE

The strength of the business cycle expansion has been the primary contributor to the decline in the Federal deficit. In total, the deficit will have declined from $290 billion in fiscal year 1992 to a CBO estimated $176 in the current year—a decline of $114 billion. However, of that decline, CBO calculates that $101 billion, or 89 percent, was accounted for by the strong business cycle rebound. An alternative measure of the deficit, the "standardized-employment" deficit, strips out the portion of deficit reduction that is explained by the business cycle. CBO calculates that when the effects of the business cycle are removed, the Federal deficit declined only $13 billion between 1992 and 1995. The standardized-employment deficit in Chart 2 shows this $13 billion decline, from $290 billion in 1992 to $277 billion in 1995.


Business Cycle is the Primary Contributor to Deficit Decline
(Actual and Standardized-Employment Deficit)
Billions of Dollars
320
300
280
260
240
220
200
180
160
290
299
264
277
255
203
176
Standardized Deficit
Business Cycle Contribution
Actual Deficit
1992
1993
1994
1995
Fiscal Year

Because GDP growth will have to slow soon to the growth rate potential of the economy, further declines in the actual deficit due to the business cycle are now at an end. Further declines can only come from concerted policy action. Moreover, this future path is based on the optimistic premise that no recessions occur this year or over the next seven years, making this an eleven-year expansion—the longest expansion this century, as Chart 3 shows.


By 2002, Current Expansion Would Be
Older Than Any Expansion This Century
(Length of Expansions In 20th Century)
Dates of Expansions
1900-02
1904-07
1908-10
1912-13
1914-18
1919-20
1921-23
1924-26
1927-29
1933-37
1938-45
1945-48
1949-53
1954-57
1958-60
1961-69
1970-73
1975-80
1980-81
1982-90
1991-
0
2
4
6
8
10
12
Length of Expansions In Years
Current Expansion
Would Be 11Years
Old In 2002

With economic growth expected to slow as the business cycle matures, the challenge ahead is to expand the capacity of the American economy, including new factories, new technologies, and new job opportunities. However, a number of factors, are working against the ability of the American economy to expand its economic capacity.

The household saving rate, after rising in 1992 to 5.5 percent, has averaged 4.1 percent in 1993 and 1994, the lowest two-year average since World War II. Moreover, even as private savings decline, the government drain on those resources is projected to rise. The Bipartisan Commission on Entitlement and Tax Reform concluded that, if current policy is not changed, the deficit will rise to 18 percent of GDP by 2030 from approximately three percent today.

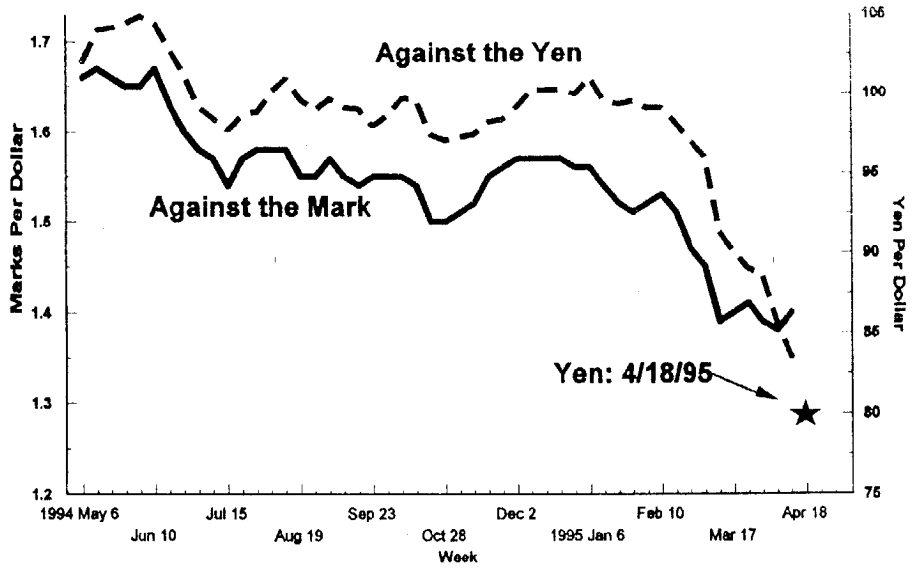
Owing to low private saving, continued sizable Federal borrowing, and growing domestic investment needs, borrowing from abroad has increased on net from $57 billion in 1992 to $143 billion in 1994. January Office of Management and Budget projections show borrowing requirements reaching as high as $190 billion by 1996, surpassing the previous highs reached in 1987.

Rising requirements for foreign borrowing has helped push long-term interest rates higher. The Ten-year Treasury Note rate is now nearly two percentage points higher than its level a year and a half ago, more than can be explained by increases in short-term interest rates.

Despite these higher interest rates, the dollar has weakened (Chart 4), indicating continued expectations of unfavorable rates of return on American investments relative to other countries. Within the past few weeks the dollar has hit historical lows against the Japanese Yen and the German Mark.

Chart 4

U.S. Dollar Declines to New Lows



Low national savings—the result of low private savings and continued large federal deficits—coupled with high interest rates harm national investment. As a share of GDP, U.S. investment has been lagging behind the other major industrial nations and behind its own performance in the first two decades following WW II. Tables 3 and 4 document these trends.

TABLE 3.—LAGGING INVESTMENT AND INCOME GROWTH

	Japan	Germany	France	U.K.	Canada	U.S.
Investment as % of GDP [1]	24.1	14.7	15.0	14.3	15.3	13.9
Annual % Increase: Capital per Worker [2]	6.7	2.8	3.1	2.4	2.3	1.0
Income per Worker [3]	2.8	1.9	2.2	1.7	1.2	0.8

[1] Average 1973–1991.
[2] 1970–1988.
[3] Measured using GDP per worker, 1975–1992.
Source: OECD, Dr. Edward Wolff, and American Council for Capital Formation.

TABLE 4.—GROWTH IN U.S. NET CAPITAL STOCK BY TYPE

[Average annual growth rates in 1987 dollars]

	1950–69	1970–89	1990–93
Total	4.1	3.3	1.4
Equipment	4.6	3.8	2.3
Less Info. Processing	4.3	2.7	0.3
Industrial	4.7	2.4	0.1
Structures	3.8	2.8	0.6

Source: American Council for Capital Formation.

Inadequate investment has adversely affected increases in the living standards of many Americans because incomes are directly linked to the level of capital they work with and to technological advances. A report by Harvard professor Dale Jorgenson shows that investments in new capital make the largest contribution to economic growth. New York University Professor Edward Wolff, using OECD data, has found a high correlation between increased capital per worker and technological advances, increasing further the importance of investment. Given America's poor prospects for national saving and investment, living standards are at risk.

Hiring uncertainties and regulatory hurdles are helping to limit the supply of new jobs. Overhead costs imposed on firms rise faster when new workers are added than when existing workers are employed more intensively. Partly in response, workplace overtime has been trending up for over a decade and stands at a record-high of 4.9 hours per week in manufacturing.

The Office of Management and Budget in its last three budgets has costed out the size of the tax burden created by all current and proposed government programs on future generations of taxpayers. Although these calculations were dropped from this year's budget document, last year's figures show that future generations can expect to face a net tax rate of approximately 82 percent of their income. This net rate shows taxes they will pay over and above the government benefits they can expect to receive during their lifetime.

The full extent of the implications of projected future budgets was contained in the final report of the Bipartisan Entitle-

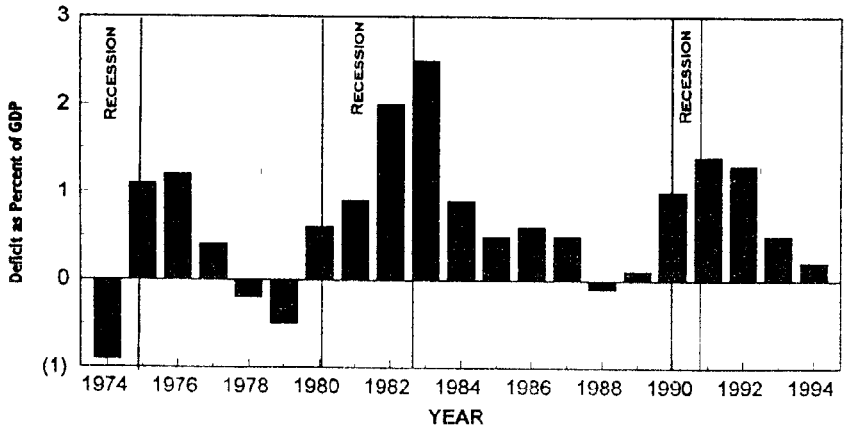
ment Commission. Interest payments on the Federal debt will make up such a large portion of the budget that future generations will be unable to direct government to address coming national priorities. In 2002, the Medicare Hospital Insurance Trust Fund goes bankrupt. By 2012, entitlements and interest payments alone consume all taxes. The Treasury would become nothing more than a check writing agency, mailing all of America's tax collections to entitlement recipients and government bond holders. All remaining programs, everything from police protection, defense, education, environment, housing, commerce, and science—about 7 percent of Gross Domestic Product—would have to be paid for with borrowed money. These debts would add yearly to the accumulated level of national debt, further increasing interest payments. In 2029, the Social Security Trust Fund goes bankrupt. By 2030, with 50 percent of revenues dedicated to interest payments, future generations would have no leeway in redirecting government toward future national priorities.

RISKS TO THE ECONOMIC ASSUMPTIONS

The risks to the economic projections appear on both the positive side and on the negative side. Should the current expansion continue as CBO and the Administration assume, this expansion would be older than any expansion this century. On the negative side, without attention to the factors listed above that are inhibiting the supply of savings, investment, and jobs, continued economic growth becomes more precarious. If the chance of recession rises as expansions mature, then any budgetary proposals that delay the path to budget balance likely increase the chances that budget balance will not be reached. A recession would raise Federal deficits significantly above CBO's and the Administration's estimates. Over the past quarter century, the increase in federal deficits that has resulted from cyclical downturns has averaged 1.6 percent of GDP or $107 billion dollars in today's economy. Chart 5 shows the size of the cyclical portion of the Federal deficit since 1974. As a percent of GDP, the cyclical portion of the deficit rises during and just following each recession. On average, during each recession and the year following it the cyclical portion of the deficit is 1.6 percentage points higher than in the two years leading up to the recession.

Chart 5

CYCLICAL DEFICITS CLIMB DURING RECESSIONS
(Cyclical Portion of Deficit as % of GDP)



On the positive side, should Congress pass and carry out in coming years a budget resolution that balances the budget by 2002, the economy would likely be significantly strengthened, according to both the current and the previous CBO directors and private forecasters. CBO concludes that, without taking into account the effects of individual policy changes that might affect saving, investment and work effort, national saving would be significantly increased by balancing the budget. Capital formation and productivity would increase and borrowing from abroad would lessen, improving U.S. net exports. Because of higher productivity, CBO predicts economic growth would average 0.1 percent a year faster through 2002 and would continue higher in subsequent years. Long-term interest rates could be as much as 1.7 percentage points lower by 2001.

The Committee has not incorporated these effects into the economic assumptions for purposes of consideration of the Budget Resolution. If the Resolution passes, these economic benefits would become significantly more likely.

Both a weaker cyclical economic path if the economic expansion runs its course and a stronger trend path from fulfilling the goal of a balanced budget are possible. For purposes of consideration of the Budget Resolution, the Committee assumptions incorporate CBO's economic projections which steer between these two events. If a recession does materialize, the economic benefits of a balanced budget—a fiscal dividend—could help to offset the severity of the downturn. Indeed, a balanced budget path that expands capital formation and the capacity of the economy to produce would help to stave off capacity constraint problems that might precipitate a recession. If as a result of passing the Budget Resolution, the economy does better than the Committee economic assumptions—as CBO anticipates, the fiscal dividend could help balance the budget earlier, start to build a budget surplus as a down-payment on future entitlement debts, or be returned to taxpayers.

III. Spending and Revenues

BASELINE ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The baseline (referred to as the "current law baseline") as shown in this report was developed by the committee staff, in consultation with the Congressional Budget Office, and is based on CBO economic and technical assumptions. The basic premise is that the baseline reflects the last action of Congress on spending and revenues, which is current law, and assumes no changes for the next seven years. Specifically the baseline assumes:

Defense discretionary spending is at the 1995 Clinton request level, adjusted for final Congressional action on appropriations in the 103rd Congress.

Nondefense discretionary spending is at the 1995 enacted level. Emergency supplementals are not assumed to be projected in the outyears.

All other spending is at levels currently estimated under the law, which is the same as the CBO March baseline. Entitlements and other mandatory spending consist mainly of benefit programs, such as social security, medicare, and medicaid.

Spending for those programs is controlled by setting eligibility rules, benefit levels, and other cost factors, rather than voting annually on funding levels. Offsetting receipts and deposit insurance spending is estimated in a similar manner. Net interest spending is driven by the size of the deficit and by interest rates and is not directly affected by Congressional action.

Revenue estimates similarly assume no change in current tax law.

Table 1 shows the current law baseline levels by major spending category.

TABLE 1.—CURRENT LAW BASELINE

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
Outlays: discretionary: [1]								
Defense	$270	$258	$257	$257	$259	$262	$262	$262
Nondefense	278	281	282	280	279	280	280	280
Subtotal discretionary	548	539	539	537	538	542	542	542
Mandatory:								
Social Security	334	352	371	391	411	433	456	480
Medicare	178	199	219	240	263	288	315	345
Medicaid	89	99	110	122	135	148	163	178
Other mandatory	242	247	261	272	287	303	313	332
Subtotal mandatory	843	897	961	1025	1097	1172	1247	1335
Deposit insurance	−16	−8	−4	−5	−3	−2	−2	−2
Offsetting receipts	−80	−73	−75	−79	−82	−86	−90	−94
Net interest	235	260	270	278	291	305	317	331
Total outlays	1530	1614	1689	1756	1841	1931	2014	2111
Revenues	1355	1418	1476	1546	1618	1698	1789	1884
Deficits	−175	−197	−214	−209	−223	−235	−224	−227

Note: Details may not add to totals due to rounding.
[1] Assumes Clinton's 1995 defense request and a freeze on nondefense spending at the 1995 level.

The current law baseline is different from the CBO baseline in two aspects. First, the current law baseline assumes updated CBO economic estimates for the scheduled Consumer Price Index (CPI) rebenchmarking in 1998, as discussed in the Economics section of the markup book. Compared to CBO's March baseline, these changes reduce spending by $12.0 billion and increase revenues by $7.5 billion in 1999–2002, lowering deficits by $19.5 billion over this period.

Second, the CBO baseline assumes that discretionary spending complies with the caps on discretionary spending set in the Omnibus Budget Reconciliation Act of 1993 (OBRA 1993), while the current law baseline assumes the defense and nondefense paths described above. When CBO estimates discretionary spending, they make no assumptions about how Congress will choose to meet the discretionary caps. Every discretionary account is increased by formula for inflation and pay raises and a negative adjustment is made to the overall discretionary total that brings it down to the statutory cap total. Because the law does not specify how to treat discretionary spending after the authority for the discretionary caps expire in 1998, CBO has presented two alternatives: (1) increase the cap total by the rate of inflation, or (2) freeze the cap total at the 1998 level through the projection period.

It is important to note that CBO included the Administration's estimate of the discretionary cap, which is the statutory level, in

their baseline. CBO's *Analysis of the President's Budgetary Proposals for FY 1996* points out that the Office of Management and Budget (OMB) interpreted a provision of OBRA 1993 to allow a new method of calculating the required adjustment to the discretionary caps for inflation. This change in methodology increased the discretionary limits by almost $37 billion in 1996–2000 over CBO's estimate. Although CBO does not believe that OMB's adjustments are correct, they feel compelled to use the statutory level.

GROWTH OF BASELINE COMPONENTS

Tables 2 and 3 show annual increases in the current law baseline, by major component, in dollar and percentage increases, respectively. Defense outlays would decline from $270 billion in 1995 to a low of $257 billion in 1997, rising slightly thereafter to $262 billion in 2002. The annual change in the defense baseline would average −0.4 percent over the period. Nondefense discretionary outlays would remain almost flat, going from $278 billion in 1995 to $280 billion in 2002. (Note: The current law baseline does not include supplementals or rescissions enacted this session. P.L. 104–6, the Defense Emergency Supplemental and Rescission bill, would increase defense outlays by less than $0.5 billion over 1995–1999 and would reduce nondefense outlays by less than $0.5 billion over 1995–1999.)

Among the major entitlement programs, outlays for medicare and medicaid are still growing at least three times faster than the rate of growth in the economy. Table 5 displays the sources of growth in mandatory spending between 1995 and 2000. It is interesting to note that for medicare and medicaid, over 40 percent of the annual growth is unrelated to either caseload increases or automatic increases in reimbursement rates. Medicare outlays would grow from $178 billion in 1995 to $345 billion in 2002, an average annual growth rate of 10 percent. Likewise Medicaid continues to outpace the economy, also growing at an average 10 percent per year, doubling in size from $89 billion in 1995 to $178 billion in 2002. Social Security spending grows by about 5 percent annually and by 2002 would be 44 percent greater than spending in the current year. Other entitlements, such as welfare benefits, civil service and military retirement, agriculture subsidies, and unemployment insurance, among others, would grow at about twice the rate of inflation, increasing from $242 billion in 1995 to $332 billion in 2002.

Deposit insurance spending reflects the net outlays caused by the government's pledges to protect depositors in insolvent institutions. Although deposit insurance outlays shot up to a record $66 billion in 1991, CBO expects that this category of spending will be less volatile in the future, now that the bulk of asset disposition by the RTC has taken place. This category shows negative outlays, indicating that income from liquidation and fees exceeds disbursements. Such net income will fall from $16 billion in 1995 to $2 billion by 2002.

Offsetting receipts are income that the government records as negative outlays. All are either intragovernmental—reflecting payments from one part of the Federal government to another—or proprietary—reflecting voluntary payments from the public in exchange for goods and services. Receipts that the government col-

lects due to its sovereign powers are shown as governmental revenues. Offsetting receipts will increase slightly from $80 billion in 1995 to $94 billion in 2002, an increase of 17 percent. Most of this growth is attributed to increased collections for Medicare premiums. Net interest outlays will increase substantially between 1995 and 1996, due to recent increases in interest rates. Over the 1995–2002 period, net interest will increase by 40 percent, from $235 billion in 1995 to $331 billion in 2002.

Revenues in the baseline increase from $1,355 billion in 1995 to $1,884 billion in 2002, an increase of $529 billion. Overall revenues increase at an average annual rate of 4.8 percent between 1995 and 2002. Table 6 shows the CBO revenue baseline, as well as average annual growth, for the various revenue components.

The baseline takes into account that some provisions are scheduled to change or expire during the 1995–2000 period. In general, the baseline assumes that those changes and expirations occur on schedule. One category of taxes, excise taxes dedicated to trust funds, constitutes the sole exception to this rule. The baseline assumes that those taxes will be extended even if they are scheduled to expire, in order to be consistent with the spending assumptions. (Spending funded by trust fund collections is assumed to continue in the baseline; it would be inconsistent to assume that the collections cease and the spending continues.) The excise taxes that the current baseline assumes will be extended are those devoted to the Highway Trust Fund, the Airport and Airway Trust Fund, the Hazardous Substance Superfund, and the Leaking Underground Storage Tank Trust Fund. By the year 2000, those taxes contribute $25 billion of baseline excise tax revenues, about two-fifths of total excise taxes.

Deficits continue to rise under the current law baseline, growing from $175 billion in 1995 to $227 billion in 2002, a 30 percent increase. Deficits will grow faster as we pass the turn of the century, increasing to approximately $310 billion by 2005, another 36 percent increase in only three years.

TABLE 2.—GROWTH IN CURRENT LAW BASELINE

[Annual change, dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	Total
Outlays—discretionary:[1]								
Defense	−12	−1	0	2	3	0	0	−8
Nondefense	3	1	−2	−1	1	0	0	2
Subtotal discretionary	−9	−0	−2	1	4	0	0	−6
Mandatory:								
Social Security	18	19	20	21	22	23	24	146
Medicare	21	20	21	23	25	27	30	167
Medicaid	10	11	12	13	13	14	15	89
Other mandatory	5	14	11	16	16	10	18	90
Subtotal mandatory	54	64	64	72	75	75	88	492
Deposit insurance	8	3	−0	2	1	0	0	14
Offsetting receipts	7	−2	−4	−2	−4	−4	−4	−13
Net interest	25	10	9	13	14	11	14	95
Total outlays	85	75	67	86	90	82	97	581
Revenues	63	58	71	72	80	91	94	529
Deficits	−22	−17	4	−14	−13	11	−3	−52

Note: Details may not add to totals due to rounding.

[1] Assumes Clinton's 1995 defense request and a freeze on nondefense spending at the 1995 level.

TABLE 3.—GROWTH IN CURRENT LAW BASELINE

[Percent annual change]

	1996	1997	1998	1999	2000	2001	2002	Total
Outlays—discretionary:[1]								
Defense	−4	−0	0	1	1	0	0	−3
Nondefense	1	0	−1	−0	0	0	0	1
Subtotal discretionary	−2	−0	−0	0	1	0	0	−1
Mandatory:								
Social Security	5	5	5	5	5	5	5	44
Medicare	12	10	10	10	9	9	10	94
Medicaid	11	11	11	10	10	10	9	99
Other mandatory	2	6	4	6	5	3	6	37
Subtotal mandatory	6	7	7	7	7	6	7	58
Deposit insurance	−51	−43	7	−33	−22	−10	−7	−87
Offsetting receipts	−9	3	5	3	5	5	5	17
Net interest	10	4	3	5	5	4	4	40
Total outlays	6	5	4	5	5	4	5	38
Revenues	5	4	5	5	5	5	5	39
Deficits	12	9	−2	6	6	−5	1	30

Note: Details may not add to totals due to rounding.
[1] Assumes Clinton's 1995 defense request and a freeze on nondefense spending at the 1995 level.

TABLE 4.—SOURCES OF GROWTH IN MANDATORY SPENDING

[Dollars in billions]

	1996	1997	1998	1999	2000
Projected 1995 spending	$843	$843	$843	$843	$843
Sources of Growth:					
Growth in caseloads	15	28	41	55	68
Cost-of-living adjustments	10	26	43	61	78
Other automatic increases in benefits[1]	6	15	24	32	41
Other increases in Medicare and Medicaid[2]	20	38	60	85	112
Other growth in average Social Security benefits[3]	5	8	11	15	20
Irregular number of benefit payments[4]	−3	0	0	0	5
Change in outlays of credit liquidating accounts	−1	−3	−4	−6	−7
Other	2	6	7	12	15
Total	54	118	182	254	332
Projected spending	897	961	1,025	1,097	1,175

Source: Congressional Budget Office.
Automatic increases in Food Stamp benefits, Medicare reimbursement rates, and the earned income tax credit under formulas specified by law.
All growth not attributed to caseloads and automatic increases in reimbursement rates.
Supplemental Security Income and veterans' compensation and pensions will pay 11 months of benefits in 1996, 13 in 2000, and 12 in other years.

A. Spending by Function

This section of the report provides details on the Committee's spending recommendations for each of the 20 functional areas of the budget. Each functional section contains the following material.

A table showing for fiscal years 1995–2002 the Committee recommendation, the current law baseline, and the President's budget for 1996 as reestimated by the Congressional Budget Office.

An overview of the major programs and activities funded in the function and a discussion of baseline trends.

A summary of the Committee recommendation.

A discussion of major assumptions for discretionary and mandatory programs in the Committee recommendation.

In all numerical tables and in text, "President's budget" refers to the President's 1996 budget request as reestimated by the Congres-

sional Budget Office. In the case of all tables in this section: (1) "BA" means budget authority, (2) "OT" means outlays, (3) "NA" means not available, and (4) all years are fiscal years unless otherwise noted.

The Balanced Budget and Emergency Deficit Control Act requires that the receipts and disbursements of the social security (OASDI) trust funds not be included in the President's budget or in the congressional budget resolution. The summary tables in this report display both on-budget and off-budget spending totals for the affected functions. However, the function tables in this section show total spending.

Function 050: NATIONAL DEFENSE

Function 050 consists of the activities of the Department of Defense, defense programs in the Department of Energy, and some other, minor, defense-related activities in other agencies. More than 95 percent of the funds in function 050 are for the Department of Defense (DoD). About 4 percent of the funds in function 050 are for defense programs in the Department of Energy (DoE).

The President has proposed $257.7 billion in budget authority and $261.1 billion in outlays for national defense in 1996. The figures do not include the Administration's requested supplemental or the enacted supplemental (P.L. 104–6). The budget request for the DoD is $245.8 billion in budget authority. There are six major components of the budget for the DoD. Proposed funding for the largest four components (military personnel, operations and maintenance (O&M), procurement, and research and development), is down $8.1 billion from last year's level. The budget request for defense programs in the DoE is $11.1 billion in budget authority, compared to $10.3 billion last year.

FUNCTION 050: NATIONAL DEFENSE

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Committee recommendation:										
BA	$261.4	$257.7	$253.4	$259.6	$266.2	$276.0	$1,312.8	$275.9	$275.9	$1,864.6
OT	269.6	261.1	257.0	254.5	259.6	267.8	1,300.0	267.7	269.2	1,836.9
Current law:										
BA	261.4	255.0	251.7	258.3	264.9	271.6	1,301.5	271.5	271.5	1,844.5
OT	269.6	257.4	256.8	256.1	257.9	261.5	1,289.7	261.4	261.4	1,812.5
President's budget:										
BA	261.4	257.7	253.4	259.6	266.2	276.0	1,312.8	NA	NA	NA
OT	269.6	261.1	257.0	254.5	259.6	267.8	1,300.0	NA	NA	NA
Committee recommendation compared to:										
Current law:										
BA	.....	2.7	1.7	1.3	1.3	4.4	11.3	4.4	4.4	20.1
OT	.....	3.7	0.2	−1.6	1.7	6.3	10.3	6.3	7.9	24.5
President's budget										
BA	.....	.....	.....	.....	.....	.....	.....	NA	NA	NA
OT	.....	.....	.....	.....	.....	.....	.....	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes the President's 1996 budget request without the proposed or enacted supplemental. Spending would decline over the next two years, and then begin to increase in 1998. Over the seven-year period 1996–2002—$1,865 billion in budget authority and $1,837 billion in outlays would be spent on national defense, compared to $1,845 billion in budget authority and $1,813 billion in outlays assumed under the current law baseline. Over the five year period 1996–2000— $1,313 billion in budget authority and $1,300 billion in outlays would be spent on national defense.

The Committee recommendation supports the DoD's two most important initiatives: readiness and quality of life. With respect to readiness, the O&M budget is nearly the same as last year. The O&M budget provides for readiness essentials like training and maintenance. With a nearly level O&M budget the Administration claims that readiness is protected because of force reductions and streamlining of DoD infrastructure and overhead. According to the DoD, "the FY 1996–97 budget maintains traditionally high rates for the operating tempo (OPTEMPO) of active U.S. forces. Army training rates will hold at 14.5 flying hours per month per tactical aircrew and 800 miles per year for tanks. Navy steaming days per quarter will remain at 50.5 and 29 days for deployed and non-deployed fleets, respectively. Navy flying hours per crew per month will hold at 24 hours. Flying hours per month for active duty Air Force tactical aircrews will stay at about 20 hours."

Quality of life for service men, women, and their families impacts on readiness. To this end the Administration's budget provides for full military pay raises allowed under current law. The pay raise in 1996 is 2.4 percent and in 1997 it is 3.1 percent. The Administration also "added 2.7 billion over the next six year's for family and bachelor housing; cost of living and housing allowances; child care; family assistance; and morale, welfare, and recreation programs."

The drawdown to the Administration's Bottom-Up-Review (BUR) force structure is nearly complete. The BUR force structure is designed to provide a capability to fight and win two nearly simultaneous major conflicts. DoD force structure and personnel totals will be nearly 30 percent smaller, by the end of 1996, as compared with 1990. As the force has drawdown, the Administration has dramatically scaled back procurement funding. The Administration intends to reverse this trend beginning in 1997. The Administration's plans are to "focus on upgrading the capabilities of some existing weapons, weapons platforms, and supporting systems. The 1996–97 procurement budget provides funds for AV-8B, C–17, F/A–18C/D and E/F, and E–8 aircraft. The budget also funds UH–60 helicopters, Javelin, Hellfire, Patriot, Tomahawk, and Trident II missiles. The budget also provides for M1 tanks, Aegis destroyers, and a third Seawolf submarine."

While the committee recommendation endorses the President's budget submission for defense, the committee believes that improved management of defense dollars would help ensure that we got more "bang for the buck." This is also true of management

practices in all other federal agencies. The committee therefore urges the Committee on Governmental Affairs and the Committee on Armed Services to jointly pursue a major restructuring of the federal buying system in order to significantly reduce the cost of the federal purchases of goods and services. The federal government's purchases of goods and services are expected to be approximately $450 billion in FY 1996. Two-thirds of these purchases are made by the DoD. Last December, a DoD Process Action Team report found that Defense acquisition programs continue to be, on average, 33 percent over budget and behind schedule. According to that report, weapons are several generations out of date when fielded. The fifteen to twenty layer management structure is top-heavy and expensive.

Last year's procurement reform bill, the Federal Acquisition Streamlining Act, was a step in the right direction. But the Congressional Budget Office (CBO) could not estimate savings resulting from the changes made by that Act. CBO and other studies have indicated that, in order to achieve billions in savings, there must be both organizational streamlining and significant reduction in cost and schedule overruns on large federal procurements. The General Accounting Office has reported that significant changes cannot occur without a change in the incentives facing the acquisition workforce. By undertaking comprehensive reforms that address these issues, the Committee believes that several billion dollars could be saved across the government.

Function 150: INTERNATIONAL AFFAIRS

MAJOR PROGRAMS IN FUNCTION

Function 150 funds the Department of State, Agency for International Development, United States Information Agency and the Arms Control and Disarmament Agency. It includes resources for trade promotion activities, U.S. participation in multilateral development banks, international organizations including the United Nations, and various miscellaneous foreign affairs activities.

In 1995, $18.9 billion in both budget authority and outlays would be spent under current law on international affairs activities. About a third of the discretionary portion of these funds is administered by the Agency for International Development and a quarter by the Department of State. Approximately ten percent goes to international financial institutions through the Department of Treasury and five percent goes to the United States Information Agency. Approximately 90 percent of the function is appropriated by the Foreign Operations and Commerce, Justice, State and Judiciary Subcommittees. The remainder is appropriated by the Agriculture and the Labor, Health and Human Services, and Education Subcommittees.

Under current law, Function 150 spending would fall by approximately $2.4 billion in both budget authority and outlays between 1995 and 1999. In 2000, however, budget authority would spike up by $1.9 billion as a result of mandatory account fluctuations. The 1995 budget authority and outlay levels of $18.9 billion would fall, under current law, to $18.4 billion in budget authority and $16.6 billion in outlays by 2000.

FUNCTION 150: INTERNATIONAL AFFAIRS

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Committee recommendation:										
BA	$18.9	$15.4	$14.3	$13.5	$12.6	$14.1	$69.9	$14.3	$14.2	$98.4
OT	18.9	16.9	15.1	14.3	13.5	13.1	72.8	13.4	13.3	99.5
Current law:										
BA	18.9	17.9	17.3	17.0	16.5	18.4	87.2	18.5	18.5	124.2
OT	18.9	17.5	16.7	16.7	16.5	16.6	84.0	16.8	16.8	117.6
President's budget:										
BA	19.8	18.8	17.6	16.8	15.8	17.3	86.3	NA	NA	NA
OT	19.8	17.5	16.7	16.5	16.0	15.8	82.5	NA	NA	NA
Committee recommendation compared to:										
Current law:										
BA	—	−2.5	−3.0	−3.5	−4.0	−4.3	−17.3	−4.3	−4.3	−25.8
OT	—	−0.6	−1.7	−2.4	−3.0	−3.5	−11.2	−3.5	−3.5	−18.1
President's budget:										
BA	−0.9	−3.4	−3.2	−3.3	−3.3	−3.2	−16.3	NA	NA	NA
OT	−0.9	−0.6	−1.6	−2.2	−2.5	−2.6	−9.6	NA	NA	NA

SUMMARY OF THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes $15.4 billion in budget authority and $16.9 billion in outlays in 1996 for programs and activities in Function 150. Budget authority would decline over the 1996–1999 period to $12.6 billion, but spike back up to $14.1 billion in 2000 due to the previously noted mandatory account fluctuations. Outlays would decline to $13.1 billion by 2000. Over the seven-year period 1996–2002, $98.4 billion in budget authority and $99.5 billion in outlays would be spent on international affairs functions, compared to $124.2 billion in budget authority and $117.6 billion in outlays under the current law baseline. Over the five-year period 1996–2000, $69.9 billion in budget authority and $72.8 billion in outlays would be spent compared to the $86.3 billion in budget authority and $82.5 billion in outlays that the President's budget recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $17.9 billion in budget authority and $20.5 billion in outlays in 1996, a reduction of $2.5 billion in budget authority and $0.6 billion in outlays from the 1995 level. Spending would decline to $16.2 billion in budget authority and $16.9 billion in outlays by 2002. The Committee recommendation assumes, among other changes, the following major policy options to achieve the recommended funding levels:

Increase efficiency and eliminate duplication by:

Reducing funding of the Department of State by $433 million in budget authority and $381 in outlays over five years.

Consolidating and reducing programs of the U.S. Agency for International Development by $3.9 billion in budget authority and $2.7 billion in outlays over five years.

Consolidating and reducing broadcast and exchange programs of the U.S. Information Agency by $1.0 billion in budget authority and $0.9 billion in outlays over five years.

Terminating the Arms Control and Disarmament Agency and consolidating functions into the Department of State, saving $60 million in budget authority and $53 million in outlays over five years.

Focus foreign aid by:

Phasing down aid to European countries by $3.6 billion in budget authority and $1.7 billion in outlays over five years.

Reducing replenishments to soft loan arms of the multilateral development banks by $3.8 billion in budget authority and $1.6 billion in outlays over five years.

Reduce corporate subsidies by:

Reducing export financing and trade promotion programs by $755 million in budget authority and $404 million in outlays over five years.

Reducing PL 480 food aid by $430 million in budget authority and $386 million in outlays over five years.

Readjust American participation in international organizations by:

Limiting voluntary peacekeeping funding to the Camp David Accord Multilateral Force and Observers mission saving $286 million in budget authority and $268 million in outlays over five years.

Maintaining funding for the United Nations Children's Fund and International Atomic Energy Agency while limiting overall participation in voluntary international organizations and programs to $200 million annually. Saves $870 million in budget authority and $788 million in outlays over five years.

Progressively phasing back assessed contributions for United Nations peacekeeping to the 1991 level with a discretionary supplement, saving $ 1.3 billion in budget authority and $1.2 billion in outlays over five years.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

None.

Function 250: GENERAL SCIENCE, SPACE, AND TECHNOLOGY

MAJOR PROGRAMS IN FUNCTION

Function 250 includes the National Aeronautics and Space Administration (NASA) civilian space program, basic research programs of the Department of Energy (DOE), and the National Science Foundation (NSF).

In 1995, $17.2 billion in budget authority and $17.5 billion in outlays will be spent on science, space and technology programs. Just over 90 percent of the function is comprised of spending for NASA. Nearly 100 percent of the function is discretionary outlays under the jurisdiction of the Appropriations subcommittees on VA, HUD and Independent Agencies and Energy and Water.

Under current baseline estimates, spending in Function 250 holds steady over the 1995–2000 period, with budget authority remaining at $17.2 billion each year and outlays rising to $17.2 billion and holding by 1997.

FUNCTION 250: GENERAL SCIENCE, SPACE & TECHNOLOGY

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	$17.2	$16.7	$16.3	$16.1	$16.0	$15.8	$80.9	$15.8	$15.8	$112.5
OT	17.5	16.7	16.6	16.3	16.0	15.9	81.5	15.9	15.9	113.3
Current law:										
BA	17.2	17.2	17.2	17.2	17.2	17.2	86.0	17.2	17.2	120.4
OT	17.5	16.9	17.2	17.2	17.1	17.2	85.6	17.2	17.2	120.0
President's budget:										
BA	17.0	17.3	16.7	16.4	16.1	15.7	82.2	NA	NA	NA
OT	17.5	17.1	16.9	16.5	16.2	15.9	82.6	NA	NA	NA
Chairman's mark compared to:										
Current law:										
BA	--	−0.5	−0.9	−1.1	−1.2	−1.4	−5.1	−1.4	−1.4	−7.9
OT	--	−0.2	−0.6	−0.9	−1.1	−1.3	−4.1	−1.3	−1.3	−6.7
President's budget:										
BA	0.2	−0.6	−0.4	−0.3	−0.1	−0.1	−1.3	−NA	−NA	−NA
OT	--	−0.4	−0.3	−0.2	0.2	--	−1.1	−NA	−NA	−NA

SUMMARY OF COMMITTEE'S RECOMMENDATION

The Committee's recommendation assumes $16.7 billion in budget authority and outlays in 1996 for programs and activities in Function 250. Spending would decline over the 1996–2002 period, falling to $15.8 billion in budget authority and $15.9 billion in outlays by 2002. Over the seven-year period 1996–2002, $113 billion in budget authority and outlays would be spent on general science, space and technology functions, compared to $120 billion in budget authority and outlays assumed under the current law baseline. Over the five-year period 1996–2000, $81 billion in budget authority and outlays would be spent compared to the $83 billion in budget authority and outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE'S RECOMMENDATION

The Committee's recommendation assumes discretionary spending levels of $16.7 billion in budget authority and outlays in 1996, a reduction of $0.5 billion in budget authority and $0.2 billion in outlays from the 1995 level. This spending would decline to $15.8 billion in budget authority and $15.9 billion in outlays in 2002. The Committee's recommendation assumes the following major policy options to achieve the recommended funding levels:

The Committee's recommendation assumes the President's proposal to streamline and consolidate activities within NASA. The Committee recommends that NASA continue its efforts to increase its reliance on the private sector for operations and changes in NASA's procurement policy. The Committee believes that NASA's internal reviews, to be competed this spring, will provide changes within NASA to reduce outlays and return NASA to its primary mission of a research and development agency.

For the National Science Foundation, the Committee's recommendation assumes the President's proposed cuts in academic infrastructure and major research equipment. The Committee assumes a $100 million reduction in NSF research and a refocus on its original mission of basic scientific research.

For Department of Energy research, the Committee's recommendation assumes the President's freeze and reduction in outyears.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE'S RECOMMENDATION

There are no mandatory proposals in this function.

Function 270: ENERGY

MAJOR PROGRAMS IN FUNCTION

Function 270 includes the civilian activities of the Department of Energy (DOE), including solar, renewable, fossil, and conservation research and development, civilian nuclear waste disposal, State energy conservation grants, the strategic petroleum reserves, the naval petroleum reserves and the power marketing administrations. In addition, this function includes the Rural Utilities Service (formerly called the Rural Electrification Administration (REA)),

the Nuclear Regulatory Commission (NRC), the Uranium Enrichment Corporation, and the Tennessee Valley Authority's (TVA) power program.

Discretionary outlays amount to $6.6 billion in this function for 1995. Mandatory spending in this function is more than offset by receipts and net mandatory spending reduces total outlays in this function by $1.6 billion in 1995. Over the five-year time frame, total outlays for this function fall from $4.9 billion in 1995 to $3.9 billion in 2000. This decline is due to lower mandatory spending by the TVA power program and the growth in net receipts from rural electric and telephone loans.

FUNCTION 270: ENERGY

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Committee recommendation:										
BA	$6.3	$2.9	$1.7	$3.3	$4.2	$4.1	$16.2	$4.0	$4.0	$24.2
OT	4.9	2.7	1.0	2.6	3.1	2.8	12.4	2.9	2.9	18.2
Current law:										
BA	6.3	5.6	5.3	5.3	5.6	5.5	27.3	5.5	5.5	38.3
OT	4.9	4.7	4.0	4.1	4.3	4.2	21.3	4.2	4.2	29.7
President's budget:										
BA	6.3	5.3	4.9	5.0	4.5	4.4	24.2	NA	NA	NA
OT	4.9	4.5	4.3	4.3	3.9	3.3	20.3	NA	NA	NA
Committee recommendation compared to:										
Current law:										
BA	.....	−2.7	−3.6	−2.0	−1.4	−1.5	−11.1	−1.5	−1.5	−14.1
OT	.....	−2.0	−3.0	−1.4	−1.1	−1.4	−8.9	−1.3	−1.3	−11.5
President's budget:										
BA	.....	−2.4	−3.2	−1.7	−0.3	−0.3	−8.0	NA	NA	NA
OT	.....	−1.8	−3.3	−1.7	−0.7	−0.5	−7.9	NA	NA	NA

SUMMARY OF THE COMMITTEE'S RECOMMENDATION

The Committee recommendation assumes $2.9 billion in budget authority and $2.7 billion in outlays in 1996 for programs and activities in Function 270. As a result of the proceeds from asset sales, which reduces spending in this function, spending falls abruptly in 1996 and 1997 and rebounds by 1998. Over the seven-year period 1996–2002, $24.2 billion in budget authority and $18.2 billion in outlays would be spent on energy programs, compared to $38.3 billion in budget authority and $29.7 billion in outlays assumed under the current law baseline. Over the five year period 1996–2000, $16.2 billion in budget authority and $12.4 billion in outlays would be spent compared to the $24.2 billion in budget authority and $20.3 billion in outlays that the President recommends. While the Committee recommendation includes $8 billion more in savings than the President's budget, by the year 2000, spending in this function would only be $0.3 billion lower than the President's budget for that year.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee Recommendation assumes discretionary spending levels of $5.9 billion in budget authority and $6.6 billion in outlays in 1996, a reduction of $1.0 billion in budget authority and $0.2 billion in outlays from the 1995 level. This spending would decline to $4.0 billion in budget authority and $2.9 billion in outlays in 2002. The Committee Recommendation assumes the following major policy options to achieve the recommended funding levels:

Privatization of non-governmental functions such as the sale of the naval petroleum reserves (NPR), which reduces the need for appropriations generating $0.7 billion in budget authority and $0.6 billion in outlay savings over five years; and,

Reduction in corporate technology subsidies by:

Phasing-in a 50 percent reduction in near-term commercialization efforts, reducing outlays by $3.0 billion over five years. Due to the major increases that solar, renewables and conservation research and development programs have received since 1990, the Committee Recommendation retains funding for these programs at 50 percent above 1990 levels. The Committee Recommendation would continue to provide a total of $21 billion over the next five years for Federal energy research and development efforts.

Providing no new funding for the clean coal technology program as proposed by the Clinton Administration.

Consolidating and streamlining Department of Energy (DOE) programs, which reduces outlays by $1.4 billion over five years. Because other proposals for this function reduce DOE's functions, a corresponding reduction can be made in overhead and administrative expenses. The Department of Energy recently announced total five year savings of $1.8 billion from its "Strategic Alignment and Downsizing Initiative".

The Committee Recommendation assumes no reductions in the Rural Utilities Service (RUS).

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee Recommendation assumes mandatory spending levels that amount to −$2.9 billion in budget authority and −$3.8 billion in outlays in 1996. Net mandatory spending declines rapidly in 1996–1997 as a result of the proceeds from assets sales. Net mandatory spending levels off after 1997 and amounts to −$2.5 billion in 2000. The Committee Recommendation assumes the following major policy options to achieve the recommended funding levels:

Privatization and the sale of non-governmental assets. These recommendations include:

Privatization of the naval petroleum reserves (NPR). The sale of the naval petroleum reserves generates $1.5 billion in 1996 receipts. Because the Federal government would no longer collect revenues after 1996 from the sale of oil produced from the NPR, there is an offsetting cost associated with this proposal. While this proposal causes a net $316 million cost for mandatory spending over five years, this cost is more than offset by discretionary spending savings (see discussion above).

Privatization of the uranium enrichment corporation. Adopts the President's proposal to sell the uranium enrichment corporation. The 1992 Energy Policy Act established the uranium enrichment corporation as a Federal corporation and provided for its eventual privatization. The corporation is required to submit a privatization plan to the President and the Congress by July 1, 1995. The sale of the uranium enrichment corporation reduces BA by $1.5 billion and outlays by $1.6 billion over the five year period.

A modification of the President's proposals to sell four power marketing administrations (PMAs). The President's budget proposed to sell the Alaska, Southeastern, Southwestern, and Western PMAs, which generated $4.5 billion in receipts. Due to the complexities associated with the sale of these PMAs, the Committee Recommendation only assumes $1.6 billion from the sale of the PMAs. The Committee Recommendation assumes the committees of jurisdiction will make the determination of which of the PMA assets will be sold. The Committee Recommendation also assumes the existing customers are given the first opportunity to purchase these assets.

A modification of the President's proposal to sell a portion of the oil held by the strategic petroleum reserves (SPRO), generating $900 million over five years. The President's budget proposes to decommission the Weeks Island facility, one of SPRO's storage facilities that is experiencing technical difficulties, and sell 7 million barrels of the 72 million barrels of oil stored in this facility to cover the cost of decommissioning the facility (estimated at $65 million) and transporting the remaining 65 million barrels to other SPRO facilities (estimated at $35 million). This option would sell all of the Weeks Island oil except 10 million barrels, which can be transported to a nearby facility inexpensively. SPRO would continue to hold 530 million barrels under this policy option.

Extension of Nuclear Regulatory Commission (NRC) fees. Under current law, NRC's is required to collect 100 percent of its budget from NRC licensees. This authority sunsets in 1998, when NRC will be only required to collect one-third of its budget from NRC licensees. This option would extend NRC's authority to collect 100 percent of its budget through 2002.

Function 300: NATURAL RESOURCES AND ENVIRONMENT

MAJOR PROGRAMS IN FUNCTION

This function includes funding for water resources, conservation and land management, recreational resources and pollution control and abatement. Agencies with major programs in this function include: the Army Corp of Engineers, Bureau of Reclamation, Forest Service, Bureau of Land Management, Fish and Wildlife Service, the National park Service, Environmental Protection Agency, National Oceanic and Atmospheric Administration, and the U.S. Geological Survey.

In 1995, $22.3 billion in BA and $21.7 billion in outlays will be spent on natural resources and environment. Approximately 99 percent of the funding in 1995 is for discretionary programs. Budget authority decreases from $22.3 billion in 1995 to $21.2 billion in 2000 and outlays decrease from $21.7 billion in 1995 to $21.6 billion in 2000.

On December 14, 1994 the Secretary of Agriculture announced his intention to offer participants the opportunity to modify and extend their conservation reserve program (CRP) contracts up to an additional 10 years when the current contracts expire. The baseline assumes that 10 year extensions will be offered to program participants when their existing contracts expire and that approximately 15 million enrolled acres will be extended. With the extension, outlays for the CRP will fall from $1.9 billion in 1995, covering 36.4 million acres, to $1.2 billion in 2000 on 21.4 million acres. Without the extension the outlays for the CRP would fall to $0.5 million covering 8.2 million acres by 2000.

FUNCTION 300: NATURAL RESOURCES AND ENVIRONMENT

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	$22.3	$19.5	$18.3	$15.6	$16.8	$16.4	$86.7	$15.0	$15.8	$117.5
OT	21.7	20.4	20.1	17.9	18.4	17.4	94.3	15.9	16.6	126.8
Current law:										
BA	22.3	22.0	22.0	21.6	21.4	21.2	108.3	20.9	20.8	149.9
OT	21.7	21.4	21.9	21.9	21.8	21.6	108.5	21.1	21.0	150.6
President's budget:										
BA	22.3	22.9	22.3	21.7	21.2	20.6	108.9	NA	NA	NA
OT	21.7	21.9	22.2	21.9	21.5	20.8	108.3	NA	NA	NA
Chairman's mark compared to:										
BA	.....	−2.5	−3.7	−6.0	−4.6	−4.8	−21.6	−5.8	−5.0	−32.4
OT	.....	−1.0	−1.8	−4.0	−3.3	−4.2	−14.3	−5.2	−4.3	−23.7
President's budget:										
BA	.....	−3.4	−4.0	−6.1	−4.4	−4.2	−22.2	NA	NA	NA
OT	.....	−1.5	−2.1	−4.0	−3.0	−3.4	−14.0	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $19.5 billion in budget authority and $20.4 billion in outlays in 1996 for programs and activities in Function 300. Spending would decline over the 1996–2002 period, falling to $15.8 billion in budget authority and $16.6 billion in outlays by 2002. Over the seven-year period 1996–2002, $117.5 billion in budget authority and $126.8 billion in outlays would be spent on natural resources and environment, compared to $149.9 billion in budget authority and $150.6 billion in outlays assumed under the current law baseline. Over the five year period 1996–2000, $86.7 billion in budget authority and $94.3 billion in outlays would be spent compared to $108.9 billion in budget authority and $108.3 billion in outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTION IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $19.1 billion in budget authority and $20.3 billion in outlays in 1996, a reduction of $2.5 billion in budget authority and $1.0 billion in outlays from the 1995 level. This spending would decline to $16.9 billion in budget authority and $18.0 billion in outlays in 2002. The Committee recommendation assumes the following major policy options to achieve the recommended funding level.

Federal contributions to the state revolving funds (SRF) were intended to help in the transition to full state and local financing of the SRFs by 1995. Since 1972, the Congress has appropriated about $65 billion to assist localities in complying with the Clean Water Act. The Senate-passed rescission bill rescinded $1.2 billion which was appropriated in 1995 and prior years for water infrastructure SRFs. This option assumes that grants for water infrastructure would be phased-out over 3 years, reducing outlays by $5.3 billion over 1996–2000.

Eliminate lower priority and duplicate programs in the Department of Agriculture and Department of Interior such as the forestry incentives program, urban park and recreation fund, international forestry, advisory council on historic preservation. Accepts the President's proposal to reduce the agriculture conservation program by 50 percent.

Accepts most of the Administration's reductions for the Army Corp of Engineers and the Bureau of Reclamation which reduces outlays by $1.3 billion over 1996–2000.

Reduce the National Oceanic Atmospheric Administration by 5 percent and accepts the President's request for construction, reducing outlays by $0.6 billion over 1996–2000. As part of the reduction the option assumes the President's proposal to terminate 41 projects and privatizing portions of the National Weather Service such as specialized weather services provided to aviation, marine and agricultural communities. (See Department of Commerce description in Function 370.)

Reform the various land management agencies of the Department of Interior and the Forest Service. The Committee recommendation assumes a 10 percent reduction in the operat-

ing budgets of the Forest Service, National Park Service, Fish and Wildlife Service, the Bureau of Land Management and dissolves the National Biological Service (maintains most of the research and cooperative unit activities). The Committee recommendation would continue to provide over $15.5 billion in outlays to support operations within the various land management agencies over 1996–2000.

The Committee assumes the Superfund program will be reformed and reauthorized this year. The resolution assumes that Superfund reauthorization will be on-budget and will not increase mandatory spending. The Committee recommendation has made no specific assumptions about funding levels or funding sources of the reformed Superfund program. It is assumed that those issues will be dealt with in the context of Superfund reform legislation.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $0.4 billion in budget authority and $0.1 billion in outlays in 1996, basically the same as current law level. Over the five-year period mandatory spending is reduced by $1.8 billion in budget authority and outlays.

Privatization of non-governmental functions and leases. These recommendations include:

Lease approximately 8 percent of the 19 million acre Arctic National Wildlife Refuge (ANWR). The development of ANWR will only affect approximately 13,000 acres. The lease of ANWR would reduce budget authority and outlays $1.4 billion over 1996–2000.

Privatize the helium reserve as proposed by President Clinton. This assumption would reduce outlays by $27 million over 1996–2000.

Presidio of San Francisco—The resolution assumes savings from the sale of the Presidio over a three year period beginning in 2000. However, there could be significant costs required for the cleanup under federal law. Also, transfer of the property from the National Park Service to private entities would trigger application of local zoning and building code ordinances, under which the Presidio could be designated for public use only. Since the City of San Francisco is committed to maintaining the Presidio as public space, any potential buyers of Presidio property would be aware that a change in this use status could take many years. It is possible that no sale would occur during the time period covered by the budget resolution and/or that the amount realized from such sale would be less than the savings assumed.

In the event that CBO cannot verify savings from sale of the Presidio, the Committee assumes that the Committee of Jurisdiction will meet its reconciliation instructions, through other reforms, such as S. 594. That bill would establish a public trust structure for the property in order to maximize the collection of rents and other revenues to minimize federal costs and not increase the level of the federal deficit or debt of the Federal Government.

Function 350: AGRICULTURE

MAJOR PROGRAMS IN FUNCTION

This function includes programs that provide farm income stabilization and agriculture research and services. Programs in this function include direct assistance and loans to food and fiber producers, market information and agriculture research. Producers are assisted with deficiency payments, crop insurance, non-recourse crop loans, operating loans and export promotion.

The spending in function 350 decreases from $14.0 billion in budget authority and $12.7 billion in outlays in 1995 to $13.7 billion in BA and $12.5 billion in outlays in 2000. The decrease is due to a decline in mandatory spending.

The price support programs operated by the Commodity Credit Corporation (CCC) make up most of the spending in this function. CCC spending has varied widely from $0.6 billion in 1975 to a record high of $26 billion in 1986. In the 1970s, CCC outlays totaled $30.3 billion. CCC spending has ranged from $6 billion to $16 billion in the 1990s. The CBO projects that CCC spending will decrease from $8.7 billion in 1995 to $7.9 billion in 2000. However, the increase in crop insurance outlays from $0.6 billion in 1995 to $1.4 billion in 2000 largely offsets the decline in CCC spending. Over the five year period, 1996–2000, the CBO projects that $41.6 billion would be spent on farm commodity programs.

FUNCTION 350: AGRICULTURE

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	$14.0	$13.1	$12.2	$11.8	$11.7	$11.7	$60.5	$10.5	$10.1	$81.1
OT	12.7	11.9	10.9	10.6	10.4	10.6	54.3	9.4	9.1	72.9
Current law:										
BA	14.0	14.5	14.2	14.0	13.9	13.7	70.3	12.6	12.6	95.4
OT	12.7	13.1	12.8	12.8	12.6	12.5	63.8	11.5	11.5	86.8
President's budget:										
BA	14.0	14.5	14.2	13.8	13.5	13.3	69.3	NA	NA	NA
OT	12.7	13.1	12.8	12.7	12.3	12.1	62.9	NA	NA	NA
Chairman's mark compared to:										
Current law:										
BA	.....	−1.3	−2.0	−2.3	−2.2	−1.9	−9.7	−2.1	−2.4	−14.3
OT	.....	−1.2	−2.0	−2.2	−2.2	−1.9	−9.5	−2.1	−2.4	−14.0
President's budget:										
BA	.....	−1.4	−1.9	−2.0	−1.9	−1.5	−8.7	NA	NA	NA
OT	.....	−1.2	−1.9	−2.1	−1.9	−1.5	−8.6	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $13.1 billion in budget authority and $11.9 billion in outlays in 1996 for programs and activities in Function 350. Spending would decline over the 1996–2002 period, falling to $10.1 billion in budget authority and $9.1 billion in outlays by 2002. Over the seven-year period 1996–2002, $81.1 billion in budget authority and $72.9 billion in outlays would be spent on agriculture, compared to $95.4 billion in budget authority and $86.8 billion in outlays assumed under the current law baseline. Over the five year period 1996–2000, $60.5 billion in budget authority and $54.3 billion in outlays would be spent compared to the $69.3 billion in budget authority and $62.9 billion in outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $3.6 billion in budget authority and $3.8 billion in outlays in 1996, a reduction of $0.4 billion in budget authority and $0.2 billion in outlays from the 1995 level. Budget authority would remain essentially at the 1996 level and outlays decrease to $3.7 billion. The Committee recommendation assumes the following major policy options to achieve the recommended funding levels:

Reduce Agriculture Research Service (ARS) and Cooperative State Research, Education, and Extension Service (CSREES) by 10 percent, reducing outlays by $1.0 billion. The option assumes the President's request for buildings and facilities for the ARS and the CSREES and elimination of the CSREES special earmarked grants. The option does not assume reductions for the 4-H program.

Eliminate subsidies for the Foreign Agriculture Service cooperator and Cochran fellowship programs, reducing outlays by $0.1 billion over 1996–2000. The Foreign Agriculture Service (FAS) provides subsidies for U.S. Trade and commodity organizations (called cooperators). This provides overseas advertising campaigns, trade show exhibits and promotional materials. Under the Cochran fellowship program, the FAS provides, agricultural and agribusiness training to foreign nationals. Funding for these programs would be reverted to the private sector.

Fund the emergency food assistance program at the President's request, reducing outlays by $0.1 billion over 1996–2000.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $9.5 billion in budget authority and $8.0 billion in outlays in 1996. Over the five year period, 1996–2000, the Committee recommendation assumes that $42.3 billion in budget authority and $35.7 billion in outlays will be spent on the Commodity Credit Corporation price support programs, crop insurance, and other related mandatory programs in this function. This represents a 16-percent reduction in budget authority from the current law baseline.

The spending reductions could be accommodated under the 1995 farm bill when reauthorized. The reductions can be made while increasing opportunities for farmers to base their planting decisions on market signals and not government regulation; reduce regulatory burden; enhance international competitiveness; maintain consistency between farm programs and environmental goals; and provide producers with a basic financial safety net against catastrophic crop disasters.

The Committee recognizes the importance of agriculture to the nation's economy. A Sense of the Senate amendment was adopted by the Committee on a vote of 11–7. The Sense of the Senate states that in meeting its reconciliation instructions, the Senate Committee on Agriculture, Nutrition and Forestry should provide that no more than 20 percent of its savings be achieved in commodity programs.

Function 370: COMMERCE AND HOUSING CREDIT

MAJOR PROGRAMS IN FUNCTION

Function 370 includes discretionary housing programs, such as subsidies for single and multifamily housing in rural areas and mortgage insurance provided by the Federal Housing Administration; net spending by the Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, the periodic census, small business, and regulators of securities and commodity futures markets; and mandatory spending for deposit insurance for banks, savings and loans, and credit unions.

FUNCTION 370: COMMERCE AND HOUSING CREDIT

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	$8.9	$6.6	$8.3	$1.8	$3.0	$1.5	$21.2	$0.5	$0.2	$21.9
OT	−13.5	−7.0	−6.2	−8.4	−5.2	−3.9	−30.7	−3.3	−3.4	−37.4
Current law:										
BA	8.9	8.0	10.2	4.0	5.5	2.2	29.9	2.5	2.6	34.9
OT	−13.5	−6.1	−4.6	−6.3	−2.7	−3.1	−22.7	−1.2	−1.0	−24.9
President's budget:										
BA	8.9	8.4	10.4	4.2	5.5	5.0	33.5	NA	NA	NA
OT	−13.5	−5.9	−4.4	−6.1	−2.6	−0.5	−19.3	NA	NA	NA
Chairman's mark compared to:										
Current law:.										
BA	.....	−1.4	−1.8	−2.2	−2.5	−0.7	−8.6	−2.1	−2.4	−13.0
OT	.....	−0.9	−1.6	−2.1	−2.5	−0.8	−8.0	−2.1	−2.4	−12.4
President's budget:.										
BA	0.0	−1.8	−2.1	−2.4	−2.5	−3.5	−12.3	NA	NA	NA
OT	0.0	−1.2	−1.9	−2.3	−2.6	−3.4	−11.4	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The totals for budget authority and outlays are unusual because the patterns of the mandatory activities in the function mask the levels of spending in the discretionary programs. For 1996, the Committee recommendation assumes $6.6 billion in budget authority and -$7.0 billion in outlays for all programs in Function 370. Net spending would actually increase over the 1996-2002 period, reaching -$3.4 billion in outlays by 2002, although this is more a result of the current law baseline, which reflects dramatically reduced deposit insurance premiums paid by banks, than a result of any Committee recommendation. Over the seven-year period, the Committee recommendation for this function would reduce the deficit by $12.5 billion relative to the current law baseline. Over the 1996-2000 period, outlays would be -$30.5 billion under the Committee recommendation, compared to the -$19.3 billion that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $2.1 billion in budget authority and $2.4 billion in outlays. This spending would decline to $1.2 billion in budget authority and outlays in 2002.

The Committee recommendation assumes certain major policy options to achieve the recommended funding levels, including the gradual elimination of the Department of Commerce (as recommended by Senator Dole and Senator Abraham's task force on eliminating federal agencies). Although parts of the Department of Commerce would need to be remain as independent offices or parts of other agencies (Patent and Trademark Office, Bureau of the Census, Bureau of Economic Analysis, National Oceanic and Atmospheric Administration, the standards bureau in the National Institute of Standards and Technology, and most of the Export Administration), the rest of the department's activities in this function are not crucial responsibilities of the federal government or else duplicate responsibilities that are handled by other federal agencies. Eventually, appropriations could be reduced by more than $1 billion annually under this option.

The Committee assumes continuation of funding for conducting the next census in 2000, as required, although with sampling improvements and other efficiencies recommended by the General Accounting Office (GAO) to reduce costs.

The Committee also recommends centralizing the servicing of the rural, single-family loan portfolio held by the Department of Agriculture (USDA), either by contracting out to the private sector or dramatically improving USDA's performance and lowering its costs (as described by both Senator Gorton and Senator Brown's working groups). The GAO has reported that USDA cannot keep the portfolio current using existing, inefficient, decentralized servicing methods, and that USDA has made little progress in improving and centralizing its systems.

Finally, the Committee recommends the reduction or elimination of certain subsidies provided by the federal government for a range

of credit programs in the Small Business Administration, the Federal Housing Administration, and the Rural Housing and Community Development Service.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $4.5 billion in budget authority and -$9.4 billion in outlays in 1996, about $0.1 billion less than levels under current law. The savings relative to current law would level off at $0.2 billion per year in the latter half of the 1996-2002 period. The committee recommendation assumes the creation or extension of fees to cover the costs of operating regulatory agencies.

The Committee, however, recognizes the importance of American industries that compete on a global basis. The committee therefore discourages the adoption of new revenue-raising measures that would hurt U.S. industries' competitiveness both at home and abroad. In addition, if new revenue-raising measures are considered, the committee discourages the singling-out of one segment of a particular industry to bear the burden of regulatory fees.

In addition, the Committee recommendation includes options related to allowing the Federal Communications Commission (FCC) to recover value from the spectrum. Although such receipts are displayed in Function 950 by convention, they are discussed here because this function includes the FCC. Until this year, commercial enterprises have used their allocation of the spectrum for free. Under a 1993 law, however, the FCC is just concluding an auction of parts of the spectrum that has raised over $7 billion for the Treasury. The Committee recommendation assumes options that would extend the FCC's authority to auction spectrum past 1998, broaden the types of spectrum the FCC is allowed to auction, and provide the FCC authority to reallocate parts of the spectrum and impose fees to encourage a more efficient distribution and use of the spectrum.

Function 400: TRANSPORTATION

MAJOR PROGRAMS IN FUNCTION

Function 400 includes ground transportation programs, such as the federal-aid highway program, mass transit operating and capital assistance, rail transportation through AMTRAK and other rail programs, and the Interstate Commerce Commission (ICC); air transportation through the Federal Aviation Administration (FAA) Airport Improvement Program (AIP), aviation facilities and equipment programs, and operation of the air traffic control system; water transportation through the Coast Guard and the Maritime Administration; and related transportation support activities.

In 1995, $42.5 billion in budget authority and $39.3 billion in outlays will be spent on transportation activities. Nearly 70 percent of the function is comprised of contract authority for highways, aviation and mass transit. Nearly 100 percent of the function is discretionary outlays under the jurisdiction of the Appropriations subcommittee on transportation.

Under current baseline estimates, spending in Function 400 increases over the 1995–2000 period, with budget authority growing from the 1995 level of $42.5 billion to $47.6 billion in 2000. The baseline appears to dip in 1996 because of an automatic reduction in highway spending of over $4 billion due to Section 1003 of the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA).

FUNCTION 400: TRANSPORTATION

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	42.5	36.5	38.8	39.4	40.2	41.2	196.1	41.0	40.8	277.9
OT	39.3	38.3	32.8	31.8	31.3	31.1	165.3	31.1	31.1	227.5
Current law:										
BA	42.5	38.2	44.6	45.6	46.6	47.6	222.6	47.4	47.1	317.1
OT	39.3	39.6	39.7	39.7	39.8	40.0	198.8	40.0	40.0	278.8
President's budget:										
BA	42.1	38.6	40.3	38.7	35.6	35.0	188.2	NA	NA	NA
OT	39.3	39.3	37.9	38.4	37.9	36.5	190.0	NA	NA	NA
Chairman's mark compared to:										
Current law:										
BA	.....	−1.7	−5.8	−6.2	−6.4	−6.4	−26.5	−6.4	−6.3	−39.2
OT	.....	−1.3	−6.9	−7.9	−8.5	−8.9	−33.5	−8.9	−8.9	−51.3
President's budget:										
BA	0.4	−2.1	−1.5	0.7	4.6	6.2	7.9	NA	NA	NA
OT	.....	−1.0	−5.1	−6.6	−6.6	−5.4	−24.7	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee's recommendation assumes $36.5 billion in budget authority and $38.3 billion in outlays in 1996 for programs and activities in Function 400. Spending would decline over the 1996–2002 period, falling to $31.1 billion in outlays by 2002. Over the seven-year period 1996–2002, $278 billion in budget authority and $228 billion in outlays would be spent on transportation functions, compared to $317 billion in budget authority and $279 billion in outlays assumed under the current law baseline. Over the five year period 1996–2000, $196 billion in budget authority and $165 billion in outlays would be spent compared to the $188 billion in budget authority and $190 billion in outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee's recommendation assumes discretionary spending levels of $14.3 billion in budget authority and $38.3 billion in outlays in 1996, a reduction of $1.2 billion in budget authority and $0.5 billion in outlays from the 1995 level. This spending would decline to $31.1 billion in outlays in 2002. The Committee's recommendation assumes the following majorpolicy options to achieve the recommended funding levels:The Committee's goals for transportation spending is to direct limited federal transportation resources to capital, formula driven programs in which states, localities and transportation authorities can determine their own transportation priorities.

While infrastructure improvements have enabled the United States to become the world's leading economic power, it has become apparent that changes will have to be made to federal transportation programs to prepare our infrastructure for the 21st century.

Current transportation programs have, through Congressional action, become a series of compromises, mandated set-asides, and an increasing amount of demonstration programs. With reductions in federal transportation spending, coupled with the growing need to rehabilitate our highways, mass transit facilities, airports and waterways, current authorization programs will have to be amended, or in some cases, entirely replaced. Primarily, the Committee believes that Congress must address transportation financing mechanisms in order maintain our nation's vital infrastructure.

Without changes in transportation programs and their revenue sources, the current system will not serve our economy into the 21st century. New innovative ideas will have to be developed in order to fund our infrastructure needs. Short term changes in transportation programs include:

Termination of outdated transportation programs and agencies, such as the Interstate Commerce Commission.

Consolidation of federal transportation programs by eliminating current division of authority among the different modes of transportation within the U.S. Department of Transportation. Tremendous redundancy exists in the administration, procurement and accounting of federal transportation programs.

Phase-out federal funding for transportation operating assistance to AMTRAK and mass transit.

Prioritize federal highway, transit and aviation transportation dollars on projects of national significance, through elimination of highway demonstration program funding.

Privatize FAA air traffic control (ATC) operations. This will allow for the elimination of current federal procurement regulations on the FAA, provide private sector management techniques for both procurement and personnel decisions, and provide ATC needed access to capital markets for modernization activities. Most importantly, this action will lead to increased safety. Today's antiquated technology is one of the largest concerns to air service in the U.S. Only the efforts of ATC employees and technicians allows the current system to function. But without modernization, coupled with predictions that air travel will double over the next two decades, the current system will begin to fail without restructuring the FAA and ATC.

Long-term goals for transportation infrastructure and financing changes include:

Changes in current law allowing the private sector to invest in public infrastructure projects. Testimony before the Committee by Ralph Stanley, Senior Vice President of United Infrastructure Company, detailed the use of private sector funding in 72 countries worldwide, totaling almost $680 billion. Many American institutions, such as banks, insurance companies and pension funds invest in these projects but are prohibited from investing in infrastructure projects in the United States.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE'S RECOMMENDATION

The Committee's recommendation assumes mandatory spending levels of $22.2 billion in budget authority and a reduction of $45 million in outlays in 1996. The Committee's recommendation assumes the extension of transportation safety user fees set to expire between 1996–2000.

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT

MAJOR PROGRAMS IN FUNCTION

This function includes funding for community and regional development and disaster relief. The major programs are administered through a variety of agencies including the Department of Housing and Urban Development, Appalachian Regional Commission (ARC), Tennessee Valley Authority, Economic Development Administration (EDA), Bureau of Indian Affairs, Federal Emergency Management Agency, and the Department of Agriculture.

In 1995, $9.2 billion in budget authority and $11.6 billion in outlays will be spent on community and regional development. Approximately 97 percent of this function is discretionary. In 1995, six programs—Community Development Block Grants, Disaster Loans and relief, BIA operations, rural water and waste water grants , and economic development grants, accounted for approximately 86 percent of the spending in this function.

Spending in Function 450 holds relatively steady over the 1995–2000 period, budget authority remains at $9.1 billion in 1996–99 and decreases to $9.0 billion in 2000. Outlays decrease from $11.6 billion in 1995 to $8.9 billion in 2000.

FUNCTION 450: COMMUNITY AND REGIONAL DEVELOPMENT

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	9.2	5.8	5.4	5.1	5.1	5.0	26.5	4.5	4.4	35.4
OT	11.6	9.8	7.3	5.6	5.1	5.1	32.9	5.0	5.0	42.8
Current law:										
BA	9.2	9.1	9.1	9.1	9.1	9.0	45.3	8.6	8.5	62.4
OT	11.6	10.3	8.9	8.5	8.6	8.9	45.3	8.8	8.8	62.9
President's budget:										
BA	15.9	9.9	9.4	9.3	9.0	8.6	46.3	NA	NA	NA
OT	11.9	10.9	10.7	10.4	10.7	9.4	52.2	NA	NA	NA
Chairman's mark compared to:										
Current law:										
BA	.....	−3.3	−3.6	−4.0	−4.0	−4.0	−18.9	−4.0	−4.1	−27.0
OT	.....	−0.5	−1.7	−2.9	−3.5	−3.8	−12.4	−3.8	−3.8	−20.1
President's budget:										
BA	−6.7	−4.2	−4.0	−4.2	−3.9	−3.6	−19.9	NA	NA	NA
OT	−0.3	−1.1	−3.5	−4.8	−5.6	−4.3	−19.4	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $5.8 billion budget authority and $9.8 billion in outlays in 1996 for programs and activities in Function 450. Spending would decline over the 1996-2002 period, falling to $4.4 billion in budget authority and $5.0 billion in outlays by 2002. Over the seven-year period 1996-2002, $35.4 billion in budget authority and $42.8 billion in outlays would be spent on community and regional development, compared to $62.4 billion in budget authority and 62.9 billion in outlays assumed under the current law baseline. Over the five year period 1996-2000, $26.5 billion in budget authority and $32.9 billion in outlays would be spent compared to the $46.3 billion in budget authority and $52.2 billion in outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $5.9 billion in budget authority and $10.2 billion in outlays in 1996, a reduction of $2.9 billion in budget authority and $0.1 billion in outlays from the 1995 level. This spending would decline to $5.2 billion in budget authority and $5.5 billion in outlays in 2002. The Committee recommendation assumes the following major policy options to achieve the recommended funding levels:

Terminate lower priority commissions and corporations—the Pennsylvania Development Corporation, the National Capitol Planning Commission, and the Commission on Fine Arts.

Reduce community development block grants by 50 percent and target funds to the most needy areas. This option reduces outlays by $7.6 billion over 1996-2000. The Committee recognizes the unique trust relationship between the U.S. Government and the nation's Indian tribes and pueblos. That trust relationship is based upon a government-to-government principle embodied in treaties and subsequent actions by both the Executive and Legislative Branches of Government, and the courts. The Committee acknowledges this trust relationship, and assumes that programs serving Native Americans through the Bureau of Indian Affairs will be given priority consideration for ongoing federal support.

Consolidate and streamline several rural development programs into a single rural development block grant, reducing outlays by $0.7 billion over 1996-2000. A GAO report, "Patchwork of Federal Programs Needs to be Reappraised," July 1994, identified over 600 programs which address rural development and/or influence economic well being. The report also states that the web of Federal policies, programs, and regulations make the delivery of assistance inefficient and costly to use.

Phase-out the Appalachian Regional Commission, reducing outlays by $0.5 billion over 1996-2000.

MAJOR MANDATORY ASSUMPTION IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $-0.1 billion in budget authority and $-0.4 billion in outlays in 1996. This spending would decline to $-0.8 billion in budget authority and $-0.5 billion in outlays in 2002. The Committee recommendation assumes the following major policy options to achieve the recommended funding levels:

Eliminate the flood insurance subsidy for buildings constructed before January 1, 1975, reducing outlays by $2.0 billion over 1996-2000.

Function 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

MAJOR PROGRAMS IN FUNCTION

Function 500 includes a total of 321 programs. These programs include all those in the Department of Education, the Administration for Children and Families (ACF), and the Administration on Aging (AOA) in the Department of Heath and Human Services, certain job training programs in the Department of Labor, and certain independent agencies such as the Institute for Museum Services, the National Endowment for the Arts and Humanities (NEA and NEH), and the Corporation for Public Broadcasting (CPB).

In 1995, $58.1 billion in budget authority and $54.7 billion in outlays will be spent on Education, Job Training, and Social Services. Total baseline spending for this function in 1996 is $56.4 billion in budget authority and $55.7 billion in outlays. The bulk of this spending, 74 percent, is in the discretionary area with $42 billion in budget authority and $41.2 billion in outlays for discretionary programs. The category of funding which receives the most funding in this function is elementary and secondary education, projected at 37 percent, or $15.6 billion in budget authority and $15.5 billion in outlays.

From current law, total spending in this function is expected to grow by $2.9 billion in budget authority and $4.5 billion in outlays over the next five years, according to the President's plan. All growth will occur within the discretionary spending category. This increase is targeted primarily toward Education Reform, and Social Services programs such as National and Community Service and Head Start. While discretionary spending will rise by $6.7 billion in BA and $8.6 billion in outlays, the President's budget proposes net savings of $241 million in BA and $33 million in outlays for 1996.

FUNCTION 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	58.3	48.1	47.3	47.2	47.4	47.8	237.8	47.3	47.4	390.8
OT	54.7	51.7	47.9	47.0	46.8	47.3	240.7	46.8	46.9	389.1
Current law:										
BA	58.3	56.4	56.0	56.5	57.2	58.0	284.1	57.5	57.8	457.7
OT	54.7	55.7	55.7	55.8	56.4	57.1	280.7	56.7	56.9	449.0
President's budget:										
BA	58.1	58.3	57.0	56.8	57.3	57.6	287.0	.....	.....	.....
OT	54.7	56.4	57.3	56.9	57.2	57.4	285.2	.....	.....	.....
Chairman's mark compared to:										
Current law:										
BA	.....	−8.3	−8.7	−9.3	−9.8	−10.2	−46.3	−10.2	−10.4	−66.9
OT	−0.0	−4.0	−7.8	−8.8	−9.6	−9.8	−40.0	−9.9	−10.0	−59.9
President's budget:										
BA	0.2	−10.2	−9.7	−9.6	−9.9	−9.8	−49.2	.....	.....	.....
OT	0.0	−4.7	−9.4	−9.9	−10.4	−10.1	−44.5	.....	.....	.....

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee's recommendation assumes $48.1 billion in budget authority and $51.7 billion in outlays in 1996 for programs and activities in Function 500. Spending would decline over the 1996–2002 period, falling to $47.4 billion in budget authority and $46.9 billion in outlays by 2002. Over the seven-year period 1996–2002, $333 billion in budget authority and $334 billion in outlays would be spent on education, training, and social services, compared to $399 billion in budget authority and $394 billion in outlays assumed under the current law baseline.

Over the five year period 1996–2000, $238 billion in budget authority and $241 billion in outlays would be spent compared to the $287 billion in budget authority and $285 billion in outlays recommended by the President.

MAJOR DISCRETIONARY ASSUMPTIONS IN COMMITTEE RECOMMENDATION

The Committee's recommendation assumes discretionary spending levels of $36.6 billion in budget authority and $39.4 billion in outlays in 1996, a reduction of $5.2 billion in budget authority and $108 million in outlays from the 1995 level. This spending would decline to $35.6 billion in budget authority and outlays in 2002. The Reported resolution assumes the following major policy options to achieve the recommended funding levels:

In order to achieve a balanced budget by the year 2002, the reported resolution assumes that many discretionary programs are reduced below the 1995 funding level. However, the Committee intends to hold the line on major programs targeted at the disadvantaged. For instance the recommendation assumes that current law funding of major programs such as Chapter 1, Head Start, Special Education, Pell Grants, and Community Services Block Grant is maintained.

The Committee's recommendation starts from the premise that the Federal government is too big and its reach is too wide. It assumes the consolidation of many Federal programs resulting in savings to the Federal government and increased flexibility for States in the development and implementation of programs. For example, the recommendation assumes the consolidation of 60 job training programs with a reduction in overall funding of 25 percent.

The size of the Federal Government is reflected in the Department of Education. Currently, the Department of Education funds 240 categorical programs. The Department's first budget year as a cabinet agency was FY 1980. At that time, the budget was just over $14 billion, funding about 150 programs. That budget has more than doubled since that time. The Committee's recommendation accepts the bulk of the President's recommendations for eliminating over thirty small education programs. For the Parents as Teachers program, which provides parent education and early intervention for children in a family focused manner, the Committee recommendation assumes that funding would continue under the Fund for the Improvement of Education.

For Impact Aid, the Committee's recommendation assumes a slight reduction. The President's budget, on the other hand, proposes sharp reductions in Impact Aid totalling $779 million in budget authority and $740 million in outlays. In addition, the President's budget proposes to limit payments to those children living on Indian lands and those of parents in the uniformed service living on Federal lands.

The Committee's recommendation proposes a much smaller reduction in Impact Aid of 10 percent over the next seven years and does not assume the strict programmatic changes proposed by the President. There are certainly economic benefits from the presence of federal activities in local jurisdictions. The reduction in the recommendation should result in targeting of the program to those areas most in need of assistance.

The Committee's recommendation acknowledges the growth in the arts and humanities and the existing and potential private sector support for these programs by reducing the Federal role in these activities. Private giving to the arts and humanities is estimated to be $9.6 billion in 1993. More than 80 percent of support for public broadcasting comes from sources other than the Federal government. The Committee recommendation assumes that funding for the National Endowment for the Arts and Humanities will be reduced by 50 percent. In addition, the Committee recommends that expanded advertising be allowed by the Corporation for Public Broadcasting in order to further encourage private support and help offset the Federal investment. The Committee cautions that such advertising should be in keeping with the essential non-commercial character of public broadcasting and in a way that respects its public service mission.

The Federal government has provided volunteer opportunities through a number of longstanding programs including the Peace Corps, VISTA, and the Foster Grandparents program. The Committee notes the growth in duplicative Federal programs and proposes terminations and consolidations in many instances. One such program assumed to be terminated under the Committee recommendation is the AmeriCorps program. This program provides participants with educational awards and other benefits in exchange for public service. The program which is not means tested provides participants with educational awards, a living allowance, and health and child care benefits if needed. The average annual cost for a full time participant in this program is $19,725. This level of funding could provide 8 students with a maximum Pell Grant award.

The Committee recognizes the unique trust relationship between the U.S. Government and the nation's Indian tribes and pueblos. That trust relationship is based upon a government-to-government principle embodied in treaties and subsequent actions by both the Executive and Legislative Branches of Government, and the courts. The Committee acknowledges this trust relationship, and assumes that education programs serving Native Americans, including those administered through the Office of Indian Education, will be given priority consideration for ongoing federal support.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $11.5 billion in budget authority and $12.3 billion in outlays in 1996, $2.9 billion in budget authority and $2.2 billion in outlays below current law. Spending would decrease slightly from 1996–2002, to $11.8 billion in budget authority and $11.2 billion in outlays in 2002. The Committee recommendation assumes the following major policy options to achieve the recommended funding levels:

The Committee recommendation assumes the privatization of the Student Loan Marketing Association (Sallie Mae). Sallie Mae was created by Congress in 1972 to help ensure access to guaranteed student loans by providing liquidity to private lenders making such loans. The Committee concurs with the view expressed by Senator Gorgon's working group on privatization that there is no longer a need for a government sponsored enterprise to act as a secondary market for student loans. Now is the time to relieve taxpayers of this implicit liability of more than $50 billion, which is associated with the activities of this GSE. In addition, it is appropriate that the federal government benefit from the success of Sallie Mae, due in part to its status as a GSE.

Therefore, the Committee recommendation assumes that Sallie Mae will released from its harter and its corresponding obligations of payment in the form of "offset fees." In exchange, the Committee assumes that Sallie Mae will pay and exit fee to the federal government. The form should be determined by the appropriate authorizing committees, and be structured in such a way as to enhance the long term stability and success of Sallie Mae as a fully private company.

For student loans, the Committee recommendation assumes the currently projected student loan volume growth of $26.6 billion in loans for 1996 and totalling $151.4 billion over the next five years. The current interest rate calculation and caps would remain under the Committee recommendation.

The Committee recommendation would introduce greater parity in the direct and guaranteed loan programs. For example, State risk sharing for student loan defaults by requiring current default fee to be based upon both guaranteed loans and direct loans.

Current law only requires the fee to be based on guaranteed loan volume. In addition, the Committee is aware that the Labor Committee is considering legislation to limit the growth of direct student loans. The Committee understands that benefits will not change for students but that any costs associated with implementing such a proposal would be borne by the private sector participants whose industries would benefit from greater involvement in the student loan program.

The Committee recommendation would increase graduate and professional students' responsibility for education expenses by removing government interest rate subsidies. The Committee notes that for these students, interest would not accrue on their undergraduate loans until they complete their graduate education. It is only on the additional loans for those final years of advanced edu-

cation, that interest would accrue. Graduate and professional students would continue to receive the benefits of capped interest rates on their loans, Federal guarantees, opportunities to defer payments in case of economic hardship, the ability to consolidate their loans at capped interest rates, and the opportunity to participate in a number of Federal fellowship programs targeted specifically toward graduate students. Unlike the President, the reported resolution assumes no reductions in these fellowship programs.

The Committee recommendation assumes a 20 percent reduction in the Social Services Block Grant Program. This reduction relates to the growth in other social services programs such as the Child Care and Development Block Grant. Data from States relating to the use of Social Services Block Grant funds points to the fact that they were spending an average of 15 percent of funds on child care.

The Committee recommendation retains individual entitlement for at-risk youth in Foster Care and Adoption Assistance programs and standardizes Federal match rates for those programs at 50 percent. The Committee notes that the Finance Committee will likely address any adjustments to these programs in comprehensive welfare reform.

MAJOR PROGRAMS IN FUNCTION

Function 550 includes mandatory spending for Medicaid and the retiree portion of the Federal Employees Health Benefits (FEHB) program. On the discretionary side, this function includes health services, health education and training, the National Institutes of Health, the Center for Disease Control and Prevention, the Indian Health Service, and consumer and occuptional health and safety programs administrated by several agencies. Function 550 comprises all Federal health spending, with two major exceptions: Medicare and health benefits for Federal civilian and military employees. Note that the Committee's tables include savings from changes to health benefits for Federal civilian employees in function 550.

FUNCTION 550: HEALTH

[Dollars in Billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	116.6	120.1	126.6	132.1	137.0	141.1	657.0	145.2	149.6	951.9
OT	115.8	120.6	126.5	132.2	137.0	140.9	657.0	144.9	149.5	951.4
Current law:										
BA	116.6	126.6	137.8	150.2	163.4	177.1	755.2	192.1	207.7	1155.0
OT	115.8	126.1	137.7	150.3	163.4	177.0	754.4	191.7	207.6	1153.7
President's budget:										
BA	116.6	127.5	137.9	149.9	163.0	176.5	754.8	NA	NA	NA
OT	115.7	126.3	138.1	150.4	163.3	176.6	754.7	NA	NA	NA
Committee recommendation compared to:										
Current law:										
BA	.....	−6.5	−11.2	−18.1	−26.4	−36.0	−98.2	−46.8	−58.1	−203.1
OT	.....	−5.5	−11.2	−18.1	−26.4	−36.1	−97.4	−46.8	−58.1	−202.3
President's budget:										
BA	0.0	−7.3	−11.3	−17.7	−26.0	−35.4	−97.8	NA	NA	NA
OT	0.0	−5.7	−11.6	−18.2	−26.3	−35.8	−97.6	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $120.1 billion in budget authority and $120.6 billion in outlays in 1996 for programs and activities in Function 550. Spending would increase by 29 percent over the 1996–2002 period, rising to $149.6 billion in budget authority and $149.5 billion in outlays by 2002. Over the seven-year period 1996–2002, $951.9 billion in budget authority and $951.4 billion in outlays would be spent in function 550, compared to $1.155 trillion in budget authority and $1.154 trillion in outlays in the current law baseline. Over the five year period 1996–2000, $657.0 billion in budget authority and outlays would be spent compared to the $754.8 billion in budget authority and $754.7 billion that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $20.0 billion in budget authority and $20.5 billion in outlays in 1996, a decrease of $2.8 billion in budget authority and $1.8 billion in outlays from the 1995 level. This spending would decline to $18.8 billion in budget authority and outlays in 2002.

The Committee recommendation assumes full funding for the Center for Disease Control and Prevention and the Food and Drug Administration (except for new construction). The Committee recommendation assumes full funding for the Indian Health Service, for the Substance Abuse and Mental Health Services Administration, and for all AIDS and HIV-related programs.

Indian Health Service.—The Committee recognizes the unique trust relationship between the U.S. Government and the nation's Indian tribes and pueblos. That trust relationship is based upon a government-to-government principle embodied in treaties and subsequent actions by both the Executive and Legislative Branches of Government, and the courts. The Committee acknowledges this trust relationship, and assumes that health programs serving Native Americans, especially through the Indian Health Service, will be given priority consideration for ongoing federal support.

The Committee recommendation assumes the following major policy options to achieve the recommended funding levels:

Consolidate 19 Public Health Service programs into a State Health Block grant. An asterisk (*) in the list below means that the President proposed consolidating this program into one of five "health centers". The nineteen programs are:

1. National Health Service Corps & NHSC recruitment*
2. Hansen's disease center
3. Pacific basin initiative*
4. Payment to Hawaii for the treatment of Hansen's disease*
5. Public housing health services*
6. Alzheimer's demonstration grants*
7. Native Hawaiian health care*
8. Nursing loan repayment*
9. Maternal and child health block grant
10. Healthy start
11. Pediatric emergency medical services*

12. Health teaching facilities
13. Health care facilities
14. Organ transplantation
15. Trauma care demonstration*
16. Family planning
17. Health services outreach demonstration*
18. Rural health research
19. State offices of rural health*

The Committee recognizes that block grants represent a significant change in the fiscal relationship between the States and the Federal government. Such a change can take time to implement. The Committee urges the authorizing and appropriations committees to consider, where appropriate, other means of achieving the first year savings targets to provide States with the time necessary to adapt to a block grant.

Terminate the Office of the Assistant Secretary for Health (OASH) in the Department of Health and Human Services. The Mark assumes that the $1.7 million for HIV program coordination would not be terminated, and that this function would be transferred elsewhere within the Department. OASH has fourteen Deputy Assistant Secretaries, and it is unclear what are the direct line responsibilities of this office.

Reduce funding for the Agency for Health Care Policy and Research by 75 percent. The support materials for the Chairman's Mark incorrectly stated that AHCPR was intended to be the primary administrator of comprehensive health reform. The Committee staff apologize for this error.

Reduce funding for the Occupational Safety & Health Administration (OSHA) and the Mine Safety & Health Administration (MSHA) by 50 percent, and terminate the outdated OSHA/MSHA Review Commission.

Terminate construction of the new Food and Drug Administration (FDA) campus. The Committee notes that this termination is included in the current rescission bill. The Committee recommendation therefore assumes no further changes to FDA funding over the next seven years.

Reduce funding for the National Institutes of Health by 10 percent. The Committee recommendation assumes that none of this reduction would occur in AIDS or HIV-related areas. According to the Congressional Budget Office, "a reduction in funding for NIH research could be justified by its rapid growth in recent years. Between 1984 and 1994, NIH expenditures more than doubled. . . . Because funding for [competitively awarded] research projects is based on a rating system, the least promising projects would be dropped." In addition, CBO notes that "between 1982 and 1992, private-sector spending for health research and development more than doubled, even exceeding the increase in NIH spending." The Committee recommendation assumes that 1996 funding would be 10 percent lower than its 1995 level ($10.2 billion vs. $11.3 billion). This new level of funding would be maintained through 2002. The Committee notes that NIH spending would still comprise more than half of non-Medicaid spending in function 550.

Federal agencies would follow the lead of the private sector by contributing a fixed dollar amount to Federal employees' health

plans, thus encouraging Federal employees to make more cost-effective decisions in the allocation of their compensation. This fixed dollar amount would be indexed to inflation. Federal agencies would no loner provide extra subsidies to those Federal employees who choose more expensive health plans. Federal employees would be able to avoid most of the burden of this policy change by choosing more cost-effective health plans. Those Federal employees who continued to choose more expensive health plans would bear the full economic burden of that decision. It is unclear why, in an era in which health spending is rapidly spiraling upward, the Federal government should continue to encourage employees to purchase more expensive health plans. These savings are included in function 550, and not in the functions in which the Federal employees are distributed.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $100.1 billion in budget authority and $100.0 billion in outlays in 1996, an increase of $5.6 billion in budget authority and $6.0 billion in outlays from the 1995 level. This spending would increase by 39 percent to $130.9 billion in budget authority and $130.7 billion in outlays in 2002. The Committee recommendation assumes the following major policy options to achieve the recommended funding levels:

As for current Federal employees (see above), the Federal government would follow the lead of the private sector by contributing a fixed dollar amount to federal retirees's health plans, thus encouraging Federal retirees to make more cost-effective decisions in the allocation of their compensation. This fixed dollar amount would be indexed to inflation. The Federal government would no longer provide extra subsidies to Federal retirees who choose more expensive health plans.

MEDICAID ASSUMPTION IN THE COMMITTEE RECOMMENDATION

Over the seven-year period 1996–2002, the Committee recommendation assumes total Federal Medicaid spending of $780.0 billion, compared to $954.8 billion in outlays in the current law baseline. Over the seven years, total Federal Medicaid outlays would grow at an average of 5.0 percent per year. The Committee recommendation assumes that Federal Medicaid spending would grow faster than 5 percent in the first few years, and would grow 4 percent per year in the last few years. The Committee recommendation assumes that the Federal Medicaid baseline after 2002 would grow 4 percent per year.

These Medicaid outlay levels could be achieved in several ways, including:

A Medicaid block grant, in which Federal payments to states grew at the following rates form the 1995 Federal base level:

	1996	1997	1998	1999	2000	2001	2002	after 2002
Benefits and administration (percent)	8%	7%	6%	5%	4%	4%	4%	4%
DSH (percent)	0	0	0	0	0	0	0	0

An across-the-board reduction of each state's matching rate could achieve the necessary savings over seven years. Further programmatic reforms would be needed to slow the growth rate in the later years.

The Committee recommendation is designed to be compatible with a wide range of Medicaid restructuring proposals. The Committee recommendation makes no assumption about individual entitlement, eligibility groups, benefits, payment rates, financing structures, or the distribution of Federal funds among the states within the total Federal funding levels specified.

The Committee recommendation assumes the present ratio of Federal to State funding (57% Federal, 43% State) would continue.

The Committee recognizes that block grants represent a significant change in the fiscal relationship between the States and the Federal government. Such a change can take time to implement. The Committee urges the authorizing and appropriations committees to consider, where appropriate, other means of achieving the first year savings targets to provide States with the time necessary to adapt to a block grant.

Function 570: MEDICARE

MAJOR PROGRAMS IN FUNCTION

Function 570 includes only the Medicare program. This entitlement program pays to health care providers for health services provided to senior citizens and disabled beneficiaries. Medicare is divided into two parts: Hospital Insurance (Part A) and Supplementary Medical Insurance (Part B). Medicare Part A is financed by a 2.9 percent payroll tax on current workers, by the 1993 increases in income tax on Social Security benefits, and by general revenue payments denoted as interest on trust fund assets. Medicare Part B is financed 31 percent by premium payments from current beneficiaries, and 69 percenby by payments from general revenues.

FUNCTION 570: MEDICARE

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	$162.6	$171.9	$180.5	$193.1	$207.4	$221.4	$974.1	$238.9	$258.9	$1,471.9
OT	161.1	169.5	178.9	191.4	204.8	219.5	964.2	236.9	256.7	1,457.7
Current law:										
BA	162.6	184.1	202.0	220.6	242.9	265.7	1,115.2	291.7	320.6	1,727.6
OT	161.1	181.7	200.4	218.9	240.4	263.8	1,105.3	289.7	318.4	1,713.3
President's budget										
BA	162.6	184.2	201.6	219.9	239.6	259.4	1,104.7	NA	NA	NA
OT	161.0	181.8	200.1	218.3	237.0	257.6	1,094.7	NA	NA	NA
Committee recommendation compared to:										
Current law:										
BA	.....	−12.2	−21.5	−27.5	−35.6	−44.3	−141.1	−52.8	−61.7	−255.6
OT	.....	−12.2	−21.5	−27.5	−35.6	−44.3	−141.1	−52.8	−61.7	−255.6
President's Budget:										
BA	0.0	−12.3	−21.1	−26.9	−32.2	−38.0	130.5	NA	NA	NA
OT	0.0	−12.3	−21.1	−26.9	−32.2	−38.1	−130.5	NA	NA	NA

PROJECTED MEDICARE INSOLVENCY

In their 1995 Annual Report to the Congress, the Medicare Trustees recently announced that the Medicare Hospital Insurance Trust Fund will be insolvent seven years from now, in the year 2002. The Trustees conclude that "the HI program is severely out of financial balance and the Trustees believe that the Congress must take timely action to establish long-term financial stability for the program."

The Committee recommendation has been strongly influenced by current and past Trustees' reports, by recent testimony of the Public Trustees, and by the statement of the two Public Trustees.

The Public Trustees have issued their own bipartisan statement each year. This statement is attached to the full Board of Trustees' annual report. The Public Trustees have a different recommendation than the full Board of Trustees. The full text of the Medicare portion of their statement is included here.

> Both the Hospital Insurance Trust Fund and the Supplementary Medical Insurance Trust Fund show alarming financial results. The HI Trust Fund continues to be severely out of financial balance and is projected to be exhausted in about 7 years. The SMI Trust Fund, while in balance on an annual basis, shows a rate of growth of costs which is clearly unsustainable. Moreover, this fund is projected to be 75 percent or more financed by general revenues, so that given the general budget deficit problem, it is a major contributor to the larger fiscal problems of the nation.
>
> The Medicare program is clearly unsustainable in its present form. We had hoped for several years that comprehensive health care reform would include meaningful Medicare reforms. However, with the results of the last Congress, it is now clear that Medicare reform needs to be addressed urgently as a distinct legislative initiative. We also strongly believe that Medicare reform should be included as an integral part of any broader health care reform initiative which may be considered in the future."
>
> There are basic questions with the scale, structure, and administration of the Medicare program that need to be addressed. For example, is it appropriate to have a Part A and Part B today, or should this legacy of the political process that enacted Medicare in the mid-1960s be revised to create a unified program? Is it appropriate to combine participants' social insurance tax contributions for Part A and premium payments for approximately one-quarter of Part B with general revenues? If so, what should be the proper combination of beneficiary premiums, taxpayer social insurance contributions, and general revenues? How are each of these kinds of revenue sources to be justified and what rights to benefits and responsibilities to pay benefits are thereby established? How can the program become more cost-effective? How can fraud, abuse and waste be better controlled?

> We feel strongly that comprehensive Medicare reforms should be undertaken to make this program financially sound now and over the long term. The idea that reductions in Medicare expenditures should be available for other purposes, including even other health care purposes, is mistaken. The focus should be on making Medicare itself sustainable, making it compatible with OASDI, and making both Social Security and Medicare financially sound in the long term.
>
> *We strongly recommend that the crisis presented by the financial condition of the Medicare Trust Funds be urgently addressed on a comprehensive basis, including a review of the program's financing methods, benefit provisions, and delivery mechanisms.* Various groups should be consulted and reform plans developed that will not be disruptive to beneficiaries, will be fair to current taxpayers who will in the future become beneficiaries, and will be compatible with government finances overall. (emphasis in the original)

The Committee recommendation is based on the recommendations of the Public Trustees. Specifically, the Committee recommendation addresses both the short and long-term insolvency of the entire Medicare program. Based on the recommendations of the Public Trustees and experts, the Committee urges the Congress to think about Medicare in its entirety, and not to be bound by historical distinctions between parts A and B.

The Committee recommendation assumes that:

Medicare reform will be addressed urgently as a distinct legislative initiative;

comprehensive Medicare reforms will be undertaken this year to make the program financially sound now;

reductions in the rate of growth of Medicare expenditures will be focused on making Medicare itself sustainable;

a special bipartisan commission will be created to address the long-term solvency of Medicare;

this commission will address the questions raised by the Public Trustees; and

this commission will review the program's financing methods, benefit provisions, and delivery mechanisms.

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $171.9 billion in budget authority and $169.5 billion in outlays in 1996 for Medicare. Spending would increase by 59 percent over the 1996–2002 period, rising to $258.9 billion in budget authority and $256.7 billion in outlays by 2002. Over the seven year period 1996–2002, Medicare would grow at an average annual rate of 6.9 percent. Over the seven-year period, $1.472 trillion in budget authority and $1.458 trillion in outlays would be spent on Medicare, compared to $1.728 trillion in budget authority and $1.713 trillion in outlays in the current law baseline. Over the five year period 1996–2000, $974.1 billion in budget authority and $964.2 billion in outlays would be

spent, compared to the $1.105 trillion in BA and $1.095 trillion in outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $3.0 billion in budget authority and outlays in 1996, the same as the 1995 level. This spending would remain constant for the next seven years.

Discretionary spending in function 570 is entirely for the administration of Medicare. The Committee recommendation assumes no changes to discretionary spending in Medicare.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $168.9 billion in budget authority and $166.5 billion in outlays in 1996, an increase of $10.7 billion in budget authority and $10.2 billion in outlays from the 1995 level. Spending would increase by 62 percent over the 1996–2002 period, rising to $255.9 billion in budget authority and $253.7 billion in outlays by 2002. The 2002 outlay level is 62 percent higher than the 1995 outlay level. This represents an average annual growth rate of 7.2 percent.

Even in real (inflation-adjusted) per capita terms, Federal spending for Medicare still grows in the Chairman's mark. In 1995, Federal per capita Medicare spending is about $4950 per beneficiary. In 2002, under the Committee recommendation, Federal per capita Medicare spending is about $6400 per beneficiary, a 29 percent increase over seven years. After adjusting for inflation, Federal per capita spending in 2002 would still rise by about $100, to about $5050 per beneficiary.

Function 600: INCOME SECURITY

Function 600, Income Security includes a broad range of programs including the federal retirement programs, the major cash and in-kind welfare programs, housing programs, and nutrition programs. These programs are administered by many departments in the federal government including the Department of Health and Human Services, the Office of Personnel Management, the U.S. Department of Agriculture, the Railroad Retirement Board, the Social Security Administration, and the Department of Housing and Urban Development.

Of the $222 billion in total 1995 outlays in this function, $185 billion (83 percent) is spent on entitlement programs. Six mandatory programs account for $171 billion of outlays. The six programs are the major cash and in-kind entitlement welfare programs: Supplemental Security Income (SSI), Aid to Families with Dependent Children (AFDC), Unemployment Insurance, and Food Stamps, as well as outlays for the Earned Income Tax Credit (EITC) and federal civilian and military retirement and disability programs. The federal retirement programs alone account for $65 billion or 30 per-

cent of the 1995 outlays. (Social Security benefits are found in function 650.)

Total spending in function 600 is expected to grow by 39 percent, from $222.2 billion in outlays in 1995 to $308.9 billion in 2002. By 2002, SSI is expected to grow 93 percent from $24.3 billion to $46.8 billion. The growth is attributable to new classes of eligible beneficiaries and, regulatory and court ordered expansion. Also growing faster than function 600 average of 39 percent are Food Stamps which is projected to grow by 46 percent from $25.1 billion to $36.6 billion and EITC which is projected to grow 62 percent from $17.3 billion to $28.0 billion in 2002.

Of the $38.7 billion in discretionary spending in this function in 1995, about two-thirds is devoted to housing programs, with the rest spent on social service and nutrition programs like the Low Income Home Energy Assistance (LIHEAP) and the Special Supplemental Food Program for Women, Infants and Children (WIC).

FUNCTION 600: INCOME SECURITY

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Committee recommendation:										
BA	219.5	226.3	233.7	253.0	256.0	272.6	1,241.6	277.5	291.9	1,811.0
OT	222.2	225.9	235.6	246.1	257.9	272.6	1,238.0	277.4	291.7	1,807.1
Current law:										
BA	219.5	228.2	242.9	254.2	266.6	281.8	1,273.8	288.8	305.5	1,868.1
OT	222.2	231.4	247.5	257.1	268.9	284.9	1,289.8	291.9	308.4	1,890.0
President's budget:										
BA	219.5	228.5	241.5	263.2	271.0	285.4	1,289.6	NA	NA	NA
OT	222.2	232.8	249.1	263.3	280.8	297.3	1,323.3	NA	NA	NA
Committee recommendation compared to:										
Current law:										
BA	.....	−1.9	−9.2	−1.2	−10.7	−9.2	−32.2	−11.3	−13.6	−57.1
OT	.....	−5.4	−11.9	−11.1	−11.0	−12.3	−51.8	−14.5	−16.7	−82.9
President's budget:										
BA	.....	−2.2	−7.8	−10.2	−15.0	−12.8	−48.0	NA	NA	NA
OT	.....	−6.9	−13.5	−17.2	−22.9	−24.7	−85.3	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $226.3 billion in budget authority and $225.9 billion in outlays in 1996 for programs and activities in Function 600. Spending would increase by 29 percent (over 4% annually) over the 1996–2002 period, rising to $292.4 billion in budget authority and $292.2 billion in outlays by 2002. Over the seven-year period 1996–2002, $1.808 trillion in outlays would be spent on income security functions, compared to $1.891 trillion assumed under the current law baseline. Over the five year period 1996–2000, $1.242 trillion in budget authority and $1.238 trillion in outlays would be spent compared to the $1.290 trillion in budget authority and $1.323 trillion in outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $37.7 billion in budget authority and $39.7 billion in outlays in 1996, an increase of $4.0 billion in budget authority and $0.5 billion in outlays from the 1995 level. This spending would increase to $43.0 billion in budget authority and $45.2 billion in outlays in 2002. The Committee recommendation assumes the following major policy options to achieve the funding levels in the resolution:

Addition of all funds necessary to renew contracts for housing assistance (section 8) that will expire over the next seven years, amounting to $75.8 billion in budget authority and $39.9 billion in outlays. Because the number of such renewals in 1995 is less than the number of renewals that will be necessary in later years, providing only the 1995 level of funding in those years would not be sufficient to renew all expiring contracts. Providing the additional funds will ensure that those currently receiving housing assistance will not lose their assistance.

Preserve as currently structured and maintain funding at the 1995 level the elderly housing program (section 202), the disabled housing program (section 811), and the Housing Opportunities for Persons with AIDS program. In addition, all current funding for Native American housing programs would be grouped into a separate program and maintained.

A block grant incorporating most existing public housing programs and another block grant making eligible most existing housing assistance programs. By removing overly strict federal rules for a confusing array of housing programs and turning the funds over to states and public housing authorities, more efficient use can be made of the housing funds that are provided. Block grants would allow the termination of a few remaining programs that are no longer needed, such as special purpose grants and pension fund partnerships, as well as reduce administrative costs, thereby reducing spending by $5.7 billion over the next five years.

An additional $1.9 billion in funds for the Special Supplemental Food Program for Women, Infants and Children (WIC). No cuts in funding for the Child Care Development Block Grant (CCDBG).

Additional funds for the Social Security Administration to fund Continuing Disability Reviews (CDR) in Supplemental Security Income to ensure that those who no longer need services do not continue to receive benefits, and to fight fraud and abuse.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $188.6 billion in budget authority and $186.2 billion in outlays in 1996, a decrease of $5.9 billion in outlays from the 1996 projected level. Spending would rise to $246.9 billion in outlays or 33 percent over the 1996-2002 period. The Committee recommendation assumes the following major policy options to achieve the funding levels resolution:

$47 billion over 5 years, and $80 billion over 7 years in savings from Welfare Reform (of which $45 billion over 5 years is in function 600.) Over the period of 1996-2002, the Committee recommends funding of over $800 billion for Food Stamps, SSI, EITC, AFDC, Child Care and Child Nutrition.

Return responsibility for welfare to the States. The Committee recommendation assumes a restructuring of the existing welfare system by returning power and responsibility to the States. One way to turn power back to the States would be through block grants with strings attached only to ensure that funds are used efficiently and effectively. The block grants would be available with no coverage mandates so States could craft programs appropriate to the problems of the State, and even regions in the State. Finally, States would receive a guaranteed amount for five years so States can plan effectively. States would be allowed to maintain a rainy day fund from their welfare reform savings as a contingency for future needs.

Child Support Enforcement reform. The Committee recommendation assumes a reinvigorated child support enforcement system that will reward States for good performance and provide strong incentives for poorly performing States to improve their system. In exchange for a performance based financing system, States will be given vast flexibility to improve child support collections free from the current process-driven federal mandates. States would be encouraged to privatize child support functions, move away from the court-based paper bound system and recover costs from absent parents who try to bog down the process.

An effective and efficient child support system will reduce public assistance costs, give single parents leaving welfare a basic amount of income, and avoid welfare costs in the future. Advocates point out that an effective child support system over the long term could have profound societal effects which could alleviate structural welfare problems.

In a Sense of the Senate provision, the Committee passed language encouraging social service funding to be provided in block grants where feasible. The Committee recognizes that block grants represent a significant change in the fiscal relationship between the States and the Federal government. Such a change can take time to implement. The Committee urges the authorizing and appropriations committees to consider, where appropriate, other

means of achieving the first year savings targets to provide States with the time necessary to adapt to a block grant.

Targets funds to the neediest. No assumed reductions in the School Lunch or School Breakfast programs. Currently 45 percent of the Child and Adult Care Feeding Program (CACFP) benefits families of four with incomes over $32,000. In lieu of a burdensome means test, this proposal would decrease meal reimbursement rates to upper income neighborhoods, while maintaining reimbursements for children in family day care homes in low to moderate income neighborhoods, and for low income providers. Maintains the safety net of Food Stamps but reforms the program to target funds to lower income beneficiaries. Under the Committee recommendation, Food Stamp expenditures will increase from $26 billion in 1995 to $30 billion in 2002, with total expenditures of nearly $200 billion over that period. The recommendation would also limit receipt of welfare benefits by aliens.

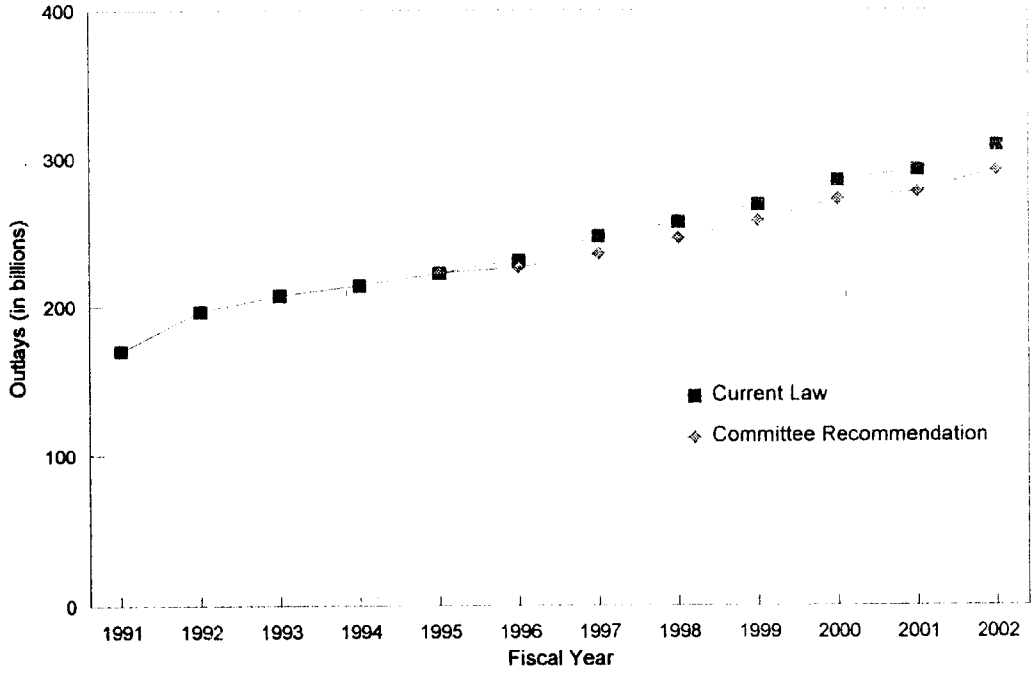
Conforms Congressional retirement to federal civilian retirement. The Committee recommendation eliminates more generous pensions currently available to Members of Congress and their staff. The proposal conforms accrual rates and pension contributions to the rates paid by federal civilian employees.

Restores the cost of living adjustment (COLA) for military retirees to the date of COLAs for civilian retirees for all three years. Assumes no reductions or delays in COLAs for federal retirees but sets the basis of pension from the average of the top three highest salaries to the private sector standard of the average of the five highest annual salaries.

Accepts the President's proposal for denying the Earned Income Tax Credit (EITC) to undocumented workers, targets the credit to working families and maintains indexing of the credit, but limits prospective increases. Beneficiaries would not receive less in EITC payments in 1996 than they receive in 1995 and the maximum benefit would continue to rise each year. Under the Committee recommendation spending on EITC will increase 47 percent from $17 billion in 1995 to $25 billion in 2002 with total expenditures of $154 billion over the period.

Spending Increases 32% under Committee Recommendation

Function 600 Income Security



Function 650: SOCIAL SECURITY

MAJOR PROGRAMS IN FUNCTION

Function 650 includes the Old Age and Survivors Insurance (OASIS) program and the Disability Insurance (DI) program. Both of these programs provide entitlement payments from the Social Security trust funds. Both programs are financed by a 12.4 percent payroll tax on wages of current worker up to a specified level ($61,200 in 1995), by income tax revenues on Social Security benefits, and by general revenue payments denoted as interest on trust fund assets. The Social Security trust funds are off-budget and are displayed separately in the budget resolution.

FUNCTION 650: SOCIAL SECURITY

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	$336.9	$354.3	$374.0	$394.3	$415.0	$436.7	$1974.4	459.6	$483.7	$2917.7
OT	336.2	354.2	373.1	393.1	413.7	435.6	1969.7	458.3	482.2	2910.2
Current law:										
BA	336.9	354.3	374.0	394.3	415.0	436.7	1974.4	459.6	483.7	2917.7
OT	336.2	354.2	373.1	393.1	413.7	435.6	1969.7	458.3	482.2	2910.2
President's budget:										
BA	336.9	354.3	374.0	394.3	415.6	438.2	1976.4	NA	NA	NA
OT	336.2	354.8	373.7	393.9	415.0	437.6	1975.0	NA	NA	NA
Committee recommendation compared to:										
Current law:										
BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
President's budget:										
BA	.....	.....	.....	.....	−0.6	−1.4	−2.0	NA	NA	NA
OT	0.0	−0.6	−0.7	−0.7	−1.3	−2.0	−5.3	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes no changes to Social Security.

The Committee recommendation assumes $354.3 billion in budget authority and $354.2 billion in outlays in 1996 for programs and activities in Function 650. Spending would increase by 43% over the 1996–2002 period, rising to $483.7 billion in budget authority and $482.2 billion in outlays by 2002. Over the seven-year period 1996–2002, $2.918 trillion in budget authority and $2.91 trillion in outlays would be spent in Social Security, the same as the current law baseline. Over the five year period 1996–2000, $1.974 trillion in budget authority and $1.970 trillion in outlays would be spent compared to the $1.976 trillion in BA and $1.975 trillion that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes no changes to Social Security.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes no changes to Social Security.

Function 700: VETERANS BENEFITS AND SERVICES

MAJOR PROGRAMS IN FUNCTION

Function 700 includes all programs directed toward veterans of the armed services. Income security needs of disabled veterans and survivors of deceased veterans are addressed through compensation benefits, pensions and life insurance programs. Major education, training and rehabilitation and readjustment programs include the Montgomery GI Bill, the Veterans Educational Assistance Program, and the Vocational Rehabilitation and Counseling program. The VA also provides veterans with guarantees on home loans and farm loans. In 1995 slightly less than half of all spending, $17.7 billion, is for the Veterans Health Administration, which comprises over 700 hospitals, nursing homes, domiciliaries, and outpatient clinics.

Total VA 1995 spending is projected to be $38.2 billion in BA and $37.2 billion in outlays. $19.5 billion or 53 percent of outlays is entitlement spending. Spending on veterans programs is projected to rise by 18 percent to $43.7 billion in outlays by 2002. The main growth in the veterans spending is due to veterans compensation, a mandatory program, which is projected to increase 38 percent, from $14.4 billion in 1995 to $19.8 billion in 2002, due in part to judicial interpretation. Finally, the veteran population is declining, and by 1999 the veteran population over 65 years old is expected to peak and gradually decline.

FUNCTION 700: VETERAN AFFAIRS

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Commitee recommendation:										
BA	$37.7	$37.4	$37.5	$37.6	$37.9	$37.9	$188.3	$38.3	$38.7	$265.3
OT	37.4	36.9	37.7	38.0	38.2	39.4	190.2	40.1	40.4	270.6
Current law:										
BA	37.7	38.2	38.6	39.1	40.4	40.8	197.1	41.5	42.1	280.7
OT	37.4	37.2	38.5	39.1	40.4	42.3	197.6	43.0	43.7	284.3
President's budget:										
BA	37.7	39.1	38.9	39.0	39.1	39.1	195.3	NA	NA	NA
OT	37.4	37.3	38.8	39.0	39.1	40.6	194.7	Na	NA	NA
Committee recommendation compared to:										
Current law:										
BA	.....	−0.8	−1.1	−1.5	−2.5	− 2.9	−8.8	−3.2	−3.5	−15.5
OT	.....	−0.3	−0.8	−1.2	−2.2	−2.9	−7.4	−2.9	−3.3	−13.7
President's budget:										
BA	.....	−1.7	−1.4	−1.4	−1.2	−1.2	−7.0	NA	NA	NA
OT	.....	−0.4	−1.1	−1.1	−0.9	−1.2	−4.6	NA	NAS	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $37.2 billion in budget authority and $37.1 billion in outlays in 1996 for programs and activities in Function 700. Spending would increase slightly over the 1996–2002 period, rising to $38.7 billion in budget authority and $40.4 billion in outlays by 2002. Over the seven-year period 1996–2002, $264 billion in budget authority and $269 billion outlays would be spent on veteran's programs, compared to $281 billion in budget authority and $284 billion in outlays assumed under the current law baseline. Under the Committee's recommendation per capita veterans spending will rise from $1,416 to $1,611 per veteran. Over the five year period 1996–2000, $187 billion in budget authority and $189 billion outlays would be spent compared to the $195.3 billion in budget authority and $194.7 billion in outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $17.9 billion in budget authority and $18.9 billion in outlays in 1996, a reduction of $.5 billion in budget authority and $0.1 billion in outlays from the 1995 level. This spending would decline to $17.2 billion in budget authority and $17.3 billion in outlays in 2002. The Committee recommendation assumes the following major policy options to achieve the funding levels:

No changes in VA medical funding. While the President's Budget proposes an increase in 1996 for the VA medical system, over time the recommended funding drops below the 1995 level. Under the Committee's recommendation, spending on VA health programs would be $780 million over the President's recommended level in 2000.

Phase out construction of VA facilities. By 1999, the veterans population over 65 begins declining. Any major construction will not be available for use by that date. The Committee is concerned that, from a long term budget standpoint, to maintain quality the VA system would be burdened by facilities that can not be filled or adequately staffed. Thus, the system will be better served by using existing capacity.

The mark incorporates the needs for improvement, repairs, new cemeteries, long term care facilities and conversion that must be performed over the short term, but expects that past 1999 the VA system will use existing capacity.

In 1996, the committee assumes the 1995 level of funding for general operating expenses less the funds for the one time modernization effort in the 1995 base.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $19.5 billion in budget authority and $17.9 billion in outlays in 1996, $.4 billion in budget authority and outlays less than under current law. Spending would increase to $21.5 billion and $22.9 billion in outlays in 2002. The Committee recommendation

assumes the following major policy options to achieve the funding levels:

Makes no changes in compensation or in cost of living adjustments for all veterans currently receiving compensation from service connected disabilities.

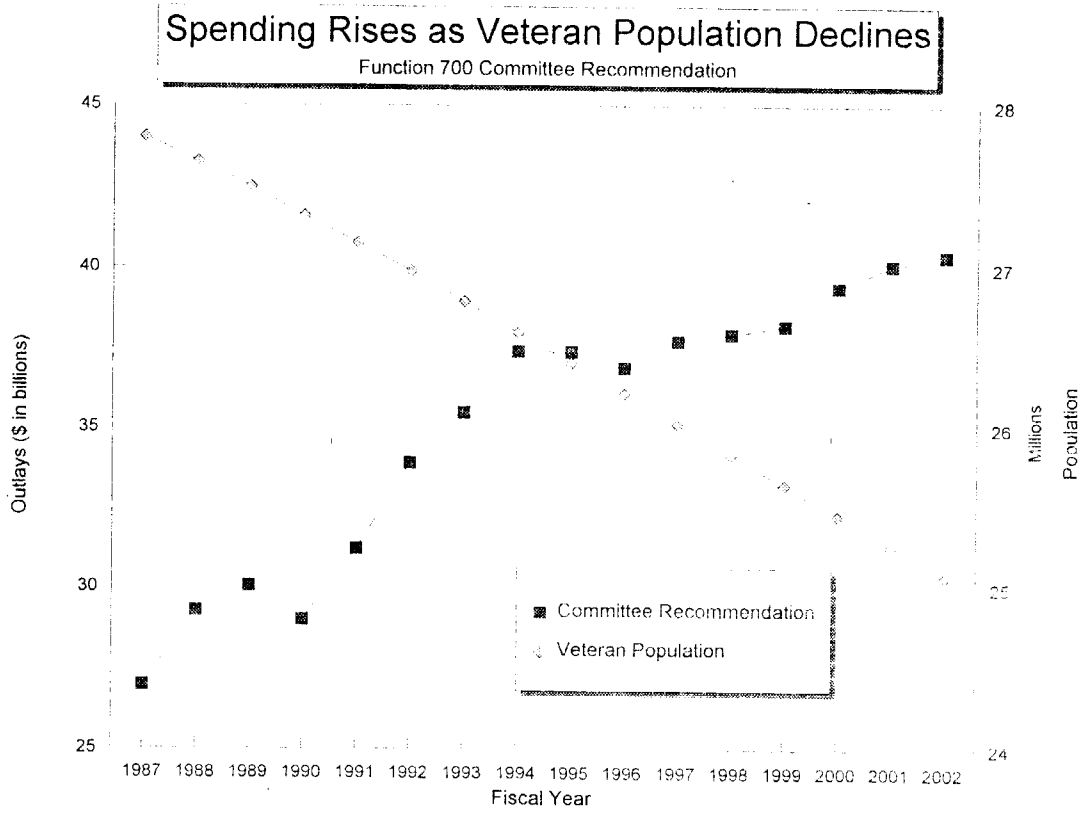
Repeals the "Gardner" decision that extended compensation to VA medical patients suffering an adverse outcome in cases where no fault was found with VA.

Targets compensation in the future to veterans disabled in combat and veterans disabled during performance of duty.

Phases in a higher prescription co-payment for upper income veterans.

Extends expiring current law provisions from the Omnibus Reconciliation Act of 1993.

Restores the funding ratio for GI Bill benefits to the pre-Gulf War level.


Spending Rises as Veteran Population Declines
Function 700 Committee Recommendation
Outlays ($ in billions)
45
40
35
30
25
28
27
26
25
24
Millions
Population
1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002
Fiscal Year
Committee Recommendation
Veteran Population

Function 750: ADMINISTRATION OF JUSTICE

MAJOR PROGRAMS IN FUNCTION

Function 750 includes the Department of Justice, the Judiciary, Customs and other law enforcement functions in the Department of Treasury, as well as independent agencies such as the Legal Services Corporation. Programs in this function provide law enforcement protection, including civil rights enforcement, crime prevention, funding for the care of prisoners and prison construction, costs of the Judiciary, and appointed counsel or other legal services for those in need.

Total spending in this function for 1995 is $18.5 billion in budget authority and $18.2 billion in outlays. For 1996, the President is requesting $21.9 billion in budget authority and $20 billion in outlays. Total spending in the function is expected to rise by $23.8 billion in budget authority and $19.8 billion in outlays through 2000. The increase is due, primarily, to the enactment of the Violent Crime Reduction Trust Fund which will provide funding to programs, primarily in this function, totaling $23.5 billion in budget authority and $20.7 billion in outlays through 2000. A significant amount of funding in this function is targeted toward discretionary programs, with Federal law enforcement receiving $7.8 billion, or 33 percent in 1996.

FUNCTION 750: ADMINISTRATION OF JUSTICE

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	$18.5	$20.0	$20.7	$21.4	$22.3	$22.3	$106.7	$21.9	$21.8	$168.9
OT	17.1	19.6	21.2	22.4	23.1	23.7	110.0	23.3	23.2	173.6
Current law:										
BA	18.5	18.5	18.5	18.6	18.6	18.6	92.8	18.2	18.1	147.6
OT	17.1	18.2	18.3	18.6	18.6	18.5	92.1	18.2	18.1	145.5
President's budget:										
BA	18.5	21.9	22.3	23.3	24.5	24.7	116.6	.....	.....	.....
OT	.....	−0.4	−0.2	−0.3	−0.4	−0.6	−2.0	.....	.....	.....
Chairman's Mark compared to:										
Current law:										
BA	.....	1.5	2.2	2.8	3.7	3.7	13.9	3.7	3.7	21.3
OT	.....	1.4	2.9	3.8	4.5	5.2	17.9	5.1	5.1	28.1
President's budget:										
BA	.....	−1.9	−1.6	−1.9	−2.2	−2.4	−9.9	.....	.....	.....
OT	.....	−0.4	−0.2	−0.3	−0.4	−0.6	−2.0	.....	.....	.....

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $20 billion in budget authority and $19.5 billion in outlays in 1996 for programs and activities in Function 750. Spending would increase slightly over the 1996–2002 period, rising to $21.7 billion in budget authority and $23.1 billion in outlays by 2002. Over the seven-year period 1996–2002, $149 billion in budget authority and $156 billion in outlays would be spent on the administration of justice functions, compared to $129 billion in budget authority and $128 billion in outlays assumed under the current law baseline. Over the five year period 1996–2000, $106.2 billion in budget authority and $109.5 billion in outlays would be spent compared to the $116.6 billion in budget authority and $112 billion in outlays that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $19.9 billion in budget authority and $19.5 billion in outlays in 1996, an additional $1.5 billion in budget authority and $2.5 billion in outlays from the 1995 level. This spending would rise to $21.7 billion in budget authority and $23.1 billion in outlays in 2002. The Committee Recommendation assumes the following major policy options to achieve the recommended funding levels:

In order to continue to fulfill the commitment the Congress made last year to step up the Federal fight against violent crime, the Committee recommendation assumes full funding of the law enforcement programs under the Violent Crime Reduction Trust Fund. The reported resolution assumes over $4 billion in 1996 for the Crime Trust Fund and over $25 billion through 2002.

While funding priorities under the discretionary spending caps will be the determined by the Appropriations Committee, the Committee recommendation intends that spending under the Crime Trust Fund be lowered by $2.7 billion and that an additional $2.7 billion be made available under the discretionary spending caps be made available to provide additional funding for the INS, DEA, FBI. It is the Committee's intent that these programs maintain at least current agent levels.

The Committee recommendation assumes that Legal Services Corporation be funded at 65 percent of its current level of $415 million.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes mandatory spending levels of $241 million in budget authority and $192 million in outlays in 1996, $119 million lower in budget authority and outlays from the current law level. Spending would decrease over the 1996–2002 period and the Committee recommendation assumes savings of $173 million in budget authority and $172 million in outlays for 2002. The Committee recommendation assumes the following major policy options to achieve the recommended funding levels:

The Committee intends that automation expenses of the Federal Judiciary should be funded through the regular appropriations process and thus assumes the termination of the Judiciary Automation Fund.

The Committee recommendation assumes that Judges' pay, along with Members of Congress and other high ranking Federal officials will have their pay frozen until the Budget is balanced in 2002.

Function 800: GENERAL GOVERNMENT

MAJOR PROGRAMS IN FUNCTION

Function 800 consists of the activities of the Legislative Branch, the Executive Office of the President, U.S. Treasury fiscal operations (including tax collection), personnel and property management, and general purpose fiscal assistance to states, localities, and U.S. territories.

In 1995, $13.3 billion in budget authority and $13.4 billion in outlays will be spent on general government activities. About half of the spending, $7.6 billion, is for the Internal Revenue Service. Over 90 percent of this function is discretionary spending under the jurisdiction of these Appropriations subcommittees: Legislative Branch, Treasury-Postal Service and General Government, and Interior.

After dropping from $13.3 billion in BA in 1995 to $13.2 billion in BA in 1996, baseline spending in Function 800 holds steady over the 1996–2000 period, returning to $13.3 billion in BA in 1998. Spending drops to $12.9 billion in 2001 and 2002 due to projected decreases in mandatory programs.

FUNCTION 800: GENERAL GOVERNMENT

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Committee recommendation:										
BA	$13.3	$12.5	$12.4	$12.2	$12.1	$12.0	$61.3	$11.6	$11.6	$84.5
OT	13.4	13.0	12.4	12.3	12.0	11.9	61.6	11.7	11.6	84.9
Current law:										
BA	13.3	13.2	13.2	13.3	13.3	13.3	66.3	12.9	12.9	92.0
OT	13.4	13.5	13.1	13.2	13.1	13.3	66.0	12.9	12.8	91.7
President's budget:										
BA	13.3	14.7	14.3	14.1	14.0	13.6	70.6	NA	NA	NA
OT	13.4	14.2	13.8	13.8	13.8	13.8	69.3	NA	NA	NA
Committee recommendation compared to:										
Current law:										
BA	.....	−0.7	−0.8	−1.0	−1.2	−1.3	−5.0	−1.3	−1.3	−7.5
OT	.....	−0.5	−0.7	−0.8	−1.0	−1.4	−4.4	−1.2	−1.2	−6.8
President's budget:										
BA	0.0	−2.1	−1.9	−1.9	−1.8	−1.6	−9.3	NA	NA	NA
OT	0.0	−1.2	−1.4	−1.5	−1.7	−1.9	−7.7	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes $12.5 billion in budget authority and $13.0 billion in outlays in 1996 for programs and activities in Function 800. Spending would decline slowly over the 1996–2002 period, falling to $11.6 billion in budget authority and outlays by 2002. Over the seven-year period 1996–2002, $85 billion in budget authority in outlays would be spent on general government functions, compared to $92 billion assumed under the current law baseline. Over the five year period 1996–2002, $61 billion in budget authority and outlays would be spent compared to the $71 billion that the President recommends.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes discretionary spending levels of $11.7 billion in budget authority and $12.1 billion in outlays in 1996, a reduction of $0.6 billion in budget authority and $0.3 billion in outlays from the 1995 level. This spending would decline to $11.2 billion in budget authority and $11.0 billion in outlays by 2002. The committee recommendation assumes the following major policy options to achieve the recommended funding levels.

The Committee assumes savings from the Senate Republican Conference plan to cut Legislative Branch spending by $200 million from the 1995 enacted level. If projected through the 1996–2002 period, this proposal would save $1.4 billion. Their recommendations included:

Reducing committee staffs by 15 percent;

Reducing Senate support offices by 12.5 percent;

Reducing funding for the General Accounting Office by 25 percent;

Eliminating the Office of Technology Assessment; and

Other cuts following a thorough review of entire Legislative Branch operations.

The Committee recommendation assumes a significant amount of savings from streamlining operations and consolidating functions in the Executive Branch. The resolution assumes a 25 percent reduction in spending for the Executive Office of the President; closing GSA supply depots, as recommended by the General Accounting Office; a 25 percent reduction in construction and acquisition of Federal buildings, the elimination of the Office of Territorial and International Affairs and reorganization of these activities as proposed by the President, and other streamlining savings proposed by the President for Treasury agencies, the National Archives, and other agencies.

The Committee recommendation assumes that the Office of Personnel Management would be phased down to a Civil Service Commission. Employee benefit and retirement functions would remain centralized while most other functions would be delegated to the agencies.

The Committee recommendation assumes full funding of the President's request for the Internal Revenue Service (IRS) tax law enforcement functions, including the compliance initiative begun in

1995. According to the Treasury Department, this compliance initiative was expected to collect $9.2 billion in revenues over the 1995–1999 period in addition to the revenue levels assumed in the 1995 Budget Resolution. The Committee is encouraged that a new system for tracking enforcement initiatives has been developed and that early results show that IRS will meet or exceed the revenue goals of this initiative. The Committee strongly endorses continued funding of this initiative at $405 million within the amounts available to the Committee on Appropriations under the nondefense discretionary cap.

MAJOR MANDATORY ASSUMPTIONS IN THE CHAIRMAN'S MARK

The Chairman's Mark assumes mandatory spending levels of $0.8 billion in budget authority and $0.9 billion in outlays in 1996, slightly lower than the current law level. Spending would decline to $0.4 billion in budget authority and $0.6 billion in outlays by 2002. The Chairman's Mark assumes the following major policy options to achieve the recommended funding levels: freezing pay for Members of Congress until the budget is balanced in 2002, the elimination of taxpayer subsidies for Presidential campaigns after the 1996 election cycle, and charging fees for parking at Federal buildings.

Function 900: NET INTEREST

MAJOR PROGRAMS IN FUNCTION

Function 900 displays net interest, which is a mandatory payment. There are no discretionary programs in function 900. Net interest includes interest on the public debt after deducting the amount of interest income received by the federal government.

Interest on the public debt, or gross interest, is the Treasury's cost of financing the entire public debt of the U.S. government. Gross interest costs are not, however, a comprehensive measure of government borrowing costs because some of the debt is held by the government and generates interest income for the government. In 1994, more than $1.2 trillion (a little more than 25 percent) of the total public debt was held by the federal government itself, mostly by trust funds such as social security and federal civilian and military retirement. The government both pays and collects interest on these securities. In addition, the federal government lends money through other credit programs. These activities also result in interest income to the government. Since net interest reflects both the interest paid and interest earned by the government, it provides the best measure of the costs of federal borrowing.

FUNCTION 900: NET INTEREST

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Committee recommendation:										
Interest on the public debt	$339.6	$369.6	$380.2	$388.1	$400.2	$411.4	$1,949.5	$421.7	$430.8	$2,802.0
Interest rec'd by trust funds	−96.1	−103.0	−108.3	−113.8	−119.7	−125.6	−570.3	−135.1	−142.4	−847.7
Other interest received	−8.2	−8.2	−7.5	−7.4	−7.8	−8.2	−39.1	−8.4	−9.1	−56.5
Total net interest	235.3	258.5	264.4	266.9	272.7	277.7	1,340.1	278.3	279.3	1,897.7
Current law:										
Interest on the public debt	339.6	370.4	384.5	398.0	417.1	437.0	2,007.1	457.7	479.3	2,944.1
Interest rec'd by trust funds	−96.1	−102.4	−107.2	−112.3	−117.8	−123.4	−563.0	−132.5	−139.5	−835.1
Other interest received	−8.2	−8.2	−7.5	−7.4	−7.8	−8.2	−39.1	−8.4	−9.1	−56.5
Total net interest	235.3	259.9	269.8	278.3	291.5	305.5	1,404.9	316.8	330.7	2,052.5
President's budget:										
Interest on the public debt	339.8	371.3	386.8	402.2	423.8	446.7	2,030.8	NA	NA	NA
Interest rec'd by trust funds	−96.1	−102.4	−107.2	−112.3	−117.8	−123.4	−563.0	.....	.....	.....
Other interest received	−8.2	−8.4	−8.2	−9.0	−10.3	−11.6	−47.5	NA	NA	NA
Total net interest	235.5	260.6	271.4	280.9	295.7	311.6	1,420.2	NA	NA	NA
Committee recommendation compared to current law:										
Interest on the public debt	.....	0.8	4.3	9.9	16.9	25.6	57.6	36.0	48.5	142.1
Interest rec'd by trust funds	.....	0.6	1.1	1.5	1.9	2.2	7.3	2.5	2.9	12.7
Other interest received	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total net interest	.....	1.4	5.4	11.3	18.8	27.8	64.8	38.6	51.4	154.8
Committee recommendation compared to President's budget:										
Interest on the public debt	0.2	1.7	6.6	14.1	23.6	35.2	81.3	NA	NA	NA
Interest rec'd by trust funds	.....	0.6	1.1	1.5	1.9	2.2	7.3	NA	NA	NA
Other interest received	−0.1	−0.2	−0.7	−1.5	−2.5	−3.5	−8.4	NA	NA	NA
Total net interest	0.1	2.1	7.0	14.0	23.0	34.0	80.1	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

Net interest payments in the Committee Recommendation rise from $258.5 billion in 1996 to $279.3 billion in 2002, an 8.0 percent increase. Under the current law baseline, net interest payments rise 27.2 percent over the period 1996–2002. The net interest levels in the Committee Recommendation are $154.8 billion lower than the baseline over the next seven years and $80.1 billion lower than the levels recommended in the President's budget over the next five years.

Interest on the public debt is a major beneficiary of deficit reduction and is lower in the Committee Recommendation because of the substantial deficit reduction embodied in the plan. The Committee Recommendation for net interest, at $279.3 billion in 2002, represents 14.8 percent of total outlays. Under the current law baseline net interest represents 15.7 percent of total outlays in 2002.

Function 920: ALLOWANCES

MAJOR PROGRAMS IN FUNCTION

This function displays the budgetary effects of proposals that cannot be easily classified by function. In past years, Function 920 has included total savings or costs from proposals to change the pay of federal employees, change procurement procedures, or change the amount of rent that federal agencies pay.

FUNCTION 920: ALLOWANCES

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2002	7-year total
Chairman's mark:										
BA	.....	$−8.6	$−8.5	$−7.3	$−6.8	$−5.7	$−37.0	S−5.7	$−5.7	$−48.4
OT	.....	−6.5	−8.5	−7.6	−7.1	−6.1	−35.8	−6.1	−6.1	−48.0
Current law:										
BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
President's budget:										
BA	.....	.....	.....	.....	.....	.....	.....	NA	NA	NA
OT	.....	.....	.....	.....	.....	.....	.....	NA	NA	NA
Chairman's mark compared to:										
Current law:	.....	−8.6	−8.5	−7.3	−6.8	−5.7	−37.0	−5.7	−5.7	−48.4
BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	−6.5	−8.5	−7.6	−7.1	−6.1	−35.8	−6.1	−6.1	−48.0
President's budget:	.....	−8.6	−8.5	−7.3	−6.8	−5.7	−37.0	NA	NA	NA
BA	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	−6.5	−8.5	−7.6	−7.1	−6.1	−35.8	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes −$8.6 billion in budget authority and −$6.5 billion in outlays for 1996 for programs in Function 920. This reduction in spending would average about −$6.9 billion a year over the 1996–2002 period, leveling off at −$6.2 billion in outlays by 2002. Over the seven-year period, this Committee recommendation for this function would reduce the deficit by $48 billion. Over the 1996–2000 period, outlays would be −$35.9 billion less under the Committee recommendation than under current law or the President's's budget.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation assumes reductions in discretionary spending levels of −$8.6 billion in budget authority and −$6.5 billion in outlays in 1996. The Committee recommendation includes assumptions for both increases and decreases in governmentwide spending that result in the net budget authority and outlay totals. On the increase side, the Committee assumes levels sufficient to provide non-defense agencies with 50 percent of the funds needed to pay for the annual cost-of-living increases scheduled for salaries of federal employees (except Senior Executive Service and Executive Schedule) so the agencies do not have to absorb the whole cost of such raises.

As for spending reductions, the Committee assumes a 15 percent reduction in overhead (which covers items such as printing, utilities, rent, communication, travel, shipping, and certain contracts included in object classes 20 and 30, except for object classes 25.4 and 25.5) for programs of non-defense agencies that remain funded in the budget and whose funding is not interconnected with receipts dedicated to a program (as identified by Senator Brown's working group on discretionary spending). This assumption would not reduce funding for the programmatic activities of agencies.

The Committee recommendation assumes repeal of the Davis-Bacon Act to reduce federal construction costs by $2.6 billion over five years, as well as modification of the Service Contract Act to reduce the cost of federal contracts for items such as laundry, custodial, or guard services by more than $1 billion over the 1996–2000 period.

The Committee also assumes a reduction in the number of political appointees from 2,800 to 2,000, which would decrease spending by $0.4 billion over five years.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

There is no mandatory spending in this function.

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

MAJOR PROGRAMS IN FUNCTION

This function records offsetting receipts (receipts that the budget shows as offsets to spending programs) that are too large to record in other budget functions. Such receipts are either "intrabudgetary"

(a payment from one federal agency to another, such as agency payments to the retirement trust funds) or "proprietary" (a payment from the public under some type of business arrangement with the government). The main types of receipts recorded as "undistributed" in this function are: the payments agencies make to retirement trust funds for their employees, payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf, and payments by those who bid for the right to buy or use federal property, such as the spectrum or major assets.

FUNCTION 950: UNDISTRIBUTED OFFSETTING RECEIPTS

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	5-year total	2001	2000	7-year total
Chairman's mark:										
BA	$−46.2	$−39.9	$−40.9	$−43.9	$−45.8	$−48.5	$−219.0	$−50.5	$−52.6	$−322.1
OT	−46.2	−39.9	−40.9	−43.9	−45.8	−48.5	−219.0	−50.5	−52.6	−322.1
Current law:										
BA	−46.2	−38.1	−38.3	−39.5	−40.9	−43.5	−200.4	−45.6	−47.7	−293.6
OT	−46.2	−38.1	−38.3	−39.5	−40.9	−43.5	−200.4	−45.6	−47.7	−293.6
President's budget:										
BA	−46.2	−38.1	−38.5	−39.8	−41.4	−43.6	−201.4	NA	NA	NA
OT	−46.2	−38.1	−38.5	−39.8	−41.4	−43.6	−201.4	NA	NA	NA
Chairman's mark compared to:										
Current law:										
BA	.....	−1.9	−2.6	−4.3	−4.8	−5.0	−18.6	−5.0	−4.9	−28.5
OT	.....	−1.9	−2.6	−4.3	−4.8	−5.0	−18.6	−5.0	−4.9	−28.5
President's budget:										
BA	.....	−1.8	−2.5	−4.1	−4.4	−4.8	−17.6	NA	NA	NA
OT	.....	−1.8	−2.5	−4.1	−4.4	−4.8	−17.6	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee recommendation assumes −$39.9 billion in budget authority and in outlays for 1996, a reduction in total spending (because of an increase in receipts) of $1.9 billion from the current law level. These receipts would increase to −$51 billion in 2002. Over the seven-year period, the Committee recommendation for this function would offset total spending by $319 billion, compared to $294 billion under the current law baseline. Over the 1996–2000 period, these receipts would be $17.6 billion more under the Committee recommendation compared to the President's budget.

MAJOR DISCRETIONARY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

There are no discretionary effects in this function.

MAJOR MANDATORY ASSUMPTIONS IN THE COMMITTEE RECOMMENDATION

The Committee recommendation includes options related to allowing the Federal Communications Commission (FCC) to recover value from the spectrum. Although such receipts are displayed in Function 950 by convention, they are discussed here because this function includes the FCC. Until this year, commercial enterprises have used their allocation of the spectrum for free. Under a 1993 law, however, the FCC is just concluding an auction of parts of the spectrum that has raised over $7 billion for the Treasury. The committee recommendation assumes options that would extend the FCC's authority to auction spectrum past 1998, broaden the types of spectrum the FCC is allowed to auction, and provide the FCC authority to reallocate parts of the spectrum and impose fees to encourage a more efficient distribution and use of the spectrum.

B. REVENUES

DESCRIPTION OF FEDERAL REVENUES

Federal revenues are taxes and other collections from the public that result from the government's sovereign or governmental powers. Federal revenues include individual income taxes, corporate income taxes, social insurance taxes, estate and gift taxes, customs duties and miscellaneous receipts (which include deposits of earnings by the Federal Reserve System, fines, penalties, fees for regulatory services, and others).

The baseline projections for revenues assume that current tax law remains unchanged. The baseline takes into account that some provisions are scheduled to change or expire during the 1995–2000 period. In general, the baseline assumes that those changes and expirations occur on schedule. One category of taxes, excise taxes dedicated to trust funds, constitutes the sole exception to this rule.

In 1995, total revenue collections are expected to be $1.355 trillion. Forty-four percent of total revenues is from individual income taxes; another 36 percent is from social insurance taxes which are also paid by individuals. By the year 2002, federal revenues are projected to be $1.884 trillion, representing 39 percent growth from

the 1995 level. Revenues will grow at about 5 percent per year between 1995 and 2000, absent any changes in law.

REVENUES

[In billions of dollars]

	1995	1996	1997	1998	1999	2000	5-year Total	2001	2002	7-year Total
Committee Recommendation	1,355.2	1,417.1	1,474.8	1,545.6	1,619.3	1,699.4	7,775.2	1,789.4	1,883.6	11,429.2
Current Law	1,355.2	1,417.7	1,475.5	1,546.4	1,618.4	1,698.2	7,756.2	1,789.4	1,883.6	11,429.2
President's Budget	1,355.4	1,415.6	1,464.2	1,533.8	1,603.8	1,678.0	7,695.3	NA	NA	NA
Committee Recommendation compared to:										
Current Law	.....	−0.6	−0.7	−0.8	0.9	1.2	0.0	0.0	−0.0	0.0
President's Budget	−0.1	1.6	10.6	11.8	15.5	21.4	60.9	NA	NA	NA

SUMMARY OF COMMITTEE RECOMMENDATION

The Committee Recommendation assumes no net revenue change over the period 1996–2000 or 1996–2002, and the Finance Committee is not given revenue reconciliation instructions.

The Committee Recommendation incorporates the revenue losses associated with the enactment of H.R. 831, the Self-Employed Health Insurance bill. The mark also incorporates small revenue increases associated with proposals to reform the Earned Income Tax Credit (roughly 80 percent of the budget effect of the EITC reform proposals is shown in function 600). The Committee Recommendation also assumes that the Finance Committee acts to extend expiring provisions. The Finance Committee may decide to raise some revenues by extending expiring taxes, and reduce some revenues by extending other expiring provisions. The Finance Committee may choose to do any combination of revenue raisers and revenue losers so long as the first and five-year net revenue loss does not result in a level of revenues which is lower than the level set in the resolution. Possible extensions of current taxes that raise revenue include: corporate tax dedicated to Superfund, FUTA 0.2 percentage point surtax, luxury tax on passenger vehicles, 1.25 cents/gallon railroad diesel fuel tax, 2.5 cents/gallon motorboat gasoline tax, and the 20.1 cents/gallon motorboat diesel fuel tax. Possible extensions of expiring provisions that lose revenue include: the commercial aviation exemption from the fuel tax, deduction for contributions to private foundations, targeted jobs tax credit, exclusion for employer-provided education assistance, orphan drug tax credit, research and experimentation tax credit and allocation rules, generalized system of preferences, deny deduction for some noncomplying health plans (ERISA waiver), and the nonconventional fuels tax credit.

PROVIDING FOR TAX REDUCTIONS

In the section on miscellaneous provisions, the Committee Recommendation includes two "reserve funds" that would provide for further tax reductions. The first reserve fund would provide, after passage of a conference report on reconciliation, a reserve fund to accommodate deficit-neutral tax reduction legislation. The second reserve fund would provide, after enactment of reconciliation, a reserve fund to allow CBO's "fiscal dividend" to be made available for tax reduction legislation. The language in the resolution makes it very clear that the fiscal dividend savings must be "locked-in" before they can be dedicated to tax cuts. The reserve fund provides that in the event reconciliation is enacted, the Congressional Budget Office (CBO) would certify, broken down on a year-by-year basis, the amount of the fiscal dividend achieved as a result of enacting this balanced budget plan. That "fiscal dividend" could be used for a tax cut. Numerous amendments designed to use the fiscal dividend to increase the size of government by increasing spending on various programs were defeated in the Committee. It is the Committee's view that the fiscal dividend should not be used to restart the tax and spend cycle that this fair, but tough balanced budget plan, was designed to stop. It is the committee's view that middle

class taxpayers should share in the benefits of balancing the budget to the extent there is a fiscal dividend.

The Committee adopted a Boxer-Brown Sense of the Senate resolution providing that approximately ninety percent of the benefits of any tax cuts should be targeted to middle class working families with incomes below approximately $100,000. The Committee's interpretation of the appropriate definition of "income" is adjusted gross income. It is the Committee's view that adjusted gross income is the most commonly understood definition of income. Taxpayers and the Internal Revenue Service use "adjusted gross income" to calculate federal income tax liability. The Committee expressly rejected the use of "family economic income" to calculate income for the purpose of defining the middle class tax cut. It expressly rejected the view that income should be calculated to include the value of the "imputed rent" on owner-occupied housing, the value of employer-provided benefits such as health insurance and pension contributions, the value of the inside build-up of life insurance, pension plans, capital gains that have not yet been realized because the taxpayer has not sold the capital asset, an estimate of income that an average family should have reported for tax purposes but did not, or Social Security and AFDC payments. Each of these items are included in the definition of family economic income. Any calculation based on family economic income results in families appearing to be in higher income brackets and income tax brackets than they actually are.

The specific requirements for both reserve funds are discussed in more detail in the description of miscellaneous provisions.

COMMITTEE RECOMMENDATION REVENUES BY MAJOR SOURCE

[Fiscal years, dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
Individual Income Taxes	$593.7	$627.4	$656.3	$692.7	$730.4	$772.4	$818.2	$865.0
Corporate Income Taxes	149.0	151.4	155.3	161.3	167.4	172.9	183.1	193.1
Social Insurance Taxes	493.8	516.8	539.0	564.7	590.0	618.5	650.2	682.5
Off Budget	357.4	374.7	392.0	411.4	430.9	452.0	475.2	498.6
On Budget	136.4	142.1	147.0	153.3	159.1	166.5	175.0	183.9
Excise Taxes	55.9	55.3	56.3	57.3	58.4	58.9	59.7	60.7
Estate and Gift Taxes	16.0	16.8	17.6	18.5	19.4	20.4	21.4	22.5
Customs Duties	21.3	21.4	21.2	21.5	21.8	22.9	24.2	25.9
Miscellaneous Receipts	25.5	27.9	29.0	29.6	31.9	33.4	32.5	33.9
Total Revenues	1,355.2	1,417.1	1,474.8	1,545.6	1,619.3	1,699.4	1,789.4	1,883.6

TAX EXPENDITURES

The Congressional Budget Act of 1974 requires a listing of tax expenditures in the President's budget submission and in reports accompanying congressional budget resolutions. Tax expenditures are defined by the Act as "revenue losses attributable to provisions of the Federal tax law which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability." Under this definition, the concept of tax expenditures refers to revenue losses attributable exclusively to corporate and individual income taxes.

The estimates presented here are those of the Joint Committee on Taxation and in this case are based on the committee's most re-

cent report of November 9, 1994 (*Estimates of Federal Tax Expenditures for Fiscal Years 1995–1999*) (JCS–6–94). The lists shows the estimated revenue lost from tax expenditure items for fiscal years 1995 through 1999. Because of the interaction among provisions, the Joint Committee on Taxation warns that it is incorrect to assume that estimates of separate tax expenditures can be summed to calculate a total revenue effect of repeal of a group of tax expenditures. The tax expenditures in the following list are estimated separately, under the assumption that all other tax expenditures remain in the code. If two or more tax expenditures were estimated simultaneously, the total change in tax liability could be smaller or larger than the sum of the amounts shown for each item separately.

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1995–1999

[Billions of dollars]

Function	Corporations					Intividuals					Total 1995–1999
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
National defense:											
Exclusion of benefits and allowances to Armed Forces personnel	.....	.....	.....	.....	.....	2.1	2.1	2.1	2.2	2.3	10.8
Exclusions of military disability benefits	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
International affairs:											
Exclusion of income earned abroad by U.S. citizens	.....	.....	.....	.....	.....	1.6	1.6	1.7	1.8	1.9	8.6
Exclusion of certain allowances for Federal employees abroad	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusions of income of foreign sales corporations (FSCs)	1.4	1.5	1.5	1.5	1.6	.....	.....	.....	.....	.....	7.5
Deferral of income of controlled foreign corporations	1.1	1.1	1.1	1.2	1.2	.....	.....	.....	.....	.....	5.7
Inventory property sales source rule exception	3.5	3.6	3.7	3.7	3.8	.....	.....	.....	.....	.....	18.3
Interest allocation rules exception for certain nonfinancial institutions	0.2	0.2	0.2	0.2	0.2	.....	.....	.....	.....	.....	1.0
General science, space, and technology:											
Expensing of research and development expenditures	1.0	0.5	0.2	0.1	0.1	(1)	(1)	(1)	(1)	(1)	2.1
Energy:											
Expensing of exploration and development costs:											
Oil and gas	0.5	0.5	0.5	0.5	0.5	(1)	(1)	(1)	(1)	(1)	2.5
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion:											
Oil and gas	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	2.0
Other fuels	0.2	0.2	0.2	0.2	0.2	(1)	(1)	0.1	0.1	0.1	1.4
Credit for enhanced oil recovery costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Nonconventional fuels production credit	0.8	0.9	0.9	0.9	0.3	0.3	0.3	0.3	0.3	0.3	5.8
Alcohol fuel credits(2)	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	0.2
Exclusion of interest on State and local government industrial development bonds for energy production facilities	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.9
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of energy conservation subsidies provided by public utilities	.....	0.1	0.2	0.3	0.3	(1)	(1)	(1)	(1)	(1)	1.0
Credit for investments in solar and geothermal energy facilities	0.0	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.4
Credits for electricity production from wind and biomass	(1)	(1)	(1)	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Deductions and credits for clean-fuel vehicles and refueling property	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Natural resources and environment:											
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.2	0.2	0.2	(1)	(1)	0.1	0.1	0.1	1.4
Investment credit and 7-year amortization for reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of multiperiod timber-growing costs	0.4	0.4	0.5	0.5	0.5	(1)	(1)	(1)	0.1	0.1	2.6

Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.2
Investment tax credit for rehabilitation of historic structures	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.5
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Agriculture:											
Expensing of soil and water conservation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Expensing of fertilizer and soil conditioner costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.3
Expensing of the costs of raising dairy and breeding cattle	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of cost-sharing payments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of cancellation of indebtedness income of farmers	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.3
Cash accounting for agriculture	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.3
Commerce and housing:											
Financial institutions:											
Bad-debt reserves of financial institutions	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Exemption of credit union income	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	3.7
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	0.8	0.9	1.0	1.1	1.2	10.3	11.5	12.4	13.3	14.3	66.8
Exclusion of investment income from structured settlement amounts	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	(1)
Small life insurance company taxable income adjustment	0.1	0.1	0.10	0.1	0.1	.....	.....	.....	.....	.....	0.5
Special treatment of life insurance company reserves	2.1	2.3	2.5	2.7	2.9	.....	.....	.....	.....	.....	12.5
Deduction of unpaid property loss reserves for property and casualty insurance companies	1.6	1.8	1.9	2.1	2.3	.....	.....	.....	.....	.....	9.7
Special alternative tax on small property and casualty insurance companies	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	(1)
Tax exemption for certain insurance companies	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	(1)
Special deduction for Blue Cross and Blue Shield companies	0.3	0.3	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.9
Housing:											
Deductibility of mortgage interest on owner-occupied residences	.....	.....	.....	.....	.....	53.5	56.8	60.2	63.9	67.8	302.1
Deductibility of property tax on owner-occupied homes	.....	.....	.....	.....	.....	13.7	14.5	15.3	16.2	17.1	76.8
Deferral of capital gains on sales of principal residence	.....	.....	.....	.....	.....	14.8	15.3	15.9	16.4	17.0	79.4
Exclusion of capital gains on sales of principal residences for persons age 55 and over ($125,000 exclusion)	.....	.....	.....	.....	.....	4.9	5.1	5.3	5.5	5.7	26.5
Exclusion of interest on State and local government bonds for owner-occupied housing	0.5	0.5	0.5	0.4	0.4	1.4	1.4	1.4	1.3	1.3	9.0
Exclusion of interest on State and local government bonds for rental housing	0.2	0.2	0.2	0.2	0.2	0.7	0.7	0.7	0.6	0.6	4.3
Depreciation of rental housing in excess of alternative depreciation system	1.0	1.0	0.9	0.8	0.7	0.7	0.6	0.6	0.5	0.5	7.3
Low-income housing tax credit	0.8	0.9	1.0	1.2	1.3	1.4	1.7	1.9	2.2	2.4	14.8
Other business and commerce:											
Maximum 28% tax rate on long-term capital gains	.....	.....	.....	.....	.....	9.1	10.5	11.3	12.6	13.9	57.4
Depreciation of buildings other than rental housing in excess of alternative depreciation system	3.5	3.2	2.7	2.1	1.5	1.4	1.3	1.1	0.9	0.6	18.5
Depreciation of equipment in excess of alternative depreciation system	19.9	19.9	19.6	19.1	19.2	5.7	5.7	5.6	5.4	5.5	125.4
Expending of up to $17,500 of depreciable business property	0.9	0.7	0.5	0.3	0.1	0.6	0.4	0.3	0.1	(1)	4.0
Exclusion of capital gains at death	.....	.....	.....	.....	.....	12.7	14.0	15.4	17.1	18.3	77.5

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1995–1999—Continued

[Billions of dollars]

Function	Corporations					Intividuals					Total 1995–1999
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
Carryover basis of capital gains on gifts	.....	.....	.....	.....	.....	1.4	1.5	1.5	1.6	1.7	7.7
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Reduced rates for first $10,000,000 of corporate taxable income	3.9	4.1	4.3	4.5	4.7	.....	.....	.....	.....	.....	21.7
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.2	1.1
Special rules for magazine, paperback book, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of gain on non-dealer installment sales	0.4	0.4	0.4	0.5	0.5	0.3	0.3	0.3	0.4	0.4	3.9
Completed contract rules	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.0
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.5
Exclusion of interest on State and local government small-issue industrial development bonds	01.	0.1	0.1	0.1	0.1	0.4	0.3	0.3	0.3	0.2	1.9
Deferral of gain on like-kind exchanges	0.4	0.5	0.5	0.5	0.7	0.2	0.3	0.3	0.3	0.4	4.1
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.4	0.4	0.5	0.5	0.5	.....	.....	.....	.....	.....	2.2
Deferral of gains from sale of broadcasting facilities to minority-owned businesses	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5
Transportation:											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.4
Employer-paid transportation benefits	.....	.....	.....	.....	.....	1.9	2.1	2.2	2.3	2.4	10.9
Exclusion of interest on State and local government bonds for high-speed rail	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Community and regional developments:											
Investment credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Exclusion of interest on State and local government bonds for private airports, docks, and mass-commuting facilities	0.2	0.2	0.2	0.3	0.3	0.6	0.7	0.7	0.8	0.8	4.9
Regional economic development tax incentives: empowerment zones, enterprise communities, and Indian investment incentives	0.2	0.2	0.2	0.3	0.3	0.1	0.2	0.3	0.3	0.3	2.5
Education, training, employment, and social services:											
Education and training:											
Exclusion of scholarship and fellowship income	.....	.....	.....	.....	.....	0.7	0.7	0.8	0.8	0.8	3.8
Parental personal exemption for students age 19 to 23	.....	.....	.....	.....	.....	0.9	0.9	0.9	0.9	0.9	4.6
Exclusion of interest on State and local government student loan bonds	0.1	0.1	(1)	(1)	(1)	0.2	0.2	0.1	0.1	0.1	1.0
Exclusion of interest on State and local government bonds for private nonprofit educational facilities	0.2	0.2	0.2	0.2	0.2	0.6	0.6	0.6	0.7	0.7	4.2
Deductibility of charitable contributions for educational institutions	0.5	0.5	0.5	0.5	0.5	2.0	2.1	2.2	2.3	2.4	13.2
Exclusion of interest on educational savings bonds	.....	.....	.....	.....	.....	0.1	0.1	0.2	0.2	0.3	0.9
Exclusion for employer-provided education assistance benefits	0.3	.....	.....	.....	.....	.....	.....	.....	.....	.....	0.3

Employment:											
Exclusion of employee meals and lodging (other than military)	.....	.....	.....	.....	.....	0.6	0.7	0.7	0.7	0.8	3.5
Special tax provisions for employee stock ownership plans (ESOPs)	0.9	1.0	1.1	1.2	1.2	(1)	(1)	(1)	(1)	(1)	5.4
Exclusion of benefits provided under cafeteria plans (3)	.....	.....	.....	.....	.....	3.8	4.4	5.0	5.7	6.5	25.4
Exclusion of rental allowances for minister's homes	.....	.....	.....	.....	.....	0.3	0.3	0.3	0.3	0.3	1.5
Exclusion of miscellaneous fringe benefits	.....	.....	.....	.....	.....	4.9	5.2	5.5	5.8	6.2	27.5
Exclusion of employee awards	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of income earned by voluntary employees' beneficiary associations	.....	.....	.....	.....	.....	0.5	0.5	0.5	0.6	0.6	2.7
Targeted jobs tax credit	0.2	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Social services:											
Deductibility of charitable contributions, other than for education and health	0.4	0.4	0.4	0.4	0.4	13.9	14.7	15.4	16.1	16.9	79.0
Credit for child and dependent care expenses	.....	.....	.....	.....	.....	2.7	2.8	2.8	2.9	3.0	14.2
Exclusion for employer-provided child care (4)	.....	.....	.....	.....	.....	0.6	0.7	0.8	0.9	1.0	4.0
Exclusion for certain foster care payments	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of costs for removing architectural barriers	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Credit for disabled access expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Health:											
Exclusion of employer contributions for medical insurance premiums and medical care (5)	.....	.....	.....	.....	.....	45.8	49.9	53.8	57.9	62.3	269.7
Exclusion of medical care and CHAMPUS health insurance for military dependents	.....	.....	.....	.....	.....	0.4	0.5	0.5	0.5	0.5	2.4
Deductibility of medical expenses	.....	.....	.....	.....	.....	4.1	4.5	5.0	5.5	6.0	25.0
Exclusion of interest on State and local government bonds for private nonprofit hospital facilities	0.4	0.4	0.5	0.5	0.5	1.2	1.3	1.4	1.4	1.5	9.2
Deductibility of charitable contributions to health organizations	0.3	0.3	0.3	0.4	0.4	1.4	1.5	1.6	1.6	1.7	9.6
Medicare:											
Exclusion of untaxed medical benefits:											
Hospital insurance	.....	.....	.....	.....	.....	8.0	9.2	10.8	12.6	14.8	55.3
Supplementary medical insurance	.....	.....	.....	.....	.....	5.1	6.1	7.3	8.7	10.4	37.6
Income security:											
Exclusion of workers' compensation benefits	.....	.....	.....	.....	.....	3.9	4.0	4.2	4.4	4.6	21.0
Exclusion of special benefits for disabled coal miners	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.4
Exclusion of cash public assistance benefits	.....	.....	.....	.....	.....	0.5	0.5	0.6	0.6	0.7	2.8
Net exclusion of pension contributions and earnings:											
Employer plans	.....	.....	.....	.....	.....	69.4	73.5	78.0	82.8	87.9	391.6
Individual retirement plans	.....	.....	.....	.....	.....	8.4	8.7	9.2	9.7	10.2	46.2
Keogh plans	.....	.....	.....	.....	.....	3.1	3.3	3.5	3.7	3.9	17.8
Exclusion of other employee benefits:											
Premiums on group term life insurance	.....	.....	.....	.....	.....	2.0	2.0	2.1	2.2	2.2	10.5
Premiums on accident and disability insurance	.....	.....	.....	.....	.....	0.2	0.2	0.2	0.2	0.2	1.0
Exclusion of employer-provided death benefits	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.2
Additional standard deduction for the blind and the elderly	.....	.....	.....	.....	.....	1.9	2.0	2.1	2.2	2.4	10.6
Tax credit for the elderly and disabled	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 1995–1999—Continued

[Billions of dollars]

Function	Corporations					Intividuals					Total 1995–1999
	1995	1996	1997	1998	1999	1995	1996	1997	1998	1999	
Deductibility of casualty and theft losses	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Earned income tax credit (EITC) ([6])	.....	.....	.....	.....	.....	3.5	3.9	4.2	4.4	4.6	20.5
Social security and railroad retirement:											
Exclusion of untaxed social security and railroad retirement benefits	.....	.....	.....	.....	.....	23.1	24.1	25.1	26.1	27.1	125.5
Veterans' benefits and services:											
Exclusion of veterans' disability compensation	.....	.....	.....	.....	.....	1.6	1.6	1.7	1.7	1.8	8.4
Exclusion of veterans' pensions	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of GI bill benefits	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.5
Exclusion of interest on State and local government bonds for veterans' housing	([1])	([1])	([1])	([1])	([1])	0.1	0.1	0.1	0.1	0.1	0.4
General purpose fiscal assistance:											
Exclusion of interest on public purpose State and local government debt	3.2	3.3	3.5	3.7	3.8	9.5	10.0	10.5	11.0	11.5	70.1
Deduction of nonbusiness State and local government income and personal property taxes	.....	.....	.....	.....	.....	24.7	26.2	27.7	29.3	31.0	139.0
Tax credit for section 936 income	3.7	3.8	4.0	4.1	4.2	.....	.....	.....	.....	.....	19.7
Interest:											
Deferral of interest on savings bonds	.....	.....	.....	.....	.....	1.3	1.4	1.5	1.6	1.7	7.3

[1] Positive tax expenditure of less than $50 million.

[2] In addition, the 5.4-cents-per-gallon exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.6 billion per year in fiscal year 1995, and $0.7 billion per year in fiscal years 1996 through 1999.

[3] Estimate includes amounts of employer-provided health insurance purchased through cafeteria plans and employer-provided child care purchased dependent care flexible spending accounts. These amounts are also included in other line items in this table.

[4] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.

[5] Estimate includes employer-provided health insurance purchased through cafeteria plans.

[6] The figures in the table show the effect of the EITC on receipts. The increase in outlays is: $18.6 billion in 1995, $20.6 billion in 1996, $21.6 billion in 1997, $22.2 billion in 1998, and $22.9 billion in 1999.

Note.—Details may not add to totals due to rounding.

Source: Joint Committee on Taxation.

IV. Summary Tables

COMMITTEE RECOMMENDATION

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
050: National Defense:								
BA	261.4	257.7	253.4	259.6	266.2	276.0	275.9	275.9
OT	269.6	261.1	257.0	254.5	259.6	267.8	267.7	269.2
150: International Affairs:								
BA	18.9	15.4	14.3	13.5	12.6	14.1	14.3	14.2
OT	18.9	16.9	15.1	14.3	13.5	13.1	13.4	13.3
250: Science, Space and Technology:								
BA	17.2	16.7	16.3	16.1	16.0	15.8	15.8	15.8
OT	17.5	16.7	16.6	16.3	16.0	15.9	15.9	15.9
270: Energy:								
BA	6.3	2.9	1.7	3.3	4.2	4.1	4.0	4.0
OT	4.9	2.7	1.0	2.6	3.1	2.8	2.9	2.9
300: Natural Resources and Environment:								
BA	22.3	19.5	18.3	15.6	16.8	16.4	15.0	15.8
OT	21.7	20.4	20.1	17.9	18.4	17.4	15.9	16.6
350: Agriculture:								
BA	14.0	13.1	12.2	11.8	11.7	11.7	10.5	10.1
OT	12.7	11.9	10.9	10.6	10.4	10.6	9.4	9.1
370: Commerce and Housing Credit:								
On-budget:								
BA	5.4	2.5	1.5	0.6	0.1	1.7	0.5	0.2
OT	−13.7	−7.0	−5.4	−7.0	−5.1	−2.5	−3.2	−3.4
Off-budget:								
BA	3.5	4.1	6.8	1.2	2.9	−0.2	.....	.....
OT	0.2	−0.0	−0.8	−1.4	−0.1	−1.4	.....	.....
Total:								
BA	8.9	6.6	8.3	1.8	3.0	1.5	0.5	0.2
OT	−13.5	−7.0	−6.2	−8.4	−5.2	−3.9	−3.2	−3.4
400: Transporation:								
BA	42.5	36.5	38.8	39.4	40.2	41.2	41.0	40.8
OT	39.3	38.3	32.8	31.8	31.3	31.1	31.1	31.1
450: Community and Regional Development:								
BA	9.2	5.8	5.4	5.1	5.1	5.0	4.5	4.4
OT	11.6	9.8	7.3	5.6	5.1	5.1	5.0	5.0
500: Education, Training, Employment and Social Services:								
BA	58.3	48.1	47.3	47.2	47.4	47.8	47.3	47.4
OT	54.7	51.7	47.9	47.0	46.8	47.3	46.8	46.9
550: Health:								
BA	116.6	120.1	126.6	132.1	137.0	141.1	145.2	149.6
OT	115.8	120.6	126.5	132.2	136.9	140.9	145.0	149.3
570: Medicare:								
BA	162.6	171.9	180.5	193.1	207.4	221.4	238.9	258.9
OT	161.1	169.5	178.9	191.4	204.8	219.5	236.9	256.7
600: Income Security:								
BA	219.9	226.3	233.7	253.0	256.0	272.6	277.5	291.9
OT	222.2	225.9	235.6	246.1	257.9	272.6	277.4	291.7
650: Social Security:								
On-budget:								
BA	6.8	5.9	8.1	8.8	9.6	10.5	11.1	11.7
OT	9.3	8.5	10.5	11.3	12.1	12.9	13.5	14.1
Off-budget:								
BA	330.1	348.4	366.0	385.5	405.4	426.2	448.5	472.0
OT	326.9	345.7	362.5	381.9	401.7	422.7	444.8	468.1
Total:								
BA	336.9	354.3	374.1	394.3	415.0	436.7	459.6	483.7
OT	336.2	354.2	373.0	393.2	413.8	435.6	458.3	482.2

COMMITTEE RECOMMENDATION—Continued

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
700: Veterans Benefits								
BA	37.7	37.4	37.5	37.6	37.9	37.9	38.3	38.7
OT	37.4	36.9	37.7	38.0	38.2	39.4	40.1	40.4
750: Administration of Justice								
BA	18.5	20.0	20.7	21.4	22.3	22.3	21.9	21.8
OT	17.1	19.6	21.2	22.4	23.1	23.7	23.3	23.2
800: General Government:								
BA	13.3	12.5	12.4	12.2	12.1	12.0	11.6	11.6
OT	13.4	13.0	12.4	12.3	12.0	11.9	11.7	11.6
900: Net Interest:								
On-budget:								
BA	269.9	297.9	308.8	316.5	327.7	338.6	345.5	353.3
OT	269.9	297.9	308.8	316.5	327.7	338.6	345.5	353.3
Off-budget:								
BA	−34.5	−39.5	−44.5	−49.7	−55.1	−60.9	−67.2	−74.0
OT	−34.5	−39.5	−44.5	−49.7	−55.1	−60.9	−67.2	−74.0
Total:								
BA	235.4	258.5	264.3	266.8	272.6	277.6	278.3	279.3
OT	235.3	258.5	264.3	266.8	272.6	277.6	278.3	279.3
920: Allowances:								
BA	.....	−8.6	−8.5	−7.3	−6,8	−5.7	−5.7	−5.7
OT	.....	−6.5	−8.5	−7.6	−7.1	−6.1	−6.1	−6.1
950: Undistributed Offsetting Receipts:								
On-budget:								
BA	−39.8	−33.1	−33.8	−36.3	−37.7	−39.7	−41.1	−42.3
OT	−39.8	−33.1	−33.8	−36.3	−37.7	−39.7	−41.1	−42.3
Off-budget:								
BA	−6.4	−6.8	−7.1	−7.6	−8.1	−8.7	−9.5	−10.3
OT	−6.4	−6.8	−7.1	−7.6	−8.1	−8.7	−9.5	−10.3
Total:								
BA	−46.2	−39.9	−40.9	−43.9	−45.8	−48.4	−50.6	−52.6
OT	−46.2	−39.9	−40.9	−43.9	−45.8	−48.4	−50.6	−52.6
Total Spending:								
On-budget:								
BA	1,260.9	1,268.5	1,295.3	1,343.3	1,385.9	1,444.8	1,472.0	1,518.1
OT	1,243.7	1,274.8	1,292.7	1,319.9	1,367.1	1,422.3	1,451.0	1,498.5
Off-budget:								
BA	292.6	306.2	321.1	329.4	345.1	356.4	371.8	387.7
OT	286.1	299.4	310.1	323.2	338.4	351.7	368.1	383.8
Total:								
BA	1,553.6	1,574.7	1,616.5	1,672.8	1,731.0	1,801.2	1,843.8	1,905.8
OT	1,529.9	1,574.2	1,602.8	1,643.2	1,705.5	1,774.0	1,819.1	1,882.3
Revenues:								
On-budget	997.8	1,042.4	1,082.8	1,134.2	1,188.4	1,247.4	1,314.2	1,385.0
Off-budget	357.4	374.7	392.0	411.4	430.9	452.0	475.2	498.6
Total	1,355.2	1,417.1	1,474.8	1,545.6	1,619.3	1,699.4	1,789.4	1,883.6
Deficit:								
On-budget	−245.9	−232.4	−209.9	−185.7	−178.7	−174.9	−136.8	−113.5
Off-budget	71.3	75.3	81.9	88.1	92.5	100.3	107.1	114.8
Total	−174.7	−157.1	−128.0	−97.6	−86.2	−74.6	−29.7	1.3

CURRENT LAW BASELINE

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
050: National Defense:								
BA	261.4	255.0	251.7	258.3	264.9	271.6	271.5	271.5
OT	269.6	257.4	256.8	256.1	257.9	261.5	261.4	261.4
150: International Affairs:								
BA	18.9	17.9	17.3	17.0	16.5	18.4	18.5	18.5

CURRENT LAW BASELINE—Continued

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
OT	18.9	17.5	16.7	16.7	16.5	16.6	16.8	16.8
250: Science, Space and Technology:								
BA	17.2	17.2	17.2	17.2	17.2	17.2	17.2	17.2
OT	17.5	16.9	17.2	17.2	17.1	17.2	17.2	17.2
270: Energy:								
BA	6.3	5.6	5.3	5.3	5.6	5.5	5.5	5.5
OT	4.9	4.7	4.0	4.1	4.3	4.2	4.2	4.2
300: Natural Resources and Environment:								
BA	22.3	22.0	22.0	21.6	21.4	21.2	20.9	20.8
OT	21.7	21.4	21.9	21.9	21.8	21.6	21.1	21.0
350: Agriculture:								
BA	14.0	14.5	14.2	14.0	13.9	13.7	12.6	12.6
OT	12.7	13.1	12.8	12.8	12.6	12.5	11.5	11.5
370: Commerce and Housing Credit:								
On-budget:								
BA	5.4	3.9	3.4	2.8	2.6	2.4	2.5	2.6
OT	−13.7	−6.1	−3.7	−4.9	−2.6	−17	−1.2	−1.0
Off-budget:								
BA	3.5	4.1	6.8	1.2	2.9	−0.2	.....	.....
OT	0.2	−0.0	−0.8	−1.4	−0.1	−1.4	.....	.....
Total:								
BA	8.9	8.0	10.2	4.0	5.5	2.2	2.5	2.6
OT	−13.5	−6.1	−4.6	−6.3	−2.7	−3.1	−1.2	−1.0
400: Transportation:								
BA	42.5	38.2	44.6	45.6	46.6	47.6	47.4	47.1
OT	39.3	39.6	39.7	39.7	39.8	40.0	40.0	40.0
450: Community and Regional Development:								
BA	9.2	9.1	9.1	9.1	9.1	9.0	8.6	8.5
OT	11.6	10.3	8.9	8.5	8.6	8.9	8.8	8.8
500: Education, Training, Employment and Social Services:								
BA	58.3	56.4	56.0	56.5	57.2	58.0	57.5	57.8
OT	54.7	55.7	53.9	55.8	56.4	57.1	56.7	56.9
550: Health:								
BA	116.6	126.6	137.8	150.2	163.4	177.1	192.1	207.7
OT	115.8	126.1	137.7	150.3	163.4	177.0	191.9	207.6
570: Medicare:								
BA	162.6	184.1	202.0	220.6	242.9	265.7	291.7	320.6
OT	161.1	181.7	200.4	218.9	240.4	263.8	289.7	318.4
600: Income Security:								
BA	219.9	228.2	242.9	254.2	266.6	281.8	288.8	305.5
OT	222.2	231.4	247.5	257.1	268.9	284.9	291.9	308.4
650: Social Security:								
On-budget:								
BA	6.8	5.9	8.1	8.8	9.6	10.5	11.1	11.7
OT	9.3	8.5	10.5	11.3	12.1	12.9	13.5	14.1
Off-budget:								
BA	330.1	348.4	366.0	385.5	405.4	426.2	448.5	472.0
OT	326.9	345.7	362.5	381.9	401.7	422.7	444.8	468.1
Total:								
BA	336.9	354.3	374.0	394.3	415.0	436.7	459.6	483.7
OT	336.2	354.2	373.1	392.1	413.7	435.6	458.3	482.2
700: Veterans Benefits:								
BA	37.7	38.2	38.6	39.1	40.4	40.8	41.5	42.1
OT	37.4	37.2	38.5	39.1	40.4	42.3	43.0	43.7
750: Administration of Justice:								
BA	18.5	18.5	18.5	18.6	18.6	18.6	18.2	18.1
OT	17.1	18.2	18.3	18.6	18.6	18.5	18.2	18.1

CURRENT LAW BASELINE—Continued

[Dollars in billions]

	1995	1996	1997	1998	1999	2000	2001	2002
800: General Government:								
BA	13.3	13.2	13.2	13.3	13.3	13.3	12.9	12.9
OT	13.4	13.5	13.1	13.2	13.1	13.3	12.9	12.8
900: Net Interest:								
On-budget:								
BA	269.9	299.4	314.3	327.9	346.6	366.4	384.0	404.7
OT	269.9	299.4	314.3	327.9	346.6	366.4	384.0	404.7
Off-budget:								
BA	−34.5	−39.5	−44.5	−49.7	−55.1	−60.9	−67.2	−74.0
OT	−34.5	−39.5	−44.5	−49.7	−55.1	−60.9	−67.2	−74.0
Total:								
BA	235.4	259.9	269.8	278.3	291.5	305.5	316.8	330.7
OT	235.3	259.9	269.8	278.3	291.5	305.5	316.8	330.7
920: Allowances:								
BA	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....
950: Undistributed Offsetting Receipts:								
On-budget:								
BA	−39.8	−31.3	−31.2	−32.0	−32.9	−34.8	−36.1	−37.4
OT	−39.8	−31.3	−31.2	−32.0	−32.9	−34.8	−36.1	−37.4
Off-budget:								
BA	−6.4	−6.8	−7.1	−7.6	−8.1	−8.7	−9.5	−10.3
OT	−6.4	−6.8	−7.1	−7.6	−8.1	−8.7	−9.5	−10.3
Total:								
BA	−46.2	−38.1	−38.3	−39.5	−40.9	−43.5	−45.6	−47.7
OT	−46.2	−38.1	−38.3	−39.5	−40.9	−43.5	−45.6	−47.7
Total Spending:								
On-budget:								
BA	1,260.9	1,322.5	1,385.1	1,448.0	1,523.7	1,604.1	1,666.4	1,747.7
OT	1,243.7	1,315.1	1,379.1	1,432.4	1,503.0	1,582.1	1,645.4	1,726.8
Off-budget:								
BA	292.6	306.2	321.1	329.5	345.1	356.4	371.9	387.8
OT	286.1	299.4	310.0	323.3	338.4	351.6	368.1	383.9
Total:								
BA	1,553.6	1,628.7	1,706.2	1,777.5	1,868.8	1,960.5	2,038.3	2,135.5
OT	1,529.9	1,614.5	1,689.2	1,755.7	1,841.3	1,933.7	2,013.5	2,110.7
Revenues:								
On-budget	997.8	1,043.0	1,083.5	1,135.0	1,187.5	1,246.2	1,314.2	1,385.0
Off-budget	357.4	374.7	392.0	411.4	430.9	452.0	475.2	498.6
Total	1,355.2	1,417.7	1,475.5	1,546.4	1,618.4	1,698.2	1,789.4	1,883.6
Deficit/Surplus:								
On-budget	−245.9	−272.1	−295.6	−297.4	−315.4	−335.9	−331.2	−341.8
Off-budget	71.3	75.3	81.9	88.1	92.5	100.4	107.1	114.7
Total	−174.7	−196.8	−213.7	−209.3	−229.9	−235.5	−242.2	−227.0

COMMITTEE RECOMMENDATION COMPARED TO CURRENT LAW BASELINE

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	Total
050: National Defense:								
BA	2.7	1.6	1.3	1.4	4.4	4.4	4.4	20.2
OT	3.7	0.2	−1.6	1.7	6.3	6.3	7.9	24.5
150: International Affairs:								
BA	−2.5	−3.0	−3.5	−4.0	−4.3	−4.3	−4.3	−25.8
OT	−0.6	−1.7	−2.4	−3.0	−3.5	−3.5	−3.5	−18.1
250: Science, Space and Technology:								
BA	−0.5	−0.9	−1.0	−1.2	−1.4	−1.4	−1.4	−7.6
OT	−0.2	−0.6	−0.9	−1.1	−1.3	−1.3	−1.3	−6.6

COMMITTEE RECOMMENDATION COMPARED TO CURRENT LAW BASELINE—Continued

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	Total
270: Energy:								
BA	−2.7	−3.6	−2.0	−1.4	−1.5	−1.5	−1.5	−14.1
OT	−2.0	−3.0	−1.4	−1.1	−1.4	−1.3	−1.2	−11.5
300: Natural Resources and Environment:								
BA	−2.5	−3.7	−6.0	−4.6	−4.8	−5.8	−5.0	−32.4
OT	−1.0	−1.8	−4.0	−3.3	−4.2	−5.2	−4.3	−23.7
350: Agriculture:								
BA	−1.3	−2.0	−2.3	−2.2	−1.9	−2.1	−2.4	−14.3
OT	−1.2	−2.0	−2.2	−2.2	−1.9	−2.1	−2.4	−14.0
370: Commerce and Housing Credit:								
On-budget:								
BA	−1.4	−1.8	−2.2	−2.5	−0.7	−2.0	−2.3	−13.0
OT	−0.9	−1.6	−2.1	−2.5	−0.8	−2.0	−2.3	−12.4
Off-budget:								
BA	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....
Total:								
BA	−1.4	−1.8	−2.2	−2.5	−0.7	−2.0	−2.3	−13.0
OT	−0.9	−1.6	−2.1	−2.5	−0.8	−2.0	−2.3	−12.4
400: Transportation:								
BA	−1.7	−5.9	−6.1	−6.3	−6.4	−6.4	−6.4	−39.2
OT	−1.3	−6.9	−7.9	−8.6	−8.9	−8.9	−8.9	−51.5
450: Community and Regional Development:								
BA	−3.3	−3.6	−4.0	−4.0	−4.0	−4.0	−4.1	−27.0
OT	−0.5	−1.7	−2.9	−3.5	−3.8	−3.8	−3.8	−20.1
500: Education, Training, Employment and Social Services								
BA	−8.3	−8.8	−9.3	−9.8	−10.2	−10.2	−10.4	−66.9
OT	−4.0	−7.8	−8.9	−9.6	−9.9	−9.9	−10.0	−60.0
550: Health:								
BA	−6.5	−11.2	−18.1	−26.4	−36.0	−46.8	−58.1	−203.1
OT	−5.5	−11.2	−18.1	−26.4	−36.1	−46.9	−58.2	−202.5
570: Medicare:								
BA	−12.2	−21.5	−27.5	−35.6	−44.3	−52.8	−61.7	−255.6
OT	−12.2	−21.5	−27.5	−35.6	−44.3	−52.8	−61.7	−255.6
600: Income Security:								
BA	−1.9	−9.2	−1.2	−10.7	−9.2	−11.3	−13.6	−57.1
OT	−5.4	−11.9	−11.1	−11.0	−12.3	−14.4	−16.7	−82.9
650: Social Security:								
On-budget:								
BA	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....
Off-budget:								
BA	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....
Total:								
BA	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....
700: Veterans Benefits:								
BA	−0.8	−1.1	−1.5	−2.5	−3.0	−3.2	−3.5	−15.5
OT	−0.3	−0.8	−1.2	−2.2	−2.9	−2.9	−3.3	−13.6
750: Administration of Justice:								
BA	1.6	2.3	2.7	3.7	3.7	3.7	3.7	21.3
OT	1.4	2.9	3.9	4.6	5.1	5.1	5.1	28.2
800: General Government:								
BA	−0.7	−0.8	−1.0	−1.2	−1.3	−1.3	−1.3	−7.5
OT	−0.5	−0.7	−0.8	−1.0	−1.4	−1.2	−1.2	−6.8
900: Net Interest:								
On-budget:								
BA	−1.5	−5.5	−11.5	−18.9	−27.9	−38.6	−51.4	−155.2

COMMITTEE RECOMMENDATION COMPARED TO CURRENT LAW BASELINE—Continued

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	Total
OT	−1.5	−5.5	−11.5	−18.9	−27.9	−38.6	−51.4	−155.2
Off-budget:								
BA	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....
Total:								
BA	−1.5	−5.5	−11.5	−18.9	−27.9	−38.6	−51.4	−155.2
OT	−1.5	−5.5	−11.5	−18.9	−27.9	−38.6	−51.4	−155.2
920: Allowances:								
BA	−8.6	−8.5	−7.3	−6.8	−5.7	−5.7	−5.7	−48.4
OT	−6.5	−8.5	−7.6	−7.1	−6.1	−6.1	−6.1	−48.0
950: Undistributed Offsetting Receipts:								
On-budget:								
BA	−1.8	−2.6	−4.3	−4.8	−5.0	−5.0	−4.9	−28.5
OT	−1.8	−2.6	−4.3	−4.8	−5.0	−5.0	−4.9	−28.5
Off-budget:								
BA	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....
Total:								
BA	−1.8	−2.6	−4.3	−4.8	−5.0	−5.0	−4.9	−28.5
OT	−1.8	−2.6	−4.3	−4.8	−5.0	−5.0	−4.9	−28.5
Total Spending:								
On-budget:								
BA	−54.0	−89.8	−104.7	−137.8	−159.3	−194.4	−229.7	−969.5
OT	−40.3	−86.4	−112.4	−135.8	−159.8	−194.4	−228.3	−957.5
Off-budget:								
BA	.....	.....	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....	.....	.....
Total:								
BA	−54.0	−89.7	−104.7	−137.8	−159.3	−194.4	−229.7	−969.6
OT	−40.3	−86.4	−112.5	−135.8	−159.8	−194.4	−228.3	−957.5
Revenues:								
On-budget	−0.6	−0.7	−0.8	0.9	1.2	0.0	−0.0	0.0
Off-budget	—	—	—	—	—	—	—	—
Total	−.06	−0.7	−0.8	0.9	1.2	0.0	−0.0	0.0
Deficit:								
On-budget	−39.7	−85.7	−111.6	−136.7	−161.0	−194.5	−228.3	−957.5
Off-budget	—	—	—	—	—	—	—	—
Total	−39.7	−85.7	−111.7	−136.7	−161.0	−194.5	−228.3	−957.5

COMMITTEE RECOMMENDATION COMPARED TO 1995

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	Total
050: National Defense:								
BA	−3.7	−8.1	−1.8	4.8	14.6	14.5	14.5	34.7
OT	−8.5	−12.7	−15.1	−10.0	−1.8	−1.9	−0.4	−50.4
150: International Affairs:								
BA	−3.4	−4.5	−5.3	−6.3	−4.7	−4.6	−4.6	−33.6
OT	−2.0	−3.8	−4.6	−5.4	−5.8	−5.5	−5.5	−32.6
250: Science, Space and Technology:								
BA	−0.5	−0.8	−1.0	−1.2	−1.3	−1.4	−1.4	−7.5
OT	−0.8	−0.9	−1.3	−1.5	−1.6	−1.6	−1.6	−9.4
270: Energy:								
BA	−3.4	−4.6	−3.1	−2.1	−2.3	−2.3	−2.4	−20.1
OT	−2.2	−3.9	−2.3	−1.8	−2.1	−2.1	−2.0	−16.5
300: Natural Resources and Environment:								
BA	−2.8	−3.9	−6.7	−5.5	−5.9	−7.2	−6.5	−38.6

COMMITTEE RECOMMENDATION COMPARED TO 1995—Continued

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	Total
OT	−1.3	−1.6	−3.8	−3.3	−4.4	−5.8	−5.1	−25.4
350: Agriculture:								
BA	−0.8	−1.7	−2.2	−2.3	−2.2	−3.5	−3.8	−16.6
OT	−0.8	−1.8	−2.1	−2.3	−2.2	−3.3	−3.6	−16.1
370: Commerce and Housing Credit:								
On-budget:								
BA	−2.9	−3.9	−4.8	−5.3	−3.7	−4.9	−5.2	−30.6
OT	6.7	8.3	6.7	8.6	11.2	10.5	10.3	62.5
Off-budget:								
BA	0.6	3.3	−2.3	−0.7	−3.7	−3.5	−3.5	−9.9
OT	−0.2	−1.0	−1.6	−0.3	−1.6	−0.2	−0.2	−5.1
Total:								
BA	−2.3	−0.6	−7.1	−6.0	−7.4	−8.4	−8.7	−40.5
OT	6.5	7.3	5.1	8.3	9.6	10.3	10.1	57.4
400: Transportation:								
BA	−6.0	−3.8	−3.1	−2.3	−1.3	−1.5	−1.8	−19.7
OT	−1.0	−6.5	−7.6	−8.1	−8.3	−8.3	−8.3	−48.1
450: Community and Regional Development:								
BA	−3.4	−3.7	−4.1	−4.1	−4.1	−4.6	−4.8	−28.8
OT	−1.8	−4.3	−6.0	−6.5	−6.5	−6.6	−6.6	−38.3
500: Education, Training, Employment and Social Services:								
BA	−10.2	−11.0	−11.1	−10.9	−10.5	−11.0	−10.9	−75.6
OT	−3.0	−6.8	−7.8	−7.9	−7.5	−7.9	−7.9	−48.7
550: Health:								
BA	3.5	10.0	15.5	20.4	24.5	28.6	33.0	135.6
OT	4.8	10.7	16.4	21.2	25.1	29.2	33.6	141.1
570: Medicare:								
BA	9.2	17.8	30.4	44.7	58.7	76.3	96.3	333.5
OT	8.5	17.9	30.4	43.7	58.5	75.8	95.6	330.3
600: Income Security:								
BA	6.3	13.8	33.1	36.0	52.7	57.6	72.0	271.4
OT	3.7	13.4	23.8	35.7	50.4	55.2	69.4	251.6
650: Social Security:								
On-budget:								
BA	−0.9	1.3	2.0	2.8	3.7	4.3	4.9	18.1
OT	−0.8	1.2	2.0	2.8	3.6	4.2	4.8	17.7
Off-budget:								
BA	18.3	35.9	55.4	75.4	96.1	118.4	142.0	541.5
OT	18.8	35.6	55.0	74.8	95.7	117.9	141.2	538.9
Total:								
BA	17.4	37.2	57.4	78.2	99.8	122.7	146.8	559.6
OT	17.9	36.8	56.9	77.5	99.4	122.1	146.0	556.6
700: Veterans Benefits:								
BA	−0.3	−0.1	−0.0	0.3	0.2	0.6	1.0	1.7
OT	−0.5	0.3	0.6	0.8	2.0	2.7	3.0	8.9
.								
750: Administration of Justice:								
BA	1.5	2.2	2.8	3.8	3.8	3.4	3.3	20.7
OT	2.4	4.1	5.3	6.0	6.6	6.2	6.1	36.7
800: General Government:								
BA	−0.7	−0.9	−1.0	−1.1	−1.3	−1.6	−1.7	−8.3
OT	−0.4	−1.0	−1.1	−1.3	−1.5	−1.7	−1.8	−8.9
900: Net Interest:								
On-budget:								
BA	28.0	38.9	46.6	57.8	68.7	75.6	83.4	398.9
OT	28.0	38.9	46.6	57.8	68.7	75.6	83.4	399.0
Off-budget:								
BA	−4.9	−10.0	−15.1	−20.6	−26.4	−32.7	−39.4	−149.1
OT	−4.9	−10.0	−15.1	−20.6	−26.4	−32.7	−39.4	−149.0

COMMITTEE RECOMMENDATION COMPARED TO 1995—Continued

[Dollars in billions]

	1996	1997	1998	1999	2000	2001	2002	Total
Total:								
BA	23.1	28.9	31.5	37.2	42.3	42.9	43.9	249.9
OT	23.1	29.0	31.5	37.2	42.3	42.9	44.0	249.9
920: Allowances:								
BA	−8.6	−8.5	−7.3	−6.8	−5.7	−5.7	−5.7	−48.4
OT	−6.5	−8.5	−7.6	−7.1	−6.1	−6.1	−6.1	−48.0
950: Undistributed Offsetting Receipts:								
On-budget:								
BA	6.6	6.0	3.5	2.1	0.1	−1.3	−2.6	14.4
OT	6.6	6.0	3.5	2.1	0.1	−1.3	−2.6	14.4
Off-budget:								
BA	−0.4	−0.7	−1.1	−1.6	−2.3	−3.0	−3.8	−13.0
OT	−0.4	−0.7	−1.1	−1.6	−2.3	−3.0	−3.8	−13.0
Total:								
BA	6.3	5.3	2.3	0.4	−2.2	−4.3	−6.4	1.4
OT	6.3	5.3	2.3	0.4	−2.2	−4.3	−6.4	1.4
Total Spending:								
On-budget:								
BA	7.6	34.4	82.4	124.9	183.8	211.1	257.1	901.2
OT	31.0	49.0	76.2	123.4	178.6	207.3	254.8	920.3
Off-budget:								
BA	13.6	28.5	36.8	52.5	63.7	79.2	95.1	369.4
OT	13.3	23.9	37.1	52.2	65.5	82.0	97.7	371.7
Total:								
BA	21.2	62.9	119.2	177.4	247.6	290.3	352.2	1,270.6
OT	44.3	72.9	113.3	175.7	244.1	289.2	352.5	1,292.0
Revenues:								
On-budget	44.7	85.0	136.4	190.7	249.6	316.4	387.3	1,410.1
Off-budget	17.2	34.5	54.0	73.4	94.6	117.7	141.2	532.6
Total	61.9	119.6	190.4	264.1	344.2	434.2	528.4	1,942.7

PRESIDENT'S BUDGET AS REESTIMATED BY CBO

[Dollars in billions]

	1995	1996	1997	1998	1999	2000
050: National Defense:						
BA	261.4	257.7	253.4	259.6	266.2	276.0
OT	269.6	261.1	257.0	254.5	259.6	267.8
150: International Affairs:						
BA	19.8	18.8	17.6	16.8	15.8	17.3
OT	19.8	17.5	16.7	16.5	16.0	15.8
250: Science, Space and Technology:						
BA	17.0	17.3	16.7	16.4	16.1	15.7
OT	17.5	17.1	16.9	16.5	16.2	15.9
270: Energy:						
BA	6.3	5.3	4.9	5.0	4.5	4.4
OT	4.9	4.5	4.3	4.3	3.9	3.3
300: Natural Resources and Environment:						
BA	22.3	22.9	22.3	21.7	21.2	20.6
OT	21.7	21.9	22.2	21.9	21.5	20.8
350: Agriculture:						
BA	14.0	14.5	14.2	13.8	13.5	13.3
OT	12.7	13.1	12.8	12.7	12.3	12.1
370: Commerce and Housing Credit:						
On-Budget:						
BA	5.4	4.3	3.6	3.0	2.7	5.2
OT	−13.7	−5.8	−3.5	−4.7	−2.5	0.9
Off-Budget:						
BA	3.5	4.1	6.8	1.2	2.9	−0.2

PRESIDENT'S BUDGET AS REESTIMATED BY CBO—Continued

[Dollars in billions]

	1995	1996	1997	1998	1999	2000
OT	0.2	−0.0	−0.8	−1.4	−0.1	−1.4
Total:						
BA	8.9	8.4	10.4	4.2	5.5	5.0
OT	−13.5	−5.9	−4.4	−6.1	−2.6	−0.5
400: Transportation:						
BA	41.7	38.6	40.3	38.7	35.6	35.0
OT	39.3	39.3	37.9	38.4	37.9	36.5
450: Community and Regional Development:						
BA	15.9	9.9	9.4	9.3	9.0	8.6
OT	11.9	10.9	10.7	10.4	10.7	9.4
500: Education, Training, Employment and Social Services:						
BA	58.1	58.3	57.0	56.8	57.3	57.6
OT	54.7	56.4	57.3	56.9	57.2	57.4
550: Health:						
BA	116.6	127.5	137.9	149.9	163.0	176.5
OT	115.7	126.3	138.1	150.4	163.3	176.6
570: Medicare:						
BA	162.6	184.2	201.6	219.9	239.6	259.4
OT	161.0	181.8	200.1	218.3	237.0	257.6
600: Income Security:						
BA	219.5	228.5	241.5	263.2	271.0	285.4
OT	222.2	232.8	249.1	263.3	280.8	297.3
650: Social Security:						
On-budget:						
BA	6.8	5.9	8.1	8.8	9.6	10.5
OT	9.3	9.0	11.2	12.0	12.7	13.5
Off-budget:						
BA	330.1	348.4	366.0	385.5	406.0	427.7
OT	326.9	345.7	362.5	381.9	402.3	424.1
Total:						
BA	336.9	354.3	374.0	394.3	415.6	438.2
OT	336.2	345.8	373.7	393.9	415.0	437.6
700: Veterans Benefits:						
BA	37.7	39.1	38.9	39.0	39.1	39.1
OT	37.4	37.3	38.8	39.0	39.1	40.6
750: Administration of Justice:						
BA	18.5	21.9	22.3	23.3	24.5	24.7
OT	17.1	20.0	21.4	22.7	23.5	24.3
800: General Government:						
BA	13.3	14.7	14.3	14.1	14.0	13.6
OT	13.4	14.2	13.8	13.8	13.8	13.8
900: Net Interest:						
On-budget:						
BA	270.0	300.0	315.9	330.6	350.8	372.6
OT	270.0	300.0	315.9	330.6	350.8	372.6
:Off-budget:						
BA	−34.5	−39.5	−44.5	−49.7	−55.1	−60.9
OT	−34.5	−39.5	−44.5	−49.7	−55.1	−60.9
Total:						
BA	235.5	260.6	271.4	280.9	295.7	311.6
OT	235.5	260.6	271.4	280.9	295.7	311.6
920: Allowances:						
BA	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....
950: Undistributed Offsetting Receipts:						
On-budget:						
BA	−39.8	−31.9	−34.8	−35.7	−33.3	−34.9
OT	−39.8	−31.9	−34.8	−35.7	−33.3	−34.9
Off-budget:						
BA	−6.4	−6.8	−7.1	−7.6	−8.1	−8.7
OT	−6.4	−6.8	−7.1	−7.6	−8.1	−8.7

PRESIDENT'S BUDGET AS REESTIMATED BY CBO—Continued

[Dollars in billions]

	1995	1996	1997	1998	1999	2000
Total:						
BA	−46.2	−38.7	−42.0	−43.3	−41.4	−43.6
OT	−46.2	−38.7	−42.0	−43.3	−41.4	−43.6
Total Spending:						
On-budget:						
BA	1,267.0	1,337.4	1,385.0	1,454.2	1,520.2	1,600.5
OT	1.245.0	1,325.4	1,385.7	1,441.8	1,520.6	1,601.2
Off-budget:						
BA	292.6	306.2	321.1	329.5	345.7	357.8
OT	286.1	299.4	310.0	323.3	339.0	353.1
Total:						
BA	1,559.6	1,643.6	1,706.1	1,783.7	1,865.9	1,958.3
OT	1,531.1	1,624.8	1,695.8	1,765.1	1,859.5	1,954.3
Revenues:						
On-budget	997.9	1,040.9	1,072.2	1,122.4	1,172.9	1,226.0
Off-budget	357.4	374.7	392.0	411.4	430.9	452.0
Total	1,355.4	1,415.6	1,464.2	1,533.8	1,603.8	1,678.0
Deficit:						
On-budget	−247.1	−284.5	−313.5	−319.4	−347.6	−375.3
Off-budget	71.3	75.3	81.9	88.1	91.9	98.9
Total	−175.8	−209.3	−231.6	−231.3	−255.7	−276.3

PRESIDENT COMPARED TO COMMITTEE RECOMMENDATION

[Dollars in billions]

	1996	1997	1998	1999	2000	Total
050: National Defense:						
BA	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....
150: International Affairs:						
BA	3.4	3.2	3.3	3.3	3.2	16.3
OT	0.6	1.6	2.2	2.5	2.6	9.6
250: Science, Space and Technology:						
BA	0.6	0.4	0.3	0.1	−0.1	1.3
OT	0.3	0.3	0.2	0.2	0.0	1.0
270: Energy:						
BA	2.4	3.2	1.7	0.3	0.3	8.0
OT	1.8	3.3	1.7	0.7	0.5	7.9
300: Natural Resources and Environmental:						
BA	3.4	4.0	6.1	4.4	4.2	22.2
OT	1.5	2.1	4.0	3.0	3.4	14.0
350: Agriculture:						
BA	1.4	1.9	2.0	1.9	1.5	8.7
OT	1.2	1.9	2.1	1.9	1.5	8.6
370: Commerce and Housing Credit:						
On-budget:						
BA	1.8	2.1	2.4	2.5	3.5	12.3
OT	1.2	1.9	2.3	2.6	3.4	11.4
Off-budget:						
BA	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....
Total:						
BA	1.8	2.1	2.4	2.5	3.5	12.3
OT	1.2	1.9	2.3	2.6	3.4	11.4
400: Transportation:						
BA	2.1	1.5	−0.7	−4.7	−6.3	−8.1
OT	1.0	5.1	6.7	6.6	5.4	24.8
450: Community and Regional Development:						
BA	4.2	4.0	4.2	3.9	3.6	19.9
OT	1.1	3.5	4.8	5.6	4.3	19.4

PRESIDENT COMPARED TO COMMITTEE RECOMMENDATION—Continued

[Dollars in billions]

	1996	1997	1998	1999	2000	Total
500: Education, Training, Employment and Social Services:						
BA	10.2	9.7	9.6	9.9	9.7	49.2
OT	4.7	9.4	9.9	10.4	10.1	44.5
550: Health:						
BA	7.3	11.3	17.7	26.0	35.4	97.8
OT	5.7	11.6	18.2	26.3	35.8	97.6
570: Medicare:						
BA	12.3	21.1	26.9	32.2	38.0	130.5
OT	12.3	21.1	26.9	32.2	38.1	130.5
600: Income Security:						
BA	2.2	7.8	10.1	15.0	12.8	48.0
OT	6.9	13.5	17.3	22.9	24.7	85.3
650: Social Security:						
On-budget:.						
BA	.....	.....	.....	.....	.....	.....
OT	0.6	0.7	0.7	0.7	0.6	3.3
Off-budget:.						
BA	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....
Total:						
BA	.....	.....	.....	.....	.....	.....
OT	0.6	0.7	0.7	0.7	0.6	3.3
700: Veterans Benefits:						
BA	1.7	1.4	1.4	1.2	1.2	7.0
OT	0.4	1.0	1.1	0.9	1.2	4.6
750: Administration of Justice:						
BA	1.8	1.6	1.9	2.1	2.4	9.8
OT	0.4	0.3	0.3	0.4	0.6	1.9
800: General Government:						
BA	2.1	1.9	1.9	1.8	1.6	9.3
OT	1.2	1.4	1.5	1.7	1.9	7.7
900: Net Interest:						
On-budget:						
BA	2.1	7.1	14.1	23.1	34.0	80.4
OT	2.1	7.1	14.1	23.1	34.0	80.4
Off-budget:						
BA	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....
Total:						
BA	2.1	7.1	14.1	23.1	34.0	80.4
OT	2.1	7.1	14.1	23.1	34.0	80.4
920: Allowances:						
BA	8.6	8.5	7.3	6.8	5.7	37.0
OT	6.5	8.5	7.6	7.1	6.1	35.8
950: Undistributed Offsetting Receipts:						
On-budget:						
BA	1.2	−1.1	0.6	4.4	4.8	10.0
OT	1.2	−1.1	0.6	4.4	4.8	10.0
Off-budget:						
BA	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....
Total:						
BA	1.2	−1.1	0.6	4.4	4.8	10.0
OT	1.2	−1.1	0.6	4.4	4.8	10.0
Total Spending:						
On-budget:						
BA	68.9	89.7	110.9	134.4	155.7	559.6
OT	50.7	93.1	122.1	153.3	179.2	598.4
Off-budget:						
BA	.....	.....	.....	.....	.....	.....
OT	.....	.....	.....	.....	.....	.....

PRESIDENT COMPARED TO COMMITTEE RECOMMENDATION—Continued

[Dollars in billions]

	1996	1997	1998	1999	2000	Total
Total:						
BA	68.9	89.7	110.9	134.4	155.7	559.6
OT	50.7	93.1	122.1	153.3	179.2	598.4
Revenues:						
On-budget	−1.6	−10.6	−11.8	−15.5	−21.4	−60.9
Off-budget	.....	.....	.....	.....	.....	.....
Total	−1.6	−10.6	−11.8	−15.5	−21.4	−60.9
Deficit:						
On-budget	52.2	103.7	133.9	168.8	200.6	659.3
Off-budget	.....	.....	.....	.....	.....	.....
Total	52.2	103.7	133.9	168.8	200.6	659.3

CREDIT TOTALS IN COMMITTEE RECOMMENDATION BY FUNCTION

[In billions of dollars]

	1996	1997	1998	1999	2000	2001	2002
Function 050:							
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Function 150:							
Direct Loans	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Guaranteed Loans	18.3	18.3	18.3	18.3	18.3	18.3	18.3
Function 270:							
Direct Loans	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Function 300:							
Direct Loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Function 350:							
Direct Loans	11.5	11.5	10.9	11.6	11.4	11.1	10.9
Guaranteed Loans	5.7	5.7	5.7	5.7	5.7	5.7	5.7
Function 370:							
Direct Loans	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Guaranteed Loans	123.1	123.1	123.1	123.1	123.1	123.1	123.1
Function 400:							
Direct Loans	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Guaranteed Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Function 450:							
Direct Loans	2.7	2.7	2.7	2.7	2.7	2.7	2.7
Guaranteed Loans	1.2	1.2	1.2	1.2	1.2	1.2	1.2
Function 500:							
Direct Loans	13.6	16.3	19.1	21.8	21.9	22.0	22.2
Guaranteed Loans	16.3	15.9	15.2	14.3	15.0	15.8	16.6
Function 550:							
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Function 600:							
Direct Loans	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Guaranteed Loans	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Function 700:							
Direct Loans	1.2	1.1	1.0	1.0	1.2	1.4	1.7
Guaranteed Loans	26.7	21.6	19.7	18.6	19.3	19.9	20.6
Grand total:							
Direct Loans	37.6	40.2	42.3	45.7	45.8	45.8	46.1
Guaranteed Loans	193.4	187.9	185.3	183.3	184.7	186.1	187.6

V. Budget Resolution: Enforcement, Reconciliation, and Other Issues

Prior to 1974, the President was the dominant player in setting national budget priorities. Congress reasserted its role over the budget through the enactment of the Congressional Budget Act of 1974 (the Budget Act). The Budget Act established budget procedures and internal enforcement mechanisms to ensure effective Congressional control over fiscal policy and the budgetary process.

A. CONTENTS OF THE BUDGET RESOLUTION

The focus of the Congressional budget process is the concurrent resolution on the budget (the budget resolution), which plays the central role in setting and enforcing Congressional budget priorities. Under the Congressional Budget Act of 1974, as amended, the budget resolution is privileged and is considered under expedited procedures. Because such procedures are unusual in the Senate, section 301 places constraints on the budget resolution by setting forth the elements that must be contained in the budget resolution and those elements that may be included at the discretion of the Budget Committees.

Aggregates and functional levels

Section 301(a) of the Budget Act requires the budget resolution to set forth the aggregate levels of new budget authority, outlays, revenues, the deficit (or surplus), and the public debt, among others. The aggregate amounts of new budget authority and outlays are then required to be divided and set forth for each major functional category. (Functional categories classify the budgetary resources of programs into categories according to the national need addressed, e.g. Defense, International Affairs, Health, General Government, etc). The budget resolution is also required to set forth the outlays and revenues of the Old-Age and Survivors Insurance and the Disability Insurance (OASDI) Trust Funds. These aggregates, functional levels, and other amounts required under section 301 can be found in sections 2 through 5 of the fiscal year 1996 budget resolution.

OASDI trust funds

The Budget Enforcement Act of 1990 (the BEA) affirmed the off-budget status of the OASDI trust funds. Section 301(a) of the Budget Act, as amended by the 1990 Act, specifically prohibits the inclusion of the receipts or disbursements of the OASDI trust funds in the deficit totals in the budget resolution. Section 301(i) prohibits the budget resolution from reducing the surplus in the OASDI trust funds in any fiscal year covered by that resolution. The fiscal year 1993 and 1994 budget resolutions made this prohibition applicable against floor amendments to the budget resolution, that restriction continues to apply as a rule of the Senate. The fiscal year 1996 budget resolution complies with the BEA and with all of the restrictions on Social Security trust funds under section 301 of the Budget Act.

Additional matters that may be in budget resolutions

Section 301(b) sets forth those elements that may be included in the budget resolution at the discretion of the Budget Committees. One of these elements is reconciliation instructions described in section 310 of the Budget Act. Periodically, Congress may adopt a budget resolution that will require changes in the projected levels of direct spending or revenues under current law. In order to implement that budget resolution, the differences between current law and the budget resolution must be reconciled and the budget resolution will, therefore, contain "reconciliation instructions". (See Reconciliation below).

In addition to the aggregates, functional levels, and the reconciliation instructions, section 301(b) of the Budget Act permits the budget resolution to include "other matters, and [to] require other procedures relating to the budget as are appropriate to carry out [the Budget] Act." This section has been the authority to include language amending the budget process, creating new enforcement mechanisms, and clarifying the application of existing provisions of the Budget. Such language may be temporary or permanent, and may affect only the Senate or may affect both Houses of Congress. The fiscal year 1996 budget resolution establishes discretionary caps for defense and non-defense spending, modifies and extends the 10-year pay-go point of order, establishes two "reserve funds" for legislation that reduces revenues, and clarifies the budget scoring treatment of certain transactions. (See Part VI, Miscellaneous Provisions, of this report).

Other constraints on the budget resolution

Subsection (g) of section 301 and other sections of the Budget Act place restrictions on the budget resolution that are enforceable through points of order. Section 301(g) prohibits the consideration of a budget resolution (or an amendment thereto) that is based on more than one set of economic assumptions. The fiscal year 1996 budget resolution complies with this requirement (See Part II, Economics, of this report). Section 601(b) prohibits the consideration of a budget resolution (or an amendment thereto) that would exceed the discretionary spending limits set forth in section 601(a). This prohibition is continued and the discretionary caps reduced in a separate provision in the fiscal year 1996 budget resolution (See Part VI, Miscellaneous Provisions, of this report). Lastly, section 305(d) prohibits the Senate from voting on a budget resolution that is not mathematically consistent

In addition to points of order against the budget resolution that were established in the Budget Act, previously passed budget resolutions contain enforcement provisions against budget resolutions. Section 24 of the fiscal year 1995 budget resolution (H.Con.Res. 218) prohibits the consideration of a budget resolution for fiscal years 1996, 1997, or 1998 that recommends discretionary spending levels in the first year of that resolution that exceed the Exon-Grassley levels. The fiscal year 1996 budget resolution complies with this requirement and contains discretionary caps for fiscal years 1997 through 2002 that reduce the discretionary caps to levels below the Exon-Grassley reductions and, thereby, supercedes

Exon-Grassley. (See Part VI, Miscellaneous Provisions, of this report).

Crime trust fund

The Violent Crime Control and Law Enforcement Act of 1994 (the Crime Act) established the Violent Crime Reduction Trust Fund (the Fund). Specified levels of funds are provided to the Trust Fund each year through fiscal year 2000 and those funds are available to be appropriated for crime programs authorized in that Act. The Fund was not established as an off-budget entity, but is a separate account whose activities are excluded from the discretionary spending caps under existing law. The fiscal year 1996 budget resolution includes the new budget authority and outlays associated with the Fund in the aggregates and function levels in the budget resolution, but exclude them from the discretionary caps set forth in section 201 of the resolution..

B. ENFORCEMENT

As explained above, the budget resolution sets for the aggregate levels of new budget authority, outlays and revenues. Section 302(a) and 602(a) of the Budget Act require the joint statement of managers accompanying the conference report on the budget resolution to allocate the aggregate levels of new budget authority, outlays, and Social Security outlays among the Senate committees, based on each committee's jurisdiction over legislation providing such budgetary resources. The budget authority and outlays associated with direct spending programs are allocated to the appropriate authorizing committees for each of five fiscal years in the budget resolution. The budget authority and outlays associated with discretionary programs are allocated to the Appropriations Committee for the first fiscal year in that resolution. Section 602(b) of the Budget Act requires the Appropriations Committee to suballocate that amount.

The aggregate spending levels, the revenue floors, and the committee allocations contained in the budget resolution form the parameters within which Congress considers spending and revenue legislation that affect the fiscal years covered by that resolution. The Budget Act, generally, prohibits the consideration of legislation that would cause the appropriate levels or allocations to be breached.

Section 311

In order to determine whether a particular piece of legislation would breach any of the appropriate levels or allocations, the Senate Budget Committee tracks and reports to the Senate on the cumulative effect of spending and revenue legislation that has been enacted. These "Current Level Reports" are printed in the Congressional Record, at least, monthly and form the basis against which the budgetary effects of legislation under consideration in the Senate are measured. If the new budget authority provided in, or the outlays resulting from, the legislation (together with the cumulative spending effects of previously enacted legislation) would exceed the aggregate level of new budget authority or outlays in the budget resolution for the first year, that legislation would be sub-

ject to a point of order under section 311 of the Budget Act. If the revenue loss resulting from legislation (together with the cumulative revenue effects of previously enacted legislation) would cause revenues to be less that the the aggregate level of revenues in the budget resolution that legislation would be subject to a point of order under section 311. The revenue aggregate is enforced in the first year and for total of the first year and the four succeeding fiscal years. Section 311 may be waived only on an affirmative vote of sixty (60) Senators.

Section 302

Similarly, the budgetary effects of each bill, amendment, and conference report is assigned to the committee of jurisdiction. The cumulative effects of a committee's legislation that is enacted is tracked by the Senate Budget Committee and compared to that committee's allocation contained in the joint statement of managers on the budget resolution. Any legislation that would cause the committee to exceed its allocation for the first fiscal year or the total of five fiscal years would be subject to a point of order under section 302(f) of the Budget Act. That provision may be waived only on an affirmative vote of sixty (60) Senators.

The surplus in the OASDI trust funds are protected separately through the aggregate and allocation procedures under the Budget Act. The budget resolution sets aggregate levels of Social Security outlays and revenues that are enforced through the the existing provisions of the Budget Act that prohibit consideration of legislation that breaches the outlay ceiling or revenue floors, or that breaches the committee allocation of outlay levels.

Other Sections

In addition to points of order that were established in the Budget Act, section 23 of the budget resolution for fiscal year 1995 (H. Con. Res. 218) established the "pay-as-you-go" point of order. This provision prohibits consideration of legislation that would increase the deficit in year one, over five years, or over 10 years. This provision is modified slightly and extended in the fiscal year 1996 budget resolution (See Part VI, Miscellaneous Provisions, of this report). The 10-year "pay-as-you-go" provision may be waived only on an affirmative vote of sixty (60) Senators.

Committee Allocations

Section 301(e)(9) of the Budget Act requires the written report accompanying the budget resolution to include allocations of the aggregate levels to the appropriate Senate committees in accordance with section 302(a). Accordingly, the committee allocations are shown below:

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT BUDGET YEAR TOTAL: 1996

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations	
	Budget authority	Outlays	Budget authority	Outlays
Appropriations	759,739	797,323	.....	.....
Appropriations (Violent Crime Trust Fund)	4,101	3,037	.....	.....
Agriculture, Nutrition, and Forestry	8,382	6,319	18,466	8,011
Armed Services	41,709	41,356	.....	.....
Banking, Housing, and Urban Affairs	4,251	(8,419)	.....	.....
Commerce, Science, and Transportation	269	(2,383)	584	581
Energy and Natural Resources	(276)	(466)	38	28
Environment and Public Works	19,823	1,762	.....	.....
Finance	627,939	624,410	118,498	119,082
Foreign Relations	13,926	14,093	.....	.....
Governmental Affairs	52,194	51,081	.....	.....
Judiciary	2,145	2,088	230	229
Labor and Human Resources	5,891	6,130	1,425	1,425
Rules and Administration	94	204	.....	.....
Veterans Affairs	1,481	1,464	19,195	17,643
Select Indian Affairs	409	378	.....	.....
Small Business	3	(450)	.....	.....
Not allocated to committees	(273,581)	(263,128)	.....	.....
Total	1,268,500	1,274,800	158,436	146,999

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT FIVE-YEAR TOTAL: 1996–2000

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	37,325	25,946	84,289	44,437
Armed Services	228,648	227,727	.....	.....
Banking, Housing, and Urban Affairs	21,547	(34,191)	.....	.....
Commerce, Science, and Transportation	(7,460)	(21,643)	3,254	3,236
Energy and Natural Resources	4,053	3,696	177	181
Environment and Public Works	121,771	5,742	.....	.....
Finance	3,401,481	3,385,333	650,179	651,069
Foreign Relations	57,253	61,166	.....	.....
Governmental Affairs	281,885	276,649	.....	.....
Judiciary	11,183	10,893	1,153	1,149
Labor and Human Resources	25,055	24,004	7,642	7,633
Rules and Administration	260	313	.....	.....
Veterans Affairs	18,054	7,573	98,527	97,423
Select Indian Affairs	2,149	1,987	.....	.....
Small Business	12	(1,745)	.....	.....

C. Reconciliation

As stated earlier, Congress may adopt a budget resolution that will require changes in the projected levels of direct spending or revenues under current law. Under these circumstances, the Budget Committee may include ''reconciliation instructions'' in the budget resolution in order to implement the budget resolution. Section 310 of the Budget Act specifies the form of the instructions and sets forth the reconciliation process and procedures.

INSTRUCTIONS AND PROCEDURE

When the budget resolution contains reconciliation instructions, the Budget Committee specifies, to each committee to be reconciled, the total amount by which direct spending or revenues under existing laws is to be changed. The Committee may also specify the total amount by which the statutory limit on the public debt is to be changed. Each committee is then instructed to recommend the appropriate legislative changes to meet the instructions and to report those recommendations to the Senate Budget Committee by a specified date. Once the budget resolution is adopted in identical form in both Houses, the reconciliation instructions become binding.

Upon receipt of each committee's recommendations (report language and CBO cost estimates) the Senate Budget Committee consolidates the legislative language into a single piece of legislation and reports it to the Senate, without substantive change. Section 310 of the Budget Act establishes expedited procedures for the consideration of this omnibus budget reconciliation legislation. In the Senate, debate on the reconciliation measures is limited to 20 hours, any amendment must be germane and may not increase outlays or reduce revenues such that the deficit in the budget resolution would increase. A motion to strike a provision, regardless of its effect on the deficit, is always in order. These provisions require the vote of sixty (60) Senators to waive. The same requirements concerning mathematical consistency that apply to budget resolutions apply to reconciliation measures; however, this requirement may be waived on a majority vote.

THE "BYRD" RULE

The "Byrd Rule" is codified in section 313 of the Budget Act and prohibits the inclusion of matter in a reconciliation measure, or an amendment thereto, that is extraneous to the deficit reduction goals of the reconciliation process. If the Presiding Officer sustains a point of order under the Byrd Rule, that provision is stricken from the measure and may not be offered as an amendment from the floor. The Byrd Rule may be waived only on an affirmative vote of sixty (60) Senators.

A provision is extraneous if it 1) produces no change in outlays or revenues, 2) increases the deficit, if the reporting committee its instruction, 3) is not in the jurisdiction of the committee reporting it, 4) produces changes in outlays or revenues that are "merely incidental" to the non-budgetary components of the provision, 5) increases the deficit in any year beyond the years reconciled and such increase is not offset by other provisions in the same title, or 6) changes the OASDI program under title II of the Social Security Act.

RECONCILIATION INSTRUCTIONS TO THE SENATE COMMITTEES

Pursuant to section 310(b)(2), the fiscal year 1996 budget resolution includes instructions to the various Senate authorizing committees to report their recommended changes in law to the Senate Budget Committee by July 14, 1995. The instructions set targets for fiscal year 1996, fiscal years 1996 through 2000, and fiscal

years 1996 through 2002. Such outyear instructions have been included in prior year's budget resolutions and are in order in the Senate.

SENATE COMMITTEE RECONCILIATION INSTRUCTIONS

[Dollars in millions]

Committee	1996	Five-year total	Seven-year total
Agriculture, Nutrition and Forestry OT	$ − 2,490	$ − 27,973	$ − 45,804
Armed Services OT	− 21	− 338	− 649
Banking, Housing and Urban Affairs DR	− 373	− 5,742	− 6,690
Commerce, Science and Transportation OT	− 2,464	− 21,937	− 33,685
Energy and Natural Resources OT	− 1,771	− 4,775	− 5,001
Environment and Public Works OT	− 106	− 1,290	− 2,236
Finance OT	− 21,657	− 278,760	− 519,002
Governmental Affairs OT	− 118	− 3,023	− 6,871
Judiciary OT	− 119	− 923	− 1,483
Labor and Human Resources OT	− 1,141	− 9,165	− 13,795
Rules and Administration OT	− 2	− 280	− 319
Veterans' Affairs OT	− 301	− 5,760	− 10,002
Total reconciliation instructions OT	− 30,563	− 359,966	− 645,537

D. Other Issues

FEDERAL AID TO STATE AND LOCAL GOVERNMENTS

The Committee recommendation includes as one of its objectives the return of programs to the States. Section 302 of the resolution sets forth the committee's views on the relationship between the Federal government and state and local governments.

The Committee recommendation does assume the growth in funding to States and local governments is slowed, but the recommendation assumes that the States and local governments are given greater flexibility to determine the allocation of resources. In addition, a balanced budget will benefit States and local governments by lowering interest rates, increasing economic growth, and increasing the standard of living of the American people.

The major assumptions in the Committee recommendations for Federal assistance to States and local governments are as follows:

$780 billion is spent on the Federal Medicaid program over the next seven years, with an average growth rate of 5 percent (see the function 550, Health, discussion for more details).

Welfare programs and certain housing programs are returned to the States in the form of block grants (see the function 600, Income Security, discussion for more details).

Funding is maintained for major education and social services programs serving disadvantaged populations including: Chapter 1, Head Start, Special Education, Pell Grants, and the Community Services Block Grant program. Other job training and education programs are consolidated or eliminated (see the function 500, Education, discussion for more details).

In addition to these major proposals, the Committee recommendation includes other assumptions that affect funding for State and local governments. The details of these proposals can be found in the following functions: 300 (Natural Resources and Environment), 400 (Transportation), 450 (Community and Regional Development), and 750 (Administration of Justice).

SENATE DIRECTIVES AND COMMITTEE RULES CHANGE

During the Committee's markup of the budget resolution the Committee adopted an amendment to its rules, which was published in the May 9, 1995 Congressional Record (p. S6367). The amendment established a "pay-as-you-go" rule for all amendments offered during the Committee's deliberations on the 1996 budget resolution. The amendment to the Committee's rules required all perfecting amendments to the Chairman's mark to be deficit neutral and all substitute amendments to achieve a balanced budget by 2002. An exception was made for a substitute amendment comprising the President's budget request.

The Committee took this extraordinary action because of a motion adopting during the Senate's consideration of the proposed amendment to the Constitution requiring that the Federal budget be balanced by 2002. On February 10, 1995, during the debate on H.J. Res. 1, the Senate directed the Budget Committee to report to the Senate a plan to achieve a balanced budget by a vote of 87–10.

The Committee recommendation complies with the Senate's directive to report a plan to achieve a balanced budget by 2002.

VI. Procedural and Miscellaneous Provisions

The Senate-reported resolution includes a number of miscellaneous provisions to ensure a balanced budget is achieved by 2002 and the budget resolution's policies are executed. Title II of the resolution establishes procedures and rules to implement a balanced budget and title III includes provisions stating the sense of the Senate or Congress.

TITLE II—BUDGETARY RESTRAINTS AND RULEMAKING

Sec. 201. Discretionary spending limits

The 1990 Budget Enforcement Act (BEA) established caps on defense, international, and domestic discretionary spending. These caps were enforced by sequesters and a points of order in the Senate. The separate caps covered 1990 through 1993. The BEA provided a cap on total discretionary spending for 1994 through 1995. The Omnibus Budget Reconciliation Act of 1993 extended caps on total discretionary spending through 1998. The 1995 budget resolution (H. Con. Res. 218) reduced these discretionary caps.

The Committee recommendation establishes the following caps on defense and nondefense discretionary spending for 1996 through 2002:

DISCRETIONARY CAP TOTALS

[Dollars in millions]

	1996	1997	1998	1999	2000	2001	2002
Defense:							
Budget authority	$258,379	$254,028	$260,321	$266,906	$276,644	$276,644	$276,644
Outlays	262,035	257,695	255,226	260,331	268,468	268,468	270,000
Nondefense:							
Budget authority	219,441	212,164	219,247	210,579	215,533	219,454	218,854

DISCRETIONARY CAP TOTALS—Continued

[Dollars in millions]

	1996	1997	1998	1999	2000	2001	2002
Outlays	264,908	249,248	244,735	242,240	243,293	248,790	248,160
Total discretionary:							
Budget authority	477,820	466,192	479,568	477,485	492,177	496,098	495,498
Outlays	526,943	506,943	499,961	502,571	511,761	517,258	218,160

This section provides for the enforcement of these discretionary spending caps by creating a point of order in the Senate against consideration of a budget resolution that would exceed the aggregate cap on discretionary spending. This section also provides a point of order in the Senate against an appropriations bill that would exceed the defense or non-defense levels for a fiscal year or that would exceed the section 602(b) suballocation of those levels. This point of order can be waived by an affirmative vote of three-fifths of the Senate.

Sec. 202: Extension of the pay-as-you-go point of order

Subsection 12(c) of the 1994 budget resolution (H. Con. Res. 64) established a pay-as-you-go point of order in the Senate that prohibited consideration of legislation that would cause an increase in the deficit over a ten year period. The 1995 budget resolution (H. Con. Res. 218) modified and extended this point of order to provide that legislation was out of order if it caused a deficit increase in the first year covered by the budget resolution, the sum of the first five years covered by the budget resolution, and the sum of the five years following the first five year period. The current pay-as-you-go point of order expires in 1998.

The Committee recommendation extends the point of order through 2002 and makes one additional change. The current pay-as-you-go point of order permits the use of budgetary savings generated by legislation enacted since 1993 as an offset for legislation that would increase the deficit. The Committee recommendation modifies the pay-as-you-go point of order to eliminate the ability to use prior surpluses.

Sec. 203. Tax reserve fund in the Senate

A budget resolution establishes binding ceilings on spending and binding floors on revenues. These ceilings and floors are enforced by points of order in the Senate that, if raised, can only be waived by an affirmative vote of three-fifths of the Senate. A reserve fund provides the Chairman of the Budget Committee with the authority to modify the outlay ceiling and the revenue floor to accommodate deficit-neutral legislation. The Budget Act specifically authorizes the inclusion of reserve funds in a budget resolution and past budget resolutions have included reserve funds for a variety of purposes. For example, the 1994 budget resolution contained 11 such reserve funds.

The Committee recommendation provides a reserve fund for deficit-neutral legislation that reduces revenues following passage of the conference report on reconciliation. This reserve fund provides

the Chairman authority to modify the aggregates for legislation that reduces revenues.

The Committee adopted a Conrad-Domenici amendment to this reserve fund. Past budget resolutions have only required that legislation to be deficit neutral for the five year period covered by the budget resolution. As amended, this reserve fund would give the Chairman of the Budget Committee the authority to trigger the reserve fund as long as the revenue legislation did not increase the deficit for 1996, the period covered by 1996–2000, and the period covered by 2001–2005.

Sec. 204. Budget surplus allowance

Past budget resolutions have contained reserve funds, contingencies or allowances that provide the Chairman with the authority to modify the aggregate levels in the budget resolution for future legislation. For example, the 1995 concurrent resolution on the budget gave the Chairman the authority to add $405 million in budget authority and outlays to the levels in the budget resolution to accommodate higher spending by the Internal Revenue Service (IRS).

The Committee Recommendation provides a budget surplus allowance that gives the Chairman of the Budget Committee the authority to reduce the revenue floor by an amount equal to the additional budgetary savings as estimated by CBO that will be achieved as a result of the enactment of legislation that produces a balanced budget. CBO has calculated that adoption of a balanced budget could generate additional budgetary savings of $170 billion over seven years.[4] This additional budgetary savings has been referred to as the "fiscal dividend" or "economic dividend".

This section requires CBO to reestimate the deficit after the enactment of the reconciliation bill and to provide the Chairman of the Budget Committee with the revised estimate of the deficit. If CBO estimates a lower deficit as a result of the enactment of the reconciliation bill and the economic benefits of achieving these lower deficit levels, the Chairman of the Budget Committee is given the authority to reduce the budget resolution's revenue aggregates and revise other levels to accommodate legislation that reduces revenues. The Chairman is only allowed to reduce the revenue aggregates by the amount of the fiscal dividend, which is calculated by taking the amount by which CBO's revised deficit estimate is below the budget resolution's deficit levels.

While this section only refers to legislation that reduces revenues, the Committee expressed its intent on revenue legislation by the adoption of an amendment by Senators Boxer and Brown. This amendment is reflected in section 306 of the resolution that states the sense of the Congress that tax reduction legislation should provide approximately 90 percent of the benefits to working families with incomes less than $100,000 annually. It is the Committee's view that the appropriate definition to be used in measuring the $100,000 in annual income is adjusted gross income (see the revenue section of this report for a full discussion).

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[4] Congressional Budget Office, Appendix B, *An Analysis of the President's Budgetary Proposals for Fiscal Year 1996*, April 1995.

The Committee is concerned that revenue reducing legislation not erode the deficit levels in this budget resolution. Therefore, the Committee recommendation requires a CBO certification of the fiscal dividend and spells out two other contingencies that must be met before this allowance is triggered. More specifically, subsection (e) provides that the following contingencies must be met prior to the triggering of this budget surplus allowance:

(1) enactment of a reconciliation bill complying with the budget resolution's reconciliation instructions;

(2) a CBO certification of the fiscal dividend; and

(3) a requirement that the adjustments made by the Chairman do not cause a budget deficit for the years 2002, 2003, 2004, or 2005.

Sec. 205. Scoring of emergency legislation

The 1990 Budget Enforcement Act amended the Budget Act to provide a procedure that provided that the cost of emergency legislation would not be taken into account for the purposes of Budget Act points of order. More specifically, section 606(d)(2) of the Budget Act provides that the budgetary impact of legislation is not taken into account for Budget Act points of order if legislation is designated as an emergency by the President and the Congress.

The Committee is concerned about the abuse of these emergency procedures and is concerned that this provision of the law could be used to circumvent the balanced budget plan required by this budget resolution. However, the Committee also recognizes the need to fund emergency legislation.

The Committee recommendation provides that beginning with 1996 all legislation will be scored for the purposes of the budget resolution and the Budget Act even if it is designated as an emergency. If legislation is a true emergency, there should be sufficient support to waive a Budget Act point of order against such legislation. In addition, the Committee recommendation does not affect current law provisions that provide adjustments to the caps so that emergency legislation does not cause a sequester under the Balanced Budget and Emergency Deficit Control Act. Moreover, the Committee recommendation provides that the discretionary caps established by section 201 of this resolution will be adjusted after the enactment of any emergency legislation to hold the caps harmless for the cost of the emergency legislation.

Sec. 206. Sale of government assets

In 1987, the Congress adopted a change in the scoring of legislation to provide that the proceeds from assets sales should not be taken into account for budget enforcement purposes. Each budget resolution since 1986 has contained language prohibiting the scoring of savings associated with asset sales. In addition, section 257(e) of the Balanced Budget and Emergency Deficit Control Act prohibits the scoring of the proceeds from asset sales.

This rule has blocked privatization efforts and other reforms that would shift activities to the private sector or other non-federal entities that can more appropriately or more efficiently manage these assets. The President's 1996 budget proposed $8 billion in proceeds

from assets sales and proposed a change in the asset sale scoring rule to allow the proceeds from these asset sales to be scored.

The Committee recommendation provides that for the purposes of the Budget Act and budget resolutions the proceeds from asset sales will be scored. The Committee notes that the budget resolution cannot change law and for the purposes of Office of Management and Budget (OMB) scoring, proceeds from asset sales will not be scored until section 257(e) of the Balanced Budget and Emergency Deficit Control Act is either amended or repealed.

The Committee is concerned about the long-term budgetary impact of asset sales and does not support asset sales that would cost the Federal government money in the long run. The Committee plans to consider a new scoring rule that would take into account the long-term budgetary impact of asset sales.

Sec. 207. Credit reform and student loans

The 1990 Federal Credit Reform Act modified the budgetary treatment of Federal credit programs to take into account the long-term cost of Federal credit activities. More specifically, this law required the cost of direct loans and guaranteed loans to be measured by taking the net present value of the cash flows over the life of the direct loan or loan guarantee.

Under credit reform, several disparities have arisen in the scoring of student loans. The Committee recommendation corrects a portion of the problem associated with the budgetary treatment of administrative expenses. For direct student loans, the administrative cost are measured on a cash basis, with the budget reflecting only that year's cost of administering the loan. For guaranteed student loans, the administrative costs are measured on a net present value basis for the entire length of the loan. The result is that direct lending appears to be much less expensive than guaranteed student lending. Both the Congressional Research Service and the Congressional Budget Office have acknowledged the bias that this treatment of administrative expenses has created.

The Committee recommendation would put the measurement of administrative expenses on equal footing for legislation expanding direct student loans. More specifically, the Committee recommendation provides that for the purposes of Congressional scoring, the administrative cost for new direct student loans to be measured on a net present value basis.

Sec. 208. Extension of Budget Act 60-vote enforcement

Under current law, the three-fifths requirement in the Senate to waive many of the Budget Act's points of order is permanent. The 1995 concurrent resolution on the budget provided a 1998 sunset date for the three-fifths waiver requirement for many of these points of order.

The Committee recommendation extends the sunset date for this three-fifths waiver requirement through 2002. The Committee recommendation does not affect section 313 of the Budget Act (the Byrd rule). The Committee intends that the three-fifths waiver requirement for this point of order remain permanent.

Sec. 209. Repeal of the IRS allowance

Section 25 of the 1995 budget resolution (H. Con. Res. 218) created a $405 million BA and outlay allowance to fund an Internal Revenue Service (IRS) compliance initiative outside the discretionary caps.

The Committee recommendation repeals this allowance. The Committee recommendation includes full funding for the IRS compliance initiative in function 800, General Government. The Committee is concerned about efforts to circumvent the caps and does not believe that the IRS should be funded outside the discretionary caps.

Sec. 210. Exercise of rulemaking powers

The Committee recommendation includes a number of changes that have the effect of changing the rules of the Senate. The Committee recommendation includes a provision recognizing the Senate's constitutional right to change Senate rules at any time.

TITLE III—SENSE OF THE CONGRESS AND THE SENATE

The Committee recommendation includes the following sense of the Congress and Senate provisions.

Restructuring government and program terminations (sec. 301);

Returning programs to the States (sec. 302);

Commercialization of Federal activities (sec. 303);

Nonpartisan advisory commission on the CPI (sec. 304);

Uniform accounting system for the Federal government (sec. 305);

Tax cuts and the middle class (sec. 306);

Bipartisan commission on the solvency of Medicare (sec. 307);

Distribution of agriculture savings (sec. 308);

Protection of children's health (sec. 309);

Tax deductibility of lobbying expenses (sec. 310); and,

Expatriate taxes and deficit reduction (sec. 311).

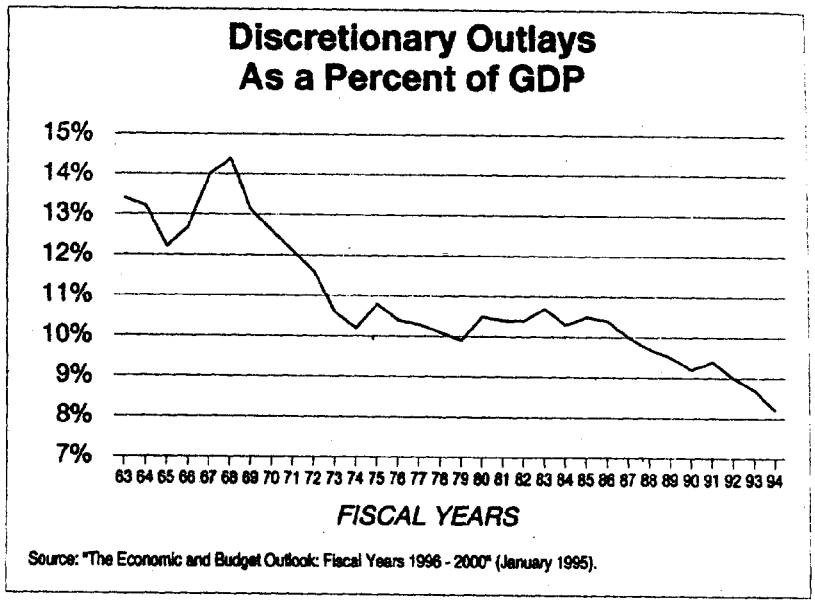
VII. Committee Views and Estimates

Section 301(c) of the Congressional Budget Act requires the committees of the Senate to report to the Budget Committees their views and estimates of budget requirements for matters within their jurisdictions to assist the Budget committees in preparing the budget resolution.

Following are the views and estimates received from the various Senate committees:

INTRODUCTION

The portion of our national wealth dedicated to discretionary Federal programs continues to decline. Discretionary spending claimed 13.4 percent of gross domestic product [GDP] in fiscal year 1963. It has declined to 8.2 percent of GDP in fiscal year 1994. Discretionary spending peaked at 14.4 percent of GDP in fiscal year 1968, and has been less than 10 percent each year since fiscal year 1988. The portion of our gross domestic product devoted to discretionary spending in fiscal year 1994 was 8.2 percent—the lowest level over the 1963–94 time period. This trend is illustrated by the table below:



The Congressional Budget Office [CBO] estimate for fiscal year 1995 enacted discretionary spending is even lower—7.7 percent of GDP, falling to 7.4 percent of GDP, assuming compliance with the discretionary caps in fiscal year 1996. Moreover, under CBO's most unrestrictive projection with full inflation adjustments after fiscal year 1998, discretionary spending will decline to 6.5 percent of GDP by the fiscal year 2000.

The CBO in its January 1995 report entitled "The Economic and Budget Outlook: Fiscal Years 1996–2000" estimates that, in order to stay within the current statutory discretionary caps in fiscal year 1998, all discretionary spending—for defense, international,

and domestic activities—would have to be frozen for 3 years at the fiscal year 1995 levels. Under the existing statutory regime, therefore, no room exists to increase any program above the fiscal year 1995 level for the next 3 years without concomitant reductions in other discretionary programs.

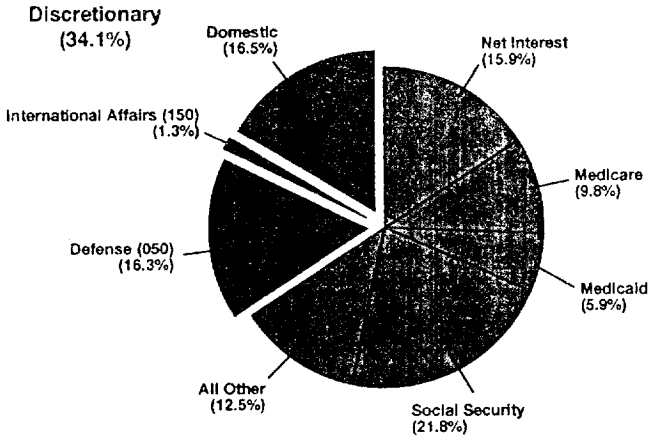
This document sets forth the views of the Committee on Appropriations on the fiscal year 1996 budget, and is submitted to the Senate Committee on the Budget pursuant to section 301(d) of the Congressional Budget Act of 1974, as amended (the Budget Act).

Fiscal year 1996 spending estimates contained in this report are at best preliminary, and reflect the concerns of the 13 subcommittees. The President's budget request was submitted to the Congress on February 6, 1995, and detailed justification materials are still arriving. In addition, the Committee has had under consideration the Department of Defense supplemental request for replenishing certain accounts for the course of the current year, a major disaster relief supplemental, and a rescission bill making substantial reductions in prior-year appropriations. Consequently, the subcommittees have just begun the hearings designed to scrutinize the administration proposals and current spending within their respective jurisdictions. The Committee notes that the President's budget request, in many instances, is predicated on actions outside the control of the appropriations process, including changes in substantive law, administrative action, and budget amendments to be submitted later.

The following table shows the portion of the President's request within the purview of the Committee. The estimates used in this table reflect the President's estimates, prepared by OMB. OMB estimates are used in measuring compliance with the strictures of the sequester regime which is used to enforce the statutory caps of the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. CBO estimates are used for measuring compliance with Budget Act points of order.

Composition of the President's FY 1996 Request

Outlays as a Percent of Budget



	Dollars in Billions	Percent of Total
TOTAL BUDGET	1,612.1	100.0%
Mandatories and entitlements:		
Net Interest	257.0	15.9%
Medicare	157.3	9.8%
Medicaid	95.9	5.9%
Social Security	351.4	21.8%
All Other	201.6	12.5%
Total Mandatory	1,063.2	65.9%
Discretionary Appropriations:		
Defense (050)	262.2	16.3%
International Affairs (150)	21.0	1.3%
Domestic Discretionary	265.8	16.5%
Total Discretionary	549.0	34.1%

The following table shows what spending would be in fiscal year 1996 if budget authority were maintained at fiscal year 1995 levels:

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	262,390	263,031	+641	269,950	263,811	−6,139
International	20,442	20,499	+57	21,213	21,110	−103
Domestic	223,487	229,970	+6,483	252,029	255,666	+3,637
Subtotal, discretionary	506,319	513,500	+7,181	543,192	540,587	−2,605
Violent crime reduction trust fund	2,422	2,422	.....	724	1,614	+890
Gramm-Rudman-Hollings mandatory	273,348	296,454	+23,106	256,659	284,161	+27,502
Total appropriations	782,089	812,376	+30,287	800,575	826,362	+25,787

NOTE: In all tables, detail may not add to totals due to rounding.

The above table reflects CBO's estimate of discretionary spending if appropriations were continued in fiscal year 1996 at enacted 1995 levels. There are two principal exceptions to this rule. First, CBO assumes, as specified by section 257(c)(2) of the Balanced Budget and Emergency Deficit Control Act of 1985, that funds will be appropriated in fiscal year 1996 to renew expiring contracts for subsidized housing. Second, in the case of advance appropriations, CBO uses the amount of the advance rather than the 1995 level. In addition, CBO does not make projections of negative budget authority. A comparable table appears for each subcommittee.

AGRICULTURE, RURAL DEVELOPMENT, AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	.....	.....	.....	.....	.....	.....
International	1,246	1,246	.....	1,348	1,254	−94
Domestic	12,495	12,495	.....	12,884	12,507	−377
Subtotal, discretionary	13,741	13,741	.....	14,232	13,761	−471
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	53,446	49,867	−3,579	36,916	39,184	+2,268
Total appropriations	67,187	63,608	−3,579	51,148	52,945	+1,797

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Subcommittee on Agriculture, Rural Development, and Related Agencies provides funding for all programs and activities of the U.S. Department of Agriculture [USDA], with the exception of those of the U.S. Forest Service. These include agricultural research and extension activities, a variety of conservation programs, farm income and commodity price support programs, marketing and inspection activities, domestic food programs, rural economic and community development and electrification assistance, and various export and international activities of the USDA.

In addition, the subcommittee provides funding for the Food and Drug Administration [FDA] and the Commodity Futures Trading Commission [CFTC], and establishes a limitation on the administrative expenses of the Farm Credit Administration [FCA]. It also provides money to the Department of the Treasury for payments to the Farm Credit System Financial Assistance Corporation.

FISCAL YEAR 1995 BASE AND FISCAL YEAR 1996 FREEZE

Total new budget authority for programs and activities under the subcommittee's jurisdiction is estimated by CBO to decline by $3,579,000,000 in fiscal year 1996, from a fiscal year 1995 baseline level of $67,187,000,000 to a $63,608,000,000 fiscal year 1996 freeze level. Total new budget authority for discretionary programs under a freeze will remain at the fiscal year 1995 base level of $13,741,000,000. In addition, CBO estimates that total direct loan authority under a freeze will decline by $1,078,588,000, from $4,085,929,000 to $3,007,341,000; and that total guaranteed loan authority will increase slightly to $3,142,579,000.

The $3,579,000,000 reduction in the total new budget authority available to fund all programs and activities under a fiscal year 1996 freeze level is equal to the reduction in CBO's estimate of total fiscal year 1996 appropriations required to meet mandatory program costs. CBO estimates that a $10,500,000,000 appropriation will be required in fiscal year 1996 to reimburse the Commodity Credit Corporation [CCC] for net realized losses, $5,000,000,000 below the fiscal year 1995 base level. Offsetting the reduction in CCC spending, is a $1,421,000,000 increase in total appropriations projected to be required to meet other mandatory program costs. These include increases above the 1995 base level for the Food Stamp Program (+$820,000,000), the Conservation Reserve Program (+$17,501,000), the Federal Crop Insurance Corporation fund (+$44,000,000), the Wetlands Reserve Program (+$47,625,000), and the National School Lunch and other child nutrition programs (+$459,000,000).

The Appropriations Committee has no effective control over the appropriations required to cover these mandatory program costs. Only changes in substantive law to limit or reduce the costs of these programs will affect fiscal year 1996 and future year appropriations for these programs.

Outlays for mandatory programs represent just over 72 percent of total fiscal year 1995 base outlays for all programs and activities under the subcommittee's jurisdiction, and will rise to 74 percent of the subcommittee's total outlays under a fiscal year 1996 freeze. Correspondingly, total outlays for the wide range of other discretionary programs and activities funded by the subcommittee will begin to decline, from nearly 28 percent in 1995 to 26 percent of total outlays under a fiscal year 1996 freeze.

A freeze in dollar terms on fiscal year 1996 new budget authority for discretionary programs at the fiscal year 1995 base level will mean that all programs will decline in real terms. Absorption of pay and other mandatory cost increases will be required. No increased funding will be available for program enhancements or new initiatives. Where activities are personnel intensive, such as is the case with most salaries and expenses accounts, funding pay raise

and other mandatory cost increases will be most difficult. Personnel streamlining reductions and administrative cost savings can offset these additional costs, but many of the agencies have been held to freeze levels in the past few years and will face further staffing reductions to meet these costs. Increases to enhance base program levels or to fund new requirements will only be possible through offsetting program cuts or eliminations. Increased targeting or the establishment of program or funding priorities may partially ameliorate the impacts of a freeze on individual programs and activities. To the extent that increased funding is available, the subcommittee will be faced with decisions as to how to allocate the resources available among a number of competing priorities.

The USDA Office of General Counsel's budget provides an example of the effects of absorbing mandatory and inflationary cost increases at straight-lined appropriations levels. The Office's budget has been frozen for the past 2 years. Personnel cost increases over that time have forced the Office to reduce staff through attrition and to pare back nonpayroll expenditures. The Office is facing the possibility of furloughs in fiscal year 1995. If fiscal year 1996 funding is limited to the fiscal year 1995 level, the Office anticipates that it will have to reduce its work force by up to 25 lawyers. Critical activities such as litigation support and debt collection would be substantially impaired.

The Food Safety and Inspection Service is also a personnel-intensive agency. The agency is now seeking a supplemental of $9,082,000 for fiscal year 1995 to cover a shortfall in funding for mandatory pay raise and other uncontrollable cost increases. Carrying this shortfall into fiscal year 1996 will further exacerbate the agency's ability to meet its staffing requirements. Erosion of the program to cover increased personnel and other uncontrollable cost increases will occur in a freeze scenario. Should this occur, it will prevent proposed improvements in the current inspection program and could cause a shutdown of all agency operations for up to 31 days. As the GATT and NAFTA agreements are implemented, other inspection and quarantine activities of the Department could face similar tradeoff decisions.

Limiting funding for the National Agricultural Statistics Service to the fiscal year 1995 level would prevent the agency from carrying out two pesticide-related initiatives planned for fiscal year 1996. Both initiatives are critical to achieving integrated pest management on 75 percent of the Nation's crop acreage and developing alternatives for important pesticide uses vulnerable to loss through regulations.

USDA's discretionary conservation program activities have already suffered significant reductions in the past couple of years. A freeze at the fiscal year 1995 level would restrict the Natural Resources Conservation Service from completing its responsibilities under the Food Security Act, most of which are oriented to activities on highly erodible land. If additional funds are necessary to implement USDA's reorganization, a freeze may curtail agency efforts to shift resources from the headquarters to the field. Other programs of the agency, such as technical assistance for various mandatory programs, and many private landowner programs will also be reduced. Appropriations for watershed and flood prevention

operations sustained a significant cut in fiscal year 1995. However, despite the program's slow obligation rate, outlays will remain high in fiscal year 1996 from previous year emergency supplemental appropriations and higher regular program appropriations levels.

Increases in interest rates have already eroded funded program levels of all credit programs within the jurisdiction of the subcommittee. These include farm ownership and operating, rural housing, rural electrification and telecommunication, and water and waste disposal loans. To the extent that the current trends in interest rates continue, a freeze on subsidy appropriations for these programs required under credit reform will result in further declines in loan levels below 1995. Conversely, if interest rates decline, it can be expected that program levels will exceed the 1995 levels if appropriated subsidy levels remain at 1995 appropriated levels. Many of the credit programs also have grant programs which work in conjunction with, or augment, the respective loan program. These grant programs are targeted to stimulate economic growth and industrial development in communities which cannot qualify for other private or public financing. Uncontrollable increases in personnel and other expenses will erode program levels. A freeze will also prevent the respective agencies from significantly reducing current backlogs in these programs. Shifting emphasis from direct to guaranteed loans may reduce budgetary requirements but would deny assistance to the most disadvantaged borrowers who do not have access to a private lender. No credit sales of inventory properties would occur in fiscal year 1996 under a budget freeze. This would likely cause the agency to incur maintenance, insurance, and tax costs at a level in excess of 130 percent of the cost of the program until funding is available to remove these properties from Government inventory. Should necessary maintenance not take place, the value of the Government's inventory would decline. A freeze at the fiscal year 1995 appropriated level for the Rental Assistance Program would allow for continued renewal of expiring contracts, but would decrease the level of the program for new construction by more than 50 percent below the current level.

Many of the programs administered by the Consolidated Farm Service Agency are mandatory. However, salaries and expenses for this agency are discretionary, including the increases that will be necessary to implement USDA reorganization. In order for the Government to realize long-term savings from reorganization, increases to fund office consolidation and relocation, and a new supporting automated data processing network will be required. Any increases in the mandatory spending level of the Federal Crop Insurance Program would likely carry increases in the discretionary "Salaries and expenses" account. Under a freeze, these increases could not be met, thereby potentially preventing producers from purchasing crop insurance and precluding them from participation in other USDA commodity programs.

With the implementation of the North American Free Trade Agreement and the GATT Uruguay Round Agreement, new opportunities are emerging to expand United States agricultural exports. Further investments are required to take advantage of export promotion and market expansion opportunities at a time when inter-

national markets are growing but also becoming increasingly competitive. Without increased funding in this area, USDA indicates that the United States risks losing existing market share. Eleven of our major agricultural trade competitors are already spending a total of about $500,000,000 annually to carry out a wide variety of market development programs, almost four times the amount that USDA will spend on market development programs this fiscal year. During congressional consideration of the Uruguay Round implementing legislation, the administration made a commitment to increase the program levels of the "greenbox" or GATT-consistent export promotion programs by $600,000,000 over the next 5 years to take full advantage of the market-opening benefits of that agreement. Increases in funding for discretionary "greenbox" programs cannot be accommodated at the fiscal year 1995 level. Without additional resources, continued absorption of domestic and overseas wage and price increases will further erode USDA's current export promotion capabilities as overseas offices and agency staffing levels sustain further cuts. USDA's Foreign Agricultural Service has already reduced domestic permanent employment by 10 percent since fiscal year 1993 and most recently, closed the London Agricultural Trade Office to offset higher fiscal year 1995 overseas operating costs elsewhere.

USDA domestic food assistance programs serve as a fundamental safety net for families in need and provide food and nutrition information to improve the health and well-being of eligible American citizens. The Special Supplemental Food Program for Women, Infants, and Children [WIC] has received substantial additional annual investments each year. In fiscal year 1995, a $3,470,000,000 appropriation was provided for WIC, $260,000,000 above the fiscal year 1994 level. This was the single largest funding increase and one of the few increases provided above the previous year's level for any discretionary program funded by the Agriculture, Rural Development, Food and Drug Administration, and Related Agencies Appropriations Act, 1995. An average monthly participation of 7 million women, infants, and children is currently estimated for fiscal year 1995. The average monthly cost per person is projected to rise from $41.68 in fiscal year 1995 to $43 in fiscal year 1996. Freezing funding for the WIC Program at the fiscal year 1995 level will cause a reduction in current participation levels to offset these food cost increases and prohibit additional funding to support new participation in the program. Holding funding for the Commodity Supplemental Food Program at the fiscal year 1995 level will result in possible reductions in elderly participation. An increase of $1,500,000 is needed in fiscal year 1996 to hold the Commodity Supplemental Food Program's expected fiscal year 1995 caseload of 210,454 women, infants, and children, and 202,429 elderly. A freeze on funding for the nutrition program for the elderly will result in even lower reimbursement rates per meal, which are already well below authorized levels. Funding for soup kitchens and the Emergency Food Assistance Program would be maintained at the fiscal year 1995 levels. A freeze on funding for the Food Distribution Program on Indian reservations at the fiscal year 1995 level, as CBO's fiscal year 1996 freeze baseline reflects, would be devastating. This is because the fiscal year 1995 appropriation re-

quired for this program was lower than usual due to a one-time buildup of program inventory. The excess program inventory is expected to be depleted in fiscal year 1995 and an increase of roughly $45,000,000 is needed to maintain the fiscal year 1995 program participation level and cover expected inflation costs. Freezing the fiscal year 1996 appropriation for the program at the fiscal year 1995 level will result in a reduction of around 87,136 participants per month, or 75 percent of the expected participation. In addition, funding for new USDA nutrition initiatives, including a comprehensive program of research and evaluation of nutrition assistance programs, would be curtailed. A freeze on funding for food program administration would prevent investments in the agency's automation infrastructure necessary to implement personnel streamlining efforts, and jeopardize effective administration and oversight of the billions of dollars spent to deliver food assistance to eligible Americans.

The Food and Drug Administration [FDA] is a personnel-intensive agency. Roughly 65 percent of its budget goes to pay and benefits costs, while the balance goes to operating support for these employees (supplies, equipment, travel, telecommunications, facilities, et cetera) to conduct inspections and evaluations of food, drug, and device products. FDA could reduce nonpay costs to cover unfunded mandatory pay raise and inflationary cost increases or cover these costs through attrition and staff absorptions. Reductions in FDA's resources to carry out public health and safety programs would restrict FDA's ability to keep up with a growing workload. This would result in less frequent blood bank, import, and plant inspections and increased drug, biological product, and device review times. FDA is presently utilizing collections from user fees authorized by the Prescription Drug User Fee Act to expedite its workload and reduce backlogs of drug applications and could continue to use increased collections from fees for these purposes. However, under the act, FDA cannot charge and collect user fees from industry if its salaries and expenses level goes below the fiscal year 1992 level, adjusted by the CPI index. If the reauthorization of this act continues this requirement, a freeze on FDA's salaries and expenses appropriation beyond fiscal year 1997, could fall below this trigger, prohibiting FDA from collecting fees with severe implications for the drug review process.

Freezing funding for the Commodity Futures Trading Commission [CFTC] at the fiscal year 1995 level would deny the Commission increased staffing to meet market demands and its own oversight responsibilities. The Commission indicates that over the last 10 years, exchange futures and options trading volume has tripled (170 to 510 million contracts) while its staff has risen by just 6 percent (512 to 543 FTE's). In the past 3 years alone, exchange trading volume grew by over 42 percent, while CFTC's staff actually decreased by 8 percent. CFTC has reduced its operating costs over this period and now identifies a need for additional staff resources to keep up with the growth in the industry it regulates and the changes in the financial markets. At a freeze level, CFTC would be required to achieve further reductions in its operating and administrative costs or reduce staff to cover pay raise and other mandatory cost increases forcing it to meet its increased surveillance, ex-

change oversight, and other responsibilities within existing resources.

COMMERCE, JUSTICE, STATE, THE JUDICIARY, AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	75	83	+8	348	158	−190
International	5,537	5,537	.....	5,871	5,644	−227
Domestic	18,425	18,425	.....	18,321	18,450	+129
Subtotal, discretionary	24,037	24,045	+8	24,540	24,252	−288
Violent crime reduction trust fund	2,345	2,345	.....	695	1,551	+856
Gramm-Rudman-Hollings mandatory	535	541	+6	523	532	+9
Total appropriations	26,917	26,931	+14	25,758	26,335	+577

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Commerce, Justice, and State, the Judiciary, and Related Agencies Subcommittee [CJS] supports three Cabinet departments, the U.S. court system, including the Supreme Court, and over 20 independent agencies. The Office of the U.S. Trade Representative (which has Cabinet rank), the Small Business Administration, the Federal Communications Commission, the Securities and Exchange Commission, the U.S. Information Agency, and the Federal Trade Commission are among the independent agencies funded in this appropriations bill. The CJS Subcommittee is the only subcommittee that supports appropriations under all three categories of discretionary spending that were stipulated in the 1990 Budget Enforcement Act: domestic, international affairs, and national defense.

The CJS bill is the principal funding source for both Federal crime-fighting efforts and Federal assistance to State and local law enforcement—including antidrug programs, counterterrorism programs to combat violent crime, and the Federal judiciary. All of the Department of Justice programs, the Federal Bureau of Investigation, the Drug Enforcement Agency, the Bureau of Prisons, and the Immigration and Naturalization Service are funded in this bill. In fact, over 86 percent of the funds appropriated for law enforcement in fiscal year 1995 falls under the CJS Subcommittee's jurisdiction. The Violent Crime Control and Law Enforcement Act of 1994 (1994 crime bill) established the violent crime reduction trust fund (crime trust fund) to utilize projected savings from the Federal Workforce Reduction Act of 1994 (a total of $30,200,000,000 through fiscal year 2000) to supplement Federal crime-fighting efforts. The amounts in the crime trust fund, would then be available, subject to appropriation, to support any program for which an authorization of appropriation appears in the act. Over 96 percent of the $2,423,000,000 appropriated from the crime trust fund in fiscal year 1995 went to crime bill authorized programs under the subcommittee's jurisdiction.

FISCAL YEAR 1995 BASE AND FISCAL YEAR 1996 FREEZE

The discretionary funding level for the programs under the subcommittee's jurisdiction total $24,037,000,000 in fiscal year 1995. The funding from the crime trust fund for programs under the subcommittee's jurisdiction total $2,345,000,000 in fiscal year 1995.

Congressional Budget Office [CBO] scorekeeping methodology understates the cost of a discretionary freeze on the programs under the subcommittee's jurisdiction by $149,653,000 in fiscal year 1996. Earlier in fiscal year 1995, Congress approved a rescission of $158,000,000 in unobligated balances in the Maritime Administration's Ready Reserve Force for the acquisition of ships. Since the rescission amount was greater than the annual peacetime cost of ongoing Ready Reserve Force operations, CBO conventions require that zero funding for fiscal year 1996 is needed to finance ongoing operations of the Ready Reserve Force. In reality, a freeze requires $149,653,000 to continue operations of the Ready Reserve Force at 1995 levels.

Most accounts under the subcommittee's jurisdiction fund salaries and expenses. As a result, the subcommittee has an aggregate outlay rate of approximately 70 percent. Since the CJS bill is personnel intensive, a hard freeze would likely trigger reductions in force or furloughs in several agencies.

In order to put the Federal budget on a path toward balance, Congress must begin this year to make decisions about spending priorities. In that context, it is important to note that Congress has made it clear, on a bipartisan, bicameral basis, that efforts to fight crime and make our streets and schools safer for our children should remain a top priority. The crime trust fund created last year was intended as a supplement to, not a substitute for, existing Federal crime-fighting efforts. Of the $2,423,000,000 appropriated from the crime trust fund last year, 86 percent ($2,103,000,000) went to supplement State and local law enforcement. This funding supplemented the $10,432,145,000 appropriated in fiscal year 1995 for Federal law enforcement and crime-fighting activities.

Freezing the crime trust fund at fiscal year 1995 levels would undercut Federal efforts to support the men and women on the front lines in the war against crime. An amount of $4,287,000,000 in savings from the Federal Workforce Reduction Act of 1994 will be available, subject to appropriation, from the crime trust fund in fiscal year 1996. A total of $4,646,540,000 in fiscal year 1996 and carryover balances from fiscal year 1995 have been authorized from the crime trust fund for crime-fighting efforts under the subcommittee's jurisdiction. The Committee strongly supports on a bipartisan basis making available the full $4,287,000,000 in the trust fund in fiscal year 1996 available for appropriations.

A freeze on discretionary appropriations for law enforcement could seriously impact Federal crime-fighting efforts under the subcommittee's jurisdiction. For example, the Justice Department estimates that an increase of $291,400,000 above a freeze is needed to maintain current services and support existing personnel. Several other examples are discussed below.

Last year, Congress approved funding for an additional 436 Federal Bureau of Investigation [FBI] agents—returning FBI agent

staffing to peak (1992) levels—and for the necessary staff to support those agents. The FBI plans to hire a total of 680 agents this year to fill both these new positions and replace those individuals who are now retiring. A hard freeze in 1996 would require the FBI to reduce 490 agents and 311 support personnel from the FBI's current work force.

Similarly, a freeze on law enforcement programs would necessitate a reduction of 255 special agent positions at the Drug Enforcement Administration [DEA]. DEA would be forced to cancel planned increases in its State and Local Task Force Program which now includes 85 program funded task forces and another 34 fledgling task forces that are currently carried on a provisional basis.

With respect to Federal efforts to control our borders against a rising tide of illegal immigration, a hard freeze at fiscal year 1995 levels would not fund the full-year costs of the increases approved last year for the Immigration and Naturalization Service [INS] for 700 new border patrol agents, 110 new land border inspectors, and several infrastructure and technological improvements to improve border security. INS will generate an estimated 23,250 criminal alien removals and 25,600 noncriminal alien removals in 1995. INS projects that the number of removals will more than double in fiscal year 1996. A freeze would prevent INS from hiring the new staff approved by Congress to cope with this problem and limit the Federal Government's ability to reimburse States for the costs associated with housing criminal illegal aliens.

In fiscal year 1995, $2,356,404,000 in discretionary appropriations was provided to fund the operations of the Federal Prison System. Over the past 5 years, funding for the prison system has increased by more than 50 percent. The Federal prison population has increased from 47,550 average daily prisoners in 1987 to more than 102,000 this year. According to the Bureau of Prisons, the Federal prison population is expected to top 130,000 by 1999 and continue to grow thereafter. Prison population currently exceeds capacity by 26 percent; 30,000 additional prison beds are currently under construction. Under a freeze, there would be no resources to activate any new prisons in fiscal year 1996. Moreover, three new prisons scheduled to activate in 1995 likely would have to be closed next year, since the full-year cost to operate these new facilities would not be available under a freeze. As a result of all of these changes, prison overcrowding would increase to 38 percent over capacity in fiscal year 1996.

A freeze on the judiciary at fiscal year 1995 levels would lead to an increased backlog of pending Federal criminal and civil cases and potentially result in more criminal defendants' charges being dismissed. A freeze would impact the operations of the judiciary as follows: (1) the scheduled increase in staffing of 3,200 positions—including 1,400 probation officers and 434 court security officers—would be canceled, and (2) staffing at the district clerks' offices would be reduced by 1,079.

Under a hard freeze at fiscal year 1995 levels, the Census Bureau will be unable to properly prepare for conducting the next decennial census in the year 2000. The fiscal year 1995 appropriation for the Bureau of the Census is $278,000,000 and 3,700 full-time equivalent employees [FTE]. Failure to provide increases to the

Census Bureau in fiscal year 1996 could ultimately increase the cost of performing the 2000 census, currently projected at $2,900,000,000.

In order to maintain funding for these priority activities, however, other programs under the subcommittee's jurisdiction would have to be considered for reductions.

THE PRESIDENT'S BUDGET

The President's budget proposal for discretionary appropriations is $26,054,391,000 in budget authority and $25,896,532,000 in outlays. The President's budget requests $3,995,269,000 in budget authority and $2,065,468,000 in outlays from the violent crime reduction trust fund (crime trust fund) for accounts under the subcommittee's jurisdiction. Preliminary scoring by the Congressional Budget Office estimates total discretionary outlays resulting from this request at $26,326,607,000, or $430,075,000 above the President's estimate. Assuming CBO reestimates, the President's discretionary request is $1,232,242,000 in budget authority and $260,332,000 in outlays above fiscal year 1995. Preliminary scoring by the CBO estimates total outlays resulting from the President's crime trust fund request at $1,989,750,000, or $75,718,000 below the President's estimate. Assuming CBO reestimates, the President's crime trust fund request is $1,854,264,000 in budget authority and $1,447,264,000 in outlays above fiscal year 1995. The President's budget proposes a 21-percent increase in funding for law enforcement and crime-fighting activities for fiscal year 1996.

LEGISLATIVE PROPOSALS/USER FEES IN THE PRESIDENT'S BUDGET

The President's budget proposal contains a number of legislative initiatives proposed for later transmittal to Congress which would establish offsetting collections or establish user fees for certain activities. With respect to user fees, the President's budget proposes a border services user fee ($3 per vehicle entry and $1.50 per pedestrian entry) to be collected by both the Immigration and Naturalization Service and the U.S. Customs Service to fully fund the administration's initiatives to improve border security. Receipts from the fee are estimated at $200,000,000 in fiscal year 1996 at a cost of $100,000,000 to collect the fees. The Committee notes that (1) this proposal has been withdrawn in favor of a new local option approach, and (2) despite widespread opposition to the revised proposal, current administration estimates appear to assume 100 percent participation by the border States. The Committee notes legislation to establish such fees are normally within the jurisdiction of the authorizing committees, not the Appropriations Committee.

The President's budget also proposes a 30-percent surcharge imposed on civil monetary penalties and criminal fines. Receipts from the proposed surcharge would be used to help reimburse telecommunications carriers for costs directly associated with the so-called Advanced Digital Telephony Program projected at $500,000,000 over 4 years. Receipts from this surcharge are estimated at $100,000,000 in fiscal year 1996. Again, the Committee notes legislation to establish such fees are normally the jurisdiction of the authorizing committees, not the Appropriations Committee.

FISCAL YEAR 1995 SUPPLEMENTAL REQUESTS

The President's budget requests a $672,000,000 emergency supplemental for United Nations [U.N.] peacekeeping. The State Department's peacekeeping expenditures were $1,071,000,000 in fiscal year 1994 and will be roughly $1,200,000,000 in fiscal year 1995 (including the President's supplemental request). The President's budget requests only $455,000,000 for U.N. peacekeeping for fiscal year 1996. The Committee notes that the administration has consistently understated the costs of ongoing peacekeeping operations. The Committee is concerned that the administration is attempting to sidestep the discretionary spending caps and pave the way for another emergency supplemental request for fiscal year 1996. The Committee has not funded the President's request for an emergency fiscal year 1995 supplemental for U.N. activities. The Committee urges the administration to carefully consider the potential budgetary effects of supporting new, expanded, or enhanced U.N. peacekeeping missions around the globe.

DEFENSE

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	242,846	243,346	+500	249,787	243,953	−5,834
International	.....	.....	.....	.....	.....	.....
Domestic	126	126	.....	192	125	−67
Subtotal, discretionary	242,972	243,472	+500	249,979	244,078	−5,901
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	198	214	+16	198	214	+16
Total appropriations	243,170	243,686	+516	250,177	244,292	−5,885

NOTE: In all tables, detail may not add to totals due to rounding.

The Congressional Budget Office estimates that discretionary budget authority of $243,472,333,000 would be required in fiscal year 1996 to maintain the funding approved for fiscal year 1995 for Department of Defense activities under the Subcommittee on Defense's jurisdiction. This amount is $500,000,000 more than the CBO 1995 baseline, reflecting a technical adjustment regarding previously approved budget authority transfers from the Department's national defense sealift fund to other agencies. The CBO estimate of outlays associated with this budget authority level is $244,078,216,000, a decrease of $5,901,109,000 from the 1995 outlay amount. The outlay difference results mostly from the cumulative effect of continual decreases to the Defense Department's budget authority levels in the late 1980's and early 1990's.

The President's budget requests total discretionary funding of $236,180,117,000 for activities of the Department of Defense under the jurisdiction of the Subcommittee on Defense. This level is $7,292,216,000, or 3 percent, below the fiscal year 1996 freeze discretionary budget authority amount. According to the Congres-

sional Budget Office, the request is estimated to result in discretionary outlays of $241,307,388,000 during fiscal year 1996.

The budget proposed for fiscal year 1996 reflects the 11th consecutive year that the amount requested for the military functions of the Department of Defense has declined. While the Department has made considerable strides compared to previous budget proposals to address vital readiness, pay, and quality of life priorities, the proposal before the Committee fails to provide adequate funding to meet the full spectrum of national security requirements.

For fiscal 1996, the most serious and disturbing cuts hamper the ability of U.S. military forces to maintain technological superiority over potential adversaries. According to the Department, funding for weapons system procurement has been slashed by 71 percent since 1985. In testimony before the Defense Subcommittee this year, Defense Secretary William Perry observed that the amounts proposed in the fiscal year 1996 budget, and forecast in the Department's future year defense plan [FYDP], for modernization were inadequate, and do not support the force structure envisioned by the administration's "Bottom-Up Review." Absent immediate action by the Congress, the costs of meeting DOD modernization needs in future years will be dramatically higher, and pose new threats to funding for key combat training and personnel support programs.

The Committee will closely scrutinize spending proposed by the President in areas not traditionally associated with military readiness. In the Committee-reported version of H.R. 889, the supplemental appropriations and rescissions bill for fiscal year 1995, significant cuts in dual-use technology programs, defense conversion, and environmental restoration activities were proposed. Some defense modernization and support needs can be fulfilled through further reductions in these programs for 1996. The Committee has also not supported previous requests for peacekeeping activities, which are more appropriately funded in other appropriations acts.

Recognizing tight constraints on discretionary appropriations, additional funds are necessary for fiscal year 1996 to meet anticipated defense requirements. The President's budget fails to propose any funds for continuing overseas deployments. These operations in the Persian Gulf, the former Yugoslavia, Cuba, and Haiti pose significant risks to military readiness during fiscal year 1995. If such activities will continue during 1996, the Congress must work with the administration to determine likely costs, and assess what level of funding will be required for 1996. If the Congress does not choose to appropriate funds for these missions, they should not be continued with funds appropriated to the Department of Defense for other purposes.

Despite consistent efforts by the Committee to address previous proposals, the Department again fails to adequately meet the needs of the Reserve components. Funding for real property maintenance, training, operations, and logistics support for the Army National Guard lags severely behind rates provided for the active component. The President's budget proposes a devastating reduction in tactical forces assigned to the Air National Guard, at the same time that the Air Guard assumes a higher profile in supporting national commitments. The National Guard cannot take on its share of our national defense mission absent necessary funds and forces.

The Committee faces the need to make increases to the levels proposed for all the Reserve components.

The budget proposed for the Department of Defense represents an improvement over previous recent requests, but leaves the Congress the responsibility to meet numerous unfunded requirements. The amounts proposed in the President's budget are not sufficient to fully respond to these needs.

DISTRICT OF COLUMBIA

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	.....	.....	.....	.....	.....	.....
International	.....	.....	.....	.....	.....	.....
Domestic	712	712	.....	714	712	−2
Subtotal, discretionary	712	712	.....	714	712	−2
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	.....	.....	.....	.....	.....	.....
Total appropriations	712	712	.....	714	712	−2

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The subcommittee is responsible for all aspects of the budget providing for the operations of the Nation's Capital. The budget includes amounts for the public school system, the courts of the District of Columbia, the District Council, and the various executive agencies of the District government.

The budget also includes various enterprise funds which support such processes as the water and sewers, Convention Center operations, Lottery and Charitable Games Control Board, Office of Cable Television, and D.C. General Hospital. In addition, the District supports its capital borrowing needs through the issuance of debt securities in the private municipal bond market.

The District's budget is made up of two components. The first, Federal funds appropriated to the District include a Federal payment in lieu of taxes, an annual contribution to certain retirement funds and from time to time various specialized amounts for particular purposes or services. The second, and largest, source of revenue to the District are local tax revenues.

FISCAL YEAR 1995 BASE AND FISCAL YEAR 1996 FREEZE

In fiscal year 1995 the Congress appropriated a total of $712,070,000 for the District of Columbia. This amount consisted of $660,000,000 for the Federal payment to the District and $52,070,000 as a Federal contribution to the retirement programs of the police and firefighters, teachers, and judges. These amounts are also the amounts authorized for fiscal year 1996 for each of these accounts, and represent the amounts requested in the President's budget, submitted February 6, 1996.

The authorizing committees have under consideration legislation to establish an independent board to manage the District's current financial emergency. The Committee does not, however, at this writing, expect an increase in either of these accounts in fiscal year 1996.

ENERGY AND WATER DEVELOPMENT

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	10,334	10,334	.....	10,455	10,344	−111
International	.....	.....	.....	.....	.....	.....
Domestic	10,174	10,177	+3	10,597	10,155	−442
Subtotal, discretionary	20,508	20,511	+3	21,052	20,499	−553
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	.....	.....	.....	.....	.....	.....
Total appropriations	20,508	20,511	+3	21,052	20,499	−553

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Subcommittee on Energy and Water has jurisdiction for appropriation of funds for fiscal year 1996 for the U.S. Army Corps of Engineers Civil Works Program; the Department of the Interior, Bureau of Reclamation water resource development activities; the Department of Energy (except for fossil energy, energy conservation, and certain regulatory activities), its energy supply research and development activities including solar and renewables, nuclear fission, magnetic fusion, and the basic and general sciences and technology programs, including the national scientific laboratories; the atomic energy defense activities, including nuclear weapons core stockpile stewardship, testing capability, and readiness; the disposal of defense nuclear wastes; and the environmental restoration and cleanup of the entire nuclear defense and nondefense complex; the Civilian Nuclear Waste Disposal Program; and related independent agencies and commissions including the Appalachian Regional Commission [ARC], the Nuclear Regulatory Commission [NRC], the Defense Nuclear Facilities Safety Board, the Tennessee Valley Authority [TVA], and several small river basin commissions.

WATER RESOURCES DEVELOPMENT

The fiscal year 1996 budget for water resource activities of the U.S. Army Corps of Engineers and the Bureau of Reclamation is the minimum level of funding needed to address important infrastructure requirements of the country.

Lack of sufficient discretionary resources will severely hamper the subcommittee's efforts to address the deteriorating infrastructure and other water resource needs of the country, and result in greater cost to the Federal Government if projects are not completed without significant delay. In addition, several ongoing

projects are either not funded or significantly under funded in the fiscal year 1996 budget request.

Fundamental policy changes are being proposed in the budget in regards to the role of the Corps of Engineers in flood control and related water resource development projects. Briefly, the proposed changes would limit the Corps' role, shifting the responsibility for many flood control projects to State and local governments to undertake. Implementation of this policy is projected to save $29,000,000 in discretionary spending in fiscal year 1996 and nearly $1,000,000,000 over 5 years. Given the history and interest in the flood control program, and the unaddressed flood control needs nationally, it is unlikely that the significant change in policy, as proposed, will be enacted.

DEPARTMENT OF ENERGY PROGRAMS

The budget request for the Department of Energy continues the trend of the past several years committing increasing discretionary resources to the environmental restoration and waste management programs. Even though the fiscal year 1996 funding request is increasing over the 1995 level, it is still well below the 5-year program plan unless there are sizable increases in productivity and efficiency, development of new cleanup technologies, and changes in program execution. In addition, a large portion of the increase reflects the transfer of several production facilities to the environmental management program. A freeze of the defense environmental restoration and waste management discretionary programs at the current year level or large reductions below the fiscal year 1996 budget request, could trigger legal action by affected States or local communities unless negotiated compliance or cleanup agreements are adjusted. It is likely that Congress will have to make changes to the laws governing the DOE Environmental Restoration and Waste Management Program.

The budget proposes a program of approximately $631,000,000 for the civilian radioactive waste activities in fiscal year 1996. However, $431,000,000 of the program is proposed as a mandatory appropriation which requires enactment of authorizing legislation and is subject to PAYGO requirements. It is clear that the Congress must resolve this problem by enacting legislative reforms to ensure that the program can proceed. It would be nearly impossible for the Committee to divert funds from other important programs and functions to continue this program as required in the absence of a legislative solution. Additional budgetary resources will be needed in fiscal year 1996 if the program is to continue under current schedules and meet established milestones.

A major mission of the Department of Energy is to provide for the national security by ensuring a credible nuclear deterrent by maintaining safe, secure, and reliable nuclear weapons. These national defense requirements are included in the defense (050) function and are coordinated with and included in the annual authorization of national defense programs. While drastic changes have occurred in the past several years responding to the post-cold war environment, it is clear that a strong core stockpile stewardship program will remain an essential element of the national defense strategy for the foreseeable future. Even under the increased levels

reflected in the fiscal year 1996 budget, the national weapons laboratories' budgets may not be adequate to prevent further erosion in the laboratories' core research and basic science capabilities. Continued funding at the current level would have serious impacts on the confidence in the nuclear deterrent in the future because of the loss of engineering skills and scientific judgment. It appears, therefore, that the budget request is the minimum level to sustain adequate confidence in the nuclear deterrent.

FOREIGN OPERATIONS, EXPORT FINANCING, AND RELATED PROGRAMS

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	.....	.....	.....	.....	.....	.....
International	13,647	13,704	+57	13,983	14,200	+217
Domestic	6	6	.....	3	6	+3
Subtotal, discretionary	13,653	13,710	+57	13,986	14,206	+220
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	45	46	+1	45	46	+1
Total appropriations	13,698	13,756	+58	14,031	14,252	+221

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Subcommittee on Foreign Operations, Export Financing, and Related Programs has jurisdiction over the bulk of the international affairs function (150) of the U.S. budget. The subcommittee funds multilateral economic assistance programs, including the multilateral development banks, and voluntary contributions to the United Nations; bilateral assistance programs, primarily those activities implemented by the Agency for International Development; military assistance programs, which in the post cold war period, are provided mainly to the Camp David agreement countries; and export financing, chiefly, through the Export-Import Bank and the Overseas Private Investment Corporation.

The subcommittee has completed fewer than one-half of its hearings on the fiscal year 1996 budget request, and has yet to receive all of the administration's written justification material. Therefore, the recommendations in this report must be considered preliminary. Additionally, foreign assistance programs tend to be sensitive to specific events throughout the year, causing unexpected strain on foreign assistance resources.

FISCAL YEAR 1996 BUDGET ESTIMATES

The administration proposes $14,788,932,000 in new budget authority for activities and programs under the jurisdiction of the subcommittee. This request is $1,090,932,000 over the amount appropriated thus far for fiscal year 1995.

The administration recommends increases in appropriations under title I, multilateral assistance, for the multilateral development banks totaling $400,000,000 in new budget authority, and

just over $50,000,000 in voluntary contributions to international organizations and programs. Under title II, bilateral assistance, the administration recommends an increase of $70,000,000 in assistance to Russia/NIS, $121,000,000 in assistance for Eastern Europe and the Baltic States, and $108,000,000 for international narcotics control. Most other requested increases are minor, though a $15,000,000 increase in the nonproliferation and disarmament fund is significant considering the current appropriated level for that program is $10,000,000.

For military assistance programs under title III, the administration recommends an increase in grant military assistance totaling $153,000,000; a $14,000,000 increase in the Military Education and Training Program for a total of $40,000,000; and a one-third increase in voluntary peacekeeping operations from an appropriated fiscal year 1995 level of $75,000,000 to a request of $100,000,000 for fiscal year 1996.

FISCAL YEAR 1995 SUPPLEMENTAL REQUESTS

Included in the President's fiscal year 1996 budget are requests for four separate supplementals under the jurisdiction of the Foreign Operations Subcommittee. Three of these requests, $18,000,000 for the Development Assistance Fund, $82,300,000 for the Economic Support Fund, and $27,200,000 for peacekeeping operations are related to United States operations in Haiti. These amounts were borrowed from these three accounts, and the administration's supplemental request would reimburse those accounts. The fourth supplemental is a request for $275,000,000 in debt relief for Jordan. This program was authorized as part of a fiscal year 1994 supplemental contained in the fiscal year 1995 Foreign Operations appropriations bill. At that time, Congress approved the appropriation of $99,000,000 for this purpose. Originally, the administration indicated it would request funds in two additional tranches, but instead has requested the remainder for this program in one tranche as a fiscal year 1995 supplemental.

COMMITTEE'S PRIORITIES AND CONCERNS

In supporting current efforts to reduce the deficit, the Committee will not seek funds above the President's request for foreign operations and export financing programs. However, unlike other Federal programs which may be dismantled and better managed or funded by State and local authorities, foreign assistance can only be administered by the U.S. Government. Given constraints on discretionary spending, the Committee believes the foreign aid program should be more sharply focused in order to effectively serve American interests.

In an era of diminishing resources, foreign assistance should clearly further U.S. security, economic, political, and humanitarian interests. To this end, the Committee considers programs which contribute to stabilization in the new republics of the former Soviet Union high priorities which should be sustained. The legacy of communism, including the emergence of ethnic tensions, regional rivalries, economic dislocation, sizable conventional and nuclear arsenals warrant U.S. attention. Bilateral and multilateral assistance

which contribute to stable democracies and open free markets affect U.S. trade opportunities and security.

The Committee also believes U.S. leadership in advancing the Middle East peace process directly affects national interests. Assistance reduces the threat of a regional conflict, sustains vital alliances, and secures America's principal energy supply.

Given a more constrained budget environment, the Committee intends to sustain support for activities which leverage limited resources. In this context, the Committee considers U.S. export promotion and financing activities essential to economic growth abroad and jobs, exports, and income here at home. In addition, the Committee supports contributions to those multilateral banks which have implemented financial management reforms and are assuring that recipients actively promote free market policies.

Finally, the Committee considers prudent security assistance a high priority. In the post cold war world, transnational threats including narcotics trafficking and terrorism, have developed as serious threats to U.S. interests. The Committee believes the timely and effective provision of training, equipment, and grant assistance is key to reducing the emerging threats.

INTERIOR AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	.....	.....	.....	.....	.....	.....
International	.....	.....	.....	.....	.....	.....
Domestic	13,502	13,800	+298	13,875	13,913	+38
Subtotal, discretionary	13,502	13,800	+298	13,875	13,913	+38
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	37	62	+25	20	50	+30
Total appropriations	13,539	13,862	+323	13,895	13,963	+68

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The jurisdiction of the Interior and Related Agencies Subcommittee includes the administration of approximately 900 million acres of Federal land and trust responsibilities for 56 million acres of Indian lands, particularly in the West. These lands include 368 units of the National Park System; 504 refuges of the Fish and Wildlife Service; 156 national forests and 20 national grasslands of the Forest Service; the Bureau of Land Management's grasslands, forests, and 300-million-acre mineral estate; and the Indian trust lands. All basic human services, including education and health care, are provided to 550 tribes with diverse needs. The jurisdiction of the subcommittee also extends to the nondefense, nonnuclear programs of the Department of Energy, as well as to other related Indian programs and many of the Federal arts and humanities programs, including the Smithsonian Institution.

If the agencies under the jurisdiction of the Interior bill are held to the fiscal year 1995 level, the base funding for many of the programs will decrease. The absorption of employee compensation and benefits has a serious impact on programs. The fixed costs for employees require approximately 50 percent of the bill's resources.

FISCAL YEAR 1995 BASE AND FISCAL YEAR 1996 FREEZE

Bureau of Land Management

Public demand for timber, livestock forage, mineral and energy resources, and recreational opportunities continues to increase on BLM lands. Maintaining funding at 1995 levels would limit BLM's capability to meet the public's demand for these resources. Timber harvest in the Pacific Northwest, which was recently reinstated following a 4-year ban stemming from northern spotted owl issues, would be compromised. In addition, efforts to address forest health problems caused by drought, insects, disease, and wildfires would be adversely impacted. Efforts to accelerate improvement of BLM rangelands, which provide livestock forage and contribute to the economic stability of many western communities, would be curtailed. Healthy upland and riparian areas are critical for providing suitable habitat for fish and wildlife resources, recreational opportunities, and forage for livestock.

Freezing funding at the fiscal year 1995 level would not permit funding the increased payments to States as authorized by passage of the Payments in Lieu of Taxes Act, Public Law 103–97. The BLM would also be unable to fund the provisions of the California Desert Protection Act. Maintaining funding at 1995 levels will constrain BLM's ability to protect and manage effectively the 69 new wilderness areas established by the California Desert Protection Act in 1994. BLM is joining with other Federal agencies, State parks, and private interests to collaboratively manage wildland resources in the California desert.

Funding for emergency fire presuppression activities is based on a 10-year average of expenditures. If the "Firefighting" account is held at the fiscal year 1995 level of funding, fire suppression activities could be compromised, including preparation for extraordinary fires, improvement of health and safety measures for firefighters necessary to prevent tragedies such as those that occurred last summer, and prevention of significant loss of natural resources.

Current practice in the Interior bill, as agreed to by the Budget Committee, is to fund the annual emergency firefighting amount at the 10-year average. Because of the significant fire expenditures last year, increased funds are necessary this year (for both the BLM and the Forest Service) to maintain the 10-year average in appropriations.

Fish and Wildlife Service

Despite a Federal capital investment of more than $4,000,000,000 and an operations and maintenance backlog of at least $391,000,000, funding for O&M activities in the Service's refuge system continue to be inadequate. If funding is frozen at the fiscal year 1995 level or further reduced, the O&M backlog will grow. In addition, proposed program increases in the cooperative

endangered species fund ($29,000,000) and the Resource Management Program ($13,000,000) would not be granted.

National Biological Service

The National Biological Service [NBS] was formed in fiscal year 1994 by consolidating the biological research, inventory and monitoring, and information transfer activities of the Fish and Wildlife Service, the National Park Service, the Bureau of Land Management, the Geological Survey, the Minerals Management Service, the Office of Surface Mining, and the Bureau of Reclamation. The NBS's fiscal year 1995 appropriation of $167,000,000 (the same level as fiscal year 1994) provides funding for 15 science centers, 60 cooperative research units in 39 States, and approximately 90 field stations. It is a nonregulatory agency. If NBS funding were to remain frozen at the fiscal year 1994 level, research and other program funds would be reduced at all NBS organizational units to absorb the uncontrollable costs of pay, benefits, and space. A decreased funding level would result in closure of established science centers, cooperative research units, and field station offices.

National Park Service

The National Park Service [NPS] funding continues to be inadequate to meet public use needs while minimizing visitor impact on the resources. Absorption of uncontrollable costs, such as pay, space rental, park police pensions, and addition of new park units continue to erode park operations funds. The NPS appropriations total $1,412,000,000 in fiscal year 1995. Failure to provide additional resources for these expenses most frequently results in decreased attention to maintenance and visitor services. Thus, portions of parks become unavailable to the public as areas are closed due to budget shortfalls and staffing reductions. If the "Operations of the national park systems" account was frozen at the fiscal year 1995 level of $1,078,000,000, high-priority maintenance deficiencies would be deferred, adding to the NPS maintenance backlog of over $2,000,000,000. The rehabilitation of park structures, roads, trails, and utility systems is critical to the health and safety of visitors and employees. Increased visitation at park units without increased funding would limit the Park Service's ability to respond to the public.

U.S. Geological Survey

In cooperation with State, local, and tribal governments, the U.S. Geological Survey [USGS] collects vital information on earthquakes, floods, mudslides, and other natural disasters, as well as assessments of the quantity and quality of the Nation's water and mineral resources. Freezing funding for the Survey at the fiscal year 1995 level would reduce data collection and analysis necessary for cooperative water studies, and reduce the Survey's ability to analyze and respond to significant earthquake hazards in major metropolitan areas.

Because of the highly skilled and scientific nature of the Geological Survey's work force, increases in Federal pay and benefits that are not funded fully can erode the USGS's scientific research, espe-

cially with non-Federal partners. In fiscal year 1996, pay costs are estimated to cost USGS an additional $6,800,000.

Minerals Management Service

If funding for MMS is held to the fiscal year 1995 level, $6,000,000 in proposed increases for oilspill research, coastal marine institutes, and various royalty management initiatives would not be funded. Actual reductions in funding should be examined in light of the fact that MMS is expected to manage $5,200,000,000 in Federal receipts in fiscal year 1996.

Beyond fiscal year 1996, there remains a risk that the United States will be required to buy back certain oil and gas leases off Florida, Alaska, and North Carolina. These tracts were leased to private companies in the early 1980's, but their development has been prevented in part by congressional and administration moratoria. The matter is currently being litigated and the Committee notes that this potential exposure could amount to $500,000,000.

Bureau of Mines

If funding is frozen at the fiscal year 1995 level, the Bureau will be able to continue the phased and orderly consolidation of Bureau offices as directed in the fiscal year 1995 Interior appropriations conference report. If funding is reduced by $20,000,000 as proposed in the President's fiscal year 1996 request, consolidation will be accelerated and expanded. Five research centers and several field units will be closed immediately. Program reductions would occur in pollution prevention and control ($9,200,000), health and safety research ($5,600,000), environmental remediation ($2,300,000), mineral information ($1,700,000), and general administration ($1,300,000).

The President also proposes to privatize the Federal helium program by ceasing refining activities and selling the reserve of crude helium over a number of years. While the budget request does not assume any changes in fiscal year 1996, it does assume a decrease in net outlays of $5,000,000 in each of the following fiscal years.

Office of Surface Mining

An additional $7,900,000 over the fiscal year 1995 funding level will be required to maintain the Rural Abandoned Mine Program [RAMP]. Level or decreased funding will likely necessitate termination of RAMP, as well as reductions in the Federal Regulatory Program, the proposed Appalachian clean stream initiative ($11,000,000), and the emergency reclamation program ($2,000,000).

Bureau of Indian Affairs

Freezing the Bureau of Indian Affairs would seriously undermine and delay progress in promoting self-determination for Indian tribes. At the fiscal year 1995 level of funding, BIA-funded schools could be forced to shorten the school year and abandon school lunch programs as a result of costs associated with population increases and mandated teacher pay raises. Two new school construction projects would be delayed, causing Indian children to continue to attend schools in crowded and unsafe facilities. At the fiscal year

1995 level of funding, projects would be deferred for tribal housing, road, and natural resource, all areas where significant backlogs of projects exist. Progress will be delayed in making structural repairs to high-hazard BIA dams as identified by the Bureau of Reclamation. BIA has a greater proportion of unsafe dams than any bureau within the Department of the Interior.

At the fiscal year 1995 level of funding, the BIA would be unable to make payments to tribes as mandated by enacted land and water settlements. Failure to make such payments will increase the funding requirements for settlements in future years because of the penalties associated with not funding settlement provisions. While these settlements have been considered discretionary in the past, the Committee deems payment mandatory because of the associated penalties for nonpayment.

Office of Territorial and International Affairs [OTIA]

The President has proposed to reduce the "Assistance to territories" account by $9,957,000. The infrastructure needs of American Samoa, Guam, and the Virgin Islands would instead be met by a mandatory grant program to be financed by a $21,580,000 reduction in funding for the Commonwealth of the Northern Mariana Islands. This proposal will require legislative approval. If the proposed legislation is not enacted, payments to the CNMI would continue at the current level, and an additional $15,000,000 would be required to maintain other OTIA programs at the current level.

The President has also proposed to abolish OTIA and distribute its functions to other agencies. The proposal estimates a savings of $1,200,000.

Forest Service

If the funding level for the Forest Service were frozen at the fiscal year 1995 level of $2,358,000,000, funding shifts would be necessary within the Forest Service accounts. The Forest Service lands have critical forest health problems. Aggressive action is proposed to address the condition of the Nation's forests which are deteriorating due to drought, insects, disease, wildfire, blowdown, and overstocking. Funding above the fiscal year 1995 level is needed to address these forest health concerns. During the last 15 years, the timber program has gone from a 12-billion-board-foot program to a 4-billion-board-foot program in fiscal year 1995. If timber sale process requirements are simplified to move more timber sale volume into the marketplace, additional funding resources would be required to support that effort.

The backlog of maintenance needs for the agency are approximately $1,600,000,000, including facilities, roads, and trails. There is a growing backlog of rehabilitation problems resulting from sustained high use by the public, age of facilities, and service demands.

Last year, Congress approved an additional $450,000,000 in emergency firefighting appropriations above the base appropriation of $385,000,000. Nonetheless, the Forest Service still had to make emergency transfers from other accounts to fund fully the 1994 fire season expenditures. Thus, the subcommittee faces a bill of an estimated $295,000,000 to repay accounts for these emergency expend-

itures. If emergency designations are not available to meet these requirements, the subcommittee would be faced with significant reductions in all Forest Service programs, including research, State and private forestry, recreation, watershed, timber, wildlife, road construction, and land acquisition. In addition, this amount owed could increase if fiscal year 1995 ends up being another high-cost fire year.

Clean coal technology

It is likely that $200,000,000 in unobligated clean coal balances will be rescinded this year. Making any further rescissions in the fiscal year 1996 bill would be extremely risky, as the Department could be left without adequate funds to complete projects that meet the requirements of previously signed cooperative agreements. This would invite legal challenges from the non-Federal signatories to those agreements. But regardless of appropriations or rescissions included in the bill, outlays for fiscal year 1996 are estimated to rise to $300,000,000 as work continues on projects funded from prior appropriations.

Fossil energy research and development

Funding fossil energy research and development below the fiscal year 1995 level will impact the $29,600,000 increase in gas research and development proposed by the President. Proposed increases to accelerate demonstrations of fuel cells ($8,000,000) and to expand the advanced computational technology initiative ($10,600,000) would be particularly vulnerable. Reducing or holding the petroleum program to fiscal year 1995 funding levels would generally inhibit efforts to develop, demonstrate, and transfer improved technologies that will prevent abandonment of marginal and declining wells. The President has also proposed a $35,500,000 cut in the coal program. Restoring funding to fiscal year 1995 levels would allow additional work on advanced power systems and advanced clean fuels.

Naval petroleum and oil shale reserves

An amount of $176,000,000 will be needed to operate the naval petroleum and oil shale reserves at their maximum efficient rate, an amount $11,000,000 less than the fiscal year 1995 funding level, but $75,000,000 above the President's fiscal year 1996 request. The President's request proposes a caretaker budget pending passage of legislation to turn the reserves into a Government corporation. This caretaker budget is inadequate to produce the reserves at their optimal rate, and will cause a decrease in the value of the reserves to the Treasury. The President also proposes to sell the naval petroleum reserve at Elk Hills subsequent to corporatization. This proposal has repeatedly been rejected by Congress. While the request assumes no savings from the sale in fiscal year 1996, it does assume $1,600,000,000 in net proceeds in fiscal years 1997–2000.

Energy conservation

The Energy Conservation Program provides support for the development and deployment of advanced energy efficient tech-

nologies for the buildings, industrial, transportation, and utility sectors, as well as grants for State energy programs, and energy efficiency retrofits for low-income residences and schools and hospitals. At the fiscal year 1995 level of funding, development of advanced automotive technologies needed to improve fuel efficiency and reduce emissions will be delayed or terminated. Efforts to improve the competitiveness of U.S. industries through improvements in energy efficiency processes and pollution prevention will be delayed or terminated. At the fiscal year 1995 funding level, voluntary programs with industry to deploy technologies to reduce emissions will be unfunded, which may lead to greater regulation of industries in order to meet Clean Air Act deadlines.

Strategic petroleum reserve

Approximately $313,000,000 is required to fund strategic petroleum reserve operations in fiscal year 1996—an amount far above the President's request of $25,689,000. The request assumes that $100,000,000 in oil sale proceeds will be available to offset the costs of decommissioning the Weeks Island storage facility. While the risks posed by potential failure of the Weeks Island facility must be addressed, it is doubtful whether the Department of Energy will be granted authority to fund decommissioning activities with oil sale proceeds. If such authority is not granted and the fiscal year 1996 budget request is enacted, drawdown capacity would drop, security would be reduced, facility life extension would be delayed, readiness would decline, and mitigation associated with Weeks Island decommissioning would be delayed.

The President has also proposed to offset the cost of SPR operations with $187,000,000 from the "SPR petroleum" account. While use of these funds reduces the need for new budget authority in fiscal year 1996, it depletes all but $35,000,000 remaining in the petroleum account. As such, it is expected that well over $200,000,000 in new budget authority will be needed annually for SPR operations in fiscal year 1997 and beyond. In both the "Strategic petroleum reserve" and the "Naval petroleum reserve" accounts, the Committee objects strongly to any savings presumed in discretionary appropriations that are contingent upon the enactment of authorizing legislation. Until such proposals are enacted into law, it is inappropriate to assume that these facilities can be operated at the levels presumed in the budget.

Indian Health Service [IHS]

Approximately $2,065,000,000 will be required in fiscal year 1996 to continue Indian Health Service programs at the current level. If funding for the Service's account is held to the fiscal year 1995 level, IHS would be forced to absorb some $86,000,000 in medical inflation, increased pay, and other uncontrollable costs. Necessary hospital admissions would be reduced by 3,950, outpatient visits would be reduced by 156,700, and dental services would be reduced by 63,000. Movement toward greater tribal compacting would be slowed, and modest programmatic increases proposed for urban health, child abuse, information systems, and other initiatives would not be funded.

If funding for the "Facilities" account is reduced from the level proposed in the President's request, construction of two facilities scheduled to be completed in fiscal year 1996 would be jeopardized. If facilities funding is maintained at the fiscal year 1995 level, design and construction work on two or three additional priority list projects could be funded. To fund all projects currently on the construction priority list, the "Facilities" account would require a $108,000,000 increase over the President's request. Additional funds would be required to reduce the $600,000,000 backlog in feasible sanitation facilities projects.

Arts, humanities, and museums

The National Endowment for the Arts [NEA] and the National Endowment for the Humanities [NEH] receive a small portion of the Interior appropriations. Each agency is fulfilling its mission as defined by congressional legislation. Various parties are making suggestions to reduce funding or to eliminate funding for both of these agencies. If these agencies receive decreased funding levels in fiscal year 1996, it would seem reasonable to work closely with the agencies to identify the highest priorities or to direct funds to those programs that reach the widest audience. It should be noted that, if significant funding reductions to the NEA, NEH, and the Institute of Museum Services occur, these agencies would need to retain some form of administrative structure and the necessary funds to honor those grants to which the Federal Government has already committed itself.

The Kennedy Center is a Presidential memorial, which is 25 years old and in urgent need of repairs. Funding through the Interior bill is provided for the operation, maintenance, and capital repair of the Kennedy Center building. Funding decreases would affect the Kennedy Center's ability to continue to operate the Center.

The Smithsonian Institution received an appropriation of $371,093,000 in fiscal year 1995. In its fiscal year 1996 budget request, the Institution estimates $12,811,000 in uncontrollable costs. By holding their budget at the current fiscal year 1995 level and requiring the Smithsonian to absorb fully these mandatory costs, most of which are in personnel compensation and benefits, the immediate result would be felt in erosion of the program base. Two points, in particular, should be made in this regard. The Institution has a backlog of repair and renovation work that is estimated at $250,000,000. Any future effort to reduce significantly this backlog will require an increased appropriation. Further, Congress has authorized and appropriated initial funding for construction of the multifacility National Museum of the American Indian. While it might be possible within the fiscal year 1995 level, to move forward on construction of the Cultural Resources Center at Suitland, an increased appropriation would be necessary to begin construction of The Mall facility as well as to address other capital infrastructure requirements identified by the Smithsonian Institution as necessary to protect its collections adequately.

Land acquisition and construction

Appropriations for the land acquisition accounts for the Bureau of Land Management, the Fish and Wildlife Service, the National

Park Service, and the Forest Service total $235,000,000 in fiscal year 1995 and are requested at that amount in fiscal year 1996. The total amount appropriated for land acquisition has decreased $106,000,000, or 31 percent, over the past 5 years. Increased emphasis has been placed on land exchanges during the past few years.

The fiscal year 1995 funding for construction accounts for the Bureau of Land Management, the Fish and Wildlife Service, the National Park Service, the Bureau of Indian Affairs, the Forest Service, the Indian Health Service, and the Smithsonian is $865,000,000. Over the past several years the overall construction accounts have declined over 20 percent. Many of the construction dollars are used for the rehabilitation of facilities, which have been identified in the agencies' mounting maintenance backlog. Limitations have been placed on beginning new projects such as visitor centers, which do not have significant non-Federal funding support. Both the land acquisition accounts and the construction accounts receive substantial congressional support during the Interior bill formulation process.

LABOR-HHS-EDUCATION AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	.....	.....	.....	.....	.....	.....
International	12	12	.....	11	12	+1
Domestic	70,050	69,996	−54	69,685	71,726	+2,041
Subtotal, discretionary	70,062	70,008	−54	69,696	71,738	+2,042
Violent crime reduction trust fund	38	38	.....	7	28	+21
Gramm-Rudman-Hollings mandatory	187,392	213,892	+26,500	186,227	213,868	+27,641
Total appropriations	257,492	283,938	+26,446	255,930	285,634	+29,704

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Subcommittee on Labor, Health and Human Services, and Education, and Related Agencies provides funding for all agencies of the three departments, with the exception of the Indian Health Service and the Food and Drug Administration of the Department of Health and Human Services, and the Office of Indian Education of the Department of Education. The programs within the subcommittee's jurisdiction include work- and school-based education and training, occupational safety, primary and preventive health services, needs-based income support, and basic/clinical research on the broad array of diseases that afflict humanity.

In addition, the subcommittee provides funding for 15 related agencies. The related agency programs include the former programs of the ACTION agency at the Corporation for National and Community Service, the Corporation for Public Broadcasting, the National Labor Relations Board, the Railroad Retirement Board, and the U.S. Institute of Peace.

FISCAL YEAR 1995 BASE AND FISCAL YEAR 1996 FREEZE

The 1996 Congressional Budget Office [CBO] freeze baseline for the discretionary programs and activities funded under the Departments of Labor, Health and Human Services, and Education Appropriations Act totals $70,008,000,000 in budget authority and $71,738,000,000 in outlays for fiscal year 1996. The outlay baseline is an increase of $2,042,000,000 above the outlay total for fiscal year 1995. Increases of $1,619,000,000 in prior-year outlays and $423,000,000 in adjustments to the outlay base, primarily for child care and public broadcasting, account for the difference from fiscal year 1995.

The CBO estimates that in order to keep pace with inflation, increases of $2,356,000,000 in budget authority and $3,189,000,000 in outlays over the freeze baseline would be required.

Mandatory appropriations are estimated to increase by $27,641,000,000 in fiscal year 1996, primarily related to growth in Medicaid and Medicare entitlement costs. Although the rate of increase in these programs is expected to be slower than in recent years, annual growth is still expected to exceed 9 percent for the next 5 years.

Federal fund appropriations cover 75 percent of the cost of Medicare part B, which includes payments to physicians and other outpatient services; the remaining 25 percent is covered by beneficiary premiums. For the State-administered Medicaid program, general revenues enhance Federal matching funds, which may range from 50 to 83 percent, based upon per capita income relative to the national average. Based on CBO freeze calculations, an estimated $154,638,147,000 will be needed for Medicare and Medicaid appropriated entitlement costs in fiscal year 1996.

EFFECT OF A FREEZE ON SUBCOMMITTEE PROGRAMS

For Department of Labor programs, 85 percent of current discretionary appropriations are for employment and training, with the remainder for worker protection activities, such as workplace safety and health. Major programs include dislocated worker assistance, youth and adult training block grants, community service employment for older Americans, the Job Corps, and summer youth jobs. Recent initiatives have been the creation of one-stop career centers to better coordinate an array of job training programs, and school-to-work opportunity grants to improve the transition of noncollege bound youth into the work force. Full implementation of these initiatives will require further increases in fiscal year 1996.

Fiscal year 1995 Labor Department appropriations provided employment and training services to approximately 2.2 million individuals. While most programs were maintained at the previous year's enrollment levels, services for dislocated workers were expanded by 16 percent, serving 679,000 participants. With an expected increase in worker dislocations, there will be pressure for further expansion. For example, the Base Realignment and Closure Commission is expected to announce base closures affecting more than 30,000 workers. Previous transfers from the Department of Defense of $225,000,000 have been exhausted, and the only remaining source of funds for Defense-related adjustment is from the

Labor Department's dislocated worker appropriation. Also, during 1995, many of the requirements of the Clean Air Act will go into effect, resulting in increased demand for services in program year 1995 by workers who are laid off as a result of the changes required under the act; this will most severely impact coal producing States. These pressures will be on top of the need to help workers impacted by restrictions on timber harvests in the Northwest, the secondary impact of international trade agreements which are not covered by the Trade Adjustment Assistance Program, those affected by natural disasters, as well as requests on behalf of workers affected by plant closures and corporate downsizing. A $200,000,000 increase in fiscal year 1996 would partially offset the loss of prior-year transfers, and allow the Department to serve more than 100,000 dislocated workers.

In fiscal year 1995, startup funding was also provided to establish four new Job Corps centers, in addition to eight new centers the previous year. To complete construction of these centers, appropriations of about $100,000,000 will be needed. When fully operational these new centers will require annual funding of about $120,000,000 over current levels. To keep on schedule with the long-range plan to open 50 new Job Corps centers by 2008, the fiscal year 1996 budget proposes 4 more new starts; each new center costs about $16,000,000 to build and $10,000,000 per year to operate. The total cost of this expansion plan over the next 5 years is about $1,086,000,000.

The CBO freeze estimate reflects a decline of $89,000,000 in fiscal year 1996 operating costs for the Unemployment Insurance Service, which is $253,000,000 less than the administration's estimate. If the OMB forecast is accurate, the CBO freeze level for both budget authority and outlays would need to be adjusted upward by $250,000,000.

For the Department of Health and Human Services, 58 percent of current discretionary spending is for the programs of the Public Health Service. Major programs include community and migrant health centers, Ryan White AIDS care, maternal and child health block grant, breast and cervical cancer screening, vaccines for children, substance abuse and mental health services, and biomedical research. The balance of the Department's discretionary funding is spread throughout the Administration for Children and Families, the Social Security Administration, and the Administration on Aging.

For fiscal year 1995, Public Health Service appropriations within the subcommittee's jurisdiction totaled $19,214,208,000. With the demise of health care reform in the last Congress, pressure will be on the subcommittee to increase funding for programs to improve and expand primary and preventive health programs, particularly in underserved rural and urban communities and hard to serve populations. For example, only 35 States currently receive Federal funding to develop a statewide system to screen women for breast and cervical cancer. The cost of extending grants for comprehensive breast and cervical screening programs to the remaining 15 States is $20,000,000 in fiscal year 1996.

In fiscal year 1995, $632,965,000 was appropriated to carry out the activities authorized by the Ryan White CARE Act. In fiscal

year 1996, the Department of Health and Human Services estimates that 10 to 14 more metropolitan areas will become eligible for funding under title I of the act. The President's budget for fiscal year 1996 includes an increase of $50,000,000 for title I in order to address the needs of newly eligible areas. Additionally, recent research has found that the provision of AZT to HIV positive pregnant women can reduce the incidence of transmission of the virus to the fetus by two-thirds. This also will put pressure on the subcommittee to increase funding for the Ryan White program. Title IV targets funding to pediatric patients and families with AIDS/HIV. At a freeze level, no new resources would be available in fiscal year 1996 to expand the implementation of AZT therapy to reduce perinatal transmission.

Level funding in fiscal year 1996 would require the NIH to absorb within its base funding the $248,917,000 increase in the continuation costs associated with grants funded in fiscal year 1995. The number of new/competing grants funded in fiscal year 1996 would have to be cut to make up for the shortfall. Already, the NIH reports that fewer than 1 in 4 grants which have been reviewed and recommended for funding actually receive funding. It is estimated that a freeze would reduce the funding to fewer than 1 in 5 approved grants.

Fiscal year 1996 marks the peak year of funding required for the 5-year, $92,900,000, national medical expenditure survey, which received an appropriation of $15,000,000 in fiscal year 1995. Survey costs are estimated to rise to $36,000,000 in fiscal year 1996. The purpose of this survey, which is undertaken roughly every 10 years, is to provide the basic information for estimating the effects of various changes and trends in the American health care system.

The subcommittee's jurisdiction includes claims processing activities for a number of entitlement programs, including unemployment compensation, Medicare, and Social Security old age, survivors, and disability benefits. Although the control on the volume of claims for these entitlement programs is outside the control of the Appropriations Committees, the administrative costs to process growing claims volume must be accommodated within the discretionary allocation ceiling. Based upon administration estimates, claims processing costs will increase by $565,000,000 in fiscal year 1996. A freeze on these administrative costs would have a profound effect upon the timely processing and payment of claims and benefits.

The increased volume of claims in these programs also necessitates increased monitoring activities to prevent waste, fraud, and abuse. These auditing functions, although a discretionary expense, result in savings in entitlement costs many times greater than their cost. For example, every discretionary dollar spent by the Social Security Administration to audit disability benefits, results in $4 of savings to the disability trust fund. Every discretionary dollar spent by the Health Care Financing Administration to review Medicare claims, saves $15 in entitlement costs. Although only a small fraction of claims are currently audited, Medicare savings alone are estimated to exceed $6,000,000,000 in fiscal year 1995 from payment safeguard activities. A freeze in funding of these administrative accounts would yield reductions in monitoring activities as

scarce resources are shifted to make up for the additional $565,000,000 needed to cover the increase in claims volume.

The Department of Education's discretionary programs under the subcommittee's jurisdiction include elementary and secondary education, programs for education reform, bilingual education, special education and rehabilitation services, vocational and adult programs, aid for college students, and research and statistics.

Over 39 percent of discretionary education dollars fall in the area of elementary and secondary education. Major programs include education for disadvantaged children in grades K–12, Even Start, migrant programs, bilingual education and professional development for teachers, impact aid, and safe and drug free schools. Title I grants to local education agencies make up the largest portion of this program. The grants provide supplemental education funding to schools to help low-income, low-achieving students. Title I funds are currently serving approximately 6.4 million pupils. It is projected that 200,000 fewer educationally disadvantaged children would be served if title I funding was frozen.

Discretionary spending for postsecondary education programs in fiscal year 1995 totaled $13,400,000,000. These programs improve postsecondary educational access and opportunity for low- and middle-income students by providing grants, loans, and work-study opportunities for eligible students. Amendments to the Higher Education Act of 1992 increased the maximum Pell grant for academic year 1994–95 to $3,900. However, the fiscal year 1995 appropriations act capped the maximum grant at $2,340. Because of the rising costs of college tuition, the subcommittee will be under pressure to raise the cap on the maximum Pell grant. Current projections are that over $330,000,000 is needed to raise the grant level $100. Due to budget constraints and the unpredictability of demands for grants, raising the maximum grant will be difficult. To the extent that grant and loan programs don't increase to meet higher college tuition costs, students would be forced to rely more heavily on higher interest loans.

In fiscal year 1995, funds were also expanded to provide for school-to-work opportunity grants. The Departments of Education and Labor formed a partnership to implement a transition program from school-to-work for noncollege bound youth. A freeze in this area would result in fewer States receiving grants for full implementation of their school-to-work opportunity system.

The Individuals with Disabilities Education Act requires that all children with disabilities aged 3 through 21 years be served. It is projected that the number of children eligible to be served under this program will grow at a rate of 3 percent annually over the next few years due to prenatal exposure to drugs or alcohol. Because of the mandate that all children be provided with a free appropriate public education, States are required to serve all children who are eligible. In fiscal year 1995, 150,960 additional children were served, for an estimated total of 5,182,959. A freeze would result in fewer dollars available to States to meet the costs of educating children with disabilities. When combining the projected 3 percent growth rate with the rate of inflation, States would have to find an additional 6 percent from other sources in order to meet the Federal requirement to serve all eligible children.

FISCAL YEAR 1996 BUDGET REQUEST

The President's budget proposes discretionary increases totaling $5,200,000,000, including $3,700,000,000 for high-priority activities identified as investment programs. These programs include, school to work, dislocated worker assistance, compensatory education for the disadvantaged, the National Institutes of Health, Head Start, Ryan White CARE Act, substance abuse treatment, and disability review and automation activities of the Social Security Administration. Offsetting reductions of $1,100,000,000 are proposed, for a net discretionary increase of $4,100,000,000, or 5.9 percent. Of the net discretionary increase, $2,400,000,000 is requested for current law programs. The CBO estimates that under the President's budget recommendations, funding for the subcommittee programs would total $73,343,551,000 in budget authority and $70,510,400,000 in outlays in fiscal year 1996.

LEGISLATIVE BRANCH

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	.....	.....	.....	.....	.....	.....
International	.....	.....	.....	.....	.....	.....
Domestic	2,390	2,390	.....	2,289	2,299	+10
Subtotal, discretionary	2,390	2,390	.....	2,289	2,299	+10
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	90	92	+2	90	92	+2
Total appropriations	2,480	2,482	+2	2,379	2,391	+12

NOTE: In all tables, detail may not add to totals due to rounding.

The President's budget requests a total of $2,610,616,000 for the agencies and activities within the jurisdiction of the Subcommittee on the Legislative Branch. This represents an increase of $220,194,900, or 9.2 percent, from the total of $2,390,421,100 enacted for fiscal year 1995.

It is the Committee's strong belief that Congress must lead by example in making the spending reductions that are critical to achieving a balanced budget. Therefore, the Committee is committed to serious and significant reductions in appropriations provided to cover the cost of the legislative branch. The Committee hopes to reduce overall legislative branch appropriations by as much as $200,000,000 below the fiscal year 1995 enacted level, or $420,194,900 below the President's fiscal year 1996 request.

The Committee will recommend achieving these reductions through a thorough review of all accounts within its jurisdiction, both those relative to the operations of Congress itself and those funding the Governmentwide activities of support agencies such as the Government Printing Office and the General Accounting Office. The Committee notes that the Senate has already undertaken this difficult task in its action to reduce funding for standing, special, and select committees of the Senate, and is aware that the Sec-

retary and the Sergeant at Arms and Doorkeeper of the Senate are preparing recommendations to reduce funding within their respective offices.

Achieving reductions of this magnitude the Committee recommendation will require bipartisan and bicameral cooperation. Changes in statutes and internal rules will be necessary and will require legislative action by the appropriate committees of jurisdiction. Further, reductions of this magnitude will have consequences. In all probability services will be reduced, and in some cases, eliminated. Employment levels throughout the legislative branch will fall. The Committee hopes to achieve these reductions in a sensible manner that will preclude the more Draconian effects of formal reduction-in-force procedures, but that eventuality cannot be ruled out.

MILITARY CONSTRUCTION

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	8,850	8,983	+133	9,061	9,073	+12
International	.....	.....	.....	.....	.....	.....
Domestic	.....	.....	.....	.....	.....	.....
Subtotal, discretionary	8,850	8,983	+133	9,061	9,073	+12
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	.....	.....	.....	.....	.....	.....
Total appropriations	8,850	8,983	+133	9,061	9,073	+12

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The military construction appropriations bill provides funding for construction at military installations worldwide including construction and operations of military family housing. The bill also provides funding for Department of Defense base closure activities.

FISCAL YEAR 1995 BASE AND FISCAL YEAR 1996 FREEZE

A budget authority freeze at the fiscal year 1995 level would be $133,000,000 over the enacted fiscal year 1995 discretionary appropriations. The military construction appropriation would increase from $8,850,000,000 to $8,983,000,000.

This difference in amount reflects a one-time transfer to the "Base closure II" account. Transfers of unobligated balances are scored as reductions in current budget authority. This amount is projected at zero in the enacted fiscal year 1995 discretionary appropriations.

A budget authority freeze would be detrimental to the readiness or our Armed Forces. The Department of Defense has purposely scaled back its funding of military construction in recent years due to the base closure and realignment process. This process will officially conclude at the end of calendar year 1995.

MAJOR CUTS/INCREASES

Significant increases over the enacted fiscal year 1995 discretionary appropriation of $8,850,000,000 are included in what is planned for fiscal year 1996. The planned budget authority is a 42-percent increase for the base closure accounts. If this account were to remain at the budget authority freeze level, the base closure process for each of the four rounds would be significantly delayed. If this reduction were applied to the upcoming base closure round, no funding would be available for it.

The planned budget authority for family housing is increased 15 percent from fiscal year 1995 to fiscal year 1996. If this increase does not occur, the backlog of maintenance of real property will continue to go unchecked.

The following are two options which would have to be addressed. First, unfunded requirements could be shared by all the military construction accounts. This would preserve troop housing, community facilities, base closure accounts, and family housing. The other option reduces budget authority increases in the base closure accounts, family housing, and all facility categories in military construction and family housing.

Option one

In the first option, budget authority planned for operations would be deleted. This includes funding for piers, runway repair, aircraft parking aprons, and hydrant fuel systems. Projects used in training would also be reduced. This would include training ranges, a combat trainer building, a platoon battle course, a B–2 simulator facility, and a C–17 simulator facility. It would also include reductions for consolidated maintenance facilities and chemical demilitarization facilities. These maintenance facilities have been budgeted for by the Army, Navy, Air Force, and Army National Guard.

The reduction would reduce budget authority planned for research and development facilities. These facilities include an Anechoic test chamber, a Ballistic Missile Defense Office [BMDO] theater high-altitude area defense [THAAD] facility, and a Walter Reed Army Institute of Research [WRAIR] facility.

Planned budget authority would also be reduced for supply efforts. This includes fuel replacement tanks, ammo storage, and supply storage. Planned medical facility construction would be reduced. This would delay the final phase of two hospitals as well as life safety projects and clinics.

Planned administrative facility construction would be reduced. This would delay a fleet support headquarters, an operations center, and a Defense Mapping Agency facility which had been damaged by flooding.

Planned budget authority for utility projects would be reduced. This includes sewer systems, fire protection, and heating and air-conditioning systems. Finally, planned budget authority for planning and design, unspecified minor construction, and NATO infrastructure would be reduced.

Option two

The second option reduces planned budget authority for the following programs: barracks, dormitories, community facilities, base closure and realignment implementation, construction and renovation of 3,782 units of family housing, and operations and maintenance for family housing. There are over 350,000 family housing units in the inventory which would deteriorate due to lack of operations and maintenance funding.

Funding levels for military construction kept at a budget authority freeze at the fiscal year 1995 level regardless of how it is applied would constitute another moratorium on the appropriation. Such a reduction would be difficult to recover from, in view of declining resources. It would degrade readiness, eliminate quality of life initiatives and/or would potentially delay base closures by as much as 2 years.

TRANSPORTATION AND RELATED AGENCIES

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	.....	.....	.....	.....	.....	.....
International	.....	.....	.....	.....	.....	.....
Domestic	13,747	13,747	.....	36,982	37,561	+579
Subtotal, discretionary	13,747	13,747	.....	36,982	37,561	+579
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	555	575	+20	561	572	+11
Total appropriations	14,302	14,322	+20	37,543	38,133	+590

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Subcommittee on Transportation provides funding for all the organizations included in the Department of Transportation, except for the Maritime Administration. In addition, the subcommittee has jurisdiction over a number of related agencies including the Interstate Commerce Commission, the National Transportation Safety Board, the Panama Canal Commission, and the Washington Metropolitan Area Transit Authority.

In fiscal year 1995, major funding was provided to the Federal Aviation Administration, the U.S. Coast Guard, the Federal Transit Administration, the Federal Highway Administration, the National Highway Traffic Safety Administration, the Federal Railroad Administration, and the National Railroad Passenger Corporation [Amtrak].

FISCAL YEAR 1996 BASE

New spending provided in fiscal year 1995 was approximately $1,300,000,000 higher than that provided in fiscal year 1994. The Committee continued to provide significant increases for transportation infrastructure spending. This follows from the increased demands of members and transportation-related constituents follow-

ing enactment of major legislation in the surface transportation area (the Intermodal Surface Transportation Efficiency Act of 1991, or ISTEA), and in the aviation area.

DISCRETIONARY SPENDING (FREEZING AT 1995 LEVEL)

The Committee is concerned about several aspects of a freeze on Transportation spending for fiscal year 1996. Because of authorizing legislation that places increased responsibilities on operating entities within the Department, and because of congressional expectations regarding investments in infrastructure, there are several major program areas under the Committee's jurisdiction that would be adversely impacted by a freeze.

Federal Aviation Administration.—Due to the introduction of foreign-manufactured aircraft and a recent spate of accidents in the commercial aviation area, increased concerns regarding aviation safety, poor weather conditions, and the need to provide more modern, high-speed radar and communications systems, increased funding is warranted for Federal Aviation Administration operating and capital accounts. A freeze in FAA spending causes the curtailment or delay in providing sufficient resources in these areas.

Coast Guard.—In recent years, the Coast Guard has been involved in increasing numbers of search and rescue missions and oilspill responses. In addition, over two-thirds of the Coast Guard's personnel expenses fall under the military pay rules and regulations. Coast Guard resources are being called upon more and more for treaty enforcement in the fisheries area and to play a significant role in the Caribbean for immigration and drug interdiction activities.

Federal Highway Administration.—With the passage of the Intermodal Surface Transportation Efficiency Act of 1991 [ISTEA], Congress expressed its desire to increase investment in our Nation's highways. Reports from the Federal Highway Administration point out that U.S. highways are facing increased congestion problems, which result in lost productivity; and that there is not sufficient progress on replacing structurally and functionally obsolete bridges. Freezing highway spending at the fiscal year 1995 level will retard the progress on promises made under ISTEA.

In fiscal year 1995, funding for highway construction through the "Federal-aid highways" account was $19,400,000,000. Of this amount, $2,270,000,000 was for programs that were exempt by authorizing statute from the Committee-imposed obligation ceiling. Because certain highway programs are exempt from the obligation ceiling, the Committee is charged with approximately $370,000,000 in new outlays every year to accommodate these exemptions that were written in authorizing legislation.

By law, even under a freeze assumption, exempt programs can grow. However, it is expected for fiscal year 1996 that they will remain at the $2,270,000,000 level. Under section 1003 of ISTEA, an overall cap on budget authority for the 6-year life of the bill is imposed.

Federal Transit Administration.—One of the major activities that has experienced large cost increases due to federally imposed mandates is the Nation's transit industry. The requirements of the Clean Air Act and the Americans with Disabilities Act have im-

posed significant costs on U.S. transit providers. The industry is faced with the pressing problems of equipping its fleets and facilities to be handicapped accessible, to retrofit its bus fleets with clean-burning, new technology engines, and also to help contribute to solving congestion and clear air problems in America's cities. The Committee reduced transit operating assistance by 12 percent in the fiscal year 1995 Transportation appropriations bill.

Federal Railroad Administration.—A significant issue before Congress this year is the appropriate funding level for Amtrak. The administration has asked for $750,000,000 for Amtrak's basic program, a 3-percent cut from the current enacted level. Amtrak's precarious financial condition has forced it to cut 21 percent of its service, lay off nearly 5,500 employees, and cut $435,000,000 in costs. If Amtrak funding shortfalls should trigger route closures, then Federal law would mandate labor protection payments to the affected employees. A complete shutdown of Amtrak could trigger payments of about $5,200,000,000. The High Speed Rail Program is proposed for funding at $68,000,000 (double the authorized amount and double the current program level). The additional funds are for research and development of high speed rail technologies.

DISCRETIONARY OUTLAYS

If the agencies within the Department of Transportation receive the same budget authority for fiscal year 1996, it is worth noting that prior years' outlays are estimated to increase by approximately $600,000,000. This is because bills will be coming due from long-term commitments in the areas of highway construction, transit new starts construction, and airport runway construction. Because of the long-term nature of the construction associated with infrastructure investment, some projects take as long as 6 to 7 years to spend out the money provided. For most major construction projects in the transportation area, no more than 20 percent will spend out the first year it is made available, whereas 30 to 50 percent of the new money provided will spend out in the second year after it is first made available. Any freeze in new budgetary resources should allow for the increased outlays associated with prior-year commitments, that are legal contractual obligations of the Federal Government.

In order to meet reduced outlay allocations, the Transportation Subcommittee, unlike other subcommittees, must balance outlays associated with prior commitments—which are effectively out of the subcommittee's control—against fast-spending accounts which are personnel intensive. The subcommittee is unique in that the Coast Guard and Federal Aviation Administration operate 24 hours a day, 7 days a week, providing direct, real services to the American public, providing for safe and efficient transportation, including life-saving missions.

Any cut in outlays would necessitate a reduction in Coast Guard and FAA operations, such as air traffic controllers and Coast Guard search and rescue missions. A drastic reduction in outlays for this subcommittee might necessitate curtailing aviation operations due to controller layoffs and marine operations due to a reduction in Coast Guard personnel.

THE ADMINISTRATION'S REQUEST

Discretionary resources requested by the administration include $35,512,190,000 in combined budget authority and obligation limitation; and $36,555,207,000 in outlays. This takes into account a number of rescissions and program eliminations proposed by the administration. It is worth noting, however, that the Congressional Budget Office estimates that, if the administration's request were enacted, total Transportation Subcommittee outlays would actually be $37,075,128,000, or $519,921,000 higher than that estimated by the Office of Management and Budget. A fiscal year 1996 freeze at the fiscal year 1995 level would require an allocation of at least $37,600,000,000 in outlays.

The administration has proposed the elimination of several programs, including local rail freight assistance and the essential air service programs; appropriated highway demonstration projects; and the Interstate Commerce Commission. Programs significantly cut under the administration's request include transit operating assistance (−$210,000,000), and the Federal Aviation Administration's "Facilities and equipment" account (−$180,000,000).

The administration has submitted a budget which relies on a complete restructuring of the Department into three modal administrations, and of the way resources are provided to State and local governments. Details on how funds would be distributed, and to whom, have not yet been provided to the Committee. However, it is worth noting that the administration's overall budget request would require a $2,300,000,000 reduction in infrastructure investment. These cuts, if done on a relative basis, would require a $1,900,000,000 cut in the highway account, a $100,000,000 reduction in the airport grant account, and $300,000,000 reduction in the transit capital account (on top of the proposed $210,000,000 cut in transit operating assistance).

The necessary legislation to restructure the Department of Transportation and to transfer air traffic control to a Government corporation is to be submitted by the administration later this year. However, the effects of these proposals would have the greatest impact beginning in fiscal year 1997.

Under the administration's request, safety inspector staffing is protected from cuts. Hazardous materials, motor carriers, and pipeline inspectors are maintained at the 1995 levels. An additional 253 flight standards and certification inspectors are requested for the Federal Aviation Administration.

TREASURY, POSTAL SERVICE, AND GENERAL GOVERNMENT

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	.....	.....	.....	.....	.....	.....
International	.....	.....	.....	.....	.....	.....
Domestic	11,551	11,391	−160	11,761	11,700	−61
Subtotal, discretionary	11,551	11,391	−160	11,761	11,700	−61

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Violent crime reduction trust fund	39	39	.....	22	35	+13
Gramm-Rudman-Hollings mandatory	11,516	11,897	+381	11,513	11,896	+383
Total appropriations	23,106	23,327	+221	23,296	23,631	+335

NOTE: In all tables, detail may not add to totals due to rounding.

OVERVIEW

The Treasury, Postal Service, and General Government Subcommittee is responsible for funding programs and activities of the U.S. Department of the Treasury; the U.S. Postal Service; certain Executive Office of the President agencies; the General Services Administration; and certain other independent agencies. At the time of the preparation of this report, the subcommittee has not yet received all of the detailed appropriations justification materials in support of the President's fiscal year 1996 budget. Nonetheless, the subcommittee has made some tentative views and estimates with regard to the total amount of new budget authority and outlays required to sufficiently fund programs under its jurisdiction for fiscal year 1996.

FISCAL YEAR 1995 BASE AND FISCAL YEAR 1996 FREEZE

The discretionary and violent crime trust fund funding level for the fiscal year 1995 Treasury bill totals $11,590,000,000. This funding provides the basis for a significant portion of basic Government operations. It covers the costs to collect the taxes, make payments to Government beneficiaries, provide and care for Government office space and courthouses, and to enforce Federal criminal laws. Approximately 70 percent of the discretionary spending goes to cover personnel-related costs. These accounts outlay on average at over 85 percent. Nearly 12 percent of discretionary spending is dedicated to information systems and other automation activities of the agencies funded in the bill. The Internal Revenue Service's Tax Systems Modernization [TSM] Program is a prime example of the information systems funded. TSM expenditures total $650,000,000 in fiscal year 1995.

Despite Government downsizing, personnel-related costs continue to rise as length of service accrues, grade creep is taken into consideration, and other incremental increases required under existing law are implemented. Fixed costs such as communications (including automation), utilities, and rent remain a constant percentage of expenditures. As a result, when reductions are required, the subcommittee has no choice but to target programs which provide public services.

When these trends are taken into account, maintaining current levels of service require significant annual increases. Assuming fixed costs remain constant, failure to provide those increases will lead to a reduction in programmatic operations. Using the Customs Service, as an example, the fiscal year 1995 appropriation for salaries and expenses totals $1,394,793,000 for 17,524 FTE's. Just to

maintain its law enforcement, drug interdiction, trade and passenger facilitation activities, and operate the current number of ports of entry, with no new initiatives, Customs requires an increase of slightly more than $40,000,000 in fiscal year 1996. Without that increased funding, personnel would have to be reduced by some 400 FTE's. This is only one example, but is representative of the impact other agencies in the Treasury bill face if level funding is considered for fiscal year 1996.

THE PRESIDENT'S REQUEST

For fiscal year 1996, the President proposes a total of $24,937,823,000 in new budget authority for programs and activities under the jurisdiction of the subcommittee. This total request is $1,483,017,000 above the fiscal year 1995 enacted appropriations level and $1,203,906,000 above the fiscal year 1995 Congressional Budget Office [CBO] baseline level. Discretionary spending for fiscal year 1996 totals $11,889,400,000 in budget authority and $12,376,483,000 in outlays. CBO's reestimate of the President's budget totals $24,937,823,000 for budget authority and $21,724,374,000 for outlays, or $8,842,000 in outlays below the OMB estimate.

Increases proposed in the President's budget.—The President proposes a net increase of $1,483,017,000 in budget authority above the fiscal year 1995 level. This increase includes an additional $162,021,000 for mandatory program requirements over which the subcommittee has no effective control.

Major increases proposed for domestic discretionary programs include an increase of $420,498,000 for construction and acquisition activities of the General Services Administration [GSA]. This increase is requested to facilitate construction of Federal office and court space to meet the needs of Federal agencies and the judiciary. The President proposes to utilize receipts in the Federal buildings fund totaling $554,813,000 to fund these activities coupled with $467,400,000 in direct appropriations to the fund. Other increases included in the President's budget are $14,490,000 for a new account under Treasury Departmental Offices, "Treasury foreign law enforcement", to consolidate designated Treasury law enforcement personnel deployed at foreign locations beneath the Under Secretary for Enforcement. The Clinton administration proposes to fund this account through commensurate reductions in the salaries and expenses accounts of the affected law enforcement bureaus, such as the Secret Service, the Customs Service, the IRS, and the Bureau of Alcohol, Tobacco and Firearms. The Committee notes that the Office of the Under Secretary for Law Enforcement is policy in nature—not operational. As a result, the Committee questions the merit of transferring these personnel and requisite funding to the Department under this new account.

For the Internal Revenue Service, an increase of $727,742,000 is proposed to maintain current levels, enhance tax systems modernization efforts, and continue tax compliance initiatives begun in fiscal year 1995. Other increases include $69,964,000 for the protective activities of U.S. Secret Service for workload increases associated with the Presidential election and the 1996 Summer Olympics and other initiatives; an increase of $15,523,000 for the Bu-

reau of Alcohol, Tobacco and Firearms for equipment, financial management, and security initiatives; and an increase of $3,000,000 for the Office of National Drug Control Policy to provide assistance to State and local drug control agencies in high-intensity drug trafficking areas [HIDTA's]. These and other smaller proposed increases in discretionary funding are almost fully offset by proposed reductions in other discretionary programs under the subcommittee's jurisdiction.

Violent crime reduction trust fund.—The President proposes that $78,200,000 be appropriated through the violent crime reduction trust fund for various Treasury enforcement initiatives in fiscal year 1996. The Committee strongly supports the role of Treasury enforcement bureaus in the war against violent crime. The subcommittee notes, however, that these initiatives can only be funded if the 602(b) allocations from the trust fund are sufficient to cover these amounts.

IRS-proposed increases.—The President's budget request proposes a net increase of $727,742,000 in funding for the Internal Revenue Service [IRS] in fiscal year 1996. Of this amount, $477,213,000 is for information systems development, including tax systems redesign; $23,207,000 for enhanced tax law enforcement initiatives; and approximately $206,397,000 is to fund mandatory and inflationary increases to maintain base personnel and program levels, to accommodate tax processing workload growth, and to continue prior-year revenue compliance initiatives. These increases are offset by approximately $19,222,000 in productivity savings from improved and modernized systems as well as nonrecurring costs associated with equipment purchases in fiscal year 1995.

Internal Revenue Service [IRS] 1995 compliance initiative.—The total budget authority requested by the President also includes $405,000,000 to maintain funding for the second-year implementation of the fiscal year 1995 IRS resource compliance initiatives which are expected to realize, over a 5-year period, between $9,000,000,000 and $10,000,000,000 in additional revenues assumed in the Omnibus Budget Reconciliation Act of 1994. In accordance with section 25(a) of the conference report accompanying the 1995 budget resolution, if funding to continue these initiatives is provided, the Appropriations Committee's fiscal year 1995 domestic discretionary spending limits are to be adjusted by $405,000,000 in budget authority and $405,000,000 in new outlays including the prior-year outlays resulting from appropriations of budget authority provided for these initiatives.

Legislative proposals/user fees.—Included in the President's budget are numerous legislative initiatives proposed for later transmittal which would transfer discretionary expenses to permanent indefinite status, establish offsetting collections, or establish user fees and revolving funds for certain activities. With respect to user fees, the President's budget proposes a border crossing fee of $1.50 per pedestrian entry and $3 per vehicle entry to be collected by both the Immigration and Naturalization Service and the U.S. Customs Service to enhance border law enforcement, stem illegal immigration, and facilitate cross border commerce and traffic. Receipts from the fee are estimated at $200,000,000 in fiscal year 1996 at a cost of $100,000,000 to collect the fees. The remaining

$100,000,000 would be shared jointly by Customs and INS to enhance border inspection and enforcement activities. The subcommittee notes that the border crossing fees proposed are controversial and will have the greatest impact on border communities. In addition, legislation to establish such fees are normally the jurisdiction of the authorizing committees of the Congress, not the Appropriations Committee. The President recently announced that he has reconsidered and will not send legislation pertaining to this fee to Congress. The President further proposes offsetting collections totaling $3,100,000 from user fees for marketable security activities carried out by the Bureau of the Public Debt be used to offset the "Salaries and expenses" account. In addition, the President proposes appropriations language which would authorize an offsetting user fee to cover the Customs costs of collecting the harbor maintenance fee [HMF] from receipts in the HMF trust fund estimated at $3,000,000.

The President proposes the establishment of revolving funds and permanent indefinite appropriations for a Treasury enterprise fund, a U.S. Mint revolving fund, a check forgery insurance fund, and a Federal Reserve Bank reimbursement fund to cover the costs of certain Treasury financial services, coin production, and check forgery reclamation activities. Savings cannot be realized from these proposals unless affirmative action is taken by the authorizing committees and enacted into law by the Congress.

Reductions proposed in the President's budget.—Discretionary programs proposed for significant reductions for fiscal year 1995 include a decrease of $42,291,000 in the U.S. Customs Service. In light of increased border traffic due to the North American Free Trade Agreement, and the President's decision not to submit legislative language to impose a fee it is unlikely that the Committee will support additional reductions in the very programs charged with interdicting illegal drugs and other contraband while ensuring the expeditious flow of people and commercial merchandise.

Program terminations.—No programs under the subcommittee's jurisdiction are proposed for termination in the administration's fiscal year 1996 budget.

FISCAL YEAR 1995 SUPPLEMENTAL BUDGET REQUESTS

The administration has submitted a supplemental request for an additional $9,000,000 for the Office of Personnel Management's Government payment for annuitants, employees life insurance. This is a mandatory account which finance postretirement life insurance benefits. Due to the Government downsizing and larger than anticipated number of Federal employees taking buy-outs, this has increased OPM's contribution requirements for life insurance benefits. Other supplementals submitted do not request additional spending authority.

VA, HUD, AND INDEPENDENT AGENCIES

[In millions of dollars]

	Budget authority			CBO outlays		
	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base	Fiscal year 1995 base	Fiscal year 1996 freeze	Freeze versus base
Discretionary:						
Defense	285	285	.....	299	283	−16
International	.....	.....	.....	.....	.....	.....
Domestic	70,307	76,703	+6,396	74,726	76,512	+1,786
Subtotal, discretionary	70,592	76,988	+6,396	75,025	76,795	+1,770
Violent crime reduction trust fund	.....	.....	.....	.....	.....	.....
Gramm-Rudman-Hollings mandatory	19,534	19,268	−266	20,566	17,707	−2,859
Total appropriations	90,126	96,256	+6,130	95,591	94,502	−1,089

NOTE: In all tables, detail may not add to totals due to rounding.

Department of Housing and Urban Development

The Department of Housing and Urban Development is one of the largest Federal departments in terms of domestic discretionary spending, with an annual outlay total approaching $30,000,000,000. It expends more discretionary funds than any other entity in the VA–HUD, Independent Agencies appropriations bill. What is particularly striking, and surprisingly so, is the fact that HUD is also one of the Federal Government's fastest growing departments in terms of discretionary spending (about 9 percent per year). Only the Commerce Department is growing faster (12 percent per year), and it is one-tenth the size of HUD.

In addition, current HUD expenditure levels cannot readily be reduced because of the magnitude of previously made long-term contractual commitments and obligations. At the end of fiscal year 1994, HUD amassed a total of $222,000,000,000 in unexpended budget authority from appropriations made in prior years—an amount exceeding the accumulated balance of the Department of Defense ($195,000,000,000), and one which dwarfs all other Federal agencies.

Subsidized low-income housing is the largest component of HUD spending activities, along with community development activities such as the community development block grant [CDBG]. Both activities are noteworthy for remarkable growth over the past decade, but also for the unique characteristic of being funded with new budget authority which have negligible outlay impact in the year in which the appropriation was made. Through this budgetary quirk, substantial increases have been made in program levels, evading normal budgetary controls which have had the tendency to focus on limiting outlays on a year-by-year basis.

Discretionary Federal assisted housing outlays grew steadily from a modest $165,000,000 in 1962 to $5,500,000,000 in 1980, and soared to an estimated $23,700,000,000 in 1994. This is a rate of growth more than triple that of overall domestic discretionary spending since 1980. Fully 10 percent of all domestic discretionary outlays are now devoted to housing assistance, compared to the 4 percent it consumed in 1980 or the less than 1 percent share it occupied in the 1962 budget.

It is surprising that such substantial budgetary growth could have occurred, especially in recent years, given the increasing constraints on discretionary spending. Perhaps more surprising is that this dramatic growth has received little attention during the annual debates over the size of the discretionary budget. As discussed below, there are a number of factors which have obscured the budgetary impact and implications of current housing policies. The magnitude and growth rate of subsidized housing outlays, however, can no longer be ignored, especially in light of previously enacted budget caps which freeze aggregate discretionary outlays and the prospects for still further reductions.

In contrast to the multiyear hard freeze on discretionary outlays, HUD estimates substantial increases in discretionary outlays through fiscal year 2000 under its current services analysis of programs using fiscal year 1995 statutory policies as a basis. The Congressional Budget Office recently reestimated the cost of the administration's budgetary proposals, and determined that rather than curbing future cost growth for public and assisted housing subsidies, that an additional $26,000,000,000 in new outlays would be necessary to sustain the President's request. This means, that for the portion of the HUD program which has been sufficiently defined to make an estimate, it will grow in annual outlays by 50 percent over the current fiscal year 1996 estimate over the next 5 years, to nearly $40,000,000,000.

Significant concerns remain unresolved over the balance of the President's budget request in housing. For example, the administration has proposed the initiation of a cost-savings approach to heavily subsidized multifamily housing developments. CBO, unfortunately, does not currently have sufficient information on how such a program would be implemented to determine if claimed cost savings can be achieved.

Housing simply is expensive, for Americans rich and poor. Moreover, over the past several decades, housing has become much more expensive relative to incomes of poor families. Any governmental program designed to provide such families safe, decent, and adequate shelter must necessarily confront the growing cost of such assistance.

Shorter contract terms mean that additional budget authority must be provided sooner to maintain a subsidized housing unit for a low-income family. Failure to renew the subsidy contract would mean eviction. To avoid such hardships, Congress has been called upon since 1990 to provide new appropriations for renewal of such expiring contracts. The funding needs for section 8 contract renewals are anticipated to soar above $20,000,000,000 annually in the next few years.

In addition, since many of the FHA multifamily developmental assistance contracts entered into in the late 1960's and early 1970's are also becoming eligible for termination, a new program entitled "low-income housing preservation" was enacted and is rapidly growing in cost. This program is designed to provide subsidies as an incentive to owners to maintain these developments for rental to low- and moderate-income families, again to avoid hardship for tenants who would otherwise be displaced. Congress also enacted a one-for-one replacement statute in the early 1980's which re-

quires funding a new replacement unit before any public housing unit or one subsidized under section 8 could be demolished, sold, or otherwise be removed from the inventory.

This commitment to continue assistance for rental units and families occupying these units have resulted in a housing subsidy program which is all but permanent in duration. Each annual increment of additional housing units brought under subsidy increases the overall size of the inventory since almost no units are ever eliminated. This means that the annual outlay subsidy cost increases at a cumulative rate as the inventory expands. HUD now estimates that it has about 4.8 million units under subsidy, an increase over the 1980 total of about 55 percent.

In addition to inventory driven cost growth, annual subsidy outlay increases exceeded changes in the unit count because of inflationary pressures on maintenance costs, utilities, insurance, depreciation and replacement calculations, and real estate appreciation. Moreover, as new tenant selection criteria favored lower-income families, the portion of actual rental costs contributed by the tenant has declined, forcing up subsidy costs. For example, in public housing, tenant incomes now average only about 16 percent of the median family income of the communities they serve, down from 33 percent in 1980. Finally, many public housing developments are incurring substantial additional costs of providing security improvements and services to prevent further crime and deterioration in their developments. These cost factors have forced the average annual per-unit HUD subsidy (for all different forms of housing assistance) from $1,716 in 1980 to nearly $4,600 in 1994. The average per-unit cost in subsidizing a new section 8 certificate or voucher contract for fiscal year 1995 is $6,857 per year. Absent major changes in Federal housing policies, there is no reason to expect this annual escalation in subsidy rates to abate.

The per-unit cost growth in housing subsidies, when combined with the growth in the number of units in the inventory have yielded an average compounded annual growth rate of 8.6 percent over the past 5 years for HUD-assisted housing outlays.

Housing assistance on a per-participant basis is substantially larger than other forms of means-tested benefits provided low-income families. For example, in their September 1994 study of entitlement spending, the Congressional Budget Office estimated that the average per-family benefit (in 1990 dollars) from supplemental security income [SSI] was $3,820; for aid to families with dependent children [AFDC], $3,340; food stamps, $1,490; and for the earned income tax credit [EITC], $600. The Medicaid benefit was estimated at $3,950 per family in 1990. By contrast, the annual cost of a new section 8 rental assistance certificate for that year was estimated at $5,992. In addition, section 8 is exclusively funded by the Federal Government while AFDC and Medicaid benefit levels reflect substantial State matching payments.

Federal low-income assisted housing programs are not entitlements, unlike most income transfer programs of the Government, like Social Security or Federal retirement, as well as means-tested (based on low income), like AFDC, Medicaid, food stamps, or SSI. As a consequence, it is estimated that only about 30 percent of eli-

gible families are served by these programs, and long, slow moving waiting lists are the general rule in most housing agencies.

Long-term contracts and delays in expending funds for housing construction and other community development activities cause an outlay pattern for HUD which is unique. Less than 10 percent of the estimated $30,000,000,000 of HUD outlays, departmentwide, in fiscal year 1996 will result from budget authority appropriated in that year. The other 90 percent will flow from contracts and budget authority in previous years. Moreover, these outlays from prior-year authority are estimated to rise by $3,000,000,000 over that in fiscal year 1995. In other words, the increase in prior-year outlays will match the entire outlays effect of all new budget authority provided for fiscal year 1996, so even if the entire Department was provided only closeout funding, outlays would still increase over the current year level.

Sustaining the existing rate of outlay growth for housing and community development will be impossible under the current hard freeze imposed on aggregate discretionary outlays. Making the necessary programmatic changes to even moderate the rate of increase in outlays for HUD will necessarily be dramatic given the limited impact of new budgetary authority cuts on current outlays. In addition, the thicket of long-term contractual obligations, as well as FHA development guarantees, complicate any attempt to significantly shift existing housing policies.

In the 1960's and 1970's a principal mechanism for encouraging the development of lower income multifamily rental housing was FHA guaranteed loans, often coupled with interest rate subsidies. Many such developments later required greater subsidy arrangements to prevent foreclosure. New programs such as the flexible subsidy or loan management were put into place to prevent financial failures, not only to preserve this housing stock but also to limit the exposure of FHA to losses under the underlying loan guarantee. This dual level of Federal subsidy, one to guarantee the underlying mortgage, and a second rental subsidy to maintain the viability of the development to prevent foreclosure, makes it very difficult to identify a policy which will yield net savings to the Government. If the Government removes the section 8 subsidy, the Government will end up paying for the development under its FHA guarantee, and must then continue to directly subsidize low-income tenants, or put them out on the street.

In other cases, where tight housing markets made condominium conversions or market rate rentals viable, additional subsidies were necessary to preserve their availability to lower-income families. These additional subsidies continue to add to the cost of maintaining the inventory of low- and moderate-income housing.

Funding constraints will make it impossible to maintain the existing inventory in fiscal year 1996, or soon thereafter. If Congress fails to confront this budgetary crisis with a coherent strategy to make reasoned programmatic reductions, arbitrary funding declines will result. This will likely include inadequate subsidy levels which, in the case of public housing and project-based rental assistance, will yield to more marginal operations, ultimately leading to further deterioration in housing conditions and project abandonments. With respect to tenant-based housing assistance, inad-

equate funding could result in simply a failure to renew expiring rental contracts, or could be more broadly distributed to pressure either rental reductions, greater tenant contributions, or evictions.

Department of Veterans Affairs

The Department of Veterans Affairs fiscal year 1995 appropriation was $37,700,000,000. In mandatory spending, the fiscal year 1995 budget included approximately $19,500,000,000 in budget authority and $18,000,000,000 in new outlays. VA discretionary spending comprised $18,200,000,000 in budget authority and $14,700,000,000 in new outlays.

VA's mandatory benefits programs will require an increase of approximately $461,500,000 over the 1995 level to provide full benefits to all eligible beneficiaries in fiscal year 1996. This increase is needed primarily to provide cost-of-living adjustments to eligible beneficiaries, including to 2.2 million service-connected disabled veterans, 428,000 low-income veterans, and 670,000 veterans' survivors. If cost-of-living adjustments are provided in this program for each of the fiscal years 1996–2000, the total cost would be approximately $8,000,000,000, including $440,000,000 in fiscal year 1996.

VA discretionary programs totaled $18,245,000,000 in budget authority in fiscal year 1995. The largest discretionary appropriation is medical care, which totaled $16,200,000,000 in budget authority and approximately $14,000,000,000 in new outlays in fiscal year 1995, and funds the operation of 173 VA hospitals, 133 nursing homes, 39 domiciliaries, and 376 outpatient clinics. It is estimated that an increase of approximately $700,000,000 in budget authority is required to provide care to the current patient population of 2.8 million individuals in fiscal year 1996.

The Committee notes that in the 5-year period from fiscal year 1991–95, VA's appropriation rose by a total of $3,900,000,000 (32 percent), yet VA's patient population has seen very little real growth. It is anticipated that similar increases will be required over the next 5 years to provide current levels of patient care.

If no increases are provided to VA over the next several years, the Department would be forced to close at least 30, 300-bed medical centers by the year 2000, and deny care to as many as 780,000 indigent veterans who do not have private health insurance. To reduce costs in the first year, VA would likely eliminate certain types of high-cost medical services such as dialysis treatment for end-stage renal disease which is currently provided to 4,000 patients. These patients would be forced to seek treatment through Medicare-funded programs.

Should the VA hospital system receive no increase in fiscal year 1996, VA would not be able to equip and staff numerous outpatient clinics, nursing homes, and hospitals which are scheduled to be activated in fiscal year 1996 at a cost of $80,000,000 above the 1995 level for activations of new facilities. These resources enable VA to operate under the guidelines set forth by the Joint Commission on Accreditation of Healthcare Organizations and to meet life safety codes.

In addition, if no increase were provided, the Veterans Health Administration would not be able to meet its payroll requirements

for existing employment. VA is required by law to maintain the fiscal year 1995 employment level, and an increase of approximately $400,000,000 in additional payroll costs is needed to meet that statutory requirement.

For all nonmedical general operating expenses of the Department, VA received $890,000,000 in fiscal year 1995 budget authority and $765,000,000 in new outlays. Included in this appropriation is $676,000,000 for the Veterans Benefits Administration which manages all nonmedical benefits programs, including compensation, pensions, education, and home loan guarantees.

Primarily as a result of years of underfunding, the Veterans Benefits Administration has a backlog of approximately 500,000 pending claims. In 1994, it took the Department 7 months on average to adjudicate a claim, while VA's own standard of timeliness is 106 days. If VBA funding were frozen at the 1995 level for the next 5 years, it is anticipated that the backlog of pending claims would reach at least 1 million cases by the year 2000. It is noted that VBA has made progress over the past year in reducing the backlog, in large part due to the use of overtime. The use of overtime would be impossible under a freeze.

Furthermore, if the Department were provided no increase in 1996, and assuming there would be no relief from the statutory requirement that current VA staffing levels be maintained, VA would be unable to award contracts to continue its automated data processing modernization program. This initiative is a key element in reducing the claims backlog.

The Department received $354,000,000 in budget authority and $16,600,000 in new outlays for major construction funding in fiscal year 1995. This program accounted for $458,000,000 in prior-year outlays in fiscal year 1995. Without any increase in budget authority, the Department would be unable to fund construction of new hospitals in California and Florida, as planned. Even if no new budget authority were provided in 1996, $450,000,000 will be required for prior-year outlays, and a total of $1,467,000,000 will be needed for outlays from prior-year budget authority in the fiscal years 1997–2000.

It is noted that the President's fiscal year 1996 budget includes $188,500,000 for a new hospital at Travis Air Force Base and $154,700,000 for a new hospital in Brevard County, FL. The Department projects it will cost $140,000,000 and $134,000,000, respectively, to staff and equip these facilities when they open in fiscal year 2000.

Environmental Protection Agency

The Environmental Protection Agency received an appropriation of $7,240,000,000 in fiscal year 1995 budget authority and $2,100,000,000 in new outlays. EPA programs accounted for approximately $4,180,000,000 in prior-year outlays, primarily from the Superfund and wastewater treatment construction programs.

EPA's core operating programs totaled $3,000,000,000 in fiscal year 1995. These programs include salaries, expenses, contracts, grants, and facilities-related costs. Included in the fiscal year 1995 operating program budget is approximately $665,000,000 in State grant funding. These funds help States comply with Federal envi-

ronmental mandates, yet funding shortfalls for environmental programs have left States with significant unfunded mandates. To meet Federal drinking water laws, for example, it is estimated that States have an annual funding shortfall of approximately $165,000,000. To prevent the furtherance of unfunded mandates, no reductions should be made to State grants.

To fully fund EPA's work force without any reductions in force or furloughs would require an increase of approximately $60,000,000 over the fiscal year 1995 level. In addition, it is anticipated that EPA will have uncontrollable cost increases in the operating programs of $30,000,000 for such activities as rent and service contracts. If State grants were protected from reductions and if current staffing levels were maintained, it would be necessary to terminate one or more major initiatives, such as the Climate Change Action Program ($125,000,000), the Environmental Monitoring and Assessment Program ($36,000,000), or the environmental technology initiative ($120,000,000), in fiscal year 1996 if the operating programs were frozen at the 1995 level.

For the Superfund Program, $1,420,000,000 was appropriated in fiscal year 1995. Superfund accounted for a total of $1,474,000,000 in fiscal year 1995 outlays, including $1,100,000,000 in prior-year outlays. The Committee notes that even if no budget authority were provided in fiscal year 1996 for Superfund, $1,140,000,000 in outlays would be required from prior-year appropriations, and a total of $6,257,000,000 would be required for the period fiscal year 1996–2000.

It should be noted that the taxing authority for this program expires at the end of calendar year 1995. There is significant interest in making major legislative changes to this program, including the repeal of retroactive liability for toxic waste sites created prior to the enactment of the 1987 Superfund law. Such a change would have a dramatic impact on the Superfund budget. It is estimated that repealing retroactive liability without changing cleanup standards would increase the Federal cost of cleanups by at least $1,500,000,000 annually.

For water infrastructure funding, $2,800,000,000 in budget authority was provided in fiscal year 1995. Outlays totaled $2,100,000,000, including $1,959,000,000 from prior-year appropriations. This spending enables States to capitalize their revolving loan funds for the construction of wastewater and drinking water plants. EPA estimates $100,000,000,000 in wastewater construction funding is needed nationwide to meet Federal water pollution control standards.

If no new funds were appropriated for the fiscal years 1996–2000, prior-year outlays associated with the "Water infrastructure" account would total $12,959,000,000. If funding were provided at the fiscal year 1995 level for each of the years fiscal year 1996–2000, outlays would total $13,849,000,000.

FEMA disaster relief

Funding for disaster relief expenses represents a significant challenge for the Appropriations Committee. It is noted that while the fiscal year 1995 discretionary appropriation for the Federal Emergency Management Agency's disaster relief fund was $320,000,000,

the administration has requested a $6,700,000,000 emergency supplemental appropriation to provide for costs associated with last year's Northridge earthquake, as well as prior-year disasters in 40 States and disasters expected to occur over the course of the year. This amount represents close to 10 percent of the VA, HUD, and Independent Agencies' fiscal year 1995 discretionary budget allocation.

Under current law, $320,000,000 in FEMA disaster relief spending is subject to the discretionary spending caps. Amounts appropriated in excess of $320,000,000 have been considered emergency spending.

The Committee notes that the current 10-year historical average annual cost of disaster relief is approximately $1,130,000,000 (excluding costs associated with the Northridge earthquake). It should be noted that the CBO baseline does not reflect this current estimate. Freezing disaster spending at the 1995 level will likely result in a shortfall of at least $800,000,000.

Finally, since hazard mitigation is a key component to reducing future disaster costs, FEMA's recent focus on mitigation efforts should be supported. FEMA's fiscal year 1995 mitigation activities, outside of those funded through the disaster relief fund, totaled approximately $100,000,000.

National Aeronautics and Space Administration

The National Aeronautics and Space Administration received an appropriation of $14,400,000,000 in fiscal year 1995 budget authority and $14,500,000,000 in total outlays. Approximately $5,200,000,000 is estimated as prior outlays for fiscal year 1996.

In science, NASA would like to initiate development of a series of low-cost, advanced technology spacecraft and continue the Mission to Planet Earth Program. In aeronautics, NASA plans to continue development of high-risk technology for advanced supersonic commercial jets and safer, more efficient air transportation. In space technology, NASA plans to build an experimental rocket that could someday replace the space shuttle. In space communications, NASA plans a $140,000,000 increase for fiscal year 1996 to buy more tracking and data relay satellites for space communications between Earth-orbiting spacecraft like space shuttle and ground operators. A budget freeze would disrupt and defer most of these aforementioned activities.

The space station is the culmination of a major redesign begun in 1993 in response to lower budget projections for the agency. Through fiscal year 1995, NASA will have spent about $14,000,000,000 and will require about $13,000,000,000 more through fiscal year 2002 to complete development and assembly. The space station program was appropriated $2,100,000,000 in fiscal year 1995 to continue development toward a first flight in November 1997. NASA was also appropriated $100,000,000 for continued cooperation with the Russians on their space station Mir. NASA requires an equal amount of funding in fiscal year 1996 to keep the space station on schedule and pay Russia for use of Mir.

Since the space station is the largest development program in NASA's budget, opponents of the program are likely to try again to cancel it. If the program were terminated just prior to fiscal year

1996, NASA would save approximately $1,500,000,000 in budget authority and $1,000,000,000 in outlays. About $600,000,000 in budget authority would be required to pay termination fees for the program contractors. Cancellation would represent a tremendous setback for the human space flight program and cooperative international R&D efforts.

National Science Foundation

The National Science Foundation received an appropriation of $3,360,000,000 in fiscal year 1995 budget authority and $2,860,000,000 in total outlays. Approximately $1,830,000,000 is estimated as prior outlays for fiscal year 1996.

The Foundation is a major supporter of fundamental research conducted at colleges and universities. The President requested $3,360,000,000 for fiscal year 1996, an amount equal to the 1995 appropriated amount. The consequences of a budget freeze in fiscal year 1996 would depend on whether $130,000,000 in funding for academic research infrastructure were rescinded. If rescinded, the President's request for fiscal year 1996 would need to be reduced by an equal amount. The rescission was proposed by the President and is under consideration by the Congress.

The "Research and related" account, which represents about 70 percent of NSF's budget, was the only account proposed for a significant increase in fiscal year 1996, about $170,000,000, or 8 percent. About two-thirds of this account funds research projects submitted by individual and small group investigators. The remaining funds primarily support major research centers and facilities such as the advanced scientific computing centers, national astronomy centers, and the U.S. polar research programs.

The other NSF accounts, such as education and human resources, academic research infrastructure, major research equipment, and salaries and expenses, are slated for little or no increase for fiscal year 1996. The Foundation has recently revalidated the cost estimates for its single largest development program, the laser interferometer gravitational wave observatory [LIGO]. The program is projected to cost about $365,000,000 through fiscal year 2001 for construction and initial operation.

The Committee notes that the Foundation is studying the need for other relatively high-cost items. These include the polar cap observatory estimated at about $25,000,000 to $30,000,000, a new arctic research vessel for about $150,000,000, a new radio telescope in the $200,000,000 range, and reconstruction of the South Pole station estimated at about $200,000,000. No budget growth for the Foundation would certainly defer initiation of these programs.

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY,
Washington, DC, April 7, 1995.

Hon. PETE V. DOMENICI
Chairman, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: This letter provides the views of the Senate Committee on Agriculture, Nutrition, and Forestry regarding the FY 1996 Budget Resolution. These views are provided in re-

sponse to your February 13 letter and are in accordance with the requirements of the Congressional Budget Act, as amended.

In past years, this Committee has been willing to reduce spending and to meet its reconciliation instructions. We except the Committee to do the same this year as we move toward a balanced budget.

MANDATORY SPENDING UNDER THE COMMITTEE'S JURISDICTION

CBO's March 1995 baseline projects that mandatory spending under the Agriculture Committee's jurisdiction will total $250 billion over the next five years, FY 1996–2000. Food and nutrition programs account for $200 billion, or 80 percent of this total. The Food Stamp Program alone is expected to cost $145 billion—72 percent of total food and nutrition program spending.

The other $50 billion is in three areas. Farm programs, which include commodity price-support, trade, crop insurance, and long-term land retirement programs, are expected to total $57 billion. Various activities of the Forest Service and the Rural Utilities Service account for another $4 billion. Finally, CBO projects repayments of $11 billion on certain Farmers Home Administration, P.L. 480, and Rural Telephone Bank loans.

FARM PROGRAM SPENDING CONTINUES AT HIGH LEVELS

While farm program spending is certainly down from the peak of the mid 1980s, it continues at levels well above the longer-term historical average, even after adjustment for inflation. Real farm program spending (including discretionary administrative expenses) averaged $14.9 billion per year during FY 1991–95, up from $11 billion during FY 1961–70, a period characterized by weak commodity prices and large price-support expenditures. Perhaps equally important, past farm program savings have often failed to materialize. In 1990, Congress believed that cuts enacted would reduce spending in the next five years by nearly $10 billion. These cuts reduced spending compared to what otherwise would have occurred. Nevertheless, total spending went up not down. Overall, the government spent $14 billion more than anticipated.

CBO projects that mandatory farm program spending will be between $11 and $12 billion per year during the FY 1996–2000 period, down somewhat from the last five years. However, these projections are highly tentative because they depend on a number of critical assumptions; crop yields based on "normal" weather, the continuation of current trends in commodity markets, a relatively strong performance of both the U.S. and world economy, and continuation of current farm policies both here and abroad.

More often than not, spending projections turn out to be too low. Reductions in target prices in the 1985 Food Security Act and reductions in payment acres in the 1990 Budget Reconciliation Act have reduced the budget exposure inherent in farm programs, but it remains high. The most recent example is FY 1993, when large crops in the U.S. combined with weak export demand caused farm program expenditures to soar to $18 billion.

REFORMING FARM PROGRAMS

We can strengthen American agriculture even as we reduce subsidies if we follow these principles in 1995 farm legislation: Increase opportunities for farmers to make planting choices and other production decisions on the basis of market signals, not government programs; enhance our continued international competitiveness; continue to maintain consistency between farm programs and environmental goals; offer program certainly for five years; and continue a basic safety net for farm income, given the vagaries of weather.

THE CONSERVATION RESERVE PROGRAM

The Committee recommends that the budget resolution baseline adopt CBO's baseline for the Conservation Reserve Program, which incorporates the Department of Agriculture's December 1994 decision to extend and modify certain CRP contracts.

FOOD AND NUTRITION PROGRAMS

The Committee will very likely not be able to meet its reconciliation instruction through farm programs alone. We recognize the important role of nutrition programs, but we anticipate that reforms will also be required in mandatory food and nutrition programs. The CBO baseline projects mandatory food and nutrition programs outlays of $44.4 billion in FY 2000, up 29 percent from the $34.4 billion estimated for FY 1995.

The Committee looks forward to working with you as we move ahead with our budget responsibilities this year.

Sincerely,

RICHARD G. LUGAR,
Chairman.
PATRICK LEAHY,
Ranking Minority Member.

U.S. SENATE,
COMMITTEE ON APPROPRIATIONS,
Washington, DC, April 6, 1995.

Hon. PETE V. DOMENICI,
Chairman.
Hon. J. JAMES EXON,
Ranking Minority Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR CHAIRMAN DOMENICI AND SENATOR EXON: On behalf of the Committee on Appropriations, we submit herewith the views of the Committee on the first concurrent resolution on the budget, in compliance with section 301(d) of the Congressional Budget Act of 1974, as amended.

Sincerely,

MARK O. HATFIELD,
Chairman.
ROBERT C. BYRD,
Ranking Minority Member.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC, April 4, 1995.

Senator PETE V. DOMENICI,
Chairman.

Senator J. JAMES EXON,
Ranking Minority Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR PETE AND JIM: In accordance with your request, we are forwarding our recommendations for the Fiscal Year 1996 Budget Resolution.

We recommend that the Fiscal Year 1996 defense budget be maintained at the Fiscal Year 1995 levels in real terms. We propose setting the budget authority for Fiscal Year 1996 at $270 billion and outlays at $273 billion. The defense budget must provide sufficient resources to meet the national security requirements and ensure the United States' position as a world leader.

Providing these resource levels will improve the balance between present and future readiness, quality of life of our military personnel and their families, modernization of the force to meet requirements, and the necessary emphasis on missile defense systems. The current defense budget forces serious trade offs in future readiness to meet minimum current readiness requirements and is inadequate to meet our national security goals.

We continue to support efforts to address the disparity between military retirement Cost-of-Living Adjustments and federal civilian retirement Cost-of-Living Adjustments. Efforts were successful in rectifying the inequity for Fiscal Year 1995. The President's budget will eliminate the inequity for Fiscal Year 1996. However, the inequity would still exist for Fiscal Years 1997, and 1998. The Budget Resolution and the subsequent Budget Reconciliation Act are the appropriate vehicles to correct this situation.

Over the next several months, the committee will continue to review the defense budget in an effort to assess future requirements and ensure outyear budgets are based on national security requirements. We will re-prioritize the President's Budget to achieve the appropriate balance of near-term readiness, modernization and quality of life programs. The committee will eliminate defense spending that does not contribute directly to the national security of the United States and reevaluate the budget impacts of peacekeeping roles, policies, and operations. Even after applying these stringent measures, the Administration's request will not be sufficient to address the short falls we have noted in this letter. The defense top line must be set at the Fiscal Year 1995 level adjusted to maintain pace with inflation.

We continue to support your efforts to re-establish the firewalls between defense and non-defense discretionary spending. We do believe the firewalls should be established after defense funding has been increased to adequate levels necessary to support our security needs.

We look forward to working with you on a Budget Resolution which will result in a budget that supports a strong National defense.

Sincerely,

SAM NUNN,
Ranking Minority Member.
STROM THURMOND,
Chairman.

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC, April 6, 1995.

Senator PETE V. DOMENICI,
Chairman.

Senator J. JAMES EXON,
Ranking Member, Committee on the Budget, Washington, DC.

DEAR SENATORS DOMENICI AND EXON: This letter transmits the views and estimates of the Committee on Banking, Housing and Urban Affairs regarding the funding of programs in our jurisdiction, as required by Section 301 of the Congressional Budget Act of 1974.

Members of the Committee continue to be concerned by the size of the Federal deficit and intend to apply vigorous tests of effectiveness and efficiency during the authorization process.

DEPOSIT INSURANCE PREMIUM DISPARITY BETWEEN BANKS AND THRIFTS

The Committee is concerned about the significant disparity between bank and thrift insurance premiums that will develop when the Federal Deposit Insurance Corporation (FDIC) lowers bank premiums once the Bank Insurance Fund (BIF) is fully recapitalized. Thrift premiums could be as much as five times greater than bank premiums, since thrift premiums would need to remain at higher levels to capitalize the Saving Association Insurance Fund (SAIF) fully. The higher thrift premiums would also be needed to pay interest on Financing Corporation (FICO) bonds issued specifically to help resolve the thrift crisis that developed in the 1980's. SAIF assessment revenue currently is about $1.7 billion a year. FICO interest payments run $779 million a year, about 45 percent of all SAIF assessments.

As of December 31, 1994, BIF had unaudited reserves of $21.8 billion, or about 1.16 percent of insured deposits, and SAIF had unaudited reserves of $1.9 billion, about .27 percent of insured deposits. The current average premium rates are 23 cents for every $100 in insured deposits for banks and 24 cents for thrifts. The FDIC has proposed adjusting bank premium rates as early as the September 1995 payment to reflect the Fund's recapitalization. However, the FDIC has projected that SAIF will not be fully capitalized for at least another 7 years. The FDIC has projected that BIF's reduced premiums will average 4 to 5 basis points, while SAIF's will average 24 basis points until SAIF is fully capitalized. Since 1989, SAIF's total deposit base has declined by 25 percent, and the portion of the base available to pay FICO has declined by 48 percent. Although these declines reflect the RTC's resolution of problem thrifts, the deposit base continues to decline, though at a decreasing rate, and the portion of the base available to pay FICO

interest also continues to decline. If this experience continues, the premium differential is likely to increase, and the sufficiency of SAIF premiums to pay the FICO bond interest may be jeopardized. Additional pressure on the SAIF stems from the fact that the RTC's authority to place failed thrifts into conservatorship expires on June 30, 1995. Starting July 1, 1995 the cost of all new thrift failures must be paid out of the SAIF.

The premium disparity has raised the concern that thrifts will be at a significant competitive disadvantage to banks. This outcome could adversely affect the viability of the thrift industry and the SAIF, and could result in the need for appropriated funds. Most of the options that have been suggested to lessen the potential impact of the premium differential involve shifting some of the costs of capitalization or future FICO interest payments to either BIF members or to the taxpayer. The FDIC has estimated that about $15.1 billion would be required to establish parity between the BIF and SAIF. Of this amount, $6.7 billion would be needed to increase the SAIF from its 1994 year end balance of $1.9 billion to $8.7 billion, the amount currently required to achieve the designated reserve ratio of 1.25. The remaining $8.4 billion of the $15.1 billion total is the amount that would be needed at current interest rates to address the FICO obligation. (The $8.4 billion is the amount that would have to be invested today to service the FICO bonds until maturity between the years 2017 and 2019, since the bonds are not callable.)

The deposit insurance premium disparity issue is a priority for the Committee. We will fully consider all potential options for addressing this matter. We urge the Budget Committee to work with the Banking Committee in preparing this year's budget resolution to ensure that the resolution does not preclude legislative options to solve this problem.

EXAMINATION FEES FOR STATE-CHARTERED BANKS

The Committee in the past has opposed a new Federal examination fee for state chartered banks. The proposal was first submitted by the Administration in 1933 and rejected by this Committee. The Administration has renewed its proposal to raise $1 billion by the year 2000 by the imposition of this fee on state-chartered banks.

Committee members in the past have expressed the following concerns with this proposal: First, it would undermine the "dual banking" system. Second, it would create an inequity for state-chartered banks which already pay fees to their state regulators. Third, the banking industry as a whole, including state-chartered banks, pays all the expenses of the FDIC through insurance premium assessments and, with respect to the Federal Reserve Board, through forgone interest on mandated sterile reserves.

EXPORT ADMINISTRATION ACT

This year, the committee will reauthorize the export Administration Act of 1979, as amended. The Act provides a legal basis for the export control regime in place since the beginning of the Cold War in the late 1940's. The Act expired on August 20, 1994, and the Bureau of Export Administration is operating under the emergency authority of the International Economic Emergency Powers Act.

The Administration has not yet presented its proposed reauthorization legislation to the Committee. The Administration has requested an authorization of $48.441 million for the Bureau of Export Administration of the Department of Commerce for FY 1996 to carry out the purposes of the Export Administration Act. The Committee intends to provide an authorization in an amount similar to the Administration's request.

EXPORT-IMPORT BANK

This year, the Committee will reauthorize the Tied Aid Capital Projects Fund of the Export-Import Bank of the United States. Authorization for the fund expires on September 30, 1995. The fund was established to provide U.S. exporters with matching financing when they face tied aid concessionary financing offers on the part of their foreign competitors. The Administration has requested $100 million for the fund for FY 1996. The Committee intends to provide an authorization in an amount similar to the Administration's request.

SECURITIES AND EXCHANGE COMMISSION FUNDING

The Committee believes that SEC "user fees" assessed on the industry should bear a rational relationship to the cost of regulation. The Committee opposes a further increase in SEC user fees for deficit reduction.

The proposed budget would raise approximately $844 million through SEC "user fees." The SEC user fees contemplated by the proposed budget include registration fees (paid by issuers of securities), transaction fees (paid by brokers and dealers for trades executed on registered exchanges), tender offer and merger fees (paid by registered corporations) and certain miscellaneous fees.

The total SEC budget proposed for fiscal year 1996 is $342.9 million. The budget provides for user fees to raise a half a billion dollars over the SEC budget figure. The $500 million would go into the general Treasury, to be used for deficit reduction.

User fees that vastly exceed the cost of regulation amount to a tax on the securities industry, and a tax on capital formation. The budget proposal includes three tiers of fees: Tier 1 would increase existing fees; Tier 2 would establish new permanent fees and tier 3 would permit appropriations legislation to set new temporary fees each year to offset the remaining SEC funding needs.

The Committee plans to work with the Appropriations Committee to reduce the amount of SEC user fees. In order to do so, however, the Appropriators will have to find funds to dedicate to the SEC budget amount of $342.9 million and to offset the $500 million in collections that go towards deficit reduction.

While the Committee believes that deficit reduction is laudable—and critical to the future health of the economy—it is counterproductive if accomplished through a tax on capital formation.

HOUSING AND COMMUNITY DEVELOPMENT PROGRAMS

This year, the Committee's agenda includes the task of fundamentally reforming the way in which the federal government addresses the nation's affordable housing and community develop-

ment needs. Proposals for the reform of the Department of Housing and Urban Development range from minor modification of existing programs to major departmental downsizing to the complete elimination of the Department, with its responsibilities transferred throughout the government or, in most cases, back to the various states and localities. Even HUD has proposed a "Reinvention blueprint", which would consolidate most of the Department programs into performance-based funds and create a new corporate FHA.

In any event, it is abundantly clear that the scope of the Department's responsibilities must be narrowed and its mission must be clarified. There is a need to redirect Federal housing and community development policies from HUD micromanagement and a "one size fits all" mentality to policies that rely on state and local decisionmaking.

In addition to significant organizational, management, and program deficiencies, HUD faces a number of complex problems of enormous magnitude, including: the need to reduce mortgage loan defaults and address the physical deficiencies of insured multifamily housing properties; the need to resolve the billions of dollars of backlogged public housing rehabilitation needs, including increased vacancy rates, and declining public housing tenant incomes; and the need to address the escalating costs of providing section 8 assistance to lower income families. As discussed in the National Academy of Public Administration report, the number of HUD programs has grown from 50 in 1980 to some 240 today. HUD has neither the management or administrative capacity to address this multitude of complex programs. Moreover, HUD has drifted from its initial "bricks and mortar" priority to an agency that wants to be all things to all people. This simply is not possible.

The Committee sees the HUD reform process as an opportunity to provide the Appropriations and Budget Committees with real guidance towards funding decisions that will allow housing and community development programs to work effectively on the state and local level with an emphasis on fiscal responsibility. To a large degree, HUD reform needs to be budget driven in order to reflect the tightening budget constraints facing federal programs.

In addition, estimates of HUD's future outlay increases, based on current obligations alone, make it clear that fundamental reform is needed now in order to prevent an uncontrollable budgetary crisis from developing by the end of the decade. For example, the cost of existing section 8 assistance will approach $20 billion annually by the year 2000. To meet the increasing costs and demands of HUD housing and community development programs and the Nation's housing and community development needs, the Committee is committed to a complete examination and reform of HUD programs, including existing federal approaches to the FHA Multifamily Mortgage Insurance Housing programs, the FHA Single Family Mortgage Insurance programs, HUD's McKinney Homeless Assistance programs, the Section 8 Assisted Housing programs, the Public Housing Program, the Community Development Block Grant program, and the HOME program. In addition, the Department of Agriculture's rural housing programs and HUD's Fair Housing programs will be the subject of close scrutiny.

Nevertheless, the Committee asks the Budget Committee to be cognizant of the fact that fundamental reform of HUD will require adequate resources to ensure that existing housing and community development programs are "actually" reformed and to ensure that the Department or a successor entity will be positioned to accomplish its mission in the future.

Finally, the overall goal of the Committee is to seek ways to contain growing costs to the federal government, to consolidate housing and community programs (where appropriate), to provide for greater flexibility and responsibility at the state and local level, and to facilitate private sector involvement in developing solutions to the affordable housing and community development needs of the Nation.

TRANSIT PROGRAM

The Administration's fiscal year 1996 budget request for the Federal Transit Administration (FTA) is based on a major restructuring of the more than thirty grant programs administered by the Department of Transportation into a single block grant to be called the "Unified Transportation Infrastructure Investment Program (UTIIP)". The FTA's discretionary capital program, as well as its formula capital and operating grant level programs, would be consolidated under the UTIIP at greatly reduced levels.

We are halfway through the current fiscal year and the administration has failed to submit to Congress any of the authorizing legislation needed to create the UTIIP program, which is the foundation of its fiscal year 1996 transportation budget request. However, in fiscal year 1996, under the proposal outlined by the administration, mass transit operating grants would be reduced by 30 percent—from the current level of $710 million to $500 million. In fiscal year 1995, the operating grant program absorbed a 12 percent cut after having been level funded at about $800 million for several years.

The administration's budget for transportation programs includes an overall cut of $2.3 billion. Transit's allocated share of the cut would result in a $300 million reduction in transit capital and a $210 million cut in transit operating aid. The across-the-board reduction in operating aid would result in fare increases, service cuts, and even elimination of service with respect to transit agencies in smaller urbanized areas, who rely most heavily on federal operating aid. While the largest transit grantees may use federal operating aid for as little as five percent of their operating needs, federal aid may comprise forty percent or more of the operating budgets for smaller transit agencies.

Transit agencies are facing mounting operating costs as a result of federal mandates such as the Americans with Disabilities Act, the Clean Air Act, and federal drug and alcohol testing requirements. The FTA has estimated these costs to be $850 million per year. They include items such as equipping fleets and facilities to be handicapped-accessible, procuring or retrofitting bus fleets with clean fuel burning engines, providing or contracting for paratransit service, etc.

The administration's budget proposal promises enhanced flexibility for states in allocating their new UTIIP funds. However, the

likelihood of this complex, controversial, and as yet unseen proposal being enacted is so remote that we must assume a current law-based budget (i.e., the Intermodal Surface Transportation Efficiency Act of 1991). Reviewing the President's transit budget in the context of current funding formulas, transit agencies will face enormous new costs and dramatic cuts in federal aid.

We believe that any necessary cuts should be phased-in to enable transit agencies sufficient time to secure additional sources of revenue, plan service and route adjustments, and work on legislative proposals to better utilize a clearly shrinking allocation of federal resources. We urge the Budget Committee to consider these issues, as well as transit's role in reducing urban traffic congestion, in transporting riders from isolated communities to their daily activities, and in serving the needs of the poor and elderly. Sufficient resources must be provided to enable mass transit users to receive the vital services they need.

Sincerely,

ALFONSE M. D'AMATO,
Chairman.

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC, April 20, 1995.

Hon. PETE V. DOMENICI,
Chairman.

Hon. J. JAMES EXON,
Ranking Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR PETE AND JIM: In accordance with section 301(d) of the Congressional Budget Act, we are pleased to present the views of the Senate Committee on Commerce, Science, and Transportation concerning President Clinton's FY 1996 budget request for programs within the Committee's jurisdiction.

Our comments are directed to new legislative initiatives, deficit reduction options, and economic recovery opportunities. We hope you find this information useful as you deliberate the budget resolution.

TRANSPORTATION (IN GENERAL)

The President's FY 1996 budget request for the Department of Transportation (DOT) is $36.9 billion, down $2 billion from the FY 1995 enacted level. The request also reflects a proposed restructuring of the DOT. The ten operating administrations within DOT would be folded into three: Intermodal Transportation, Aviation and Coast Guard. DOT is also considering ways to improve its efficiency by refocusing its programs into three categories: a Unified Allocation Account, Federal Discretionary Grants and State Infrastructure Banks.

The Committee supports reducing the size of the federal government and streamlining federal programs. However, the Committee is concerned such consolidations could hinder its efforts to advance national transportation priorities and objectives. Therefore, at this time the Committee does not plan to consider legislation to consoli-

date transportation funding programs under our jurisdiction nor does the Committee support activities by other Committees to move in this direction during the first session of the 104th Congress.

The Committee does support conceptually the President's proposal to afford flexibility to states to enable the utilization of federal allocations to meet each states' unique transportation needs. However, the Committee does not support the utilization of trust funds other than for their intended purposes.

AVIATION

The Committee believes its primary emphasis in the area of aviation oversight is to ensure safe operation within the Nation's air space. As the majority of Federal Aviation Administration (FAA) programs are funded by revenues collected from the travelling public, these taxpayers should benefit from enhanced safety and service.

As mentioned previously, the President's FY 1996 budget reflects the proposed restructuring of the DOT announced by Secretary Peña on February 2nd. The budget is intended to streamline government, while maintaining safety and improving competitiveness. With regard to streamlining government, funds previously identified as Airport Improvement Plan funds would be placed into a new Unified Transportation Infrastructure Investment Program (UTIIP), which would contain, but not co-mingle, all national transportation infrastructure funds. The Administration also continues with its plans to "corporatize" the FAA air traffic control system in 1997.

The President's request for $6.9 billion, exclusive of the Airport Improvement Program (AIP), is significantly less than the $7.825 billion authorized in the FAA Authorization Act of 1994 (Public Law 103–305). The Committee has some concerns regarding the disparity in these figures, especially given the fact that an uncommitted Trust Fund balance of $3.3 billion is projected for the end of FY 1996.

The FY 1996 budget request for the AIP is for a $1.5 billion obligation limitation, which is a slight increase over the FY 1995 appropriated level of $1.45 billion, but far short of the authorized level of $2.28 billion.

AIP is a FAA program which provides grants to fund the capital needs of the Nation's commercial airports and general aviation facilities. The Secretary of Transportation makes project grants for airport development and planning with the purpose of maintaining a safe and efficient nationwide system of public use airports.

The Committee is concerned AIP has suffered annual decreases for the past several years, having gone from $1.9 billion in 1992 to a level of $1.45 billion for FY 1995. In fact, airports have lost more than $1.1 billion in authorized funds in the past two fiscal years. The Committee notes that under current law, AIP funding can be no less than $1.7 billion to ensure airports receive their full entitlement allocation. Such an erosion in AIP funding has a dramatic impact on the ability of airports to fund needed safety projects and facility improvements. In total, FAA has $8 billion in unfunded pending grant requests.

The FAA reports 23 airports experience flight delays of 20,000 hours or more annually. At the same time, passenger enplanements at our Nation's airports are predicted to increase from 452 million in 1991 to 861 million in 2005 (a six percent annual increase over this 15 year period).

The growth in demand and the limited amount of AIP funds places a tremendous strain on the existing aviation system, and will require a commitment to the expansion of system capacity. The Committee continues to believe Trust Fund monies should be spent for their intended purposes, and surpluses should not be allowed to build up while capital needs go unmet.

The President's request for Operations funding is $4.7 billion, or a three percent increase over the FY 1995 level, but $110 million less than the amount authorized. The Committee feels this represents the minimum level of funding needed to support Operations. The Committee notes this budget accounts for staffing reductions, as well as the addition of 261 aviation inspectors and support personnel. The Committee wonders whether this number will be sufficient to meet the safety goals of the existing aircraft fleet, as well as meeting the additional certification requirements arising from the enactment of Public Law 103–411 (redefining the definition of "Public" aircraft).

The FY 1996 request includes $1.9 billion for Facilities and Equipment (F&E) which is a nine percent, or $180 million decrease from FY 1995. The Committee is concerned the request is optimistic, considering the fact that the Advanced Automation System (AAS) comprises 22 percent of the F&E budget, and feels $2.032 billion is a more reasonable estimate. Although improvement has been reported for specific components of AAS, further cost overruns in the project could jeopardize other F&E projects.

The Research, Engineering and Development (R, E&D) request reflects a three percent increase over FY 1995, to $268 million. However, this amount falls short of the $280 million authorized by the Committee. R, E&D are critical to continued safety and competitiveness in international aviation.

The Committee also notes the President's FY 1996 budget request proposes to zero-fund the Essential Air Service Program (EAS), which is authorized through 1998. The Committee does not support termination of EAS. The EAS program is a very modest program, costing less than one-tenth of one percent of the total Department of Transportation budget. Yet it enables smaller communities in 30 states to receive air transportation and remain linked to the national air transportation system.

SURFACE TRANSPORTATION

The Committee plans during this fiscal year to reauthorize the pipeline safety programs, Amtrak, and the Local Rail Freight Assistance (LRFA) program. In addition, the Committee will consider issues related to the further economic deregulation of surface transportation and the elimination of the Interstate Commerce Commission.

Pipeline safety programs

All Natural Gas Pipeline Safety Act and Hazardous Liquid Pipeline Safety Act programs carried out by the DOT are offset by a user fee assessed on the pipeline industry. With enactment of Public Law 102–508, the Pipeline Safety Act of 1992, the Committee authorized $19.5 million in FY 1995 expenditures for DOT's pipeline safety programs. User fees required to offset this level of expenditure would have been approximately $38 per mile of pipeline owned by natural gas pipeline companies, and $31 per mile of pipeline owned by hazardous liquid pipeline companies.

However, appropriators approved additional FY 1995 funding of $17.5 million to cover pipeline safety initiatives not authorized by this Committee, bringing the actual cost of carrying out pipeline safety programs to $37 million. While representing no additional federal burden, this cost increase means the user fees assessed on gas pipeline companies must more than double to $98 per mile. Similarly hazardous liquid pipeline companies now must pay about $45 per mile in fees. CBO estimates the President's FY 1996 Budget request would increase the pipeline safety program to $40 million, further burdening industry. In reauthorizing federal pipeline safety programs, the Committee will consider whether these additional program costs are justified. Specifically, the Committee will seek to ensure users fee supported federal programs invest these resources appropriately to address risks that pose the greatest threat to life, property, and the environment.

Amtrak

On January 26, 1995, the Committee held an Amtrak Oversight Hearing. Testimony presented during the hearing illustrated Amtrak's deteriorating financial condition. Amtrak's revenues in recent years have fallen far short of those projected. In fact, in December 1994, Amtrak announced restructuring plans that will reduce its service by 20 percent and eliminate over 5,000 jobs in order to avoid a $200 million cash shortfall by September 30, 1995. Even with this action, Amtrak expects to see a $1.3 billion operating shortfall through the year 2000 despite a federal subsidization level of $1.012 billion for FY 1995. This subsidy level does not address unmet capital needs over the next five years of $3.65 billion across the entire system, with $2.35 billion of that amount needed for the Northeast Corridor alone.

Amtrak's real subsidization level is somewhat less than $1.012 billion noted above. In fact, its operating subsidy for FY 1995 was $392 million, the general capital subsidy was $230 million, Northeast Corridor improvements were funded at $200 million and $40 million was designated for New York City Farley/Penn Station improvements. The remaining $150 million was for mandatory payments that Amtrak must make (e.g. Railroad Retirement Board, federal gas tax) but which do not aid Amtrak's operations.

The President's FY 1996 Budget request includes $1.035 billion for Amtrak (which also includes Northeast Corridor Improvements, Pennsylvania Station Redevelopment, and Rhode Island Rail Development) within the Unified Transportation Infrastructure Investment Program (UTIIP). This amount, which is similar to the FY 1995 subsidy, assumes a reduction of $122 million in operating

support, but includes an additional $100 million to cover costs related to Amtrak's restructuring.

During this session, the Committee will consider alternatives for increasing Amtrak's efficiency, including measures that would free the corporation from certain statutory restraints which limit its flexibility to operate as a competitive commercial entity. In addition, as the request of the full Committee and Subcommittee Chairmen, Amtrak has commenced a series of regional forums designed to ascertain the type and scope of rail system the American public is willing to support in the long-term.

Local rail freight assistance

The Local Rail Freight Assistance (LRFA) program was created in 1973 to provide matching funds to help states save rail lines that otherwise would be abandoned. Authority for the LRFA expired in FY 1994, but the program has continued to receive appropriations. A total of thirty states shared in the $15 million appropriated for LRFA in FY 1994. In addition, $21 million in emergency funding was distributed through the LRFA program to 27 small railroads hard hit by the Midwest flood disaster in FY 1994. In FY 1995, thirty-two states are seeking a total of $33 million for 59 rail projects, although the program was only appropriated $13 million for FY 1995. The President's FY 1996 Budget request includes no LRFA funding. The Committee recognizes the support previously made available through the LRFA program often has meant the continuation of vital rail service to small communities that would not otherwise survive and will consider LRFA reauthorization and other proposals.

Interstate commerce commission

The Trucking Industry Regulatory Reform Act, Public Law 103–311, which originated in the Commerce Committee last Congress, further deregulated the trucking industry. It also required the Interstate Commerce Commission (ICC) and the DOT to examine the remaining statutory responsibilities of the ICC in order to recommend to Congress other functions that could be modified or eliminated. The President's FY 1996 Budget recommends the ICC continue to be funded at the FY 1995 level of $33 million. However, the Committee fully anticipates legislative action during this session to further reduce and transfer to other appropriate agencies statutory responsibilities now handled by the ICC.

COMMUNICATIONS

The Committee will continue its oversight of the various sectors of the communications industry, the Federal Communications Commission (FCC), the Corporation for Public Broadcasting (CPB), COMSAT. and the National Telecommunications and Information Administration (NTIA).

Federal communications commission

The President's request of $224.2 million for the FCC reflects a net increase of $38.968 million over the FY 1995 appropriation.

In accordance with the Licensing Improvement Act, as part of the President's Omnibus Budget Reconciliation Act of 1993 (Public

Law 103–66), the FCC is required to hold auctions for radio-frequency spectrum licenses designated for Personal Communications Services (and other services). A main intention of this provision was to generate revenue for the Federal Government. The most recent— and third—PCS auction generated $7.7 billion in additional revenue. This money goes to the U.S. Treasury. Due to the nature of these "auctions", it is difficult for the Committee to estimate how much revenue the actions will raise during FY 1996.

Corporation for public broadcasting

The President has submitted a budget request for CPB of $312 million in budget authority for FY 1996, an increase of $26.36 million from FY 1995. The Committee believes public broadcasting plays an important role in delivering information to the American public. However, suggestions have been made that CPB should be privatized.

Among these suggestions are the following: (1) CPB could renegotiate sales agreements and improve future agreements to get a larger share of the sales of toys, books, clothing and other products based on its programming; (2) the signal area overlap among public television stations could be eliminated, and the excess broadcast spectrum sold; (3) public television stations could be moved from costly VHF channels to less costly UHF channels; and (4) CPB could consider teaming with other information services. The Committee may evaluate the possible effects of any of these proposals.

National telecommunications and information administration

The President's proposed budget for the NTIA is $22.932 million for FY 1996, an increase of $1.971 million from the $20.961 million appropriated in FY 1995.

In the past few years, the President's budget requests for NTIA's Information Infrastructure Grants program have increased dramatically—rising from $26 million in 1994 to a level of $99.912 million for FY 1996. This grant program is aimed at providing clear and visible demonstrations to Americans—at a local level—of the advantages of having access to a modern, interactive information infrastructure. The Committee will consider the justifications for such increases in funding.

COAST GUARD

During this past year, a great deal of attention was focused on the Coast Guard's activities; specifically, its interception of tens of thousands of Cuban and Haitian migrants at sea last summer and its rapid response to several natural and environmental disasters across the Nation. The Coast Guard must receive sufficient funding to carry out its important functions.

For the U.S. Coast Guard, the President has proposed a budget level of $3.7 billion, an increase of 2 percent above the FY 1995 enacted level. With respect to the Coast Guard's Operating Expense (OE) account, the Administration has requested $2.618 billion for FY 1996, compared with $2.608 billion appropriated for FY 1995. This OE budget emphasizes funding for the Coast Guard's drug law enforcement and maritime safety, while maintaining the Coast Guard's strong commitment to marine environmental protection,

fishery law enforcement, and search and rescue. To help fund the Coast Guard's operating expenses, under the President's request, $25 million would be transferred from the Oil Spill Liability Trust Fund to the OE account. The Committee held a hearing on March 15th to consider the Coast Guard's FY 1996 budget request and will continue its review of the Administration's request for the Coast Guard's OE account.

Several other Coast Guard programs have small, but significant changes in their funding requirements when compared with FY 1995 appropriations. These include the Acquisition, Construction, and Improvements (AC&I) account and the Boat Safety account.

Under the AC&I account, the Administration has proposed $428 million in FY 1996 for capital improvement of the Coast Guard's vessels, aircraft, shore facilities, information management resources, and aids-to-navigation. The FY 1995 appropriated amount is $357 million. The Administration request includes $32.5 million to be transferred from the Oil Spill Liability Trust Fund. The Committee will review the Administration's request for the Coast Guard's AC&I account.

The President has proposed funding the Coast Guard's Boat Safety Grant Program at $30 million in FY 1996, assuming enactment of legislation to shift the funding mechanism for the Program. These funds will be used to provide financial assistance to States to coordinate national recreational boating safety programs. The FY 1995 appropriated amount was $33 million. The Committee is reviewing the Administration's request for the Coast Guard's Boat Safety account.

OCEANS AND ATMOSPHERE

National Oceanic and Atmospheric Administration

The Committee is supportive of the services provided through the atmospheric, oceanic, and fisheries programs of the National Oceanic and Atmospheric Administration (NOAA). The total NOAA FY 1996 request is $2.195 billion, an increase over the FY 1995 budget authority of $2.014 billion. While the Committee wants to ensure that NOAA's mission is not degraded, this increase will be evaluated by the Committee to see if savings can be found to minimize necessary increases in the overall budget authority.

For NOAA's Operations, Research, and Facilities (ORF) account, the Administration has proposed $2.1052 billion. This is an increase of $281.9 million over the FY 1995 appropriation of $1.8233 billion and includes an increase of $159 million for satellite programs.

The FY 1996 budget request for the ORF account supports continuation of the National Weather Service's modernization plan, which is scheduled for completion by the end of the decade. The plan is aimed at improving the Nation's weather forecasting capabilities by acquiring the latest radar, satellite, surface observing, and data processing technologies. While the Committee supports the modernization effort, it has become aware of technical problems in two of the new technologies necessary to the plan's success: the Automated Surface Observing System (ASOS), which will replace the current system of human observers, and the Advanced Weather

Interactive System (AWIPS), which will integrate radar, satellite, and ground data for meteorologists. Failure to resolve these problems in a timely manner could significantly increase the costs associated with the modernization plan.

The budget request also includes an increase to the National Marine Fisheries Service for FY 1996. It proposes $315.8 million, an increase of $40.2 million over the FY 1995 appropriation. This increase will assist with the agency's efforts to build sustainable fisheries, recover protected species and promote healthy coastal ecosystems.

The request for funding the Oceans and Great Lakes program proposes a decrease of $27.0 million from the FY 1995 appropriation for a total FY 1996 request of $64.4 million. This decrease includes the program areas of: Marine Prediction Research, Sea Grant, Great Lakes outreach efforts and the National Undersea Research Program. The Committee will continue to review these proposed decreases to the Oceans and Great Lakes program.

MERCHANT MARINE

The Committee plans to continue its oversight of the state of the maritime industry and the activities of the Maritime Administration (MarAd) and the Federal Maritime Commission (FMC). In this regard, the President's budget for FY 1996 includes a request for $515 million for MarAd and $17 million for FMC. These requested amounts are $13 million less than was appropriated in FY 1995 for MarAd and $2 million less than was appropriated in FY 1995 for FMC.

Maritime administration

MarAd's budget request for FY 1996 includes no funds for additions to and maintenance of the Ready Reserve Force (RRF). In FY 1995, MarAd received $150 million for RRF maintenance and the Department of Defense (DOD) provided $43 million for fleet additions. The Administration is shifting all funding for the RRF to the DOD beginning in FY 1996, although MarAd will remain responsible for administering the RRF program. The Administration has requested $70 million for RRF fleet additions and $289 million for RRF maintenance in the FY 1996 DOD budget.

Funding for MarAd's Operating Differential Subsidy program is being phased out, with the program due to expire at the end of FY 1997. MarAd's FY 1996 request includes $175 million to commence the Maritime Security Program, a new U.S. flag vessel operating support program. The Committee will review the Administration's request to initiate the Maritime Security Program and evaluate its potential value in maintaining a viable U.S. Merchant Marine.

MarAd's budget request for FY 1996 includes $82 million for operations and training, a $6 million increase over FY 1995 appropriations. The committee will review the Administration's MarAd operations and training request, with the possibility of a freeze at FY 1995 appropriations levels.

The Committee believes the maintenance of a strong U.S. Merchant Marine is essential to National defense. The Committee will review the Administration's FY 1996 requests for MarAd and FMC.

SCIENCE, TECHNOLOGY, AND SPACE

National Aeronautics and Space Administration

For FY 1996, the President has requested a budget of $14.26 billion for the National Aeronautics and Space Administration (NASA), a decrease of one percent in budget authority from the FY 1995 appropriated level of $14.46 billion. With regard to all major budget accounts, the FY 1996 budget request is consistent with the CBO budget estimate for FY 1996. The FY 1996 budget request is part of NASA's five-year plan to cut $5 billion from the funding profile assumed in the President's FY 1995 budget submission. The Committee is encouraged by NASA's commitment to cut funding and by the agency's attempt to accomplish savings, not by reducing program content, but through work force reductions, restructuring facilities, and greater operational efficiencies. Notwithstanding that, the Committee cautions that, while fiscal responsibility is important, cost cutting at NASA must not come at the expense of safety, particularly within the Shuttle program.

The budget request continues NASA's broad array of programs in space science, exploration, and astronomy. Included among them are two that the Committee believes to be particularly beneficial to the nation: the International Space Station program, which remains on schedule for a First Element Launch in 1997, and Mission to Planet Earth, NASA's effort to use advanced satellite and computer technology to understand and predict climate changes affecting the world community.

The budget request also proposes a Reusable Launch Vehicle program aimed at eventually developing a replacement for the Space Shuttle. FY 1996 funding would support vehicle design work paving the way for a 1996 decision on whether to build a test vehicle. The Committee recognizes the need to replace the Shuttle, which costs over $400 million a flight to operate. Nevertheless, NASA cannot assume the costs of yet another billion-dollar program and still cut costs. For this reason, the Committee is encouraged by NASA's plans to seek savings by (a) requiring the aerospace industry to share the costs of constructing any new test or operational vehicles and (b) exploring options for privatizing current and future Shuttle activities.

The Committee is disappointed that the FY 1996 budget request did not include funding for the construction of new wind tunnels. The FY 1995 appropriations legislation for NASA had included $400 million for the wind tunnels but only on the condition that construction money was requested in the FY 1996 budget submission. The Committee believes that the omission of wind tunnel funding from the budget request was short-sighted and will place the U.S. aerospace industry at a competitive disadvantage in the development of next-generation aircraft.

The Committee takes notice of several FY 1995 rescission bills pending in Congress that would cut FY 1995 funding for certain NASA programs. For instance, the House version of H.R. 889 would rescind the $400 million for wind tunnel construction (see above paragraph). Similarly, H.R. 1158, as reported by the Senate Appropriations Committee, would cut $150 million from NASA's FY

1995 budget, for the most part rescinding appropriated FY 1995 funds not requested by the Administration last year.

The Committee plans to develop NASA legislation which would authorize $14.1 billion in budget authority for FY 1996, a 2 percent decrease from the FY 1995 appropriation of $14.46 billion. That FY 1996 authorization level would reflect the FY 1996 budget request less the anticipated FY 1995 rescissions. In the Committee's view, that amount should be sufficient to continue current (FY 1995) NASA activities through FY 1996 without compromising safety. In its authorization bill, the Committee may also provide for out-year authorizations for FY 1997 through FY 2000 that are consistent with the annual funding levels in NASA's five-year plan to cut $5 billion through FY 2000.

National Science Foundation

For FY 1996, the President has requested a budget of $3.36 billion for NSF, an increase of 3 percent over the FY 1995 appropriated level of $3.26 billion. This increase will enable NSF to continue the science and education programs that have helped sustain U.S. leadership in basic scientific research and U.S. competitiveness in world markets. The Committee shares jurisdiction with the Committee son Labor and Human Resources over six of NSF's seven budget accounts: Research and Related Activities; the U.S. Antarctic Program; Academic Research Facilities and Instrumentation; Salaries and Expenses; the Critical Technologies Institute; and the Office of the Inspector General. The agency's seventh account—Education and Human resources—remains under the sole jurisdiction of the Labor Committee and, for that reason, these views and estimates do not address that account.

The Committee generally supports the programs in the FY 1996 budget submission. However, the Committee is concerned that the budget request specifically rescinded the $132 million that was appropriated in last year's FY 1995 appropriations legislation to start a new multiagency academic research facilities program and requested no FY 1996 funding for that initiative. Quality research requires quality facilities and laboratories, and the backlog of the Nation's academic research infrastructure needs has been estimated at $10 billion. While the Committee respects the judgment of the agency that this new program cannot be afforded in the FY 1996 budget, the Committee believes that the Executive Branch must begin serious consideration of interagency programs and policies aimed at addressing the facilities problem.

The Committee plans to develop an authorization bill for NSF which would freeze FY 1996 funding at the FY 1995 level, i.e., authority should permit the agency to continue current activities.

DEPARTMENT OF COMMERCE'S TECHNOLOGY ADMINISTRATION

For FY 1996, the President has requested $1.04 billion for the Commerce Department's Technology Administration (TA). TA includes the Office of the Under Secretary for Technology; the Office of Technology Policy, which provides analytical support; the National Technical Information Services (NTIS), a self-supporting unit that disseminates unclassified technical information; and the National Institute of Standards and Technology (NIST), which pro-

motes U.S. economic growth by working with industry to develop and apply basic technologies, measurements, and voluntary product standards.

The President's FY 1996 NIST request is $1.023 billion, an increase of 19.8 percent over the FY 1995 appropriated level of $854 million. The NIST request includes $311 million for traditional laboratory activities in support of industry (an increase over the FY 1995 appropriated level of $264 million). The request for NIST's Industrial Technology Services programs, which include the Advanced Technology Program (ATP) and the Manufacturing Extension Partnership (MEP), is $642 million, an increase of 23 percent over the FY 1995 level of $525 million. The MEP increase reflects the fact that in FY 1996 NIST will assume federal support for the first 22 of 37 locally-run Manufacturing Extension Centers that were started with one-time funds from the Defense Department's Technology Reinvestment Project.

At a time when other federal science and technology programs are facing flat or declining budget profiles, the Committee will ask hard questions about NIST's growth. The Committee recognizes the ongoing debates about whether NIST's technology grant and assistance programs represent a needed helping hand to high-technology ventures or inappropriate industrial policy. A careful review is needed, just as the Committee will continue to examine other federal programs to aid civilian industrial technology. Any further budget increases for NIST, particularly the ATP and MEP, should be based on a consideration of the likelihood of tangible benefits from these programs and the appropriate role of the federal government in boosting U.S. industrial competitiveness.

CONSUMER AFFAIRS, FOREIGN COMMERCE, AND TOURISM

United States travel and tourism administration

For FY 1996, the President has requested a budget of $16.3 million for the United States Travel and Tourism Administration (USTTA), a decrease of 2.6 percent in budget authority from the FY 1995 appropriation of $16.7 million.

USTTA coordinates the formulation and execution of national policy affecting the U.S. tourism industry and its contribution to the Nation's economic development and international trade objectives. The Committee generally supports the activities of the USTTA, however, the USTTA has been the target of privatization proposals for several years. No legislation has yet been introduced that would eliminate or "zero fund" the USTTA, but such legislation is likely since its elimination has been consistently suggested in the past.

We trust this information is helpful to the Budget Committee as it prepares the Concurrent Resolution on the Budget for FY 1996. We look forward to working with you to address these concerns and to answer any questions you may have.

Sincerely,

ERNEST F. HOLLINGS,
Ranking Democrat.
LARRY PRESSLER,
Chairman.

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC, March 29, 1995.

Hon. PETE DOMENICI,
Chairman, Committee on the Budget.

Hon. J. JAMES EXON,
Ranking Democratic Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR SENATORS DOMENICI AND EXON: In accordance with section 301(d) of the Congressional Budget Act, we are submitting the views and estimates of the Committee on Energy and Natural Resources on portions of the budget for fiscal year 1996 within the jurisdiction of this Committee.

The enclosed report of the Committee's views and estimates was approved by the Committee this morning.

We appreciate your consideration of our views and look forward to working with you and your Committee on the FY 1996 budget.

Sincerely,

J. BENNETT JOHNSTON,
Ranking Democratic Member.

FRANK H. MURKOWSKI,
Chairman.

COMMITTEE ON ENERGY AND NATURAL RESOURCES, U.S. SENATE

VIEWS AND ESTIMATES ON THE FISCAL YEAR 1996 BUDGET

In preparing this report, the Committee complied with the request from the Budget Committee to use as a base for discussing the President's proposed FY '96 budget the FY '95 levels without any adjustment for indexing (WODI). The Committee is aware that the President has assumed a change in scoring to permit certain asset sales to be counted and that the Budget Committee is contemplating similar action.

In general, the Committee believes that if its recommendations with respect to discretionary and mandatory appropriations are followed and its planned legislative initiatives are enacted, including asset sales, a net decrease (increased revenues plus decreases in funding) in the budget accounts assigned to this Committee can be achieved sufficient to permit increased funding in certain identified areas. The Committee believes that an overall decrease of 4% is achievable from the WODI base for FY '96 and an overall decrease of 16% is achievable by FY 2000.

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC, April 6, 1995.

Hon. PETE V. DOMENICI,
Chairman.

Hon. J. JAMES EXON,
Ranking Minority Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN AND SENATOR EXON: In response to your letters of January 16, and February 13, 1995, I have prepared the following views and estimates report for programs under the jurisdiction of the Committee on Environment and Public Works. As you have requested, these comments are directed to the President's fiscal 1996 budget request, and to the total level of federal spending for the five-year period 1996–2000. As in previous years, a brief summary of new legislative initiatives for this Congress is included.

I share the concern expressed by your committee in the document entitled, "President Clinton's 1996 Budget; A Brief Overview," dated February 6, 1995, that Administration estimates of annual federal deficits show no significant change from approximately $200 billion over the next five years. In order to reverse the longstanding trend of deficit spending, it is essential that every federal agency and program be scrutinized by Congress for real budget savings.

Using Congressional Budget Office data provided by the Budget Committee, this report identifies an estimated $10.416 billion in potential five-year outlay savings from programs under the authorizing jurisdiction of the Committee on Environment and Public Works. In proposing these initial program reductions, I have made some very difficult choices. It is my hope that other committees and committee chairmen have done likewise in preparing their views and estimates reports this year.

NEW LEGISLATIVE INITIATIVES

There are seven principal legislative items before the Committee on Environment and Public Works this year, including reauthorization of the Clean Water Act, the Superfund program, and the Endangered Species Act. The Committee has recently reported legislation to restore State and local authority over shipments of solid waste. In addition, the Committee is developing legislation to reauthorize the Water Resources Development Act and the Safe Drinking Water Act, as well as legislation to designate a National Highway System. As required by the recently enacted Unfunded Mandates Reform Act, the Committee will work with the Congressional Budget Office as we consider legislation that may have budgetary impacts on State, local and tribal governments in future years.

Beyond these specific legislative efforts, the Committee will conduct oversight and review of the 1990 Clean Air Act Amendments, the Oil Pollution Prevention Act, regulatory reform legislation pending in Congress, and the Public Building Service at the General Services Administration.

SPECIFIC DISCRETIONARY PROGRAMS

1. Environmental Protection Agency

The EPA budget is comprised of three main components—the Operating Programs, the Superfund and Leaking Underground Storage Tank (LUST) trust funds, and funds for loans to State and local governments for water infrastructure (clean water and safe drinking water programs). The total EPA budget request for fiscal 1996, which includes the above-listed components, is $7.352 billion, an increase of $111 million or 1.5 percent over the fiscal 1995 enacted level of $7.241 billion.

Total EPA budget authority estimates for fiscal 1996–2000 show a decline after the peak 1996 level of $7.4 billion. Fiscal 1997–2000 are projected at $7.1 billion, $7.0 billion, $6.9 billion, and $6.7 billion, respectively.

In broad terms, I support the modest fiscal 1996 increase over current-year funding. However, given the federal government's present fiscal condition, certain items contained in the fiscal 1996 request (which in most cases carryover into future years) could be reduced without having a significant adverse impact on EPA's current statutory and regulatory duties. Suggested budget reductions are provided below by category or "component".

Water infrastructure

The fiscal 1996 request for the Water Infrastructure account—which supplies money to States for capitalization of water treatment facility revolving loan funds for cities—is $2.365 billion, down $404.3 million from current-year funding of $2.769 billion.

This total includes two key elements: (1) Clean Water State Revolving Fund (SRF)—for which $1.6 billion is requested in fiscal 1996, up $364.8 million or 22.8 percent from current-year funding of $1.235 billion. This request represents a substantial shortfall from the minimum annual levels necessary to meet the most recent survey calculations indicating a need of more than $137 billion for municipal water quality infrastructure improvements. The clean water SRF has been instrumental in helping municipalities meet the sewage treatment standards required by the Water Pollution Prevention and Control Act. The Federal government has used this loan fund and its predecessor grant program to contribute more than $60 billion to State and local governments since the early 1970's. This is a program that has proven to be cost effective and of tremendous environmental benefit.

(2) Drinking Water SRF—for which $500 million is requested in fiscal 1996, down $200 million or 28.57 percent from current-year funding of $700 million. Despite the need for capital improvements at drinking water treatment facilities, it is regrettable that the Administration chose to tap the clean water SRF in fiscal 1994 in an attempt to create a drinking water SRF. Because the drinking water SRF program is as yet unauthorized and the money is unobligated, congressional appropriators have recently chosen to rescind the majority of the $1.3 billion appropriated in fiscal years 1994 and 1995.

For the five-year period beginning in fiscal 1996, the combined clean water and drinking water SRF Water Infrastructure compo-

nent projects a flat current law baseline of $2.962 billion in budget authority (BA). Outlay (OT) projections are as follows: fiscal 1996 ($2.155 billion; fiscal 1997 ($2.332 billion); fiscal 1998 ($2.951 billion); fiscal 1999 ($3.249 billion); and fiscal 2000 ($3.162 billion).

It is my view that outyear savings can be achieved in the water infrastructure account. I would support annual outlays of $2 billion for the clean water SRF and $500 million for the drinking water SRF. If these levels were adopted, an estimated $1.349 billion could be saved over five years in outlays.

Operating programs

The fiscal 1996 budget request for the Operating Programs account—which funds employee salaries, multimedia grants to States, and the administration and enforcement of the air, water and hazardous waste programs—is $3.362 billion, a $403 million or 11.9 percent increase over the fiscal 1995 enacted level of $2.959 billion. Of the three main components, Operating Programs is the most important if EPA is to fulfill its central mission of protecting human health and the environment.

The fiscal 1996 Operating Programs request includes a $55.7 million increase for implementation of the Clean Air Act; a total of $656 million for a new State grant consolidation program which is designed to provide the States with greater flexibility; and a $23 million increase to help implement the Climate Change Action Plan.

In broad terms, I support these initiatives. With respect to the grant consolidation proposal, EPA should be encouraged to offer States a greater level of flexibility in complying with environmental laws. Although I have concerns over how EPA will monitor performance among individual States, I am encouraged that the Administration is offering new approaches.

I am also encouraged by EPA's restructuring of the enforcement and compliance program. The program now appears better positioned to ensure compliance on a multimedia basis. This will reduce paperwork burdens for industry and States alike.

For the five-year period beginning in fiscal 1996, the Operating Programs component—comprised primarily of the Program and Research Operations account (PRO); the Abatement, Control and Compliance account (AC&C); and Research and Development (R&D)—projects a flat current law baseline of $922 million (BA & OT) for PRO; a relatively flat current law baseline of $1.020 billion (BA) and $1.033 billion (OT) for AC&C; and, a flat current law baseline of $117 million (BA) and $117.8 million (OT) for R&D.

Superfund and LUST trust funds

The fiscal 1996 request for the Superfund and Leaking Underground Storage Tank (LUST) trust funds is $1.64 billion, up $140 million or 8.5 percent from current-year funding of $1.501 billion. Within this category, the Superfund request for fiscal 1996 is $1.563 billion and the LUST request is $77.3 million. For Superfund, I recommend lowering the fiscal 1996 funding level to the fiscal 1995-enacted level of $1.431 billion. Carried out over five years, this funding level would yield an estimated $658.2 million in outlay savings.

It is expected that Superfund reform legislation, now being developed in the Committee, will alter funding needs for the program. Depending on the reform options that advance, EPA programmatic costs could be significantly reduced. However, as the numerous Superfund proposals are tied to current law funding levels, it would be premature to project detailed outyear savings beyond those identified above.

For the five-year period beginning in fiscal 1996, the Superfund account projects a gradual current law increase through 2000 in BA. BA projections are as follows: fiscal 1996 ($1.471); fiscal 1997 ($1.523 billion); fiscal 1998 ($1.579 billion); fiscal 1999 ($1.635 billion); and fiscal 2000 ($1.695 billion) Similar OT projections, with downward numbers for 1999 and 2000, are as follows: fiscal 1996 ($1.499 billion); fiscal 1997 ($1.606 billion); fiscal 1998 ($1.682 billion); fiscal 1999 ($1.635 billion); and fiscal 2000 ($1.610 billion).

For the five-year period beginning in fiscal 1996, the LUST account projects relatively flat current law levels through 2000. BA projections are as follows: fiscal 1996 ($72 million); fiscal 1997 ($75 million); fiscal 1998 ($78 million); fiscal 1999 ($80 million); and fiscal 2000 ($83 million). OT projections are as follows: fiscal 1996 ($69 million); fiscal 1997 ($71 million); fiscal 1998–2000 ($70 million).

2. Federal highways

The Intermodal Surface Transportation Efficiency Act (ISTEA) was passed by Congress and signed into law on December 18, 1991. Two years remain of the ISTEA authorization. In fiscal 1996 the surface transportation law provides an obligation limitation of $18.357 billion with an additional $1.85 billion in spending not subject to the limitation for minimum allocation, demonstration projects, and emergency relief. This provides a total spending level of $20.2 billion in fiscal 1996. This compares to an obligation limitation of $17.156 billion in fiscal 1995 with additional spending of $2.5 billion for the categories not subject to the spending limitation, or a total spending level of $19.656 billion in fiscal 1995.

Total budget authority estimates for the federal-aid highway program for fiscal 1996–2000 are flat through the remaining authorization period of ISTEA and show a gradual current law rise thereafter through fiscal year 2000, assuming reauthorization. BA projections are as follows: fiscal 1996 ($20.785 billion); fiscal 1997 ($20.791 billion); fiscal 1998 ($21.351 billion); fiscal 1999 ($22.035 billion); fiscal 2000 ($22.744 billion). The outlay projections show a gradual rise as follows: fiscal 1996 ($16.716); fiscal 1997 ($17.261); fiscal 1998 ($17.849); fiscal 1999 ($18.481); fiscal 2000 ($19.113).

The President's budget request for fiscal 1996 proposes to restructure the transportation programs into several large, flexible block grant programs to the states. The funding levels proposed in the President's budget for fiscal 1996 cannot be compared directly to spending for the highway program in fiscal 1995. The restructuring proposal creates an Intermodal Transportation Administration. The majority of the surface transportation funds would be provided through the Unified Transportation Infrastructure Investment Program (UTIIP). Within the UTIIP, approximately $10 billion of flexible funds would be available to the states to spend on transpor-

tation projects; approximately $8 billion would be available for the Interstate and National Highway System; and about $2 billion could be used for state infrastructure banks. An additional $4.3 billion would be available for specific programs and to the Secretary for discretionary projects.

Under the President's restructuring proposal, the states would determine how the funds were divided among the federal-aid highway program and other transportation programs. The total spending proposed by the President's budget for fiscal 1996 on eligible highway and transit programs is approximately $2.5 billion less than the amount spent in fiscal 1995. The President's budget does not specify where these reductions will occur. This decision would be made by the states.

Five-year outlay savings would be achieved by reducing the federal-aid highway obligation limitation. The limitation established by the surface transportation law is $18.357 billion. Reducing the obligation limitation by $1 billion each year from fiscal 1996 through fiscal year 2000 will result in five-year savings of $3.5 billion.

3. Tennessee Valley Authority—Economic Development Administration—Appalachian Regional Commission

As I indicated to Chairman Domenici in my letter of December 6, 1994, it is my view that the Congress should carefully consider whether there is a compelling need for continued federal participation in programs carried out by the TVA, EDA and ARC.

A substantial reduction of federal participation in these three programs would yield estimated outlay savings of $4.224 billion over five years.

4. U.S. Army Corps of Engineers (Civil Works)

The President's fiscal 1996 request of $3.68 billion for the civil works program at the Army Corps of Engineers is comprised of $3.32 billion in new appropriations and $357 million in programmed carryover from prior years. Of the $3.32 billion request, $579 million, or 17 percent, would come from existing user fees and trust funds, including fuel and ad valorem taxes. In the fiscal 1996 request, I am encouraged that the Administration has increased funding of environmental initiatives, in particular, the $25 million for the Section 1135 program.

In an effort to achieve significant Army Corps' budget reductions, the Committee on Environment and Public Works will this year be considering legislation to reauthorize the 1992 Water Resources Development Act. By reducing authorized new construction levels in this year's Water Resources Development Act, I believe that outlay reductions of 15 percent, or an estimated $685.2 million over five years, can be achieved from the general construction account.

Total Army Corps civil works BA estimates for fiscal 1996–2000 show relatively flat levels. Fiscal 1996–2000 are projected in BA at: $3.594 billion; $3.602 billion; $3.603 billion; $3.604 billion; and, $3.605 billion, respectively. For OT, fiscal 1996–2000 are projected at: $3.602 billion; $3.596 billion; $3.598 billion; $3.603 billion; and, $3.604 billion, respectively.

5. General Services Administration (Public Buildings Service)

The President's fiscal 1996 budget request for the Public Buildings Service (PBS) at the General Services Administration (GSA) is $202.3 million in annual appropriations; $1 billion in capital appropriations; and, $4.8 billion in new obligational authority, or authority to spend revenues under the Federal Buildings Fund.

The fiscal 1996 PBS request for construction and acquisition of facilities in $1 billion, as mentioned above. I am confident that as the Committee on Environment and Public Works reviews individual project requests this year, we will be able to achieve substantial savings in the construction and purchase of federal courthouses and office buildings.

I support GSA's proposal this year to establish a new policy and oversight office which would consolidate policy, oversight and asset management functions into a single account separate from operations.

CONCLUSION

In shaping the fiscal 1996 budget resolution, it is incumbent upon the Congress to not only downsize federal bureaucracy through consolidation, and in some cases, a complete closure of agencies and programs that have outlived their usefulness—but also to ensure that government is more responsive to its citizenry.

To accomplish these goals, as well as balancing the annual federal deficit, the Congress will be faced with very difficult spending decisions. In this views and estimates report, some $10.416 billion in estimated five-year outlay savings is proposed. It is my hope that the fiscal 1996 Budget Resolution will initiate a multi-year plan to eliminate the federal debt with thoughtful, government-wide spending reductions.

Thank you for your consideration of my views. Please feel free to contact me, or have your staff contact Dan Delich at 224–5762, should you have any questions regarding these matters.

Sincerely,

JOHN H. CHAFEE.

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, April 26, 1995.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR PETE: As the Chairman of the Senate Foreign Relations Committee, I appreciate the opportunity to share with you and the other members of the Budget Committee the views and estimates of the international affairs budget function pursuant to section 301(d) of the Congressional Budget Act.

First, let me reiterate my strong support for your efforts to reduce all federal spending and to balance the federal budget by 2002. The U.S. government's federal debt has now reached an unprecedented $4,837,382,183,299.37 and is spiraling upward every day. As we rigorously scrutinize our domestic spending priorities and make cuts where necessary, so we must also examine our

international affairs spending to balance our bloated federal budget. Every budget function must contribute to meet the goal of a balanced budget.

ADMINISTRATION BUDGET REQUEST

I was highly disappointed that the Clinton Administration submitted to Congress a budget for fiscal year 1996 which proposes to increase international affairs spending. In the current budget climate, the President's budget for foreign aid is unrealistic.

The President's $15.2 billion budget request for foreign aid is about $950 million larger than the fiscal year 1995 appropriated level (6.6 percent increase). While the President's budget would cut $87 million for programs which support economic growth overseas, it would increase spending in the following areas:

$512 million increase in funding for multilateral development banks (29 percent increase above FY 95);

$53 million increase for population programs (11 percent increase);

$35 million increase for debt reduction and debt forgiveness (500 percent increase); and

$24 million increase for environmental aid programs.

The Clinton budget is unrealistic in its United Nations peacekeeping request. The Administration request contemplates nearly $1 billion less for U.N. peacekeeping costs than were incurred in fiscal year 1995. His budget for peacekeeping assumes budget authority for the United Nations peacekeeping effort in the former Yugoslavia for only six months of the fiscal year. The U.N. Security Council, with United States support and encouragement, extended the UNPROFOR mandate on March 31, 1995. The State Department estimates that the President's fiscal year 1996 request for $445 million for assessed U.N. peacekeeping activities will fall short of covering actual costs by almost $800 million. The Administration has refused to adjust their request to reflect expected peacekeeping costs accurately.

FOREIGN AFFAIRS REVITALIZATION AND CONSOLIDATION

As you know, on March 15, I unveiled a plan to restructure completely our beleaguered foreign affairs apparatus. At its core, this reorganization seeks to abolish the Agency for International Development (AID), the U.S. Information Agency (USIA) and the Arms Control and Disarmament Agency (ACDA) by September 30, 1997.

The Committee expects to consider this legislation in May 1995 and has extracted solid support from five former Secretaries of State, the Majority Leader of the Senate and the Speaker of the House. Seldom before has such a comprehensive foreign policy reorganization effort been undertaken by a Congressional committee and never has there been such an opportunity to achieve enormous cost savings through streamlining and eliminating duplication of functions. The plan will significantly increase the return on each foreign affairs dollar we spend. The Committee fully expects to have completed its consideration of authorization legislation prior to the consideration of appropriations bills. Therefore, we anticipate the Appropriations Committee to appropriate at or below authorized levels.

The Congressional Budget Office has been unable to assist the Committee sufficiently in preparing cost estimates associated with this reorganization plan because the Administration refuses to share relevant budget information with CBO. Even when the Committee submitted a query for specific information to the heads of the foreign affairs agencies on behalf of CBO and the Committee, the agencies supplied answers of absolutely no help. For this reason, estimating projected cost savings has been difficult. However, CBO initial estimates indicate almost $3 billion in cost savings over four years through personnel reductions expected to be achieved through consolidation of independent agencies and elimination of duplication.

This proposal will revolutionize the way we deal with foreign aid. Under this plan, AID missions abroad will be closed, and long-term development aid will be delivered through a new International Development Foundation, which in turn will deliver block grants to non-governmental organizations and private voluntary organizations, who will carry out programs on the ground. The Foundation will have a sunset provision, so that the American people can be sure foreign aid is not a perpetual entitlement.

AID employs more than 9,000 full-time personnel and has operating expenses that cost nearly $600 million annually. According to Vice President Gore's reinventing government effort, it costs American taxpayers between $150,000 and $240,000 to keep a single AID employees overseas, exclusive of salary. The creation of a Foundation—employing a fraction of employees currently at AID—will save close to a billion dollars over the next three years in operating expenses alone. The closure and sale of AID's overseas missions will save tens of millions of dollars over the next several years.

This plan will eliminate the Arms Control and Disarmament Agency—a relic of the Cold War—and place unambiguous responsibility for non-proliferation policy into a single agency responsible for U.S. foreign policy. ACDA's FY 96 budget request is $76.3 million. The proliferation of weapons of mass destruction looms as perhaps the greatest threat to our national security. Under this proposal, a new Under Secretary for International Security Affairs—reporting directly to the Secretary of State—will coordinate non-proliferation policy and ensure that proliferation issues are given significant weight in the formulation of our nation's foreign policy. Abolishing ACDA could save an estimated $25 million annually. This adds up to over one quarter of a billion dollars over ten years.

The reorganization proposal would eliminate the U.S. Information Agency and merge its international exchange, broadcasting and public diplomacy functions under the State Department's new Under Secretary for Public Diplomacy. By reincorporating public diplomacy into the network of foreign policy formulation, the U.S. foreign policy message will be broadcast with one clear well-informed voice. An office under the Under Secretary's office will be charged with identifying and coordinating the more than $1.67 billion worth of international exchanges funded annually by over 30 Federal agencies. That office will also make specific recommendations to eliminate the up to $400 million in exchange programs that USIA feels are duplicative in the sense that they have iden-

tical goals and target identical areas of the world. The new structure would integrate international exchanges to ensure that they are tied into the ultimate objective of fulfilling the United States' foreign policy objectives. The Committee will work towards the goal of allowing all exchanges to be awarded on a competitive basis and expect that there too, savings will accrue.

And finally, this plan will strengthen those charged with the implementation of the President's foreign policy. In the field, the plan will strengthen the ability of our ambassadors to be true foreign policy managers—not just ceremonial figures—by giving them more control over the whole U.S. civilian presence in their embassies.

A unified foreign service will consist of the five current distinct "foreign services" to ensure that our core diplomatic apparatus possesses the requisite skills and capabilities to advance U.S. interests in the 21st century. It will also realize savings over the current arrangement.

Costs of the transition

It costs money to save money. It is expected that in the first two years of the consolidation of the foreign affairs agencies, few actual savings will be realized. However, massive baseline reductions in budget authority will be realized by 1997 after consolidation is completed successfully. While savings in the first and second year may be offset some by the costs incurred to collapse and integrate the foreign affairs agencies, out year savings are projected to be impressive. The costs of collocating personnel, upgrading telecommunications and information systems to integrate the formerly independent agencies and footing the bill for the dislocation of personnel are just a few of the items for which the federal government will be required to fund during the period of transition. During this period, it is expected that these costs will be funded by current operating accounts of the international affairs budget function.

Staff reductions in foreign affairs agencies

One of the central purposes of consolidating the U.S. foreign affairs apparatus is to ensure that American taxpayer funds are spent on the programs and activities that are crucial to U.S. presence overseas, rather than on salaries and expenses for personnel who have duplicative responsibilities and for duplicative functions performed throughout the currently independent foreign affairs agencies. It is our Committee's estimate that once our consolidation plan goes into force, up to twenty percent of the full-time and part-time employees currently working for the Department of State, the United States Information Agency, the Arms Control and Disarmament Agency, the Inter-American Foundation and the African Development foundation could be reduced.

We expect these reductions to take place through attrition, voluntary retirement incentive programs and, if necessary, reductions in force. The largest reductions will derive from the current structure of the Agency for International Development. If implemented according to the timetable we have proposed, these staff reductions are expected to incur substantial savings of almost $3 billion over the next four years, according to initial CBO estimates.

Voluntary retirement incentives

One of the central elements of the reorganization plan includes a provision to extend the authority to offer voluntary retirement incentives through fiscal year 1996 to employees of the Department of State, the United States Information Agency, the Agency for International Development and the Arms Control and Disarmament Agency. It is envisioned that offering incentives for early retirement will encourage a steady and measured stream of employees leaving government service.

In order for the Committee to extend this kind of authority, it will require a direct 602(a) allocation since direct spending costs are associated with buy-outs. The Committee would greatly appreciate the Budget Committee's assistance in providing this allocation for use in the transition to the newly-organized Department of State.

FOREIGN POLICY ADMINISTRATIVE ISSUES

Decline of the dollar

The decline in value of the dollar overseas is wreaking havoc with the budgets of various federal agencies, most notably the Departments of State and Defense. This year alone, the Department of State expects that the decline in the dollar will push operating costs up by approximately $20 million. If the dollar continues along the trend of recent months, the cost to the U.S. government to continue, much less expand, operations overseas will continue to balloon. The budgets for those departments will have to take this issue into account in the future. This situation further proves the need for the U.S. to rationalize and consolidate the delivery of services and functions overseas.

Salary differentials

The Department of State currently pays salary differentials ranging from five percent to twenty-five percent of base pay to U.S. personnel assigned to 227 of our 272 posts overseas. The Department currently spends $77 million a year on allowances, approximately seventeen percent (17%) of the Department's budget for salaries. These allowances include payments for items such as: hardship differentials, cost of living allowances, education for dependents and danger pay.

While the Committee understands the desire and the necessity to pay salary differentials to personnel living and operating in particularly harsh or extreme environments, it seems excessive to maintain that this is necessary at fully 85% of U.S. overseas posts. The Committee recognizes that the Department has made progress in improving the administration of the allowance system. However, the Committee feels that in light of the effort to tighten belts and squeeze budgets the Department could find savings of millions of dollars by tightening standards for the payment of allowances and reducing the number of posts that receive any type of differential. This will also reduce costs of other agencies that assign personnel overseas since all civilian personnel at overseas posts are eligible for these allowances.

Foreign affairs administrative support cost-sharing system

The Foreign Affairs Administrative Support (FAAS) system is the method by which the Department of State and other agencies share costs of the common administrative service platform necessary to provide all U.S. government employees with a place to live and work at U.S. missions overseas. FAAS distributes costs on the principle that the Department of State will provide and fund all of the core resources necessary to support its own people and programs overseas. Other agencies are financially responsible for costs of the incremental resources established to meet the administrative workload generated by their employees.

For years, the Department of State and other federal agencies that assign personnel overseas have debated the equity of the FAAS system in determining the costs of services and the quality and delivery of individual services. The Department funds more than 70% of the support platform's operating costs. In an era in which the United States has opened 29 new posts since 1993 without State Department personnel increases, but in which there has been a dramatic increase in the number of personnel assigned overseas by other agencies, the FAAS system will have to be scrutinized closely. The Committee will recommend that the Department phase-in an administrative support system by which other agencies are charged per capita share of the costs of maintaining posts overseas. Several hundred million dollars of savings could accrue from modifications to the FAAS system. The Executive Branch is currently considering a proposal to develop a new system modelled after a support system used here in the United States. We will urge early approval of this system for maximum savings.

UNITED NATIONS ISSUES

As the pressure to cut the budget and end the federal deficit continues and even increases in years to come, we will be forced to examine more closely the allocation of the international affairs budget functions between unilateral, U.S. operations and multilateral operations. In the last three fiscal years, the central accounts of the Department of State have decreased by approximately $700 million. Over the same time period, the accounts for contributions to the United Nations and other international organizations have ballooned by well over $1 billion. As we put off desperately needed improvements in the Department of State's infrastructure (both physical and human), we must realize that we cannot fund multilateral initiatives to the detriment of our national security interests in preserving U.S. diplomatic capabilities.

United Nations—International organizations

The Committee will consider legislation for the Foreign Relations Authorization Act for Fiscal Years 1996 and 1997 that will include a prohibition on funding and/or directed mandatory U.S. withdrawal from the following international organizations which should total almost $100 million:

International Labor Organization (ILO)	$64,272,000
U.N. Industrial Development Association (UNIDO)	28,597,000
Inter-American Indian Institute	120,000
South Pacific Commission	1,263,000

Pan American Railway Congress Association	40,000
Interparliamentary Union	1,110,000

The ILO is a holdover from the League of Nations, with a structure and functions that reflect 19th century patterns of labor-management-state relations. The ILO's costly and archaic tripartite approach (national delegations comprising separate government, labor and industry representation) is ill suited to an era in which the role of labor unions is vastly diminished. To adapt to changing times the ILO has sought to diversify its functions by moving into fields (strengthening of democratic institutions) largely divergent from its original purpose and that can be more effectively served by other means. Any benefits the U.S. may receive from membership are disproportionate to the substantial $64 million U.S. membership assessment.

UNIDO is not the most effective means to provide the sort of development assistance it administers. There is no UNIDO function that could not be performed at least as well by other existing entities or by the private sector (i.e. development banks and investment-oriented national aid programs). Here again, the size of the base U.S. assessment ($28 million plus) is not commensurate with the return.

The other international organizations listed are not viewed as ones that serve U.S. national interest at a level proportionate to the expenditure of U.S. taxpayer funds.

United Nations—Peacekeeping

The Committee has been adamant that the United States pay for no more than 25% of the assessed costs of U.N. peacekeeping operations (see Public Law 103–236). The projected savings from paying for 25%, rather than 31.4%, of the operations will save the United States tens of millions of dollars every year.

The newly created Office of Inspection and Oversight Services (the equivalent of a United Nations Inspector General) should be empowered to root out other instances of waste, fraud and abuse at the United Nations. If this office conducts it job in an efficient and responsible manner, the United States and all donor nations to the U.N. should benefit in the long-term. The U.S. should advocate an increase in the budget for this office because the savings created through the elimination of waste, if the office is effective, could be significant.

FOREIGN ASSISTANCE REAUTHORIZATION

A primary responsibility of the Committee on Foreign Relations is the reauthorization and oversight of U.S. bilateral and multilateral foreign assistance programs. These programs include all development and economic aid, military and other security assistance, funding for multilateral financial institutions, United Nations and other international organizations assistance, U.S. trade and export programs and humanitarian aid assistance.

The Committee expects to consider a foreign assistance authorization bill in May. I have never supported foreign aid spending and believe we must make sharp cuts in this area over the next several years as part of the overall effort to achieve a balanced

budget. I believe that Congress can cut at least $3.0 billion in foreign aid in 1996.

I will recommend the following to the Foreign Relations Committee.

Bilateral Economic and Development Assistance—Significant reductions—up to 30 percent across-the-board—should be made in these accounts in FY 96. In many cases, traditional government-to-government aid has failed to accomplish its stated goals. Peace Corps funding remains a priority for many in Congress, but it too must be reduced to help balance the federal budget. The Inter-American Foundation and the African Development Foundation should be abolished, resulting in savings of at least $45 million annually.

Multilateral Assistance—While funding for UNICEF continues to be a priority in Congress, United States participation in most United Nations programs should be terminated. Terminating or greatly reducing U.S. participation in these and other U.N. programs would result in at least $200 million in savings annually. These include:

Program	*Fiscal year 1996 request*
UN Development Program (UNDP)	$118,000,000
UN Capital Development Fund (UNCDF)	1,000,000
UN Development Fund for Women (UNIFEM)	1,000,000
World Food Program	2,500,000
Afghanistan Emergency Trust Fund	500,000
International Fund for Agricultural Development (IFAD)	5,000,000
UN Fellowship Program	100,000
UN Population Fund (UNFPA)	55,000,000
UNEP Environment Fund	16,000,000
UNEP—Related Activities	1,000,000
Montreal Protocol Multilateral Fund	27,250,000
Habitat	300,000
International Union for Conservation of Nature (IUCN)	1,000,000
International Tropical Timber Organization (ITTO)	1,000,000
Convention on International Trade in Endangered Species (CITES)	1,000,000
Ramsar Convention on Wetlands	750,000
UN Framework Convention on Climate Change (UNFCCC)	3,000,000
Intergovernmental Panel on Climate Change (IPCC)	600,000
International Contributions for Scientific, Educational & Cultural Activities	2,050,000
World Heritage Fund	450,000
World Meteorological Organization/Voluntary Cooperation Program	3,000,000
World Meteorological Organization/Special Fund for Climate Activities	800,000
OAS Development Assistance Programs	11,000,000

U.S. contributions to voluntary peacekeeping operations should be reduced by at least $60 million from the President's FY 96 request. These contributions are in addition to the U.S. assessed 31 percent contribution to all U.N. peacekeeping operations. Prohibition on reauthorization of the International Development Association (IDA) will save taxpayers $1.25 billion next year.

Humanitarian Assistance—The Committee will continue to place high priority on programs which help the truly needy. Funding for humanitarian assistance programs, including the Office of Foreign Disaster Assistance (OFDA), Refugee and Migration Assistance, and Emergency Refugee and Migration Assistance (ERMA) should be funded at the President's requested level.

Security Assistance—Funding for Camp David countries and for anti-terrorism programs will remain a priority. However, the overall level of funding for military and security programs must be reduced.

Trade Development Programs—As part of an overall reorganization plan, serious consideration should be given to combining all U.S. trade and export development programs into an enhanced and streamlined Agency for Export Promotion, Trade, Development and Investment. TDA, OPIC and the Export-Import Bank, which support U.S. commercial interests and open markets, should be funded at the President's requested level.

Thank you again for the opportunity to share my views about expected reductions in the international affairs budget account in the next five years.

Sincerely,

JESSE HELMS.

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC, March 31, 1995.

Hon. PETE DOMENICI,
Chairman, Senate Committee on the Budget, Dirksen Office Building, Washington, DC.

DEAR MR. CHAIRMAN: Pursuant to Section 301(d) of the Congressional Budget Act, I am submitting my views and estimates with respect to federal spending in the jurisdiction of the Senate Governmental Affairs Committee.

As Chairman of the Committee, I am disappointed that the President's FY 1996 budget does not contain significant deficit reduction over the next several years. The Administration's budget does not recommend meaningful changes or reforms to the federal retirement system affecting benefits or health insurance benefit changes. I am committed to help reducing the deficit in a meaningful and fair manner and do recognize the need for possible adjustments to these programs in the coming years as we move forward in achieving a balanced budget.

I also believe that significant savings can be realized through a comprehensive reform of the Executive Branch to meet the needs of our taxpayers for the 21st Century. As Chairman of the Governmental Affairs Committee I will explore possible savings through Executive Branch agency consolidations and eliminations. The advancement of high technology in the workplace will streamline work processes and allow a further downsizing of the federal bureaucracy far beyond what was contained in the National Performance Review. As you well know, these savings realized will be counted toward deficit reduction in the discretionary accounts only. This committee is committed toward the goal of a balanced budget and will work throughout the year to achieve savings.

The President's Budget for FY 1996 contains two proposals that will affect federal employees in the coming years. These two proposals are the following:

1. CIVIL SERVICE RETIREMENT SYSTEM—UNFUNDED LIABILITY PROPOSAL

President Clinton proposes to correct the current $540 billion unfunded liability of the Civil Service Retirement System. His proposal includes amortizing the unfunded liability over a 40 year period by increasing the existing payment from the general fund to the retirement trust fund each year, beginning in FY 1997.

This will require agencies to increase their contributions by 11.1 percent for a total agency contribution of 18.1 percent for most employees. This would add approximately $4,274 for each CSRS employee to an agency's salaries and expenses account. President Clinton's proposal regarding the unfunded liability of the CSRS system does provide a good path toward making the retirement system sound. I am concerned, however, about the funds needed to implement this proposal, including his proposal to increase the discretionary spending caps to fund this change.

2. PRESIDENT'S FEDERAL EMPLOYEE PAY PROPOSALS

The President proposes to give federal civilian employees a cost of living adjustment of 2.4 percent increase in January, 1996, and then a 2.1 percent COLA in each succeeding year. The President allocates $1.9 billion for civilian employee pay raises in 1996, when over $4 billion is needed to fully fund the Federal Employees Pay Comparability Act of 1990, (FEPCA). Just as last year, the President does not specify his intention as to whether this $1.9 billion should be paid in the form of cost of living adjustments or in the form of locality pay adjustments. This is disappointing. This is the third consecutive year that the President proposes to underfund FEPCA.

Last year, Congress granted buyout authority to the Executive Branch and mandated a reduction of 272,000 Full Time Equivalent positions over the next 5 years. Most of these reductions will come from the Department of Defense (approximately 160,000) and I do believe that further downsizing throughout the bureaucracy is necessary. It is my view that during this period of downsizing the federal bureaucracy by 272,000 employees over the next 5 years, the remaining workforce must be highly trained and motivated in order to meet the needs of all taxpayers in an efficient manner.

I am committed to ensuring that as the bureaucracy further downsizes, a more productive workforce remains and is fully compensated. This Committee will undertake a thorough examination of the civil service systems and recommended changes that will improve performance throughout government.

FEDERAL EMPLOYEES HEALTH BENEFIT PLAN

This Committee believes that the Federal Employees Health Benefits Plan has been a successful program which serves over 9 million federal employees and annuitants. However, this committee believes that modest reforms within FEHBP could be made. These reforms could produce significant savings.

POSTAL SERVICE

This Committee does not favor any of the various proposals that have been advanced to require the Postal Service to contribute additional amounts to deficit reduction through adjustments in its liability for retiree health benefits. These proposals would impose a heavy and inequitable financial burden on the Postal Service and its customers. The Committee notes that the Postal Service is already paying the costs of these benefits attributable to Postal Service employment. Also, this Committee does not endorse any variation of prefunding proposals for health benefits for future retirees.

Mr. Chairman, I appreciate the opportunity to comment on the areas within the jurisdiction of the Governmental Affairs Committee and look forward to working with you this year as we move toward balancing the budget in a productive manner.

Sincerely,

WILLIAM V. ROTH, Jr.,
United States Senate.

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC, April 3, 1995.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR PETE: Pursuant to your letter of January 16, 1995, I am submitting my views with respect to Federal spending under the jurisdiction of the Governmental Affairs Committee and the Fiscal Year (FY) 1996 budget.

I am pleased that the Administration's proposed FY 1996 budget does not seek further cuts in Federal retirement and health benefits. In 1990, this Committee reported $14.485 billion in deficit reduction for FY 1991–1995 (P.L. 101–508). In 1993, this Committee reported $10.666 billion in deficit reduction for FY 1994–1998 (P.L. 103–66). The bulk of this deficit reduction came from cuts in Federal retirement benefits. Other savings were the result of reforms in the Federal Health Benefits Program and in Postal Service operations.

I am alarmed by reports that deep cuts in Federal retirement benefits may be sought by others as part of the FY 1996 budget. These proposals reportedly include significant increases in employee payroll contributions to both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS); permanent reductions in COLA protection; and increases in retirement age.

The Congressional Research Service (CRS) recently examined CSRS and concluded that CSRS' "unfunded liability" was not a problem that would increase our budget deficit. Instead, CRS concluded that the system was financially sound, with a present funding mechanism that ensures that the system will remain solvent. Per CRS, its unfunded liability will be "paid off" under current law.

At sometime in the future, the CSRS will close and FERS will be in place as the Federal retirement system. Using OPM esti-

mates for the 21st century, the total value of the FERS trust fund will reach 18 times the amount needed to pay annual benefits.

CSRS and FERS benefits represent a contract between the employees and the Federal government. These retirement benefits are "deferred compensation." And, they are not driving the budget deficit. These earned annuities of Federal civilian retirees have been and are projected to be, a stable and continuing part of the Federal budget well into the 21st century.

In closing, I would like to quote from one constituent letter:

> When I went to work for the Federal government almost 23 years ago, I was promised a retirement benefit package which was based on length of service at certain ages and was figured a certain way. It was one of the reasons I went to work for the Federal government and have remained a faithful employee. It offered (and still does) security for myself and my wife in our retirement years. In addition, I have made life choices based on that promise. If the retirement age is increased or the benefits are decreased, then the promise will have been broken and I will have been betrayed by the employer to whom I have given 23 of the best years of my working life. The Employee Retirement Income Security Act (ERISA) of 1974 protects private sector workers by making it illegal for their employers to renege on promised income security in retirement. I ask that your committee uphold these same standards.

Over the past 12 years, we have greatly reformed the Federal retirement system. Now, in terms of many features, the system is roughly comparable with private-sector programs. It is my hope that this year's budget resolution takes into consideration previous changes in employee and retiree health and retirement benefits. It is my hope that this year's budget resolution recognizes that both CSRS and FERS are financially solvent and not increasing our budget deficit.

Sincerely,

JOHN GLENN, *Ranking Member.*

U.S. SENATE,
COMMITTEE ON INDIAN AFFAIRS,
Washington, DC, April 3, 1995.

Hon. PETE V. DOMENICI,
Chairman.

Hon. J. JAMES EXON,
Ranking Minority Member, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR CHAIRMAN DOMENICI AND SENATOR EXON: This letter is in response to your request for the views and estimates of the Committee on Indian Affairs on the President's Budget Request for fiscal year 1996 Indian programs.

COMMITTEE HEARINGS AND LEGISLATIVE RECORD

The Committee held two hearings on the President's budget request in mid-February, receiving testimony from the Department of

Interior, the Indian Health Service, the Department of Housing and Urban Development, the Department of Education, the Environmental Protection Agency, and numerous other Federal agencies, tribes and tribal organizations.

RELATIVE SPENDING PATTERNS

As in previous years, the Committee asked the Library of Congress to prepare an analysis of the Federal spending trends on programs for American Indians and Alaska Natives over the past twenty years, as well as a comparison of this spending relative to Federal spending for other Americans. The results of this analysis show that, despite the efforts of the Committee on the Budget and the Committee on Appropriations over the past decade to respond to the acute needs of Indian and Native communities the gap between what the Federal government spends on Indians and non-Indians will steadily worsen for Indians under the President's 1996 budget request. This disparity in per capita Federal expenditures between Indians and non-Indians first became negative for Indians in 1985 and has steadily worsened since. Over this same period, the Indian service population has nearly doubled. The most recent report prepared by the Library of Congress is attached for your review.

Tribal government are, of course, the governments closest to the Indians and Alaska Natives with the most dire and unmet needs. Most of the limited Federal funds that have been made available for Indian programs have tended to result in an expanded Federal bureaucracy rather than an increase in tribally-controlled budgets. For Indian people, the fact has compounded their problems, as their tribal governments face greatly increased responsibilities without corresponding financial support. With a few notable exceptions, these generalities are perpetuated by the President's 1996 budget request. The Administration's budget allows most Indian programs only very minor increases in absolute dollars. It also proposes to spend a slightly larger portion of these funds at the local level. In 1993 constant dollars, the budget request reflects a net loss for Indian programs and services.

RELATIVE NEED

Americans Indians and Alaska Natives continue to be the one group of Americans which suffers the worst conditions of unemployment, dilapidated and overcrowded housing, poor health, inadequate education, the lack of basic social and physical infrastructure, and other social and economic factors that seriously, sometimes critically, erode the dignity and quality of life. Recent data released by the Bureau of the Census on February 7, 1995, confirms these conclusions in the area of housing. According to 1990 census figures, 18% of all American Indian households on Reservations are "severely crowded." The comparable figure for non-Indians is 2%. Likewise, while 33% of all Reservation households are considered "crowded", the comparable figure for all households nationally is 5%. The typical Indian home on a Reservation has 4.4 rooms, nearly a whole room less than the national median of 5.3 rooms. Approximately 90,000 Indian families are homeless or

underhoused. One out of every five Indian homes lack complete plumbing facilities.

Nearly one in three Native Americans lives in poverty. The number of Indian families below the poverty line is nearly three times the national average. One-half of Indian households headed by a female live in poverty. One-half of the Indian children under the age of six living on reservations live in poverty. For every $100 earned by U.S. families, Indian families earn $62. The average per capita annual income for an Indian living on the reservation is $4,478. Poverty in Indian country is a persistent, everyday reality.

Poor health is the twin sister of poverty. The mortality rate for Native Americans for tuberculosis exceeds the national rate by four times. The Indian mortality rate for diabetes exceeds the national average by 139 percent. Indians are four times more likely to die from alcoholism than are other Americans. Fetal Alcohol Syndrome rates among Native Americans are six times the national average. In some Indian communities, reported cases indicate that child abuse has victimized as many as one-fourth of the children. By all measures the health status of Native Americans lags significantly behind any other segment of our population.

There have always been two basic justifications for Federal funding of Indian programs. First, is the solemn commitment of the United States to address the compelling human need revealed in the statistics like those summarized above. Tribes have informed this Committee that the years of underfunding and neglect have resulted in an overwhelming backlog of underdeveloped social, physical, and human infrastructure. Consequently, the amount of resources needed to simply "catch up" to the rest of America makes continued funding of Indian programs absolutely vital. The second basis for Federal-Indian appropriations is the unique government-to-government relationship between the United States and each tribal government arising from well-settled principles of Federal-Indian law, based on agreements, treaties, statutes, Executive Orders, course of dealings, and Federal court rulings.

A. Committee recommendations on the Indian health service budget

The Indian Health Service (IHS) request for $2.059 billion within the Department of Health and Human Services would provide an increase of $95.96 million over the fiscal year 1995 appropriation level, a 4.9% increase for Indian health programs. Given the acute levels of unmet need for health care in Indian Country, however, the Committee recommends total budget authority for the Indian Health Service (IHS) of $2.278 billion in fiscal year 1996, a $218.84 million increase over the fiscal year 1996 request. This recommended increase is comprised of $80.54 million for services and $138.3 million for facilities. The Committee recommendation would represent an increase of $314.8 million on budget authority over the fiscal year 1995 appropriation. The Committee generally commends the Administration for its fiscal year 1996 budget request for the Indian Health Service (IHS) and for abandoning the gross over-inflation of projected third party collections, a past practice of IHS that Congress has repeatedly denounced.

The increases recommended by the Committee include: (1) $9.2 million to restore funds for Indian health purposes that previously

funded 230 FTE positions proposed for reduction due to streamlining and $7.04 million to fund the 176 FTE positions IHS proposes to redeploy from other locations to begin to staff new facility operations opening in fiscal year 1996; (2) $40 million to begin to address an annual 2.2% growth in the IHS patient population of 1.4 million American Indians and Alaska Natives; (3) $24.3 million for unfunded contract support requirements for fiscal year 1995 and 1996; (4) $60.6 million to begin to address the $606 million construction backlog of sanitation deficiencies identified in the 10-year plan; and (5) $121.7 million to begin to address the $608.5 million in health and staff facility projects on the IHS 5-year plan.

1. FTE Reductions (+$16.24 million). The first concern of the Committee on Indian Affairs regarding the Indian Health Service (IHS) budget for fiscal year 1996 are the two reductions or redeployments in staffing and related funding proposed by the Administration. Each of these reductions will have a seriously negative impact on the delivery of health care services to American Indians and Alaska Natives. Each reduction will also remove funds and functions that would otherwise be available for negotiation and transfer to tribes for direct service delivery under Self-Determination contracts and Self-Governance compacts under Public Law 103–413. The first proposed reduction involves 230 FTEs which will be lost to streamlining or other cutbacks unrelated to tribal assumptions of IHS functions under compacts or contracts. This cut of 230 FTEs represents 13% of the Department-wide reduction of 1,766 FTEs proposed for fiscal year 1996. Yet IHS's dollar share of the total Department-wide budget request is just 1.8%. As with last year, the Administration is proposing to saddle IHS with a disproportionate share of the Department's FTE cut despite the overwhelmingly disproportionate health needs of Native Americans. The second FTE reduction involves an additional 176 FTE positions that will be redeployed from existing operations to staff four new health facilities slated to open in fiscal year 1996. These 176 FTEs were previously serving the needs of other tribes in other locations and other capacities. It is reasonable to conclude from this that the IHS redeployment proposal will result in a reduction of services to all American Indians and Alaska Natives not served by the four new facilities. It will reduce the FTE-related funds which are now serving all tribes at the Headquarters and Area Office levels even as more tribes are beginning to exercise opportunities under Public Law 103–413 to have their negotiated share of those funds transferred to them for direct tribal operations. The proposed IHS approach is inconsistent with the understanding reached in prior years that the opening of new facilities is to be accompanied by requests for increases in operational funds and FTE positions rather than reduction-oriented redeployments of positions and funds from existing operations. Accordingly, the Committee recommends an increase of $9.2 million to restore funds for Indian health purposes that previously funded 230 FTE positions proposed for reduction due to streamlining and $7.04 million to fund the 176 FTE positions IHS proposes to redeploy from other locations to begin to staff new facility operations opening in fiscal year 1996.

2. Population Growth (+$40 million). IHS data indicates there are 1.4 million American Indians and Alaska Natives served by

IHS funded operations, and that this service population is growing at an annual rate of 2.2%. At this rate, 30,800 additional persons will be added to the service population in fiscal year 1996, at an average cost of $1,300 per person out of the $1.816 billion health services budget. Accordingly, the Committee recommends an increase of $40 million to begin to address the additional costs of population growth in the IHS patient population.

3. Unfunded Contract Support Requirements (+$24.3 million). IHS has informed the Committee on Indian Affairs that it now estimates the unfunded contract support cost need carried over from fiscal year 1995 will be $13 million, that new and expanded program assumptions in fiscal year 1996 will require an additional $15 million, and that ongoing contracts and compacts will require an additional $12 million. Last year the Congress enacted Public Law 103–413 to expand tribal opportunities to contract or compact in order to do for themselves what previously had been done for them by Federal bureaucrats. But if IHS does not make available contract support funds to tribes at levels tribes have negotiated with the Inspector General's office, the resulting shortfalls will be a major disincentive to expanded tribal assumptions under contracts and compacts, thereby preserving intact the present Federal service bureaucracy. The Administration's request addresses only $15.7 million of this $40 million requirement. Accordingly, the Committee recommends an increase of $24.3 million to address this underfunded shortfall.

4. Sanitation Facility Construction (+$16.6 million). In fiscal year 1990, Congress mandated that IHS prepare a 10-year plan to eradicate the backlog of sanitation deficiencies for existing Indian homes and communities. Since then, annual appropriations have not met the level of need identified each year, and population growth, inflation, and more stringent environmental regulation have increased the backlog of need. IHS now estimates the backlog at $606 million, and has requested $44 million to address it in fiscal year 1996. Accordingly, the Committee recommends an increase of $16.6 million, which when added to the $44 million in the fiscal year 1996 request, would address one-tenth of the need currently identified in the 10-year plan. The Committee notes that it wishes to work with the Committee on the Budget and the Committee on Appropriations this year to explore more cost effective and aggressive means to address the overwhelming backlog of need by leveraging private capital investment, including consideration of how capital leases are scored, a Federally-guaranteed loan program, or a tribal investment bank that would quicken the pace of construction.

5. Health Facility Construction (+121.7 million). The Administration has requested no funds for new health facility construction projects in fiscal year 1996. The Administration's 5-Year Planned Construction Budget estimates the cost of projects already on the IHS new health care facilities and staff quarters new construction priority lists at $608.5 million, and in addition, there are 22 additional facilities which will be added to the priority list in the next year or so, for which cost estimates have not yet been finalized. Accordingly, the Committee recommends an increase of $121.7 million to address one-fifth of the need identified on the current 5-year priority list. As with sanitation facility construction, the Committee

notes that it wishes to work with the Committee on the Budget and the Committee on Appropriations this year to explore more cost effective and aggressive means to address the overwhelming backlog of need by leveraging private capital investment, including consideration of how capital leases are scored, a Federally-guaranteed loan program, or a tribal investment bank that would permit construction of new health facilities to begin again.

B. Committee recommendations on the Bureau of Indian Affairs budget

The Bureau of Indian Affairs (BIA) fiscal year 1996 request, within the Department of the Interior, would provide for $1.91 billion in current authority, a 9.3% increase of $163.3 million over the fiscal year 1995 appropriation level. Given the acute levels of poverty and structural under-development in Indian Country, however, the Committee recommends total current budget authority for the BIA of $1.936 billion in fiscal year 1996, a $25.76 million increase over the fiscal year 1996 request. This recommended increase would represent an increase of $189.06 million over current appropriations for fiscal year 1995. In addition, the fiscal year 1996 request includes $447.8 million in permanent authority, which are appropriations required for implementation of enacted land and water claim settlements and miscellaneous trust income payments to Indians. The Committee recommends the permanent budget authority of $447.8 million as requested. Consequently, the total recommended by the Committee, including current and permanent budget authority, is $2.384 billion.

The Committee generally commends the Administration for its fiscal year 1996 budget request for the Bureau of Indian Affairs (BIA). The BIA finally has requested funds to implement the Indian Child Protection and Family Violence Prevention Act of 1990, after neglecting to request any implementing funds for the past four fiscal years. Other activities which are slated for new or increased funding in the fiscal year 1996 BIA request are school operations, self-governance activities, tribal courts, school and detention facility construction, recently recognized tribes, tribal land consolidation, and interest payments to individual Indian money account holders. The Committee also commends the BIA for implementing a recommendation of the DOI/BIA/Tribe Joint Task Force on BIA Reorganization to transfer General Assistance funds to the Tribal Priority Allocation Account level where expenditures are more subject to tribal self-determination and control.

Despite the increased funding, significant problems go unaddressed in the BIA request. In addition, the BIA budget continues to defend and protect an over-sized Federal bureaucracy while short-changing tribal needs at the service delivery level. Nevertheless, the Committee on Indian Affairs recommends a slight increase in the BIA overall budget authority because the Committee intends during fiscal year 1996 to require, by legislative mandate, a dramatic reorganization of the BIA so that all funds appropriated for Indians through the BIA are spent directly by, or under the direction and control of, American Indian and Alaska Native tribal governments. The Committee is determined to refashion the BIA

into a technical support agency serving at the pleasure and direction of tribes themselves.

The increases recommended by the Committee include: (1) $19.16 million for general distribution to tribes under the Tribal Priority Allocations to begin to address the impact of inflation and unmet need on their operations; and (2) $6.6 million for additional contract support funds in anticipation of increased tribal assumptions of BIA activities under contracts and compacts.

1. General Tribal Priority Allocations (+$19.16 million). In contrast to previous years, the BIA fiscal year 1996 request contains no general increases to the recurring service accounts identified to each tribe's operations in order to meet inflationary cost increases and unmet needs. In prior years, these funds have been essential to meet the needs of many smaller tribes whose recurring base of stable funding is relatively small. Increases to this account give substance to the policy of supporting each tribe's right to set its own spending priorities over the limited funds available to it. The BIA fiscal year 1996 request includes $766.5 million for Tribal Priority Allocations. That total appears larger than the fiscal year 1995 amount simply because of internal accounting transfers; the request for Tribal Priority Allocations lacks an adjustment for cost inflation or unmet need. Accordingly, the Committee recommends an increase of $19.6 million for direct distribution to tribes, a 2.5% increase.

2. Unfunded Contract Support Requirements (+$6.6 million). The BIA acknowledges that tribal assumption of activities under contracts or compacts will dramatically increase in fiscal year 1996, yet in the Committee's judgment the BIA's request for related contract support funding falls far short of what will be required. According to the BIA, tribal contracting and compacting will increase from $320.3 million in fiscal year 1994 to an estimated $465 million in fiscal year 1995. BIA provided $84.8 million for contract support in fiscal year 1994 at an average rate of 26.5%, and will provide $103.126 million in fiscal year 1995 at an average rate of 22.2%. If contract and compact levels do not increase from fiscal year 1995 to 1996, the BIA's fiscal year 1996 request of $116.6 million for contract support costs will still produce an average rate of 25.1%, significantly below the 1994 rate of 26.5% and simply exacerbate the accumulated unfunded requirements of previous years. Tribes experienced sharp, unfunded contract support shortfalls in both fiscal year 1994 and 1995. Moreover, sharply increased levels of tribal contracting and compacting are anticipated in fiscal year 1996 because Public Law 103–413 immediately expanded tribal opportunities to contract or compact in order to do for themselves what previously had been done for them by Federal bureaucrats. If Congress and the BIA do not make available contract support funds to tribes at levels tribes have negotiated with the Inspector General's office, the resulting shortfalls will be a major disincentive to expanded tribal assumptions under contracts and compacts, thereby preserving intact the present Federal bureaucracy. An additional $6.6 million would bring the total to $123.2 million, which would equal the average rate of 26.5% funded in fiscal year 1994. Accordingly, the Committee recommends an increase of $6.6 million to begin to address this underfunded shortfall.

C. Committee recommendations on other agencies

Various Federal agencies maintain programs of direct or otherwise measurable benefit to American Indians and Alaska Natives. The Committee on Indian Affairs to provide additional recommendations on several of these programs as appears below.

1. Department of Housing and Urban Development (HUD). In his testimony before the Committee on Indian Affairs on February 14, 1995, Secretary Cisneros set forth a commendable plan for dramatically increasing the allocations of HUD funds to American Indian and Alaska Native housing and community development even as the Department undergoes down-sizing and funding reductions. Given the critical housing needs in many Indian communities, HUD's fiscal year 1996 request includes a dramatic reallocation of HUD funds to support increased funding for the new construction of 3,000 housing units, a $36 million increase (from $14 million to $50.1 million) in the new Affordable Housing Fund, and a $26.8 million increase (from $46 million to $72.8 million) in the new Community Opportunity Fund (formerly Community Development Block Grants). The Committee commends the Secretary for his responsiveness to the acute housing needs in Indian Country, and recommends to the Committee on the Budget that the HUD allocations identified to American Indian and Alaska Natives be maintained as requested.

2. Department of Education. The Department of Education request for fiscal year 1996 seeks a $333,000 decrease from the fiscal year 1995 appropriation for "special programs for Indian children" including undergraduate and graduate fellowship awards to Indians in the fields of medicine, psychology, law, education, business administration, engineering, and natural resources. The Administration has refused to spend the fiscal year 1995 increase and instead proposes to carry it over to fiscal year 1996 in order to maintain instead of expand prior year levels of fellowship awards. This reduction would seriously undermine recent efforts to increase the Federal resources devoted to expanding training opportunities for future Indian professionals. Accordingly, the Committee recommends that the $333,000 decrease be restored for these purposes.

3. Environmental Protection Agency (EPA). The Environmental Protection Agency request for fiscal year 1996 includes a total of $85 million for EPA's tribal programs. The Committee acknowledges and commends the late but welcome commitment by EPA to increase its focus on specific Indian needs which have been neglected for decades. Of particular note is the EPA request of $15 million for its "general assistance program", an increase of $6.5 million over the 1995 enacted level. The Committee supports this and other increases in the Administration's request for fiscal year 1996, which should result in significant progress in tribal planning and development efforts.

D. Conclusion

The Committee on Indian Affairs, in its March 29, 1995 business meeting, favorably adopted the foregoing letter of recommendations on the budget views and estimates by an unanimous vote. We very much appreciate the opportunity for the Committee on Indian Af-

fairs to provide this information on the President's Budget for Indian programs for fiscal year 1996 to the Committee on the Budget and look forward to working with you in the coming year.

Sincerely,

JOHN MCCAIN,
Chairman.
DANIEL K. INOUYE,
Vice-Chairman.

CONGRESSIONAL RESEARCH SERVICE,
LIBRARY OF CONGRESS,
Washington, DC, February 13, 1995.

To: Senate Committee on Indian Affairs, Attention: Steven J.W. Heeley.

From: Roger Walke, Analyst in American Indian Policy, Government Division.

Subject: Indian-Related Federal Spending Trends, FY1975–1996[1].

This memorandum responds to your request that we update the analysis of Indian-related budget areas produced in previous years to cover fiscal years 1975–1996. This study updates analyses presented in the Appendix of the Committee's publication *Budget Views and Estimates* for fiscal years 1989 (S. Prt. 100–116), 1991 (S. Prt. 101–89), 1992 (S. Prt. 102–32), and 1993 (S. Prt. 102–91) and included in the Committee's materials printed in the Senate Budget Committee's report on the concurrent budget resolution for FY1995 (S. Rept. 103–238).

The memorandum summarizes trends in most Indian-related areas of the Federal budget over the period FY1975–1996. The budget items selected usually account for two-thirds to three-quarters or more of total Federal spending each year on American Indians and Alaska Natives.

The trends are summarized in tables 1–4, and selected trends are illustrated in graphs 1–26. Both tables and graphs are based on the data in appendix tables 1–2. For each budget area, tables 1–4 show the following measures:

the average level of spending in each year over the time period;

the annual change (i.e., the annual trend) in such spending;

the ratio of the annual change in spending to the average level of spending (called the "change ratio"); and

an indicator of the consistency of the annual change.

Table 1 covers the period FY1975–1996, using current dollars. Table 2 covers the same period using constant, or inflation-adjusted, 1993 dollars. Tables 3 and 4 present the same current- and constant-dollar data for the period FY1982–1996.

This memorandum emphasizes constant-dollar figures. Since such figures are adjusted for the effects of inflation, they are better indicators of real changes in spending.

This memorandum is not intended to be a complete analysis of all the Indian-related budget items selected. Rather it is meant to

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[1] Andorra Bruno, Analyst in American National Government, assisted in gathering data for FY1975–1995. Garrine Laney, Analyst in American National Government, and Megan Perry, Intern, assisted in gathering the data for FY1975–1991.

compare trends in major budget items affecting the nation's Indian population (particularly those programs targeting Indians in federally recognized tribes), on the one hand, with trends in parallel budget items affecting the entire U.S. population. After a discussion of methodology and sources, the memo focuses on budget items in four topical areas—education, health, housing, and economic development and employment training—before examining overall trends.

METHODOLOGY AND SOURCES

The Indian-related budget items chosen for this analysis are the Bureau of Indian Affairs (BIA), and some of its components, in the Department of the Interior (DOI); the Indian Health Service (IHS) and the Administration for Native Americans (ANA) in the Department of Health and Human Services (HHS); the Office of Indian Education in the Department of Education; the Indian Housing Development program in the Department of Housing and Urban Development (HUD); and the Indian and Native American Employment and Training Program (INAP)[2] in the Department of Labor. According to figures from the Office of Management and Budget, these agencies annually accounted for about 72 percent of estimated Indian-related spending government-wide in the period FY1988–1995.

For the BIA program categories chosen for the analysis—education, economic development, natural resources, and tribal (formerly "Indian") services—the memo contains a break in the continuity of the time-series data. The BIA restructured its budget presentation for FY1994, based on recommendations from the Joint Tribal/BIA/DOI Advisory Task Force on Bureau of Indian Affairs Reorganization. The general categories of education, economic development, natural resources, and Indian services, under which specific programs were grouped in previous budget presentations, are not used as general categories in the restructured budget presentation. While the BIA has applied this restructured presentation to its FY1993 budget, it has not done so for earlier years. Hence the time-series data for BIA component programs are internally consistent for FY1975–1992 and for FY1993–1996 but may not be consistent between the two time periods. In this memo we regrouped FY1993–1996 data for relevant BIA programs in the general categories of education, economic development, natural resources, and Indian services.[3] We stress that these re-grouped (or revised) data for BIA components for FY1993–1996 represent estimates and are not consistent with earlier years. Hence computations and statistics for these BIA components for FY1975–1996 and for FY1982–1996 are also estimates.

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[2] The Indian and Native American Employment and Training Program was authorized by Section 401 of the Job Training partnership Act (JTPA) of 1982 (P.L. 97–300) and began its expenditures in FY1984. JTPA's predecessor, the Comprehensive Employment and Training Act (CETA), included a similar Indian employment and training program. This memo uses CETA Indian program spending for the period FY1975–1983 and INAP spending for FY1984 to the present.

[3] The re-grouped figures for FY1993–1994 for these BIA components generally produced budget figures that were markedly higher than figures for FY1992. This suggests that analytical statistics for these BIA components based on the FY1975–1995 time series may be skewed, either up or down.

Spending by agencies is measured in this memo in terms either of appropriations (or budget authority) or of outlays, depending on data availability and on past usage in the Committee's study of FY1989. Indian housing data have been available as "use of budget authority," and this year we have added budget authority data in measuring Federal spending on housing in general. (Outlays and budget authority diverge from each other more in housing, with its multi-year spending patterns, than in other budget areas.)

To adjust for inflation, current-dollars figures were changed into constant dollars. The base year for the constant dollars was 1993, and the inflation index used to compute constant dollars from current-dollar figures was the Implicit Price Deflator for the Gross Domestic Product (GDP). We chose Implicit Price Deflator (IPD) instead of the Consumer Price Index (CPI) because the former accounts for inflation in the entire economy rather than just in consumer purchases, and hence is more appropriate for the full range of Indian budget areas.

STATISTICAL MEASURES

The average, or mean, level of spending during the period FY1975–1996 was computed by dividing total spending over the time period by the number of years.

Annual change (annual trend) and trend consistency over the FY1975–1996 period were both determined by a time-series linear regression analysis. Such an analysis attempts to find the best straight line illustrating the relationship between a variable (here, a budget item) and time. The annual change is the "slope" of such a straight line (the slope is also known technically as the "coefficient of X" or the "regression coefficient"). The slope, or annual change, shows how much the spending on a budget item changes for every year that passes. Trend consistency is the "coefficient of determination," or r^2, generated by a regression analysis. Here, r^2 can be interpreted as follows: if the r^2 is high (i.e., closer to 1), then trend, whether up or down, is very consistent; if the r^2 is low (closer to 0), then the trend is very irregular.

Change ratio denotes the annual change divided by the average level of spending. This is to control for the fact that the size of a budget item's annual change varies with the total amount of dollars spent by an agency. For instance, an annual change of $10 million for an agency whose average spending is $100 billion a year constitutes a much lower increase, proportionally, than the same $10 million increase for an agency whose average spending is $50 million a year. The change ratio allows one agency's annual change to be compared to that of another agency while taking relative budget size into account.

SOURCES

Sources for budget data are the respective agencies and the annual Budget of the United States Government submitted by the President. Budget data collected included historical appropriations and outlays and FY1996 budget estimates, by agency and by budg-

et function[4] category. Agencies previously contacted include the BIA, IHS, ANA, HUD, Education Department, Interior Department, and Labor Department. HUD was not able to provide Indian Housing Development Program data for FY1975 and FY1977 because the data had been archived.

U.S. population data came from the Statistical Abstract of the United States and the Census Bureau's Current Population Reports (Series P–25, Nos. 1104 and 1125). We used the figure for total U.S. population, including Armed Forces abroad. Indian population data came from the Indian Health Service's Trends in Indian Health 1993 and IHS projections, and are based on that agency's service population. IHS population estimates are updated annually.

Historical figures for the Implicit Price Deflator for GDP were obtained from the Economic Report of the President (February 1994) and the Bureau of Economic Analysis; projections for 1995 and 1996 came from Data Resources, Inc. (DRI).

EDUCATION

Education data from table 1 show that Indian education spending appears to have been growing from FY1975 to FY1996. The annual change for BIA education, for instance, shows an increase of $13.6 million per year, for a positive change ratio of 4.19.[5] These figures, however, are in current dollars. Inflation has not been taken into account. The constant-dollar figures in table 2 do take inflation into account. These data show that BIA education has actually fallen by $3.8 million a year, for a negative change ratio of −0.86, during the period FY1975–1996. This pattern—an increase in current dollars and actual decline in constant dollars—is repeated in most Indian-related budget areas.

Table 2 shows that the U.S. Department of Education budget has averaged $23.7 billion in constant 1993 dollars during FY1975–1996 and has grown at a rate of $410.1 million a year (1.73 change ratio), but with some annual variation (r^2 of .557). In contrast, Office of Indian Education (OIE) programs in the Department of Education, which averaged $97.9 million a year in constant dollars, fell $2.9 million a year over the same time period (−2.95 change ratio). The r^2 figure for the OIE in the Education Department (.721) shows that it has fallen fairly consistently over the time period.

Table 4 compares budget trends in constant dollars during the period FY1982–1996. The Department of Education has averaged $24.5 billion with an increase of $675.4 million a year (2.76 change ratio). BIA education has increased $11.1 million a year (2.76 change ratio), the same rate as the Education Department as a whole, while the Office of Indian Education in the Education Department has fallen $1.6 million a year (−1.92 change ratio).

Graphs 1–3 illustrate the trends in education in constant dollars for FY1975–1996. Graph 1 shows the generally upward, but fluc-

[4] Budget functions represent classifications of budget expenditures by major objectives and operations, regardless of the agency responsible. Budget functions are further divided into budget subfunctions.

[5] Excludes BIA construction for education. As noted above, the time series for BIA education is not internally consistent because of BIA budget restructuring for FY 1993–1996. In addition, FY 1991 appropriations for BIA education programs included forward funding of $208,900,000 for the 1991–1992 school year (July–June). For this analysis, these funds have been included under FY1991.

tuating, trend for the Department of Education budget. Graph 2 shows a long downward trend with a recently leveled off.

HEALTH

Federal health outlays (i.e., the health budget function), as shown in table 2, average $58.8 billion in constant 1993 dollars during FY 1975–1996, increasing at a rate of 3.7 billion a year, for a change ratio of 6.36, Expenditures of the Department of Health and Human Services (HHS), excluding Social Security payments and, this year, Social Security Administration administrative costs—but HHS still includes spending on more than just health—averaged $168.8 billion in the same time period, increasing at $9.75 billion a year (5.78 change ratio). Indian Health Service appropriations, in constant dollars, also increased during FY1975–1996, but at a lower rate: the IHS's annual increase was $49.9 million, a change ratio of 3.85, on an average level of $1.3 billion.

Spending on the health budget function during FY1982–1996, shown in table 4, was at an average level of $68.5 billion in constant dollars during the period, with an annual increase of $6 billion (8.76 change ratio). HHS outlays averaged $198.2 billion, increasing $12.9 billion (6.52 change ratio) annually. IHS spending showed slightly lesser gains during the same period, receiving annual increases of $75.9 million per year, for a change ratio of 5.33, on an average level of $1.4 billion.

Graphs 4–6 depict the trends in the HHS, health function, and IHS budgets for the years FY1975–1996, in constant dollars. They show that the increase over time was more consistent for HHS (r^2 of .919) than for the Federal health budget function (r^2 of .800) or the IHS (r^2 of .794).

HOUSING

Federal housing expenditure trends differ for outlays and budget authority during FY1975–1996. Outlays have generally risen, on either side of a sudden jump in FY1985, while budget authority fell from FY1975 before leveling off after the FY1985 surge. The trend in Indian Housing Development expenditures (as measured in "use of budget authority") differs sharply from that for Federal outlays for housing and more closely resembles that for Federal housing budget authority, except that Indian housing development has fallen more steeply. Table 2 shows that Department of Housing and Urban Development (HUD) outlays averaged $23.0 billion in constant dollars from FY1978 to FY1996[6] and increased at an annual rate of $301 million, for a positive change ratio of 1.31. Outlays for the Federal housing assistance subfunction increased even faster, rising $829.5 million a year on an average level of $17.3 billion, for a positive change ratio of 4.80. Budget authority for HUD, however, fell $2.1 billion a year in constant dollars, for a negative −6.68 change ratio on average spending of $32.6 billion. Budget authority in constant dollars for the housing assistance subfunction showed the same pattern, falling $1.8 billion a year on average spending of $25 billion for a negative change ratio of −7.01. The Indian

[6] The time period for housing data is shortened from FY1975–1996 to FY1978–1996 because of missing data for Indian housing development in FY1975 and FY1977.

Housing Development program, as measured by annual budget authority for new construction, decreased in constant dollars at an annual rate of $66.3 million on average spending of $533.8 million, for a negative change ratio of −12.42, a more steeply declining rate than for Federal housing budget authority as a whole. Graphs 7 and 8 illustrate the trends in both outlays and budget authority for HUD and the housing assistance subfunction. Graph 9 depicts the trend for the Indian Housing Program. Graph 10 combines HUD and housing assistance subfunction outlays with Indian housing development budget authority (attempts to include Federal housing budget authority data caused scaling problems in the graph).

Housing trends during FY1982–1996 are mixed compared with those for the longer period (see table 4). Indian Housing Development program expenditures in constant dollars decreased less rapidly than in FY1978–1996, falling at an annual rate of $24.4 million (−7.53 change ratio) on an average level of $324.6 million. Overall HUD outlays in constant dollars, on the other hand, were almost flat, increasing only $99.2 million a year (0.41 change ratio) on an average level of $23.9 billion. Housing assistance subfunction outlays in constant dollars grew faster than HUD spending—a change ratio of 3.06 based on increases of $593.2 million a year with an average level of $19.4 billion—but still lagged behind the rate for FY1978–1996. Budget authority trends for HUD and the housing assistance subfunction, in constant dollars, were much more positive in the FY1982–1996 period than in the longer FY1975–1996 period. As graphs 7 and 8 show, the greatest fall in budget authority for HUD and the housing assistance subfunction occurred before FY1984. (The decline in Indian Housing Development budget authority, as graph 9 shows, extended until FY1990.) HUD's budget authority in constant dollars decline only $182 million a year on average spending of $24.5 billion during FY1982–1996, a negative change ratio of only −0.74, while housing assistance subfunction budget authority actually rose in constant dollars, going up $47 million a year on average spending of $18.2 billion, for a slightly positive change ratio of 0.26.

ECONOMIC DEVELOPMENT AND EMPLOYMENT AND TRAINING

Economic development spending, in constant dollars, has declined during the period FY1975–1996 in both the overall U.S. budget and the Indian-related budget. Here we compare the U.S. community and regional development budget function with the BIA economic development program[7] and with the Administration for Native Americans, which provides funding for social and economic development projects to Indian tribal governments and non-governmental Indian organizations. Measured in constant dollars, all three economic development programs have lost ground, but the Indian-related ones have fallen slightly faster. Table 2 shows that the U.S. community and regional development function has declined at an annual rate of $426.3 million, for a change ratio of −3.65, while averaging $11.7 billion a year in spending during this period. ANA expenditures, with an average level of $47.2 million, have de-

[7] As noted above, the time series for BIA economic development is not internally consistent because of BIA budget restructuring for FY1993–1996.

creased by $2.3 million a year, for a negative change ratio of −4.81. The BIA economic development program has fallen most rapidly, declining by $4.9 million a year—a negative change ratio of −5.60—on an average spending level of $87.1 million. Graphs 11–13, and the respective r^2s for the community and ANA (.663), all show that the decline has been more consistent over FY1975–1996 for the Indian-related programs.

Economic development spending during the FY1982–1996 period, measured in constant dollars, has continued to decline, as shown in table 4, but not nearly as fast as in the longer period. The Federal community and regional development function during this period was nearly flat, dwindling by only $4.5 million a year (negative change ratio of −0.05) on average spending of $9.2 billion. ANA fell only by a negative change ratio of −0.74 ($0.3 million a year) on an average level of $36.5 million. BIA economic development went down the fastest, being reduced by a change ratio of −2.71 ($1.7 million a year) on average spending of $63.7 million. The downward trends were not at all consistent for any of these economic development measures during this period.

Employment and training expenditures, in constant dollars, also declined during FY1975–1996 for both general U.S. programs and Indian-related programs. The Federal training and employment subfunction fell at an annual rate of $537 million, producing a negative change ratio of −5.44 on average spending of $9.9 billion. The U.S. Department of Labor fell at a slower rate, its larger annual decrease (−$897 million) generating a smaller change ratio (−2.27) on higher average spending ($39.5 billion). The Indian and Native American Employment and Training Program (INAP) in the Labor Department had the largest negative change ratio, −9.23, based on an annual decrease of $12.9 million and average spending of $140 million.[8] Graphs 14–16 depict these declines in employment and training expenditures.

The FY1982–1996 period saw not only a lessening of the rates of decline in employment and training expenditures in constant dollars for the Labor Department and INAP, but also an increase for the training and employment subfunction, as table 4 shows. The Labor Department's negative change ratio shrank to −0.78 because its annual decrease in constant dollars was only $273.3 million on average spending of $35.3 billion. The training and employment subfunction, on the other hand, showed a positive change ratio of 0.32, based on an annual increase of $21.9 million and average spending of $6.8 billion, both in constant dollars. INAP fell at a far higher rate than the Labor Department during FY1982–1996, losing $3.4 million in constant dollars annually in spending for a negative change ratio of −4.53, based on average spending of $74.2 million.

[8] As noted above, the time series used here includes CETA Indian programs for FY1975–1983 and the INAP proper for FY1984–1996.

OVERALL BUDGET AREAS

This section compares trends over the time period for the total BIA budget, overall Indian-program spending,[9] and the Federal non-defense budget[10] as a whole, using both current and constant dollars. For the BIA, table 1 and graph 17 indicate an increase in spending in current dollars during FY1975–1996, with spending going up by $48 million a year (change ratio of 4.05) with an average level of $1.2 billion. Table 2 and graph 18, however, show that in constant dollars there was actually a decline in the BIA budget of $12 million a year (−0.75 change ratio), on an average level of $1.6 billion. A steady increase (r^2 of .827) in current dollars becomes, when corrected for inflation, an uneven decline (r^2 of .119) in constant dollars. As graph 18 shows, the unevenness results from a lengthy decline (in constant dollars) followed by a recent rise.

Overall Federal non-defense spending, however, departs from the pattern for Indian-related spending. Federal spending as a whole in current dollars went up during the period FY1975–1996, at a rate of $40 billion a year (6.60 change ratio) with an average level of $605.8 billion (see table 1). In constant dollars, Federal spending still went up, at a rate of $19.1 billion (2.50 change ratio) on an average level of $765 billion (see table 2). Graphs 19 and 20 illustrate these upward trends in current and constant dollars.

The overall Indian-related budget returns to the same pattern as the BIA. Current-dollar spending during the FY1975–1996 period, a shown in table 1, went up at a rate of $114.9 million a year, a change ratio of 4.15, on an average level of $2.8 billion. Constant-dollar spending, however, is shown in table 2 to have gone down at a rate of $18.6 million a year (−0.50 negative change ratio) on an average spending level of $3.7 billion. The small size of the negative change ratio and the inconsistency of the trend (r^2 of .031) result from the same pattern as the for BIA—a long fall followed by a recent upward trend. Graphs 21 and 22 demonstrate the two trends.

Population data can be used to get a simple comparison of per-capita Federal spending between the overall U.S. population and the Indian population. Table 1 includes population data similar to the budget data. The data (which include projections) show that overall United States population increased at a rate of 2,356,014 people a year (0.98 change ratio) during the period 1975–1996, with an average level of 240,157,364 people. The Indian population (as measured by the IHS service population) is much smaller, with an average level of 996,931, but it has grown much faster, increasing at an annual rate of 38,514 persons, for a change ratio of 3.86.

To get a measure of per-capita Federal spending for each of the two groups, we took each year in the FY1975–1996 period and divided the overall Federal non-defense budget by the total U.S. population, and the overall Indian budget by the Indian population. We used current dollars for this measure. Graph 23 illustrates the

[9] "Overall Indian-program spending" means here the six major Indian programs covered in this memo.

[10] The Federal non-defense budget used here excludes both national defense expenditures and net interest payments on the national debt.

resulting current-dollar trends. It shows that during the first ten years of the period the Federal government spent more per capita on Indians than on the population as a whole. After 1985, however, Indians received less expenditure per capita, under major Indian-related programs, than the population as a whole. Throughout the 1975–1996 period, per-capita spending on the U.S. population as a whole consistently increased, whereas per-capita spending on Indians through major Indian-related programs began to fall in 1979, with no significant upward change until 1990. Graphs 23A and 23B display the two populations' growth trends over the 1975–1996 period.

SUMMARY

The date show that Indian-related spending, corrected for inflation, has been going down in almost all areas. Among the Indian-related items examined for the FY1975–1996 period, only the IHS and two program areas within the BIA, natural resources and tribal services (which here includes the BIA's Housing Improvement Program), have avoided this trend.[11] In the FY1982–1996 period, however, the BIA natural resources program area changes to a negative trend.

The overall downward trend in Federal Indian spending is not obvious if one looks only at current-dollar data. One has to look instead at constant-dollar figures. The tables and graphs show that, in constant dollars, overall Indian spending has tended to go down over the full course of the FY1975–1996 period, while overall Federal non-defense spending has gone up. The latter years of this period, however, have seen upward trends in overall Indian spending in constant dollars, though not yet enough to change the annual change and change ratio to positive numbers.

When one looks not only at overall Indian spending but also at its major components—BIA, IHS, Office of Indian Education in the Education Department, Indian Housing Development program in HUD, ANA, and INAP—one sees from table 2 and graph 24 that, in constant dollars, all major spending items except IHS have declined during the period FY1975–1996. Moreover, a comparison in constant dollars of overall Indian spending and its major parts, on the one hand, with comparable budget items in the full Federal budget, on the other, indicates that most Indian-program spending areas have lagged behind their equivalent Federal spending areas. (See graph 25.) This is true even of IHS.

If BIA spending and overall Indian spending were both to decline in constant dollars at the same rates of annual change during the period FY 1997–2000 as they did during FY 1975–1996 (−$12 million and −$18.6 million, respectively, in constant dollars), as shown in graph 26, then by FY2000 overall Indian-program spending in 1993 dollars would have fallen from a proposed $4.16 billion in F1996 to $4.08 billion in FY2000. BIA spending in 1993 dollars would have fallen from a proposed $1.78 billion in FY1996 to $1.73 billion in FY2000.

[11] As noted above, the time series for BIA natural resources and tribal services is not internally consistent because of BIA budget restructuring for FY1993–1996.

If you have any questions, or if I can be of further assistance, please call me at 707–8641.

ROHER WALKE.

Attachments.

TABLE 1.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CURRENT DOLLARS, FY1975–1996 [1]

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Dept. of Education	$18,531.1	$1,100.1	5.94	0.926
Education function	34,314.2	1,590.8	4.64	.841
Indian Education Office (U.S. Dept. of Education)	70.5	1.2	1.65	.510
BIA education [2]	325.3	13.6	4.19	.642
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	140,778.3	13,272.9	9.43	.926
Health function	49,449.0	5,037.0	10.19	.859
Indian Health Service	1,050.3	82.4	7.85	.919
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	18,984.2	935.9	4.93	.727
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	24,259.5	−410.7	−1.69	.091
Housing assistance subfunction (outlays) [3]	14,823.6	−366.0	−2.47	.448
Housing assistance subfunction (B.A.) [3]	18,543.9	−336.9	−1.82	.069
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	366.9	−29.1	−7.94	.561
Economic Development and Training and Employment:				
Community & regional development function	8,281.5	99.1	1.20	.064
Administration for Native Americans (HHS)	32.7	0.1	0.39	.035
BIA economic development [2]	59.4	−0.5	−0.79	.045
U.S. Dept. of Labor	28,778.0	720.4	2.50	.359
Training & employment subfunction	6,741.0	−34.8	−0.52	.012
Indian & Native Am. Training & Emplt. (DOL) [4]	88.5	−4.4	−4.95	.285
Natural Resources:				
U.S. Dept. of the Interior	5,001.9	214.3	4.28	.938
Natural resources function	14,827.9	627.7	4.23	.914
BIA natural resources [2]	111.3	5.7	5.15	.796
Overall:				
BIA Total	1,187.0	48.0	4.05	.827
BIA tribal services [2]	302.1	19.6	6.50	.904
Overall Indian budget	2,769.1	114.9	4.15	.750
Federal non-defense budget [5]	605,814.0	40,007.4	6.60	.975
Population:				
U.S. population	240,157,364	2,356,014	0.98	.998
Indian population (IHS ests.)	996,931	38,514	3.86	.985

[1] See Appendix table 1 for data used to calculate these figures.
[2] Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction.
[3] Covers only FY1978–1996. B.A.=budget authority.
[4] FY1975–1983: CETA Indian program. FY 1984–1996: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.

TABLE 2.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1993 DOLLARS, FY1975–1996 [1]

[Constant dollars based on Implicit Price Deflator for GDP]

[Dollars figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Dept. of Education	$23,702.9	$401.1	1.73	0.557
Education function	45,260.3	15.8	0.03	.000
Indian Education Office (U.S. Dept. of Education)	97.9	2.9	−2.95	.721

TABLE 2.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1993 DOLLARS, FY1975–1996 [1]—Continued

[Constant dollars based on Implicit Price Deflator for GDP]
[Dollars figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
BIA education [2]	436.4	−3.8	−0.86	.070
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	168,815.4	9,750.5	5.78	.919
Health function	58,846.5	3,745.2	6.36	.800
Indian Health Service	1,298.4	49.9	3.85	.794
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	22,993.1	301.0	1.31	.141
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	32,586.4	−2,175.6	−6.68	.486
Housing assistance subfunction (outlays) [3]	17,270.1	829.5	4.80	.529
Housing assistance subfunction (B.A.) [3]	25,047.5	−1,754.6	−7.01	.416
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	533.8	−66.3	−12.42	.638
Economic Development and Training and Employment:				
Community & regional development function	11,688.1	−426.3	−3.65	.334
Administration for Native Americans (HHS)	47.2	−2.3	−4.81	.663
BIA economic development [2]	87.1	−4.9	−5.60	.648
U.S. Dept. of Labor	39,495.1	−897.0	−2.27	.343
Training & employment subfunction	9,866.9	−537.0	−5.44	.466
Indian & Native Am. Training & Emplt. (DOL) [4]	140.0	−12.9	−9.23	.460
Natural Resources:				
U.S. Dept. of the Interior	6,604.3	−6.1	−0.09	.004
Natural resources function	19,656.4	−58.0	−0.29	.034
BIA natural resources [2]	142.7	2.1	1.50	.220
Overall:				
BIA Total	1,587.8	−12.0	−0.75	.119
BIA tribal services [2]	383.8	8.5	2.21	.570
Overall Indian budget	3,687.3	−18.6	−0.50	.031
Federal non-defense budget [5]	765,040.6	19,148.2	2.50	.917

[1] See Appendix table 2 for data used to calculate these figures.
[2] Inconsistent time series from FY 1993 on, because of BIA budget restructuring. ''BIA education'' excludes BIA education construction.
[3] Covers only FY1978–1996. B.A.=budget authority.
[4] FY1975–1983: CETA Indian program. FY1984–1996: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.

TABLE 3.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CURRENT DOLLARS, FY 1982–1996 [1]

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Dept. of Education	$21,927.3	1,315.4	6.00	.905
Education function	38,426.1	2,293.4	5.97	.931
Indian Education Office (U.S. Dept. of Education)	73.7	1.2	1.59	.515
BIA education [2]	359.2	22.3	6.21	.697
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	181,198.0	17,412.2	9.61	.945
Health function	63,523.9	7,421.4	11.68	.924
Indian Health Service	1,292.9	109.3	8.45	9.41
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	21,080.9	793.1	3.76	.517
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	21,448.1	606.6	2.83	.223
Housing assistance subfunction (outlays) [3]	17,348.1	1,100.7	6.34	.625
Housing assistance subfunction (B.A.) [3]	16,026.3	618.5	3.86	.236
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	272.1	−9.8	−3.59	.226
Economic Development and Training and Employment:				
Community & regional development function	8,084.4	308.7	3.82	.340

TABLE 3.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CURRENT DOLLARS, FY 1982–1996 [1]—Continued

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Administration for Native Americans (HHS)	32.0	0.9	2.71	.623
BIA economic development [2]	55.0	0.6	1.02	.040
U.S. Dept. of Labor	30,880.5	879.1	2.85	.226
Training & employment subfunction	5,991.4	233.0	3.89	.697
Indian & Native Am. Training & Emplt. (DOL) [4]	63.4	−0.6	−0.99	.226
Natural Resources				
U.S. Dept. of the Interior	5,680.3	236.1	4.16	.952
Natural resources function	16,673.8	782.5	4.69	.938
BIA natural resources [2]	135.0	3.2	2.41	.407
Overall:				
BIA Total	1,317.3	69.1	5.24	.857
BIA tribal services [2]	361.9	24.9	6.89	.879
Overall Indian budget	3,051.3	170.0	5.57	.860
Federal non-defense budget [5]	736,542.1	45,742.5	6.21	.964
Population:				
U.S. population	248,258,867	2,440,446	0.98	.997
Indian population (IHS ests.)	1,126,896	40,302	3.58	.975

[1] See Appendix table 1 for data used to calculate these figures.
[2] Inconsistent time series from FY 1993 on, because of BIA budget restructuring. ''BIA education'' excludes BIA education construction.
[3] Covers only FY 1978–1996. B.A.=budget authority.
[4] FY 1975–1983: CETA Indian program. FY 1984–1996: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.

TABLE 4.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1993 DOLLARS, FY1982–1996 [1]

[Constant dollars based on Implicit Price Deflator for GDP]

[Dollar figures in millions]

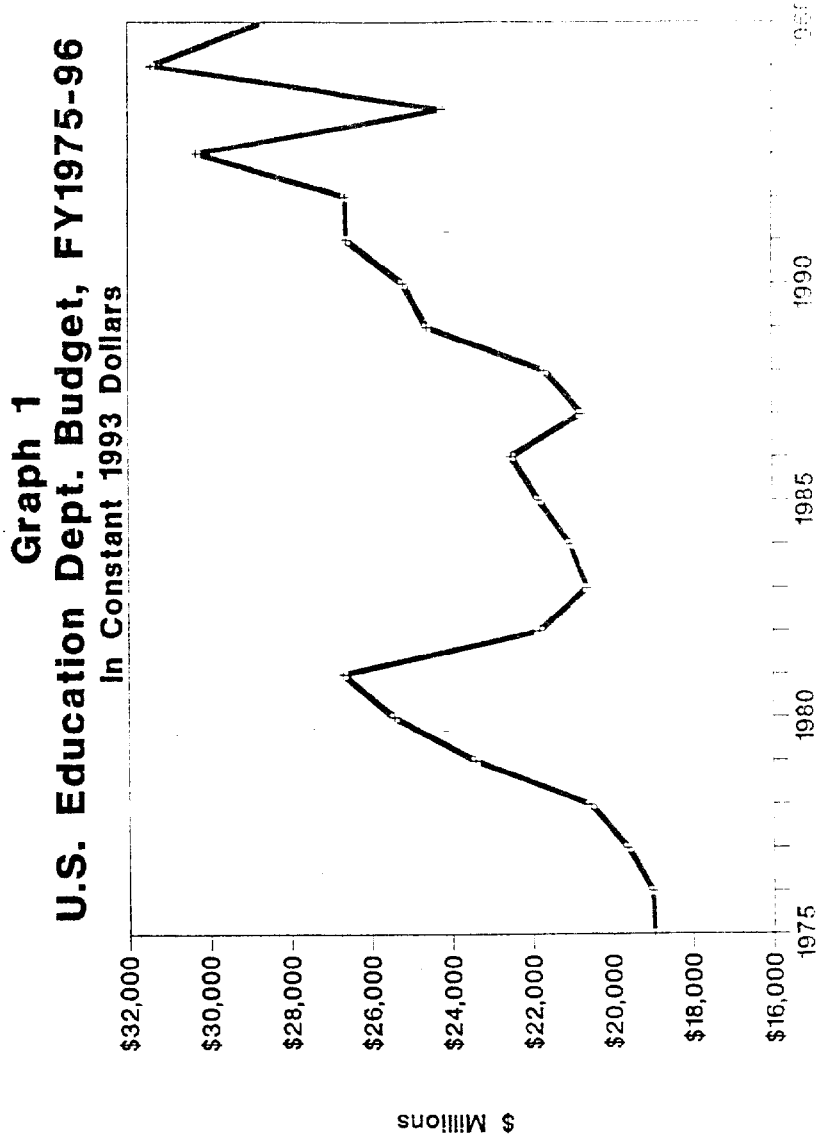
	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Dept. of Education	$24,516.0	$675.4	2.74	.732
Education function	42,995.2	1,140.6	2.65	.786
Indian Education Office (U.S. Dept. of Education)	84.8	−1.6	−1.92	.506
BIA education [2]	401.5	11.1	2.76	.330
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	198,156.2	12,915.0	6.52	.937
Health function	68,549.7	6,002.2	8.76	.914
Indian Health Service	1,423.2	75.9	5.33	.950
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	23.906.0	99.2	0.41	.010
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	24,486.1	−182.0	−0.74	.017
Housing assistance subfunction (outlays) [3]	19,368.8	593.2	3.06	.237
Housing assistance subfunction (B.A.) [3]	18,184.5	47.0	0.26	.001
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	324.6	−24.4	−7.53	.505
Economic Development and Training and Employment:				
Community & regional development function	9,199.6	−4.5	−0.05	.000
Administration for Native Americans (HHS)	36.5	−0.3	−0.74	.128
BIA economic development [2]	63.7	−1.7	−2.71	.216
U.S. Dept. of Labor	35,256.2	−273.3	−0.78	.020
Training & employment subfunction	6,802.3	21.9	0.32	.016
Indian & Native Am. Training & Emplt. (DOL) [4]	74.2	−3.4	−4.53	.764
Natural Resources:				
U.S. Dept. of the Interior	6,427.0	50.2	0.78	.451
Natural resources function	18,802.0	255.2	1.36	.596
BIA natural resources [2]	154.2	−1.1	−0.69	.047
Overall:				
BIA Total	1,481.1	27.1	1.83	.430

TABLE 4.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1993 DOLLARS, FY1982–1996 [1]—Continued

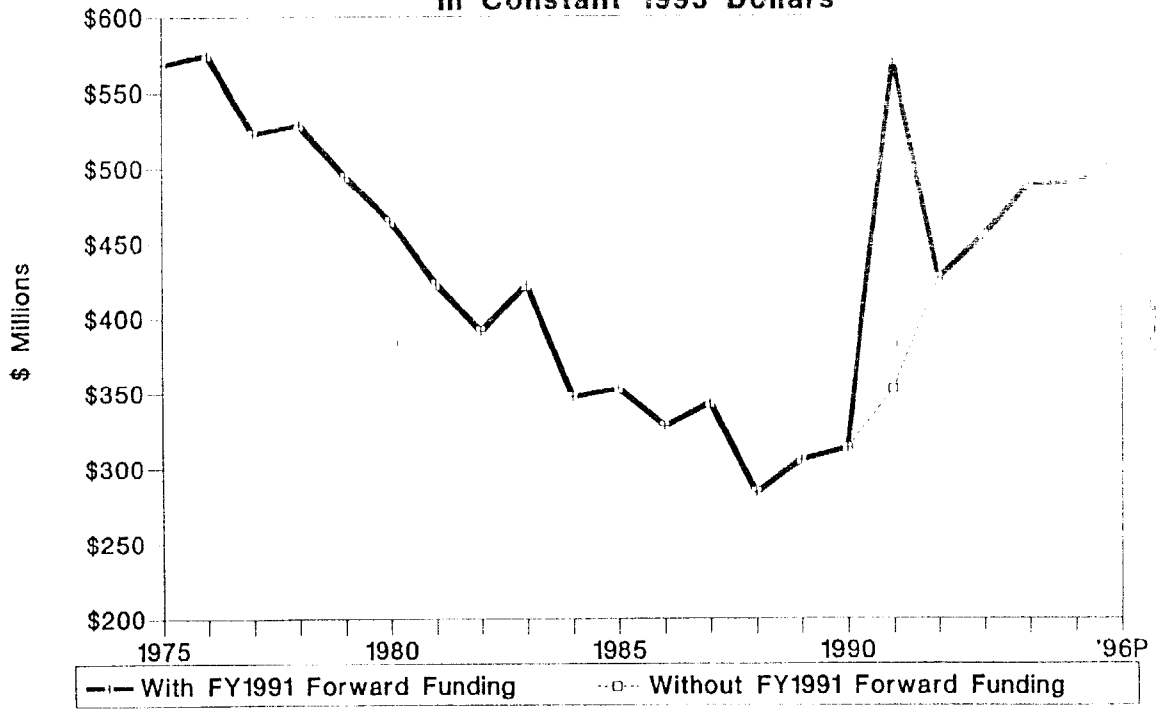
[Constant dollars based on Implicit Price Deflator for GDP]
[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
BIA tribal services [2]	402.9	14.2	3.51	.691
Overall Indian budget	3,424.4	73.3	2.14	.502
Federal non-defense budget [5]	822,618.4	24,271.5	2.95	.909

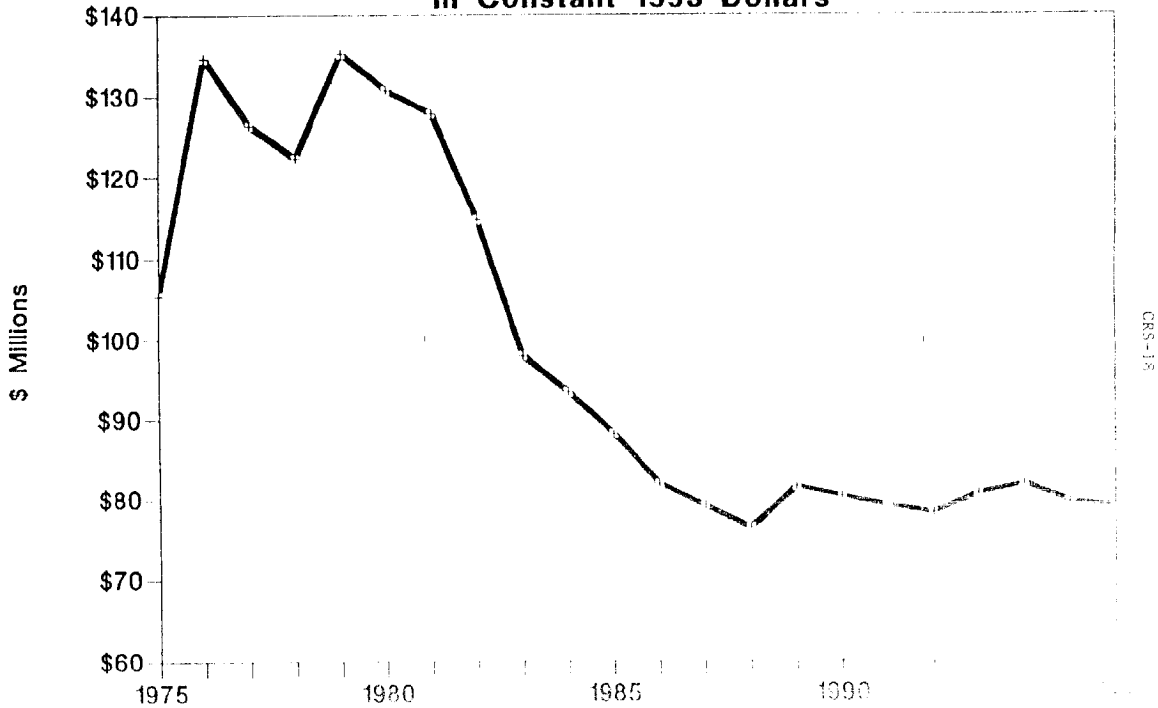
[1] See Appendix table 2 for data used to calculate these figures.
[2] Inconsistent time series from FY1993 on, because of BIA budget restructuring. ''BIA education'' excludes BIA education construction.
[3] Covers only FY1978–1996. B.A.=budget authority.
[4] FY1975–1983: CETA Indian program. FY1984–1996: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.


Graph 1
U.S. Education Dept. Budget, FY1975-96
In Constant 1993 Dollars
$ Millions
$32,000
$30,000
$28,000
$26,000
$24,000
$22,000
$20,000
$18,000
$16,000
1975
1980
1985
1990

Graph 2
BIA Education Budget, FY1975-96
In Constant 1993 Dollars



Graph 3
Indian Educ. Office in Educ. Dept., FY1975-96
In Constant 1993 Dollars



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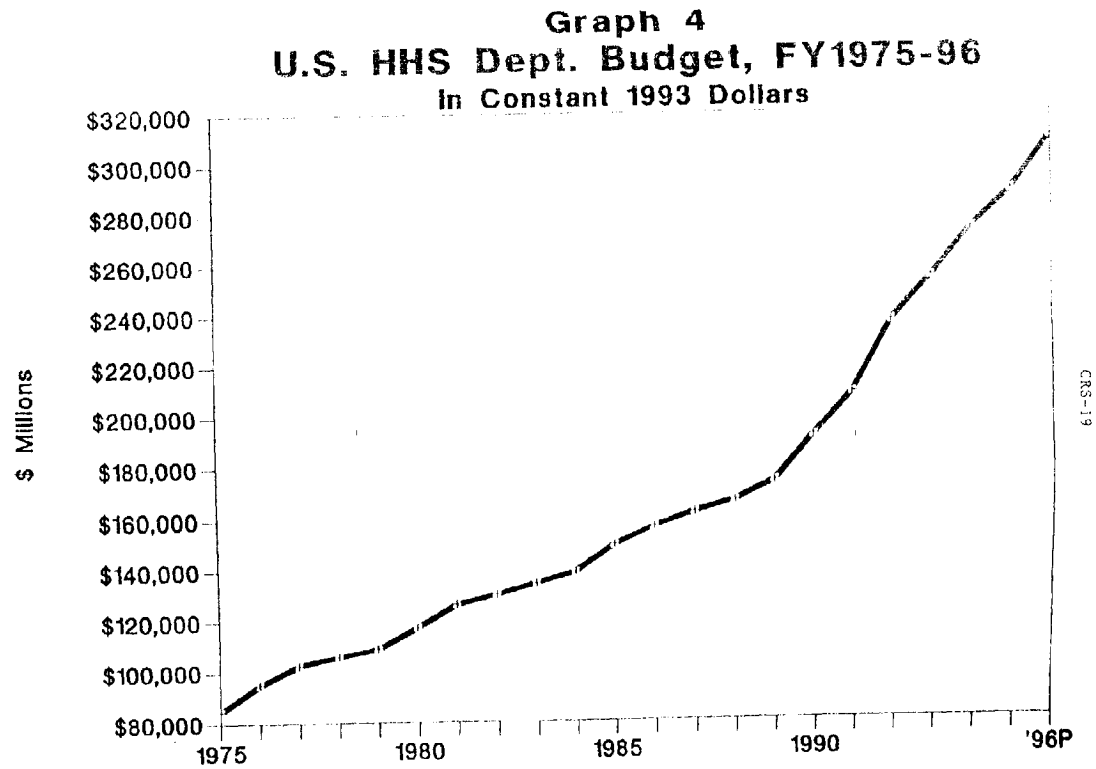
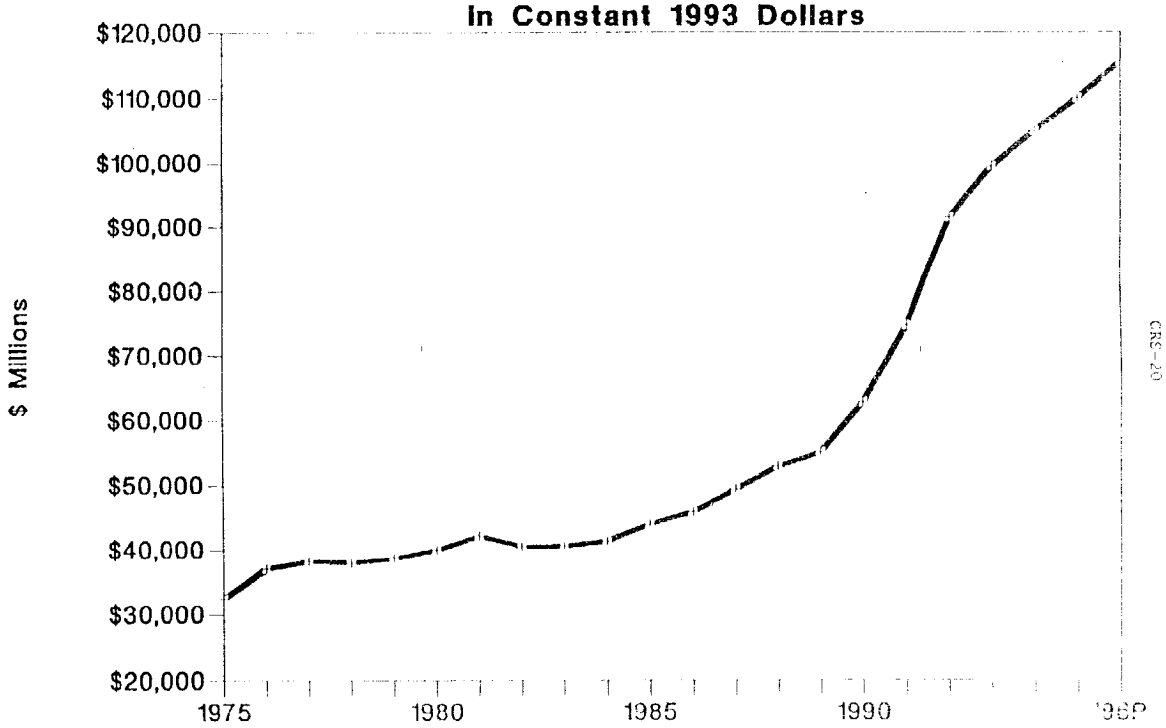

Graph 4
U.S. HHS Dept. Budget, FY1975-96
In Constant 1993 Dollars
$ Millions
$320,000
$300,000
$280,000
$260,000
$240,000
$220,000
$200,000
$180,000
$160,000
$140,000
$120,000
$100,000
$80,000
1975
1980
1985
1990
'96P

Graph 5
U.S. Health Function Spending, FY1975-96
In Constant 1993 Dollars



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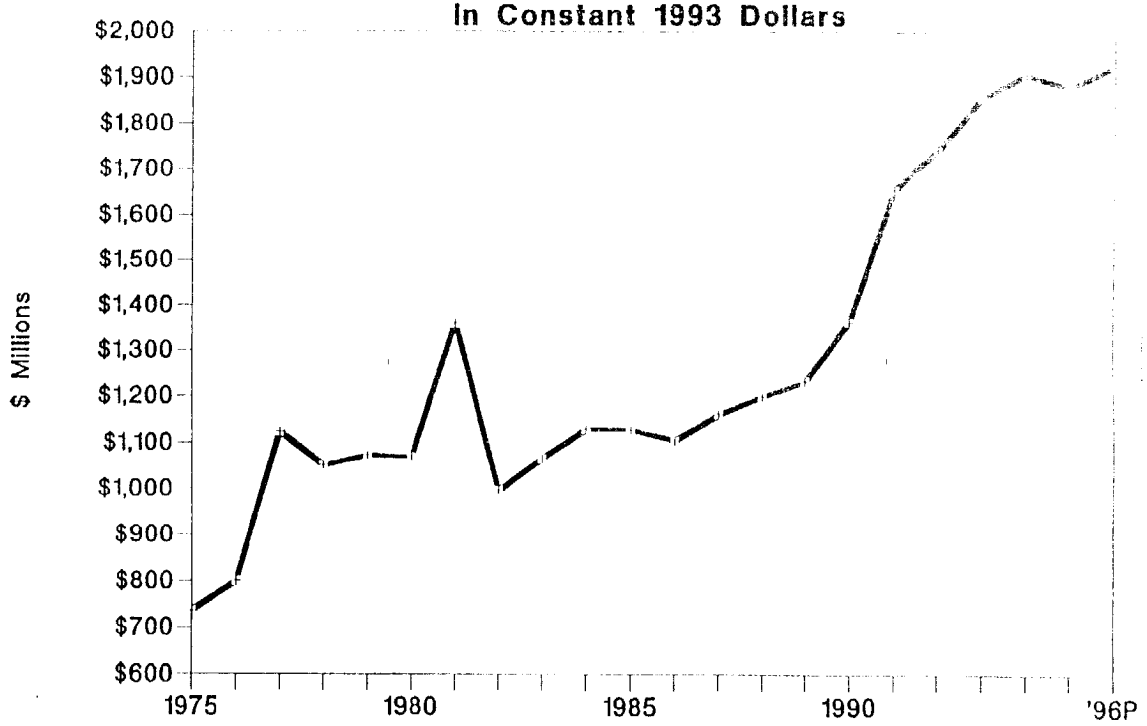
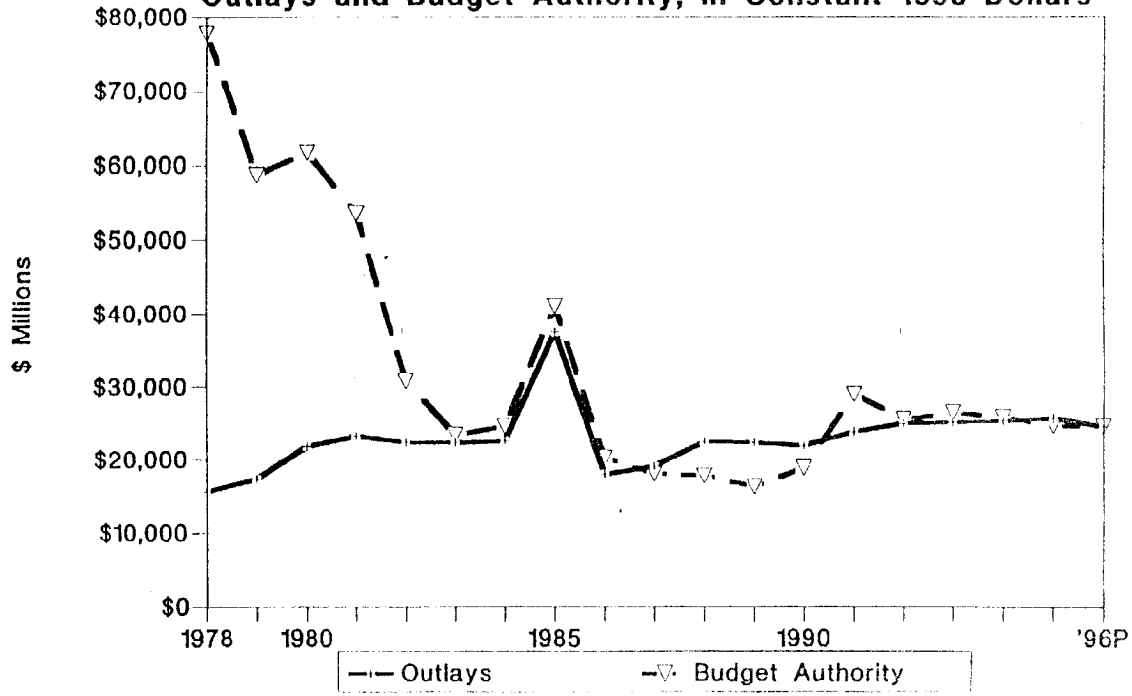
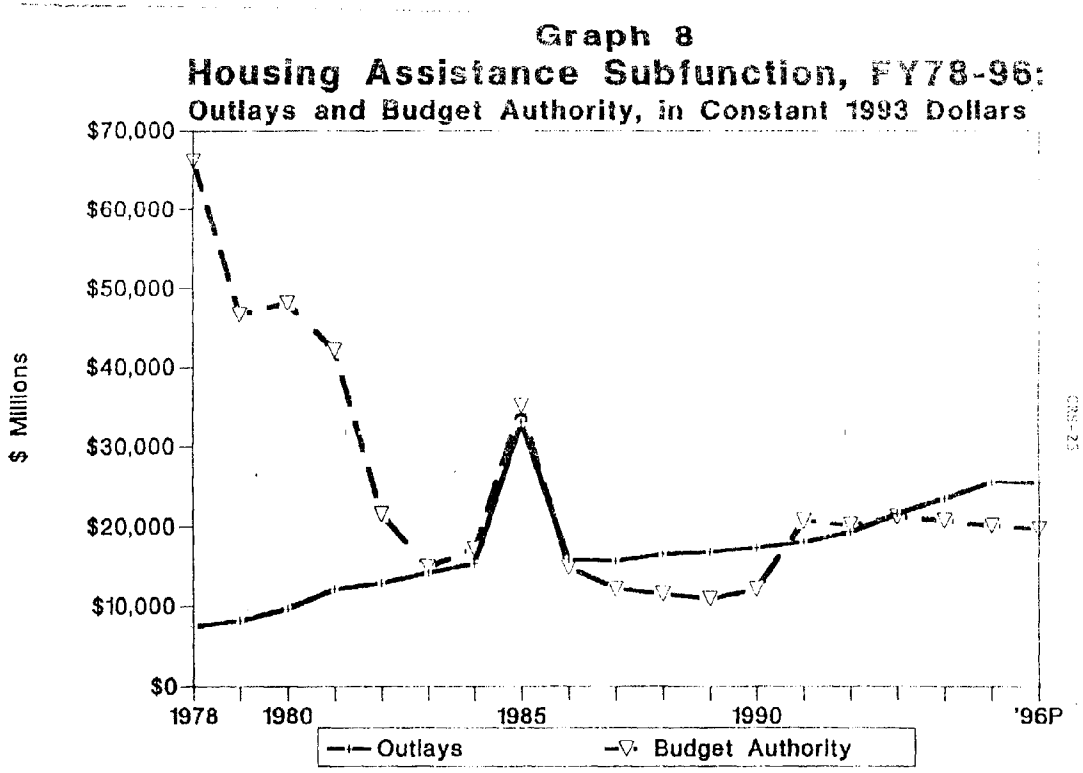
Graph 6
Indian Health Service Budget, FY1975-96
In Constant 1993 Dollars

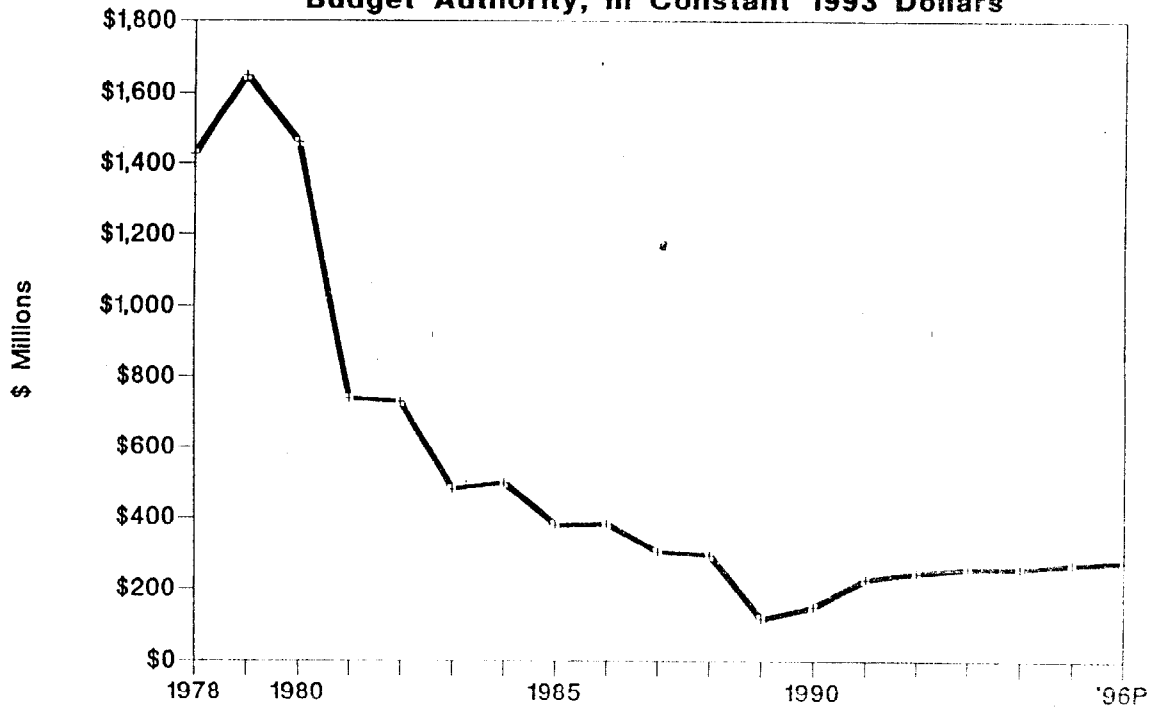


Graph 7
U.S. HUD Dept. Budget, FY1978-96:
Outlays and Budget Authority, in Constant 1993 Dollars

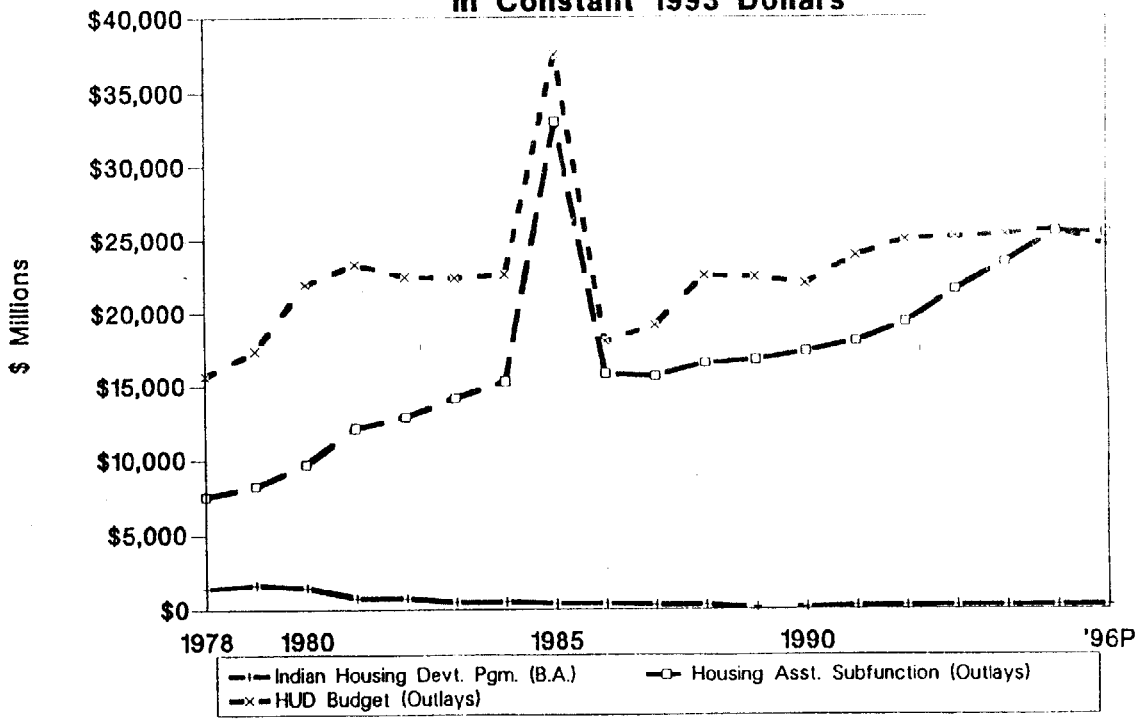



Graph 8
Housing Assistance Subfunction, FY78-96:
Outlays and Budget Authority, in Constant 1993 Dollars
$ Millions
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
1978
1980
1985
1990
'96P
Outlays
Budget Authority

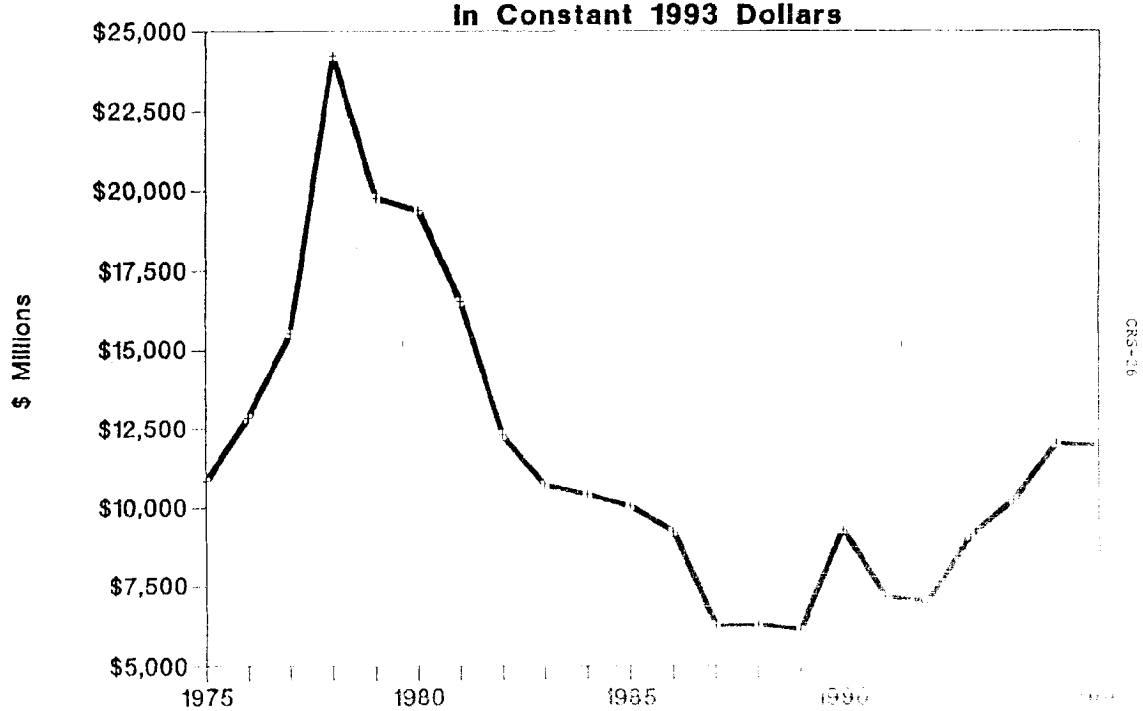
Graph 9
Indian Housing Devt. Pgm. in HUD, FY78-96
Budget Authority, in Constant 1993 Dollars



Graph 10
Indian Housing vs. HUD & Housing Asst., FY78-96
In Constant 1993 Dollars



Graph 11
U.S. Economic Devt. Function, FY75-96
In Constant 1993 Dollars



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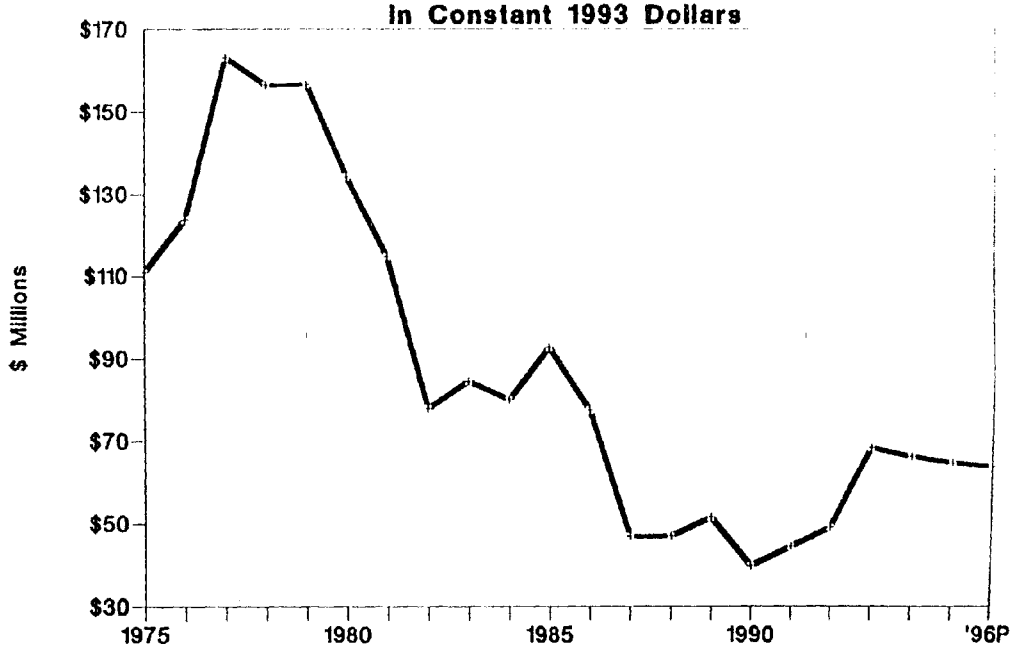
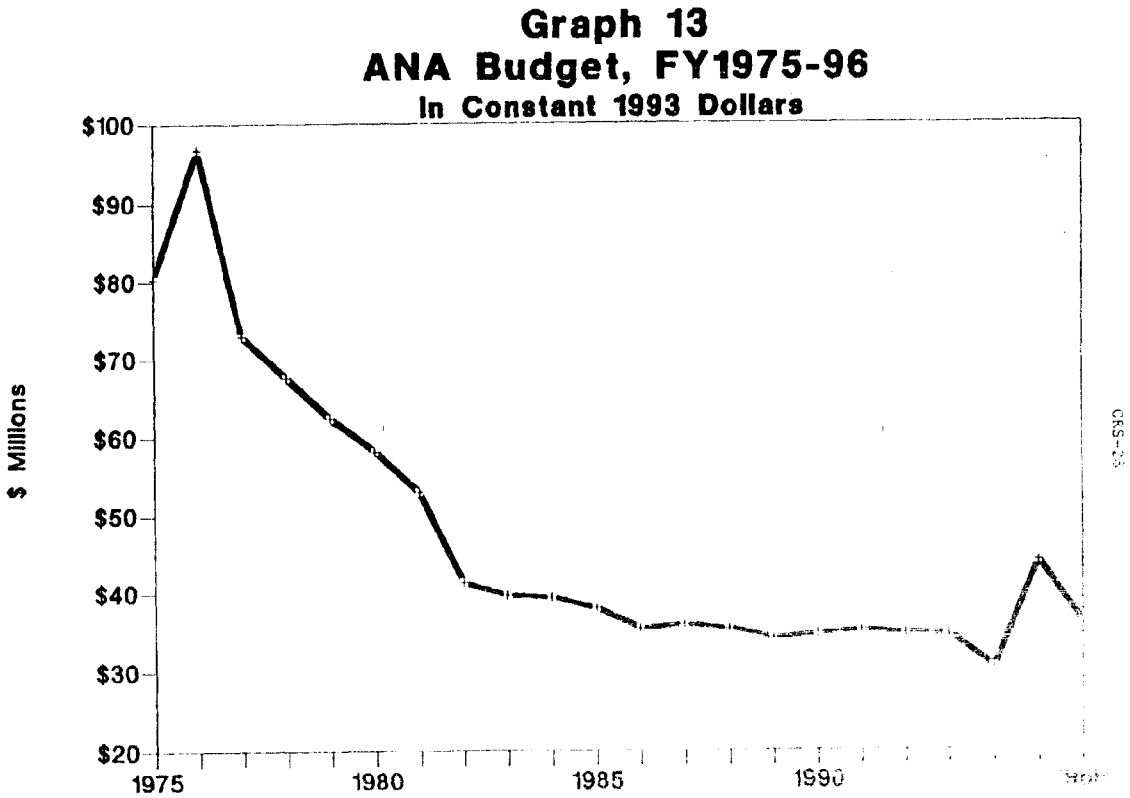
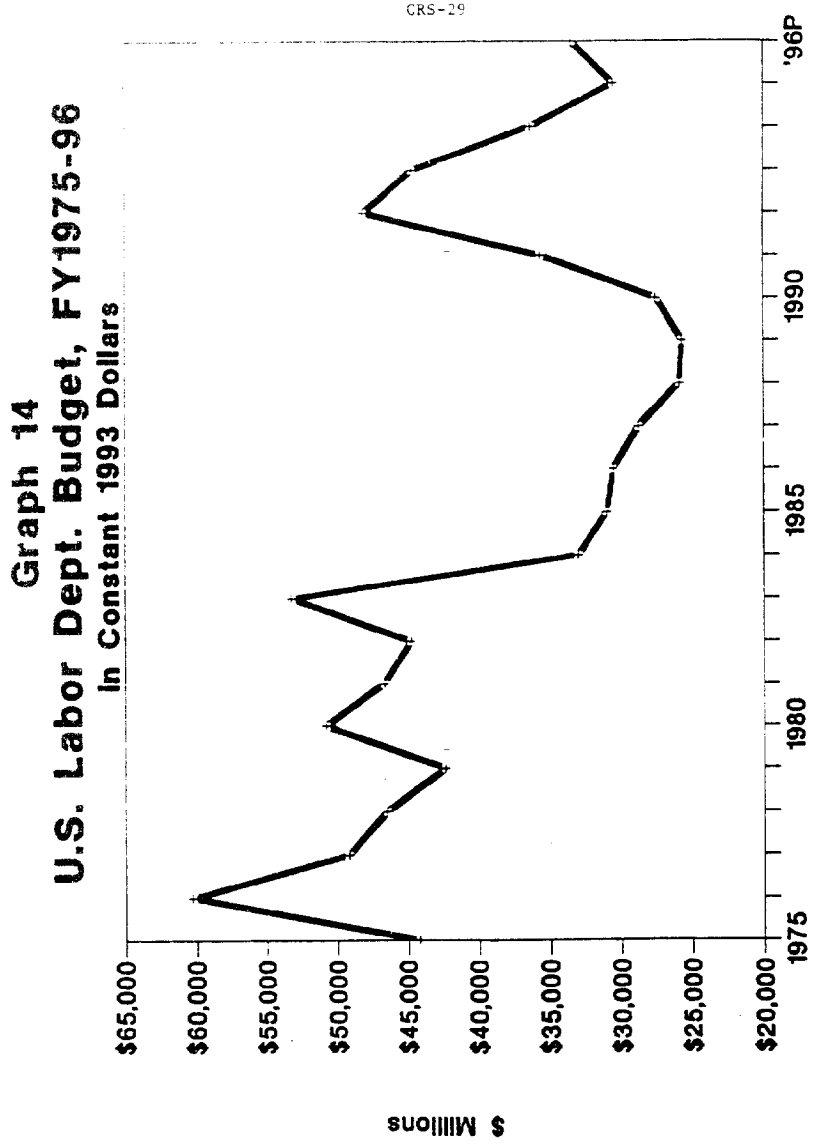
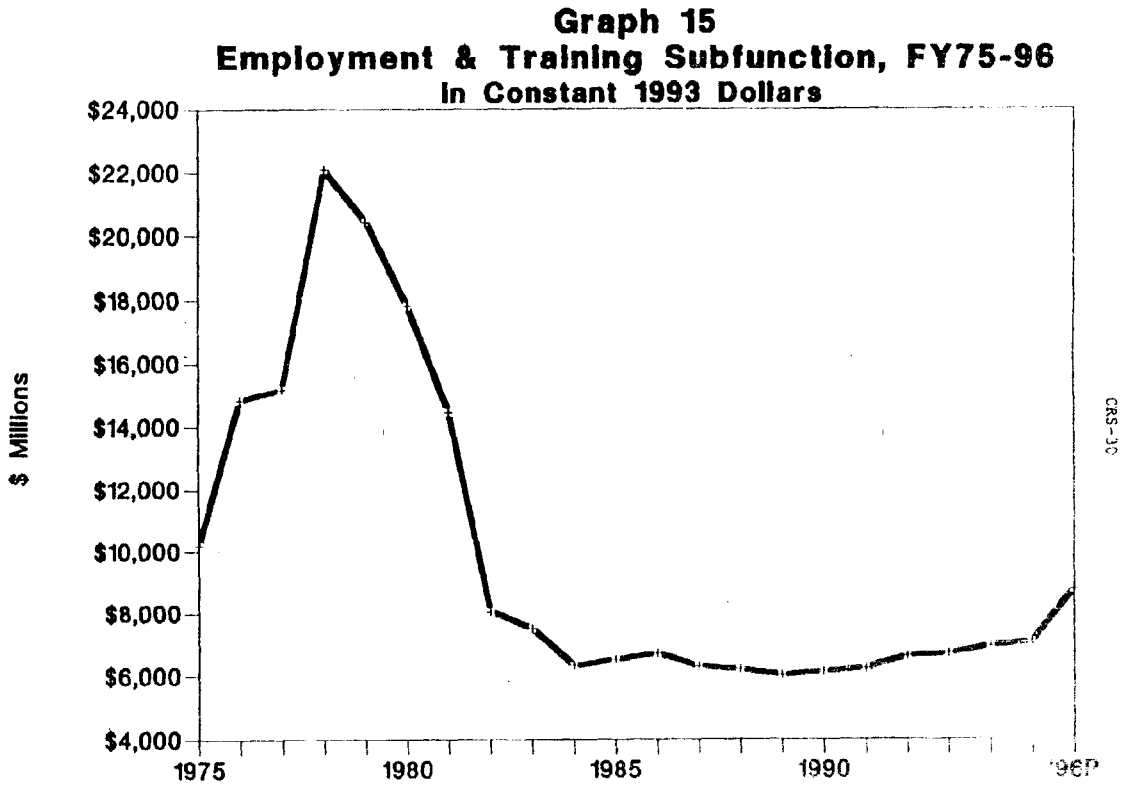
Graph 12
BIA Economic Development Budget, FY75-96
In Constant 1993 Dollars



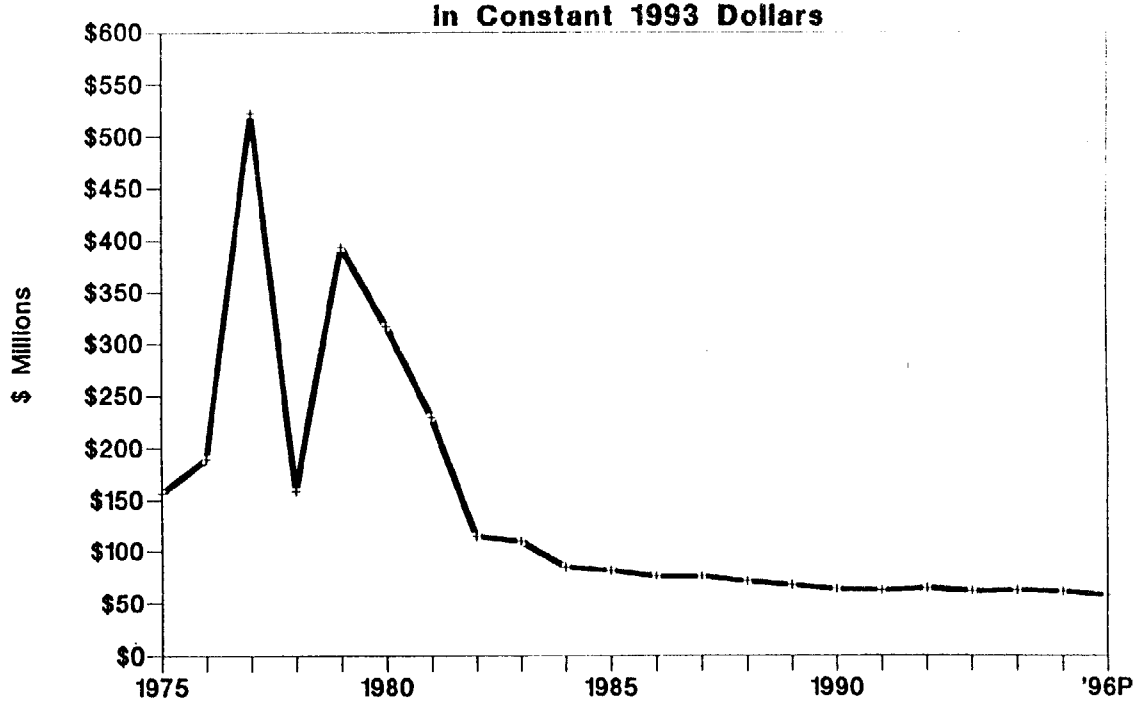

Graph 13
ANA Budget, FY1975-96
In Constant 1993 Dollars
$ Millions
$100
$90
$80
$70
$60
$50
$40
$30
$20
1975
1980
1985
1990


Graph 14
U.S. Labor Dept. Budget, FY1975-96
In Constant 1993 Dollars
$ Millions
$65,000
$60,000
$55,000
$50,000
$45,000
$40,000
$35,000
$30,000
$25,000
$20,000
1975
1980
1985
1990
'96P


Graph 15
Employment & Training Subfunction, FY75-96
In Constant 1993 Dollars
$ Millions
$24,000
$22,000
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
1975
1980
1985
1990
'96P

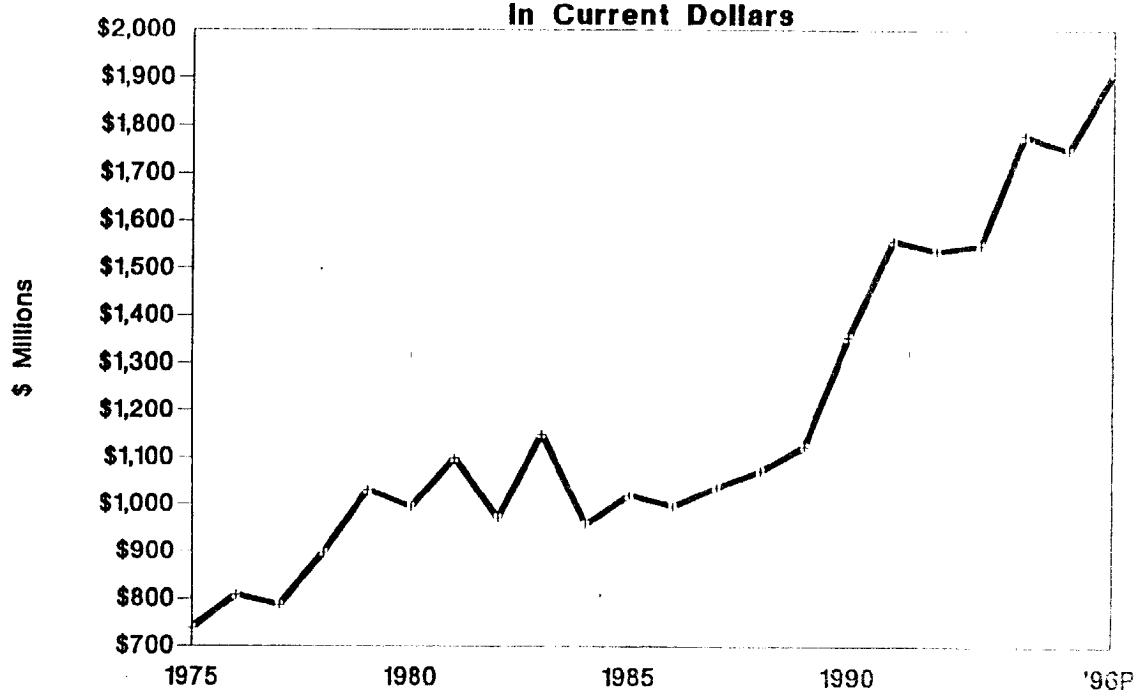
CRS-30

Graph 16
Indian Training & Employmt. Budget*, FY75-96
In Constant 1993 Dollars



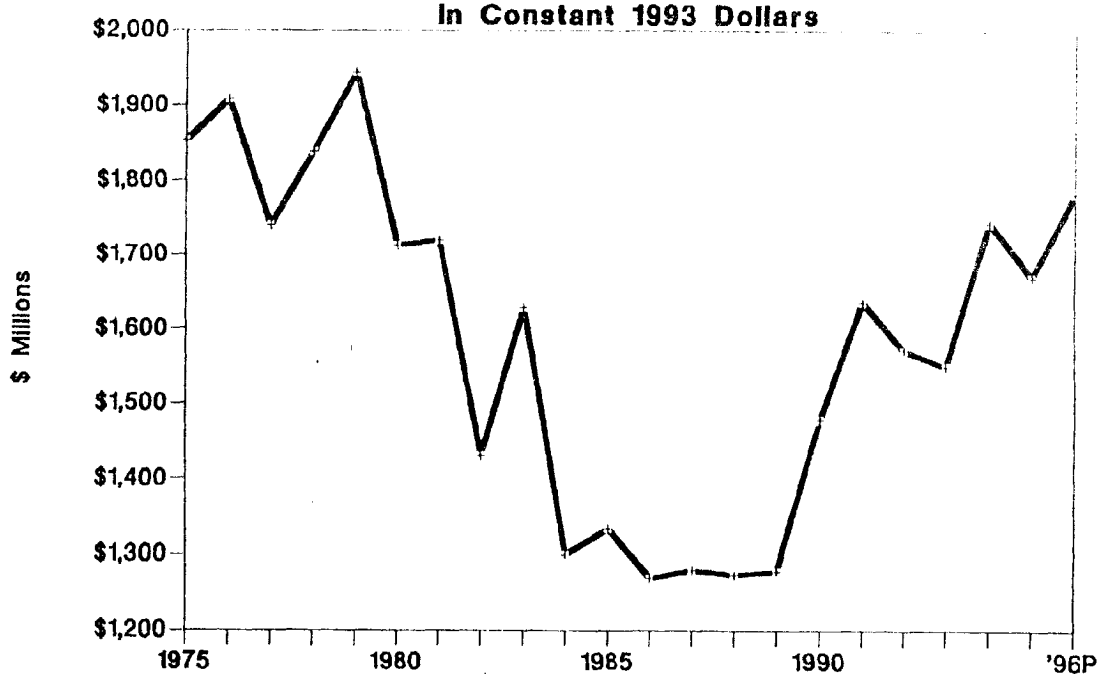
* FY75-83: CETA Indian programs. FY84-96: INAP.

Graph 17
BIA Total Budget, FY1975-96
In Current Dollars



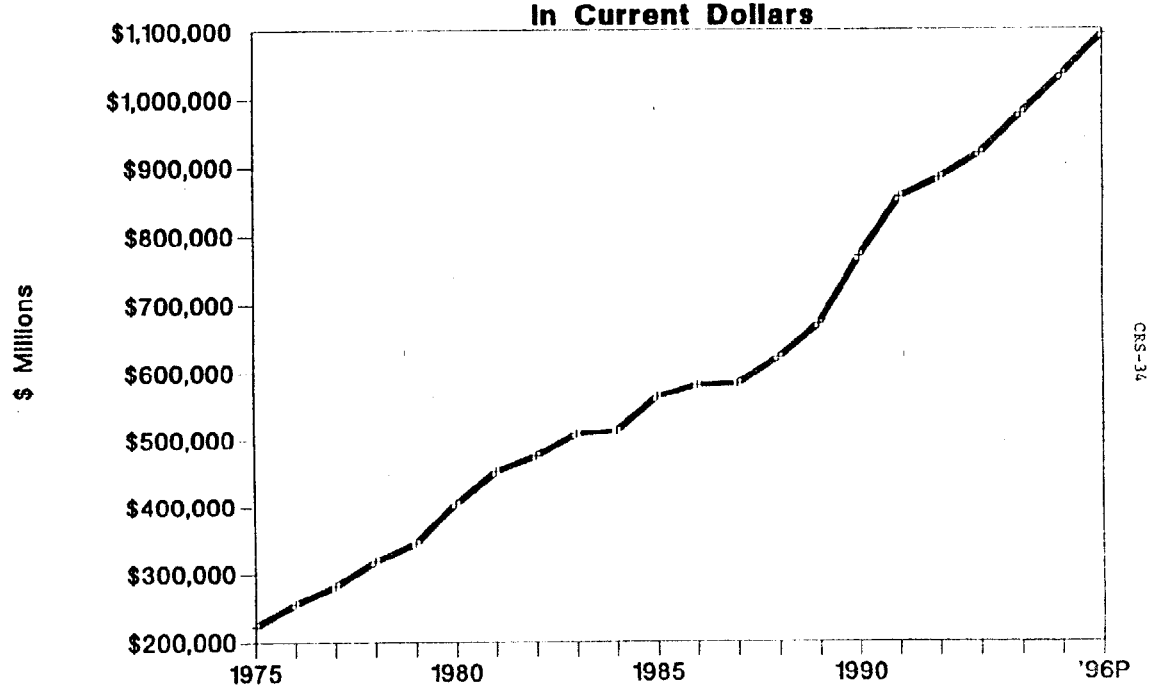
FY1991 includes Forward Funding for BIA Education ($208.9 million).

Graph 18
BIA Total Budget, FY1975-96
In Constant 1993 Dollars



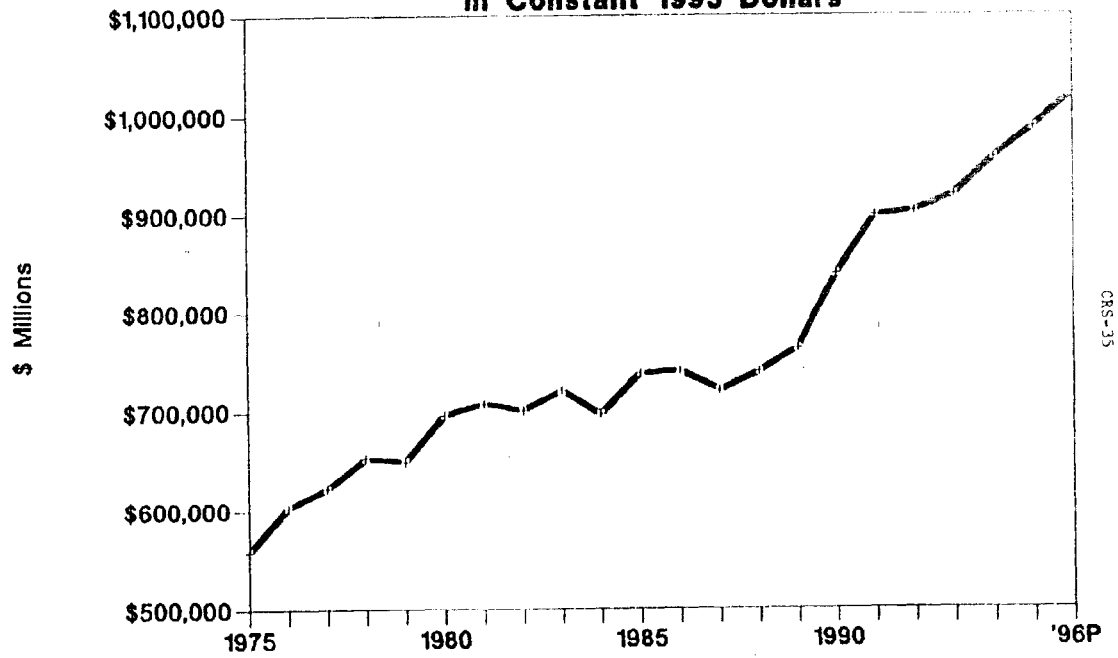
FY1991 includes Forward Funding for BIA Education

Graph 19
Overall Federal Govt. Budget*, FY75-96
In Current Dollars



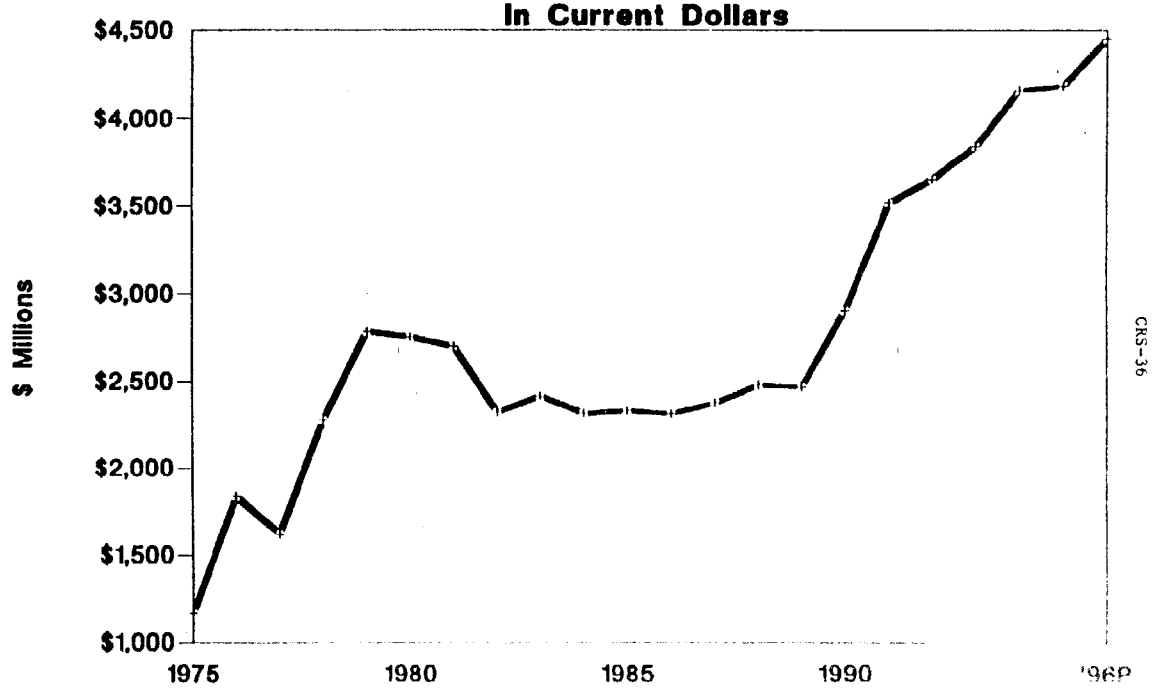
* Excluding Defense and Net Interest

Graph 20
Overall Federal Govt. Budget*, FY75-96
In Constant 1993 Dollars



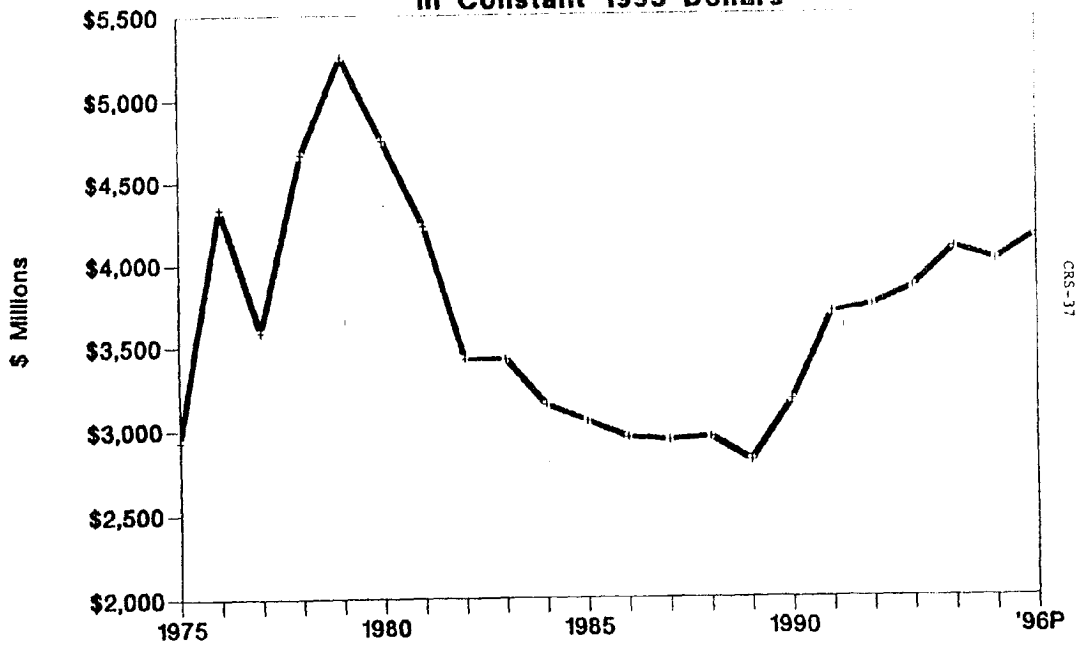
* Excluding Defense and Net Interest

Graph 21
Overall Indian Budget, FY1975-96
In Current Dollars



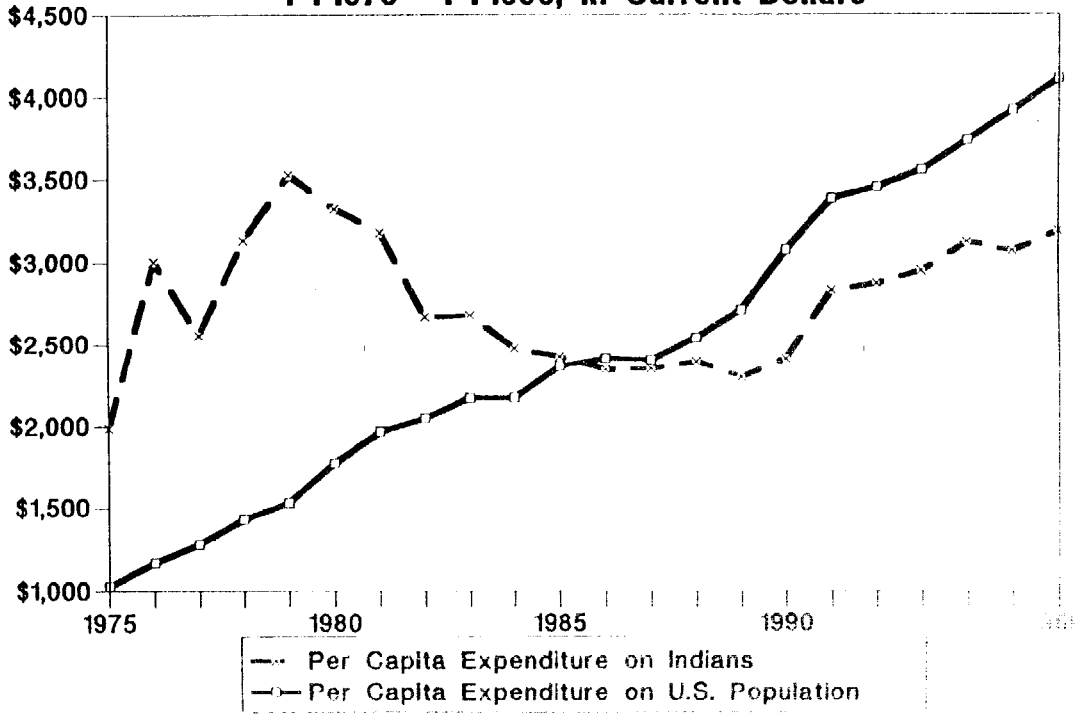
FY1991 includes Forward Funding for BIA Education ($208.9 million)

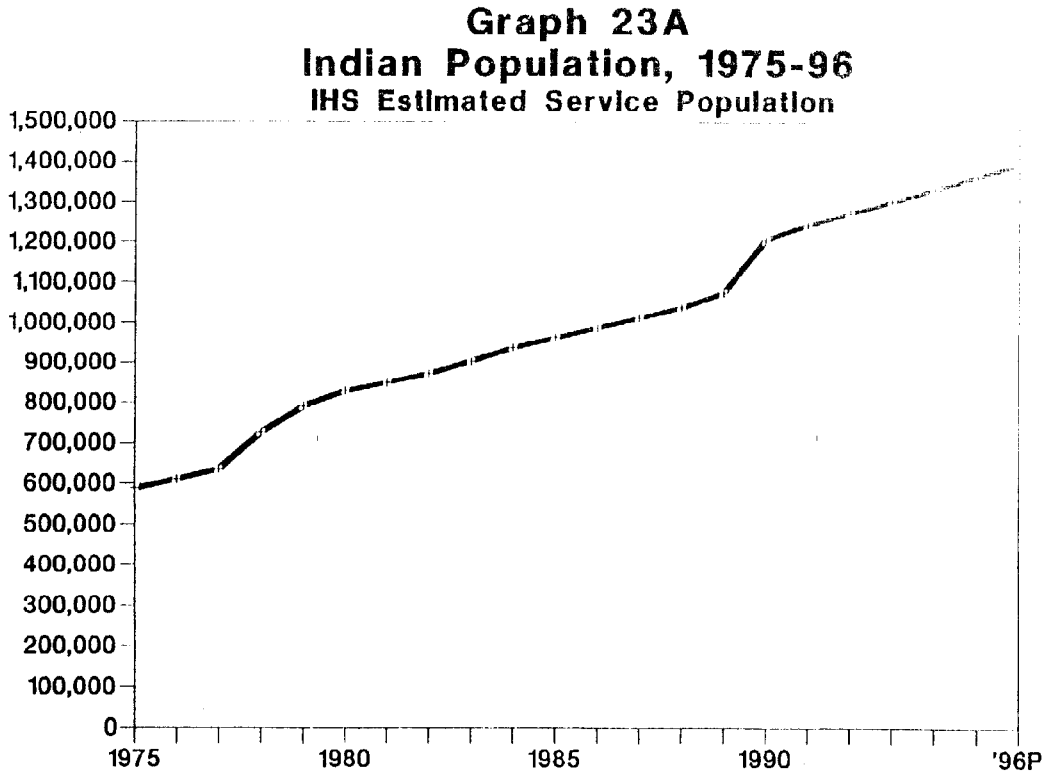
Graph 22
Overall Indian Budget, FY1975-96
In Constant 1993 Dollars



FY1991 includes Forward Funding for BIA Education

Graph 23
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY1996, in Current Dollars





Source: Indian Health Service.

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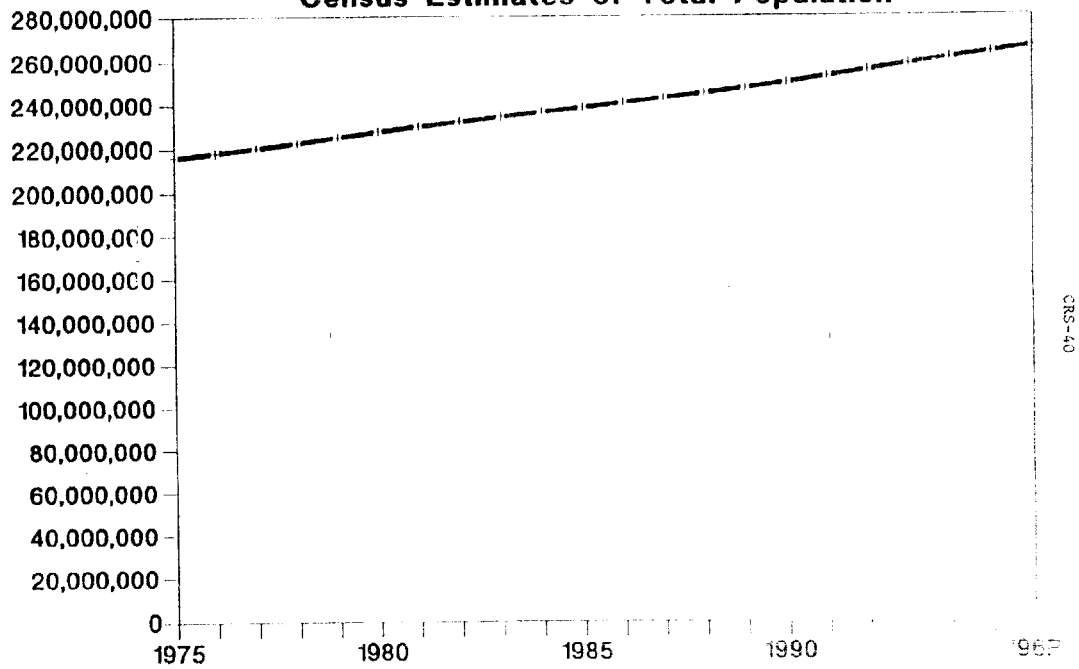
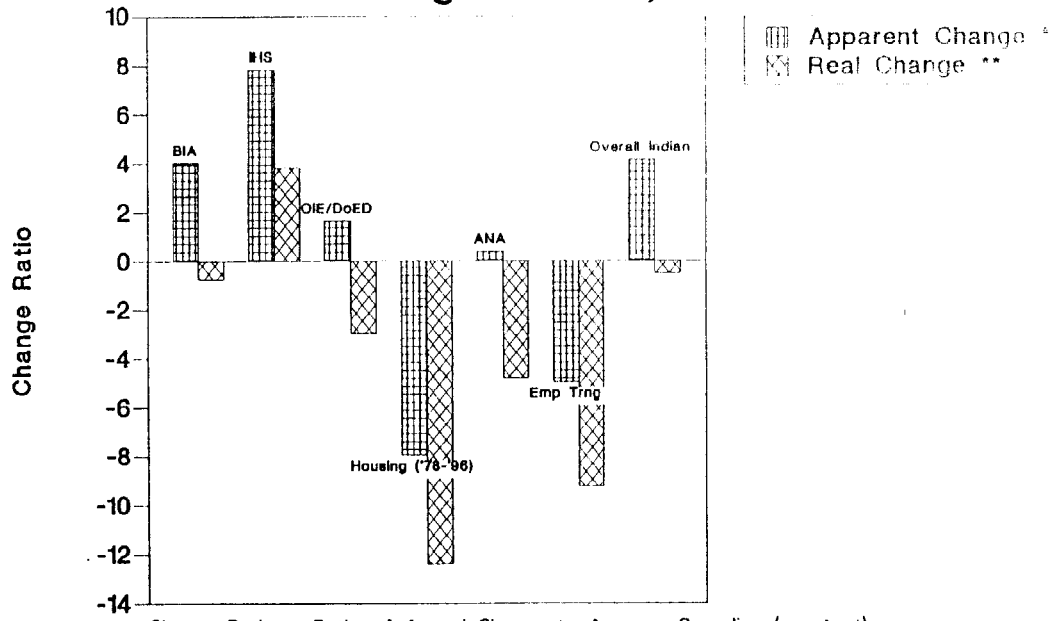
Graph 23B
United States Population, 1975-96
Census Estimates of Total Population



Source: Bureau of the Census

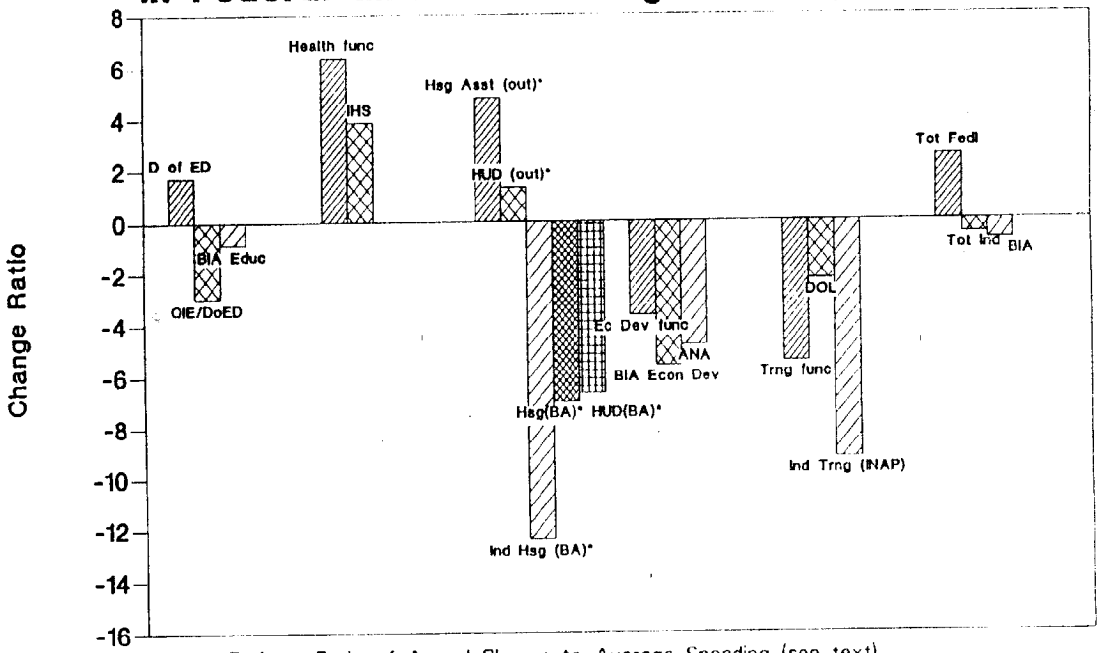
CRS-40

Graph 24
Apparent Vs. Real Change Ratios In Indian Budget Areas, FY1975-1996



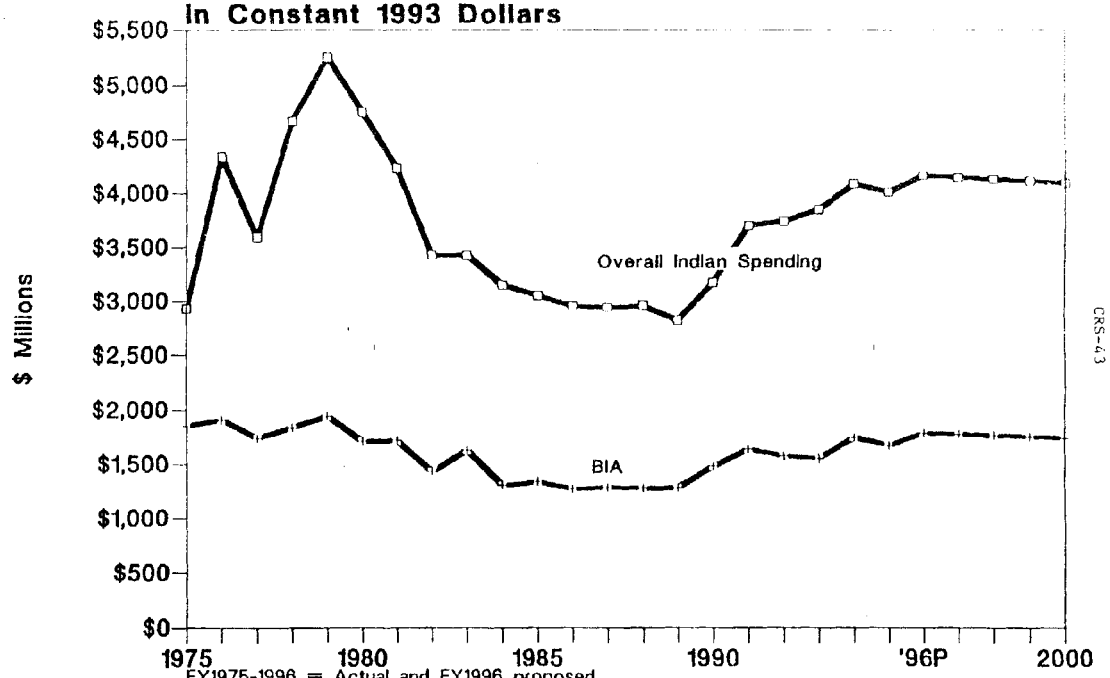
Change Ratio = Ratio of Annual Change to Average Spending (see text).
* Change Ratio based on Current Dollars
** Change Ratio based on Constant 1993 Dollars

Graph 25
Comparison of Real** Change Ratios in Federal and Indian Budget Areas, FY1975-1996



Change Ratio = Ratio of Annual Change to Average Spending (see text).
** Based on Constant 1993 Dollars.
* All housing ratios based on FY1978-1996.

Graph 26: BIA and Overall Indian Spending, Actual and Projected, FY1975-2000
In Constant 1993 Dollars



FY1975-1996 = Actual and FY1996 proposed.
FY1997-2000 = Projections based on FY1975-96 annual change.

Appendix Table 1.—Budget Data for Selected Elements of the Federal Budget, in Current Dollars, FY 1975–1996

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgm. in HUD (B.A. Use for new construction)	Admin. for Native Americans (Approps.)	Indian & Native American employment & training in Labor Dept. (Approps.)	Overall Indian budget
1975	$738,236	$293,103	$42,034	N/A	$32,000	$62,304	$1,167,677
1976	808,095	338,926	57,055	$511,200	41,000	80,198	1,836,474
1977	787,359	509,055	57,212	N/A	33,000	236,525	1,623,151
1978	897,740	513,267	59,732	696,900	33,000	77,160	2,277,799
1979	1,031,195	569,153	71,735	874,300	33,100	208,684	2,788,167
1980	994,227	620,871	75,900	847,900	33,800	183,835	2,756,533
1981	1,098,447	869,762	81,680	471,500	33,800	146,817	2,702,006
1982	970,360	676,157	77,852	494,300	28,000	77,436	2,324,105
1983	1,149,902	752,916	69,185	340,600	28,000	77,355	2,417,958
1984	957,593	832,407	68,780	368,100	29,000	62,243	2,318,123
1985	1,019,411	862,203	67,404	290,200	29,000	62,243	2,330,461
1986	995,693	867,177	64,187	299,500	27,742	59,567	2,313,866
1987	1,036,253	940,750	64,036	245,000	28,989	61,484	2,376,512
1988	1,071,406	1,008,818	64,234	247,800	29,679	59,713	2,481,650
1989	1,122,966	1,081,993	71,553	102,699	29,975	58,996	2,468,182
1990	1,355,720	1,250,133	73,620	136,099	31,709	58,193	2,905,474
1991	1,558,541	1,577,549	75,364	216,083	33,375	59,624	3,520,536
1992	1,536,954	1,705,954	76,570	239,797	33,920	63,000	3,656,195
1993	1,548,709	1,858,630	80,583	257,610	34,502	61,871	3,841,905
1994	1,778,653	1,947,175	83,500	263,000	30,984	63,895	4,167,207
1995E	1,747,091	1,967,562	83,341	283,000	45,969	64,081	4,191,044
1996P	1,910,441	2,063,522	84,785	297,000	38,461	61,881	4,456,09

Fiscal year	BIA Education Program [1] (Approps.)	BIA Tribal Services Program [1,2] (Approps.)	BIA Economic Devt. Program [1,3] (Approps.)	BIA Natural Resources Program [1] (Approps.)	U.S. Dept. of Education (outlays)	U.S. Dept. of HHS (except Soc. Sec. Admin.) (outlays)	U.S. Dept. of HUD (outlays)	U.S. Dept. of HUD (B.A.)
1975	$226,495	$98,703	$44,223	$31,337	$7,557,000	$33,751,000	$7,512,000	NA
1976	243,590	137,616	52,441	36,012	8,049,000	40,261,000	7,026,000	29,200,000

1977	236,700	159,118	73,966	45,536	8,887,000	46,493,000	5,808,000	33,818,000
1978	258,203	189,086	76,422	76,967	10,037,000	51,752,000	7,650,000	37,994,000
1979	262,242	205,198	83,162	75,338	12,423,000	57,820,000	9,220,000	31,142,000
1980	270,033	201,128	77,971	74,237	14,770,000	68,255,000	12,735,000	35,852,000
1981	270,183	227,249	73,365	85,711	17,053,000	80,821,000	14,880,000	34,220,000
1982	265,606	235,315	52,884	84,743	14,808,000	88,408,000	15,232,000	20,911,000
1983	298,143	277,865	59,821	119,241	14,558,000	95,008,000	15,814,000	16,561,000
1984	255,754	254,355	59,009	99,657	15,511,000	102,375,000	16,663,000	18,148,000
1985	269,644	241,807	71,002	124,101	16,682,000	114,271,000	28,720,000	31,398,000
1986	257,299	254,152	60,810	135,179	17,673,000	122,943,000	14,139,000	15,928,000
1987	277,783	275,367	38,025	144,428	16,800,000	131,414,000	15,484,000	14,657,000
1988	238,434	340,025	39,543	146,010	18,246,000	140,039,000	18,938,000	14,949,000
1989	268,503	315,973	45,299	181,696	21,608,000	152,699,000	19,680,000	14,347,000
1990	287,384	322,629	36,496	125,719	23,109,000	175,531,000	20,167,000	17,315,000
1991	544,545	364,060	42,408	139,694	25,339,000	198,110,000	22,751,000	27,634,000
1992	416,859	432,045	48,072	139,932	26,047,000	231,560,000	24,470,000	24,966,000
1993	454,694	454,705	68,440	137,662	30,290,000	253,835,000	25,181,000	26,468,000
1994	498,675	527,999	67,614	148,338	24,699,000	278,901,000	25,848,000	26,322,000
1995E	511,731	540,467	67,771	150,394	32,888,000	301,439,000	26,854,000	25,820,000
1966P	543,493	591,052	68,516	147,584	30,651,000	331,437,000	26,276,000	26,298,000

Fiscal year	U.S. Dept. of Interior (Outlays)	U.S. Dept. of Labor (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Housing Assistance Subfunction (Outlays)	Housing Assistance Subfunction (B.A.)	Economic Development Function (Outlays)	Training & employment Subfunction (Outlays)
1975	$2,221,000	$17,610,000	$16,022,000	$12,930,000	$2,058,000	N/A	$4,322,000	$4,036,000
1976	2,433,000	25,526,000	18,910,000	15,734,000	2,499,000	19,421,000	5,442,000	6,288,000
1977	3,213,000	22,269,000	21,104,000	17,302,000	2,968,000	28,629,000	7,021,000	6,877,000
1978	3,874,000	22,712,000	26,710,000	18,524,000	3,677,000	32,300,000	11,841,000	10,784,000
1979	4,168,000	22,459,000	30,223,000	20,494,000	4,367,000	24,780,000	10,480,000	10,833,000
1980	4,472,000	29,510,000	31,843,000	23,169,000	5,632,000	27,932,000	11,252,000	10,345,000
1981	4,456,000	29,821,000	33,709,000	26,866,000	7,752,000	26,927,000	10,568,000	9,241,000
1982	3,944,000	30,387,000	27,029,000	27,445,000	8,738,000	14,608,000	8,347,000	5,464,000
1983	4,547,000	37,604,000	26,606,000	28,641,000	9,998,000	10,498,000	7,560,000	5,295,000
1984	4,943,000	24,292,000	27,579,000	30,417,000	11,270,000	12,671,000	7,673,000	4,644,000
1985	4,820,000	23,699,000	29,342,000	33,542,000	25,263,000	26,879,000	7,680,000	4,972,000
1986	4,785,000	23,941,000	30,585,000	35,936,000	12,383,000	11,643,000	7,233,000	5,257,000
1987	5,046,000	23,253,000	29,724,000	39,967,000	12,656,000	9,864,000	5,051,000	5,084,000

Fiscal year	U.S. Dept. of Interior (Outlays)	U.S. Dept. of Labor (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Housing Assistance Subfunction (Outlays)	Housing Assistance Subfunction (B.A.)	Economic Development Function (Outlays)	Training & employment Subfunction (Outlays)
1988	5,143,000	21,743,000	31,938,000	44,487,000	13,906,000	9,698,000	5,294,000	5,215,000
1989	5,207,000	22,549,000	36,674,000	48,390,000	14,715,000	9,568,000	5,362,000	5,292,000
1990	5,790,000	25,215,000	38,755,000	57,716,000	15,891,000	11,135,000	8,498,000	5,619,000
1991	6,088,000	33,954,000	43,354,000	71,183,000	17,175,000	19,721,000	6,811,000	5,934,000
1992	6,539,000	47,078,000	45,248,000	89,497,000	18,904,000	19,736,000	6,838,000	6,479,000
1993	6,784,000	44,651,000	50,012,000	99,415,000	21,542,000	21,170,000	9,052,000	6,700,000
1994	6,900,000	37,047,000	46,307,000	107,122,000	23,888,000	21,114,000	10,454,000	7,097,000
1995E	7,329,000	31,942,000	56,065,000	115,098,000	26,694,000	21,014,000	12,598,000	7,423,000
1996P	7,340,000	35,853,000	57,173,000	124,002,000	27,198,000	21,076,000	12,815,000	9,396,000

Fiscal Year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget [4] (Outlays)	U.S. Total Population	Indian Population (IHS data)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure	Implicit Price Deflator for Gross Domestic Product (1987=100)	Implicit Price Deflator for Gross Domestic Product (1993=100)
1975	$7,346,000	$222,579,000	215,973,000	587,468	$1,031	$1,988	498.2	39.8
1976	8,184,000	255,446,000	218,035,000	611,296	$1,172	$3,004	52.3	42.3
1977	10,032,000	282,076,000	220,239,000	635,313	$1,281	$2,555	55.9	45.3
1978	10,983,000	318,793,000	222,585,000	726,551	$1,432	$3,135	60.3	48.8
1979	12,135,000	344,507,000	225,055,000	790,486	$1,531	$3,527	65.5	53.0
1980	13,858,000	404,414,000	227,726,000	828,609	$1,776	$3,327	71.7	58.1
1981	13,568,000	451,962,000	229,966,000	849,315	$1,965	$3,181	78.9	63.9
1982	12,998,000	475,402,000	232,188,000	871,167	$2,047	$2,668	83.8	67.9
1983	12,672,000	508,649,000	234,307,000	902,701	$2,171	$2,679	87.2	70.6
1984	12,593,000	513,310,000	236,348,000	936,942	$2,172	$2,474	91.0	73.7
1985	13,357,000	564,139,000	238,466,000	961,881	$2,366	$2,423	94.4	76.4
1986	13,639,000	580,914,000	240,651,000	986,551	$2,414	$2,345	96.9	78.5
1987	13,363,000	583,260,000	242,804,000	1,011,837	$2,402	$2,349	100.0	81.0
1988	14,606,000	621,941,000	245,021,000	1,038,121	$2,538	$2,391	103.9	84.1
1989	16,182,000	670,347,000	247,342,000	1,073,886	$2,710	$2,298	108.5	87.9
1990	17,080,000	769,153,000	249,908,000	1,206,724	$3,078	$2,408	113.3	91.7
1991	18,559,000	855,960,000	252,648,000	1,243,717	$3,388	$2,831	117.7	95.3

1992	20,025,000	883,085,000	255,458,000	1,272,905	$3,457	$2,872	120.9	97.9
1993	20,239,000	918,778,000	258,245,000	1,302,723	$3,558	$2,949	123.5	100.0
1994	21,064,000	976,394,000	260,967,000	1,333,291	$3,741	$3,126	126.1	102.1
1995E	21,891,000	1,033,096,000	263,434,000	1,364,526	$3,922	$3,071	129.3	104.7
1996P	21,839,000	1,093,703,000	266,096,000	1,396,472	$4,110	$3,191	132.4	107.2

[1] Inconsistent time series because of FY 1993–1994 BIA budget restructuring. ''BIA Education Program'' excludes BIA education construction.
[2] Includes Tribal Services (with Housing Improvement Program) and Navajo-Hopi Settlement programs.
[3] Includes Road Maintenance program.
[4] Excludes national defense outlays and net interest payments on national debt.
N/A Not Available.
E Estimate.
P Proposed amounts and projections.
B.A. Budget authority.

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS IF THE FEDERAL BUDGET, IN CONSTANT 1993 DOLLARS, FY1975–1996

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgr. in HUD (B.A. Use for new construction	Admin. for native Americans (Approps.)	Indian & Native American employment & training in Labor Dept. (Approps.)	Overall Indian Budget
1975	$1,853,092	$735,736	$105,512	NA	$80,325	$156,393	$2,931,059
1976	1,908,217	800,332	134,728	$1,207,136	96,816	189,378	4,336,607
1977	1,739,514	1,124,656	126,399	NA	72,907	522,555	3,586,031
1978	1,838,655	1,051,218	122,337	1,427,316	67,587	158,031	4,665,144
1979	1,944,314	1,073,136	135,256	1,648,489	62,410	393,473	5,257,078
1980	1,712,511	1,069,422	130,734	1,460,469	58,219	316,647	4,748,003
1981	1,719,369	1,361,415	127,851	738,026	52,906	229,807	4,229,376
1982	1,430,065	996,484	114,734	728,473	41,265	114,121	3,425,142
1983	1,628,588	1,066,343	97,986	482,386	39,656	109,557	3,424,516
1984	1,299,591	1,129,695	93,344	499,564	39,357	84,473	3,146,024
1985	1,333,657	1,127,988	88,182	379,658	37,940	81,430	3,048,855
1986	1,269,020	1,105,226	81,807	381,716	35,357	75,919	2,949,045
1987	1,279,772	1,161,826	79,084	302,575	35,801	75,933	2,934,992
1988	1,273,519	1,199,124	76,351	294,546	35,278	70,977	2,949,796
1989	1,278,215	1,231,577	81,445	116,897	34,119	67,152	2,809,405
1990	1,477,771	1,362,678	80,248	148,352	34,564	63,432	3,167,044
1991	1,635,343	1,655,287	79,078	226,731	35,020	62,562	3,694,020
1992	1,570,007	1,742,641	78,217	244,954	34,649	64,355	3,734,823
1993	1,548,709	1,858,630	80,583	257,610	34,502	61,871	3,841,905

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS IF THE FEDERAL BUDGET, IN CONSTANT 1993 DOLLARS, FY1975–1996—Continued

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgr. in HUD (B.A. Use for new construction	Admin. for native Americans (Approps.)	Indian & Native American employment & training in Labor Dept. (Approps.)	Overall Indian Budget
1994	1,741,980	1,907,027	81,778	257,577	30,345	62,578	4,081,285
1995E	1,668,722	1,879,303	79,603	270,305	43,907	61,207	4,003,047
1996P	1,782,020	1,924,811	79,086	277,035	35,876	57,721	4,156,549

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS IF THE FEDERAL BUDGET, IN CONSTANT 1993 DOLLARS, FY1975–1996

[Dollar amounts in thousands, except per capita figures]

Fiscal year	BIA Education Program [1] (Approps.)	BIA Tribal Services Program [1,2] (Approps.)	BIA Economic Devt. Program [1,3] (Approps.)	BIA Natural Resources Program [1] (Approps.)	U.S. Dept. of Education (Outlays)	U.S. Dept. of HHS (except Soc. Sec. Admin.) (Outlays)	U.S. Dept. of HUD (Outlays)	U.S. Dept. of HUD (B.A.)
1975	$568,539	$247,761	$111,007	$78,661	$18,969,299	$84,720,498	$18,856,341	NA
1976	575,208	324,963	123,833	85,038	19,006,721	95,071,386	16,591,033	68,952,199
1977	522,942	351,540	163,413	100,603	19,634,070	102,717,093	12,831,628	74,714,186
1978	528,824	387,266	156,519	157,636	20,556,708	105,992,902	15,667,910	77,815,240
1979	494,456	386,900	156,802	142,050	23,423,519	109,019,389	17,384,275	58,718,122
1980	465,120	346,434	134,302	127,870	25,440,656	117,566,144	21,935,460	61,753,445
1981	422,910	355,707	114,836	134,161	26,692,592	126,506,888	23,291,255	53,563,625
1982	391,436	346,795	77,938	124,890	21,823,246	130,291,026	22,448,115	30,817,524
1983	422,255	393,536	84,724	168,879	20,618,268	134,558,349	22,397,122	23,455,086
1984	347,095	345,196	80,084	135,249	21,050,643	138,937,500	22,614,071	24,629,429
1985	352,765	316,347	92,889	162,357	21,824,439	149,496,488	37,573,305	41,076,833
1986	327,930	323,919	77,503	172,287	22,524,412	156,692,059	18,020,294	20,300,392
1987	343,062	340,078	46,961	178,369	20,748,000	162,296,290	19,122,740	18,101,395
1988	283,413	404,168	47,003	173,554	21,687,979	166,456,367	22,510,520	17,769,023
1989	305,623	359,656	51,562	206,815	24,595,281	173,809,461	22,400,737	16,330,456
1990	313,256	341,674	39,782	137,037	25,189,422	191,333,438	21,982,564	18,873,808
1991	571,379	382,000	44,498	146,578	26,587,651	207,872,430	23,872,120	28,995,743
1992	425,824	441,336	49,106	142,941	26,607,151	236,539,785	24,996,237	25,502,903
1993	454,694	454,705	68,440	137,662	30,290,000	253,835,000	25,181,000	26,468,000
1994	488,393	517,112	66,220	145,279	24,189,742	273,150,464	25,312,113	25,779,278

1995E	488,776	516,223	64,731	143,648	31,412,746	287,917,374	25,649,412	24,661,794
1996P	506,959	551,321	63,910	137,663	28,590,623	309,157,625	24,509,713	24,530,234

APPENDIX TABLE 2. BUDGET DATA FOR SELECTED ELEMENTS IF THE FEDERAL BUDGET, IN CONSTANT 1993 DOLLARS, FY 1975–1996

[Dollar amounts in thousands, except per capita figures]

Fiscal year	U.S. Dept. of Interior (Outlays)	U.S. Dept. of Labor (Outlays)	Education function (Outlays)	Health function (Outlays)	Housing assistance subfunction (Outlays)	Housing assistance subfunction (B.A.)	Economic development function (Outlays)	Training & employment subfunction (Outlays)
1975	$5,575,071	$44,203,963	$40,217,825	$32,456,402	$5,165,915	NA	$10,848,923	$10,198,791
1976	5,745,229	60,276,501	44,653,633	37,153,901	5,901,080	$45,860,296	12,850,612	14,848,337
1977	7,098,488	49,198,953	46,625,116	38,225,349	6,557,209	63,250,116	15,511,512	15,193,372
1978	7,934,312	46,516,285	54,704,561	37,938,872	7,530,837	66,153,400	24,251,468	22,086,633
1979	7,858,748	42,346,359	56,985,351	38,641,359	8,233,962	46,722,595	19,760,000	20,425,580
1980	7,702,817	50,829,637	54,848,124	39,907,552	9,700,865	48,111,604	19,381,060	17,818,794
1981	6,974,854	46,677,991	52,763,771	42,052,611	12,133,992	42,148,093	16,541,800	14,464,683
1982	5,812,458	44,782,751	39,833,908	40,446,987	12,877,601	21,528,496	12,301,366	8,052,554
1983	6,439,845	53,257,959	37,681,663	40,563,802	14,160,011	14,868,154	10,707,110	7,499,226
1984	6,708,357	32,967,714	37,428,643	41,280,214	15,295,000	17,196,357	10,413,357	6,302,571
1985	6,305,826	31,004,518	38,387,044	43,881,748	33,050,641	35,164,793	10,047,458	6,504,682
1986	6,098,529	30,513,039	38,980,882	45,800,784	15,782,255	14,839,118	9,218,529	6,700,098
1987	6,231,810	28,717,455	36,709,140	49,359,245	15,630,160	12,182,040	6,237,985	6,278,740
1988	6,113,191	25,844,663	37,962,878	52,879,158	16,529,269	11,527,459	6,292,676	6,198,773
1989	5,926,862	25,666,373	41,744,138	55,079,862	16,749,332	10,890,765	6,103,290	6,023,613
1990	6,311,253	27,485,018	42,243,976	62,911,968	17,321,611	12,137,445	9,263,045	6,124,859
1991	6,388,003	35,627,179	45,490,391	74,690,743	18,021,347	20,692,808	7,146,631	6,226,415
1992	6,679,624	48,090,430	46,221,075	91,421,667	19,310,538	20,160,430	6,985,054	6,618,333
1993	6,784,000	44,651,000	50,012,000	99,415,000	21,542,000	21,170,000	9,052,000	6,700,000
1994	6,757,732	36,283,144	45,352,216	104,913,299	23,395,464	20,678,660	10,238,454	6,950,670
1995E	7,000,244	30,509,180	53,550,097	109,935,058	25,496,589	20,071,377	12,032,892	7,090,0272
1996P	6,846,601	33,442,942	53,329,800	115,666,518	25,369,736	19,659,260	11,953,569	8,764,396

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS IF THE FEDERAL BUDGET, IN CONSTANT 1993 DOLLARS, FY1975–1996

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Natural resources function (Outlays)	Total Federal Non-Defense Budget [4] (Outlays)	Overal U.S. Per Capita Expenditure	Indian Per Capita Expenditure
1975	$18,439,654	$558,709,482	$2,587	$4,989
1976	19,325,507	603,204,226	2,767	7,094
1977	22,163,721	623,191,163	2,830	5,645
1978	22,494,204	652,917,670	2,933	6,421
1979	22,880,496	649,566,634	2,886	6,650
1980	23,869,777	696,584,784	3,059	5,730
1981	21,237,617	707,443,688	3,076	4,980
1982	19,155,764	700,622,279	3,017	3,932
1983	17,947,156	720,391,646	3,075	3,794
1984	17,090,500	696,635,000	2,947	3,358
1985	17,474,465	738,042,018	3,095	3,170
1986	17,383,039	740,380,588	3,077	2,989
1987	16,503,305	720,326,100	2,967	2,901
1988	17,361,319	739,265,770	3,017	2,841
1989	18,419,143	763,021,700	3,085	2,616
1990	18,617,652	838,397,136	3,355	2,624
1991	19,473,547	898,139,847	3,555	2,970
1992	20,455,645	902,076,075	3,531	
1993	20,239,000	918,778,000	3,558	2,949
1994	20,629,691	956,262,165	3,664	3,061
1995E	20,909,037	986,754,493	3,746	2,934
1996P	20,370,971	1,020,183,690	3,834	2,976

Notes to Appendix Table 2:

[1] Inconsistent time series from FY1993 on, because of BIA budget restructuring. ''BIA Education Program'' excludes BIA education construction.

[2] Includes Tribal Services (with Housing Improvement Program) and Navajo-Hopi Settlement programs.

[3] Includes Road Maintenance program.

[4] Excludes national defense outlays and net interest payments on national debt.

N/A Not Available.

E Estimate.

P Proposed amounts and projections.

B.A. Budget authority.

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC, April 3, 1995.

Hon. PETE DOMENICI, *Chairman,*
Senate Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE: Thank you for seeking the views and estimates of the Senate Committee on Labor and Human Resources to aid your efforts in assembling the 1996 budget resolution.

The committee recognizes the need for fiscal restraint and looks forward to working with the budget and appropriations committees to assure that authorized funding levels for the programs under our jurisdiction are consistent with overall discretionary spending limits.

In general, the committee anticipates meeting these spending limits through oversight activities designed to identify those programs which work and those which do not and through program consolidation.

Oversight: The committee intends to review thoroughly the continued need for programs under its jurisdiction, focusing particularly on those for which program authority will expire during the 104th Congress.

Our work in this area is underway. For example, the committee has been closely reviewing the Job Corps program. The two oversight hearings conducted earlier this year identified a number of serious deficiencies in the program—strongly suggesting that the proposed expansion of the program would not be appropriate and that budget savings could be achieved by eliminating support for centers which are not performing well.

In addition, the committee recently reported by a vote of 9 to 7 legislation to repeal the Davis-Bacon Act on the basis that needs have changed substantially over the 64 years since the Act was first put into place. Enactment of this repeal legislation would produce estimated savings of $2.6 billion over the next five years.

Program Consolidation: The committee believes program consolidation will achieve budget savings through the reduction in administration expenses and the elimination of duplicative activities.

The committee has already undertaken a number of activities in this regard. In January, we held a series of hearings on federal job training programs—with a focus on General Accounting Office findings that 164 such programs exist. The committee anticipates moving legislation later this year to consolidate efforts in this area.

Last week, the committee reported by voice vote legislation (S. 555) which consolidates 44 separate health professions training programs into six—at a five-year savings of 7.5 percent. The federal government spends approximately $400 million annually on these programs.

Other candidates for consolidation include child care, youth development, and public health programs.

In order to assist these program consolidation efforts, the committee would recommend that the following reserve fund language be included in the budget resolution:

> Budget Authority and outlay allocations may be revised or the revenue floor reduced under subsection (a)(2) for legislation to improve job training, child care, welfare and health care programs through reform, consolidation, or streamlining of existing programs.

With respect to programs under the committee's jurisdiction subject to the reconciliation process, we want to emphasize that the range of options available to the committee are very limited in meeting reconciliation instructions. Because there are few mandatory spending programs under the committee's jurisdiction, any savings would basically have to be achieved from federal student loan programs.

Should the committee be required to achieve the same magnitude of savings ($4.6 billion) required in 1993, for example, we would be faced with the option either of accepting the President's proposal to abandon the guaranteed Federal Family Education Loan Program (FFELP) in favor of 100-percent direct student loans or of eliminating or limiting the in-school interest subsidy for students.

The administration has estimated that moving to 100-percent direct lending would produce savings of $5.2 billion over five years. Elimination of the in-school interest subsidy would produce approximately $12.4 billion in savings over five years, according to the Congressional Budget Office.

As a matter of policy, the committee does not believe that either course of action would be wise. Given current scoring practices, the committee doubts the accuracy of the savings claimed for direct lending and questions the wisdom of substantially expanding a program that has yet to be fully analyzed. The committee has equally serious concerns about taking action which would further increase the debt load of students.

Options which do not increase costs for students entail imposing fees or otherwise curtailing payments to lenders, guarantee agencies, and/or the Student Loan Marketing Association. Although the committee is willing to explore options in this area, it should be noted the committee imposed about $3 billion in reduced subsidies and increased fees on these entities in 1993 in order to achieve budget savings and to reduce fees and interest rates for students.

The committee looks forward to continuing to work with you throughout the fiscal year 1996 budget process.

Warmest regards,

NANCY LANDON KASSEBAUM,
U.S. Senator.

U.S. SENATE,
COMMITTEE ON RULES AND ADMINISTRATION,
Washington, DC, April 3, 1995.

Hon. Pete V. Domenici, *Chairman,*
Hon. James Exon, *Ranking Minority Member,*
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE AND JIM: This is in response to your letter dated January 16, 1995, regarding the views and estimates of the Rules Committee on the budget for fiscal year 1996.

We have reviewed the President's Budget with respect to the Legislative Branch accounts within the Committee's jurisdiction. This letter provides the views of the Senate Committee on Rules and Administration regarding the 1996 fiscal year budget cycle. These views are in accordance with the requirements of the Congressional Budget Act.

With respect to the Legislative Branch accounts within the Committee's jurisdiction, the Committee believes that the amounts are not in accordance with our goal of effecting a reduction in all operational aspects of the Senate. The Rules Committee has begun the process of reducing overall operation expenses in the Senate by the enactment of the FY95/96 Committee funding resolution. This committee reported favorably a biennial omnibus committee funding resolution, which passed the Senate on February 12, 1995, reflecting a 15 percent reduction in the 1994 authorization levels plus a two year cost of living adjustment.

The estimates you enclosed were provided by the Legislative Branch last October, and were printed in the President's budget without change. Since the estimates were provided prior to the 104th Congress, they do not reflect recent efforts to reduce legislative branch spending. In addition to the actions taken by the Rules Committee to reduce committee budgets, the Committee is in the process of reviewing possible initiatives that could result in substantial savings to the Senate and the taxpayer in fiscal year 1996 and in the future.

With best wishes,

Cordially,

WENDELL H. FORD,
Ranking Member.
TED STEVENS,
Chairman.

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC, April 3, 1995.

Hon. Pete V. Domenici, *Chairman,*
Hon. J. JAMES EXON, *Ranking Minority Member,*
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE AND JIM: On behalf of the Committee on Small Business, we are submitting the following views and estimates on the President's FY 1996 budget request on the Small Business

Administration and other matters under our jurisdiction in compliance with Section 301(d) of the Congressional Budget Act.

Budget realities will force each agency of the federal government to reevaluate the programs it administers to determine if they are truly needed federal responsibilities and if so, whether they are being administered as effectively and efficiently as possible. Although SBA was first organized in 1953, efforts to re-organize the Agency have been limited to addressing immediate program concerns. Congress has not undertaken a thorough top-to-bottom review to "rethink" the organization, which would include its mission and purpose, its customers, and the results Congress expects from funded programs and initiatives. This extensive "rethinking" of the Agency is a top priority for the Committee this year.

In 1953, the SBA was created to aid small businesses and to help strengthen the overall economy of our Nation by increasing job opportunities, stimulating innovation, and providing a rising standard of living. Today, small businesses are on the frontline providing the fuel to sustain a steady patter of economic growth and new jobs. As quickly as Fortune 500 companies downsize, creating large layoffs, new small businesses are born and seasoned ones are growing, providing important new job opportunities. Our entire economy benefits if the federal government continues to play an appropriately active role in support of entrepreneurial businesses to ensure they are able to provide new economic opportunities.

The Small Business Administration provides essential support to our Nation's small business community in three primary areas. First, SBA encourages private sector lenders and investors to provide small businesses with access to capital to meet their basic business needs, whether that need involves commercializing an idea, purchasing inventory and equipment, or meeting a payroll. Without the reasonably affordable, long-term capital made available by the private sector as a result of these SBA programs, small businesses cannot grow and cannot create jobs. Second, SBA is the federal advocate for small businesses. It is the only Agency of the federal government charged with actively defending the interests of entrepreneurial men and women business owners in the federal regulatory and rulemaking process, often a source of disproportionately heavy burdens on small business. And third, SBA provides needed management, technical and government contracting assistance to struggling small business through its own offices and programs, and through the Small Business Development Center network, located at 900 sites across the United States.

Using the CBO non-inflated baseline for the next five years that was provided by your Committee, we believe we will be able to develop legislation to reduce SBA's need for Function 370 budgetary authority in FY 1996–FY 2000 from $706 million to $586 million, a reduction of $120 million per year. This would be a 17% cut from FY 1995 BA and from the President's FY 1996 budget request for SBA. These savings can be accomplished consistent with continued performance of SBA's necessary and appropriate core functions. The five year savings projection from these changes would be a total of $600 million.

We are not recommending any changes in the Disaster Loan Program in Function 450. As part of the President's budget, in an at-

tempt to reduce the cost of the program the Administration is proposing a large increase in the interest rates charged to borrowers who receive disaster loans. It is not clear at this time whether Congress will or should approve the President's recommendation. As part of the Committee's top to bottom review of SBA's mission, we will study whether the Disaster Loans program should remain at SBA or be transferred to another Federal Agency where it could be consolidated with other Federal disaster relief efforts. If funding for this program were to be eliminated from the SBA budget, there would need to be a transfer of some amount of budgetary authority to the recipient agency. Unfortunately, recent experience with natural disasters suggests that it would be overly optimistic to project significant savings in these disaster relief programs.

Recently, the Administration announced its intention to undertake a significant reorganization of SBA, including eliminating certain field offices and making adjustments to selected program activities. To date, the Agency has backed up its announcement with press release-type documentation that gives only a brief snapshot of its overall intentions. The Committee on Small Business has not received any detailed planning documents, cost analyses, or proposed legislation from SBA to implement its reorganization announcement. It is, therefore, not possible for the Committee to make a reasoned judgment at this time on proposed SBA changes with the limited information contained in SBA's press releases.

While to some it may be attractive to sign on to the SBA proposal because it appears to promise pain-free budget cuts, we do not want to embrace a plan that looks good but actually debilitates the Agency to the extent that it is incapable of delivering on its mission or meeting its objectives. In arriving at proposed budget savings estimates for FY 1996–FY 2000, we are sending forward projected savings based solely on estimates developed by the Committee on Small Business.

Following the April recess, however, the Committee on Small Business will commence a series of hearings on the President's FY 1996 budget request for SBA and the President's reorganization plan for the Agency. If we can be assured, after hearings and careful study of the plan, that SBA can substantiate the savings the Administration has claimed, we may present legislation reducing the budgetary authority needs for SBA by as much as $200 million in FY 1996, with savings over the next fiscal year totalling as much as $1 billion.

We look forward to the opportunity to work with you to develop the Budget Resolution for FY 1996.

Sincerely,

CHRISTOPHER S. BOND,
Chairman.

DALE BUMPERS,
Ranking Minority Member.

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC, April 5, 1995.

Hon. Pete V. Domenici, *Chairman,*
Hon. J. JAMES EXON, *Ranking Minority Member,*
Committee on the Budget
U.S. Senate, Washington, DC.

DEAR PETE AND JIM: Pursuant to section 301(d) of the Congressional Budget Act of 1974, and with the unanimous approval of the members of the Committee on Veterans' Affairs, the Committee on Veterans' Affairs (hereafter, "Committee") hereby reports to the Committee on the Budget its views and estimates on the FY 1996 budget for veterans programs within the Committee's jurisdiction. This report is submitted in fulfillment of the Committee's obligation to provide recommendations for programs in Function 700 (Veterans' Benefits and Services) and for certain veterans' programs included in Function 500 (Education, Training, Employment, and Social Services).

INTRODUCTION

We have carefully reviewed the Administration's proposed FY 1996 budget for veterans' programs. We have also carefully reviewed the testimony of witnesses at the Committee's March 9, 1995, hearing on the proposed budget. At that hearing, testimony was received from the Secretary of Veterans Affairs and other representatives of the Department of Veterans Affairs (hereafter, "VA"), the Chief Judge of the U.S. Court of Veterans Appeals and other officials of that Court, the Assistant Secretary of Labor for Veterans Employment and Training, and representatives of veterans service organizations. The Committee also received additional written testimony from organizations which did not testify at the hearing. We also gave careful consideration to the February 1995 "Independent Budget for the Department of Veterans Affairs for Fiscal Year 1996" prepared by four veterans service organizations—AMVETS, the Disabled American Veterans, the Paralyzed Veterans of America, and the Veterans of Foreign Wars—and endorsed by 61 other organizations. Finally, the Committee members submitted numerous questions to the March 9 hearing witnesses, which were answered for the record in writing, and Committee staff engaged in extensive informal briefings with representatives of the relevant Federal agencies and veterans service organizations.

In preparing our comments, we have kept in mind the fiscal limitations within which we must live in order to get Federal spending under control and thereby reduce the Federal deficit and debt. We believe that the Government can be fiscally responsible while still fulfilling its commitments to the most deserving among us—our Nation's veterans. We also are mindful of the fact that uncontrolled Federal spending threatens the long term health of the Nation's economy—the "machine" which makes the provision of veterans' benefits possible. Thus, we recognize that those who have worn the uniform in defense of the Nation seek, as we do, to protect the health of the Nation's economy.

With these considerations in mind, we offer the comments contained in this letter.

In general terms, we are deeply concerned about certain aspects, outlined below, of the proposed budget, especially provisions of the budget relating to VA. The Committee intends to pursue such issues vigorously in the form of oversight activity during this Congress. In the interim, we do not recommend programmatic cuts or program terminations at this time. We do expect, however, that over the course of the next year, the record will be developed to speak to such issues further.

Within the Committee, there are, to be sure, divergent views on a number of issues—including fundamental issues relating to who, in times of fiscal austerity, ought to have first claim to eligibility for both entitlement payments and health care benefits. While these views, in some cases, are not wholly grounded in budgetary considerations, they do have significant budgetary implications. The Committee will be exploring these issues in depth.

For now, there is bipartisan consensus that veterans programs—even aspects of veterans programs which are entitlements—do not display the sharply spiraling growth patterns that other aspects of the Federal budget do. That being the case, veterans' programs are not necessarily among the chief factors in looming Federal deficits; budgetary categories which display unrestrained growth patterns are. That said, we believe further efficiencies is the administration of veterans' programs can be identified which will control the rate of budgetary growth. We are determined to preserve scarce funds for the benefit of direct beneficiaries.

We acknowledge the leadership of the veterans community which has expressed a willingness to support limits on the rate of growth of veterans' entitlements—if the growth of other Federal entitlements is similarly restrained. Ultimately, the deficit will be brought under control by such a course. Veterans will pull their weight in such a concerted effort—just as they have pulled their weight in defense of the Nation in the past.

DEPARTMENT OF VETERANS AFFAIRS

Veterans Medical Care

Construction Programs. The proposed major construction budget of $513.8 million specifies that $343 million will be spent on the construction of one new, and one replacement, inpatient hospital. By comparison, if such funds were to have been directed to ambulatory care projects, 19 such projects could have been funded.

In addition, the budget proposes that $90 million be spent in FY 1996 on patient environment improvements at six VA inpatient medical centers. According to VA, only 57 of its hospitals are less than 30 years old; approximately 90 of its inpatient medical centers could need patient environment improvements at a cost of $1.5 billion in future years.

In the Committee's estimation, VA's emphasis on its inpatient care and acute care infrastructure—expressed both by its plans to build new medical centers and to rehabilitate old ones—is cause for concern. The Committee is greatly concerned that this may reflect a misallocation of scarce Federal resources to health care delivery

methods which are relatively inefficient, and which have been de-emphasized by private sector providers' emphasis on ambulatory care facilities. These concerns are heightened by the Secretary of Veterans Affairs' statement that the construction priority scoring system employed by VA is "flawed."

The Committee, however, does not recommend, at this time, that these new hospital and patient environment projects be zeroed out. Rather, in the event that they are funded, the Committee will vigilantly follow their progress and will continue to urge VA to reorient its thinking to the enhanced provision of ambulatory care and non-acute care services. The Committee notes that it does not anticipate, absent some extraordinary circumstance, authorizing the construction of any new inpatient facilities.

"Management Initiatives." The Committee notes that $335 million of the increased resources proposed for medical care spending will come from the reallocation of existing resources as the result of "management initiatives."

The Committee applauds the Department for its initiative in identifying methods to use resources more effectively and efficiently. However, Committee questioning on the subject yielded only generalized information on a proposed reorganization and decentralization of VA's health care bureaucracy—a laudable plan—but did not explain precisely how that plan would, in fact, save $335 million. Thus, the Committee is concerned that promised savings will not materialize, and that shortfalls will negatively affect veterans seeking health care services.

Veterans Benefits Programs

Compensation and Pension Benefits. The Committee notes that, under this budget, expenditures for compensation and pension benefits—the principal entitlements payments made to disabled veterans and their survivors—are slated to rise only slightly more than one-quarter of one percent during FY 1996. As is noted above, therefore, veterans' entitlements are not properly characterized as being among those which are experiencing unrestrained growth. We expect this slow growth pattern to continue for so long a period as there are no major military mobilizations.

The "*Gardner* Decision." Notwithstanding the foregoing, a recent U.S. Supreme Court decision, *Brown* v. *Gardner,* U.S. Sup. Ct. No. 93–1128 (December 12, 1994), will, as matters now stand, result in significant compensation costs not previously anticipated. To summarize, the Court affirmed lower appellate court decisions which ruled that longstanding VA regulations were invalid. Those regulations required a finding of VA fault before veterans who had been injured as a result of VA medical treatment could be compensated, a requirement which was at odds, according to the courts, with the plain meaning of Federal statutes which imposed no such fault requirement.

In light of *Gardner,* VA has promulgated new regulations which specify that compensation will be awarded for disabilities incurred during VA treatment except when the disabilities are "necessary consequences" of treatment. VA estimates that the assumption of this no-fault liability burden—which private sector health care pro-

viders do not assume—will cost $1.8 billion between FYs 1995–2000.

The Committee intends to carefully consider whether the imposition of these costs on VA's compensation system, when VA has not been at fault, is a sound allocation of scarce Federal resources.

General Operating Expenses

Veterans Benefits Administration. The Committee notes, with approval, that the Veterans Benefits Administration (VBA)—the VA operating entity charged with the administration of veterans' benefits programs—has made significant progress in reversing the previously growing backlog of pending benefits claims. VBA's executive leadership assured the Committee last year that the backlog could be cut in a flat budgetary environment, so long as VBA's share of the GOE budget and FTE resources were not significantly cut.

In light of the progress made, the Committee approves of the budget's proposed continuation of relatively flat expenditures (+ 2.6%) from GOE to VBA for FY 1996. The Committee has been assured that progress will continue in shrinking the backlog of pending benefits cases.

Board of Veterans' Appeals. The Committee is less sanguine that the backlog of appeals pending at VA's Board of Veterans Appeals (BVA) will shrink any time soon. Data supplied by the Board indicates that, despite new case-processing efficiencies resulting from statutory modifications and BVA-proposed internal reorganization efforts, the pending appeals backlog will continue to grow for the foreseeable future simply because BVA will continue to receive a number of appeals annually which outstrips its projected annual ability to process appeals.

In light of these circumstances, the Committee approves of the increase of 28 FTE for BVA proposed in the budget. It also approves of the significant efforts shown by BVA's executive leadership to improve productivity within the bounds of available resources. Nonetheless, the Committee will continue to focus on BVA operations as a matter of oversight, and it will seek to identify additional legislative responses to the unacceptable delays that appellants to BVA are forced to endure. With that in mind, the Committee looks forward to receipt of the recommendations of the Veterans' Claims Adjudication Commission, which was created by Public Law 103–446. The Committee, however, will not be inactive pending the receipt of the Commission's recommendations.

Office of the Secretary. Under the proposed budget, the other-than-personal services expenses of the Office of the Secretary will have grown from $222 thousand to $403 thousand between FYs 1994 and 1996. The Committee is concerned about this significant increase and intends to secure a further accounting of Office of the Secretary costs.

Proposed Collections of VBA Regional Offices. The budget proposes to "collocate" two new VA Regional Office buildings—that is, build new VBA Regional Offices on the non-central city "campuses" of existing VA Medical Centers to replace rented "downtown" GSA space. Materials supplied by VA indicate that these two projects will not save money relative to maintenance of the status quo.

The Committee recognizes that there are advantages, especially to veterans, to "collocating" VA's medical and benefits facilities. However, in a time when scarce resources promise to get scarcer, the Committee questions this priority.

CONCLUSION

The Committee is more concerned about some of the priorities expressed in VA's budget request for FY 1996 than it is about the amount of funding requested. We intend to conduct vigorous oversight this year to ensure that funding that does materialize is expended prudently and efficiently.

These views reflect the best judgment of the Committee on Veterans' Affairs as of this date. If we or the Committee staff can provide further assistance in your consideration of this report, please feel free to call on us.

Sincerely,

JOHN D. ROCKEFELLER IV,
Ranking Minority Member.
ALAN K. SIMPSON,
Chairman.
DANIEL K. AKAKA.
STROM THURMOND.
BOB GRAHAM.
FRANK H. MURKOWSKI.
BYRON L. DORGAN.
ARLEN SPECTER.
PAUL WELLSTONE.
JAMES M. JEFFORDS.
BEN NIGHTHORSE CAMPBELL.
LARRY E. CRAIG.

VIII. COMMITTEE VOTES

Paragraph 7(b) of Rule XXVI of the Standing Rules of the Senate requires the committee report accompanying a measure reported from the committee to include the results of each rollcall vote taken on the measure and any amendments thereto. In addition, paragraph 7(c) requires the report to include tabulation of the vote cast by each member of the committee on the question of reporting the measure.

In accordance with the Standing Rules of the Senate, the following are rollcall votes taken during the Senate Budget Committee mark-up of the Budget Resolution.

MAY 9, 1995

(1) Domenici motion that when the Senate Budget Committee report, it report a budget plan that achieves balance by FY 2002; as amended by Brown, to require the report to show the deficit without the Social Security Trust Fund surpluses.

Motion adopted by:

YEAS: 13	NAYS: 9
Domenici	Exon
Grassley	Hollings

Nickles	Johnston
Gramm	Lautenberg
Bond	Conrad
Lott	Dodd
Brown	Sarbanes
Gorton	Boxer
Gregg	Murray
Snowe	
Abraham	
Frist	
Simon	

(2) Conrad, Hollings amendment to Domenici motion that the calculation of the deficit not include Social Security Trust Fund surpluses.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(3) Brown motion requiring amendments to the Chairman's Mark to be deficit neutral.

Motion adopted by:

YEAS: 15	NAYS: 7
Domenici	Exon
Grassley	Hollings
Nickles	Johnston
Gramm	Lautenberg
Bond	Dodd
Lott	Sarbanes
Brown	Murray
Gorton	
Gregg	
Snowe	
Abraham	
Frist	
Simon	
Conrad	
Boxer	

MAY 10, 1995

(1) Lautenberg amendment permitting use of the budget surplus allowance for Medicare-related legislation.

Amendment tabled by:

YEAS: 12	NAYS: 10
Domenici	Exon
Grassley	Hollings
Nickles	Johnston
Gramm	Lautenberg
Bond	Simon
Lott	Conrad
Brown	Dodd
Gorton	Sarbanes
Gregg	Boxer
Snowe	Murray
Abraham	
Frist	

(2) Boxer amendment, as modified by Brown, expressing the sense of the Congress that 90% of the benefits of tax cuts go to working families earning less than $100,000.

Amendment adopted by:

YEAS: 21	NAYS: 1
Domenici	Gramm
Grassley	
Nickles	
Bond	
Lott	
Brown	
Gorton	
Gregg	
Snowe	
Abraham	
Frist	
Exon	
Hollings	
Johnston	
Lautenberg	
Simon	
Conrad	
Dodd	
Sarbanes	
Boxer	
Murray	

(3) Johnston amendment permitting use of the budget surplus allowance to make adjustments in Medicare.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe

Abraham
Frist

(4) Dodd second degree amendment to the Frist amendment; creating a bipartisan commission on health care reform.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(5) Frist amendment creating a bipartisan commission on the solvency of Medicare.

Amendment adopted by:

YEAS: 13	NAYS: 9
Domenici	Exon
Grassley	Hollings
Nickles	Johnston
Gramm	Lautenberg
Bond	Conrad
Lott	Dodd
Brown	Sarbanes
Gorton	Boxer
Gregg	Murray
Snowe	
Abraham	
Frist	
Simon	

(1) Exon amendment to permit the use of a portion of the budget surplus allowance for funding to agriculture.

Amendment failed by:

YEAS: 9	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Simon	Gramm
Conrad	Bond
Dodd	Lott
Sarbanes	Brown
Boxer	Gorton
Murray	Gregg
	Snowe
	Abraham
	Frist
	Lautenberg

(2) Grassley amendment expressing a sense of the Senate on the distribution of reconciliation savings under the Committee on Agriculture's jurisdiction.

Amendment adopted by:

YEAS: 14	NAY: 7
Domenici	Gregg
Grassley	Snowe
Nickles	Lautenberg
Gramm	Simon
Bond	Dodd
Lott	Sarbanes
Brown	Boxer
Gorton	
Abraham	
Frist	
Hollings	
Johnston	
Conrad	
Murray	

PRESENT: Exon

(3) Murray amendment creating a point of order against legislation that would reduce children's health insurance provided under Medicaid.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Abraham
	Frist

(4) Dodd amendment to restore the earned income tax credit to be offset by closing tax loopholes.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(5) Boxer amendment to reduce funding for Defense travel expenses and increase funding for counter-errorism initiative.

Amendment failed by:

YEAS: 9	NAYS: 13
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Dodd	Lott
Sarbanes	Brown
Boxer	Gorton
Murray	Gregg
	Snowe
	Abraham
	Frist
	Conrad

(6) Bond, Snowe, Simon, Murray, Grassley amendment expressing the sense of the Congress regarding protection of children's health.

Amendment adopted by:

YEAS: 22	NAYS: 0
Domenici	
Grassley	
Nickles	
Gramm	
Bond	
Lott	
Brown	
Gorton	
Gregg	
Snowe	
Abraham	
Frist	
Exon	
Hollings	
Johnston	
Lautenberg	
Simon	
Conrad	
Dodd	
Sarbanes	
Boxer	
Murray	

(7) Dodd, Hollings amendment restoring funding for education and children's programs to be offset with closing tax loopholes.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm

Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(8) Simon amendment to transfer funds from defense to education and international affairs.

Amendment failed by:

YEAS: 5	NAYS: 17
Lautenberg	Domenici
Simon	Grassley
Sarbanes	Nickles
Boxer	Gramm
Murray	Bond
	Lott
	Brown
	Gorton
	Gregg
	Snowe
	Abraham
	Frist
	Exon
	Hollings
	Johnston
	Conrad
	Dodd

(9) Sarbanes amendment to eliminate cuts in the federal retirement program to be offset with closing tax loopholes.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(10) Hollings amendment to use budget surplus allowance to further reduce the deficit.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles

Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(11) Hollings motion to require the reported resolution to exclude OASDI trust funds.

Motion failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(12) Lautenberg amendment creating a point of order against legislation that cuts Medicaid and Medicare and reduces taxes.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(13) Lautenberg amendment to restore the funds to veteran's programs, to be offset by closing the expatriate tax loophole.

Amendment failed by:

YEAS: 11	NAYS: 11
Snowe	Domenici
Exon	Grassley
Hollings	Nickles
Johnston	Gramm
Lautenberg	Bond
Simon	Lott
Conrad	Brown

Dodd	Gorton
Sarbanes	Gregg
Boxer	Abraham
Murray	Frist

(14) Lautenberg amendment expressing a sense of the Senate that lobbying expenses cannot be deducted.

Amendment adopted by voice vote

(15) Exon amendment to limit increases in the statutory limit on the public debt.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(16) Exon amendment to use budget surplus allowance for Medicaid, Medicare, education, and agriculture.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(17) Brown unprinted amendment expressing a sense of the Senate that the expatriate tax loophole be closed and the proceeds go toward tax reductions in accord with Boxer-Brown guidelines.

Adopted by voice vote.

(18) Gregg unprinted amendment to the Brown amendment that the proceeds go toward deficit reduction.

Adopted by voice vote.

(19) Murray amendment to express a sense of the Senate against overtly commercial messages on public radio or public television.

Amendment failed by:

YEAS: 8	NAYS: 14
Hollings	Domenici
Johnston	Grassley

Lautenberg	Nickles
Simon	Gramm
Dodd	Bond
Sarbanes	Lott
Boxer	Brown
Murray	Gorton
	Gregg
	Snowe
	Abraham
	Frist
	Exon
	Conrad

(20) Murray amendment to express a sense of the Senate against reducing Federal impact aid.

Amendment failed by:

YEAS: 11	NAYS: 11
Snowe	Domenici
Exon	Grassley
Hollings	Nickles
Johnston	Gramm
Lautenberg	Bond
Simon	Lott
Conrad	Brown
Dodd	Gorton
Sarbanes	Gregg
Boxer	Abraham
Murray	Frist

(21) Simon amendment to delete the repeal of continued funding for IRS compliance outside of the discretionary caps.

Amendment failed by:

YEAS: 11	NAYS: 11
Bond	Domenici
Exon	Grassley
Hollings	Nickles
Johnston	Gramm
Lautenberg	Lott
Simon	Brown
Conrad	Gorton
Dodd	Gregg
Sarbanes	Snowe
Boxer	Abraham
Murray	Frist

(22) Simon amendment to eliminate the firewall between defense and non-defense discretionary spending limits.

Amendment failed by:

YEAS: 9	NAYS: 13
Hollings	Domenici
Johnston	Grassley
Lautenberg	Nickles
Simon	Gramm
Conrad	Bond
Dodd	Lott

Sarbanes	Brown
Boxer	Gorton
Murray	Gregg
	Snowe
	Abraham
	Frist
	Exon

(23) Simon amendment to restore funding for Federal student loan programs; offset by closing tax loopholes.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(24) Simon amendment to increase funding for occupational and mine safety; offset by closing tax loopholes.

Amendment failed by:

YEAS: 9	NAYS: 13
Hollings	Domenici
Johnston	Grassley
Lautenberg	Nickles
Simon	Gramm
Conrad	Bond
Dodd	Lott
Sarbanes	Brown
Boxer	Gorton
Murray	Gregg
	Snowe
	Abraham
	Frist
	Exon

(25) Boxer amendment to permit the use of the budget surplus allowance for NIH.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton

Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(26) Lautenberg amendment to permit the use of the budget surplus allowance to hire additional police officers.

Amendment failed by:

YEAS: 10	NAYS: 12
Exon	Domenici
Hollings	Grassley
Johnston	Nickles
Lautenberg	Gramm
Simon	Bond
Conrad	Lott
Dodd	Brown
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
	Abraham
	Frist

(27) Conrad, Domenici technical amendment modifying the tax reserve fund.

Amendment adopted by voice vote.

(28) Domenici technical amendment to reconciliation language.

Amendment adopted by voice vote.

(29) Motion to report the budget resolution, as amended.

Motion adopted by:

YEAS: 12	NAYS: 10
Domenici	Exon
Grassley	Hollings
Nickles	Johnston
Gramm	Lautenberg
Bond	Simon
Lott	Conrad
Brown	Dodd
Gorton	Sarbanes
Gregg	Boxer
Snowe	Murray
Abraham	
Frist	

IX. ADDITIONAL AND MINORITY VIEWS.

ADDITIONAL VIEWS OF SENATOR CHARLES E. GRASSLEY

I want to commend the Chairman, Senator Domenici, for his tireless efforts to craft a budget resolution that will balance the federal budget by FY 2002, and for his leadership in having the Senate Budget Committee approve this budget resolution.

This balance budget will go far in ensuring that our children and grandchildren have a brighter future. The benefits of a balanced budget in terms of lower interest rates and increased productivity will also bring more immediate benefits to today's working families and family farms.

In my view the Senate Budget Committee took the right step in holding defense spending to the administration's request. Any increase in defense spending is unwarranted, especially given widespread financial mismanagement at the Department of Defense (DoD) and the inability of DoD to give a full and accurate accounting of how the taxpayer's funds are being spent.

Concerns about defense readiness can be addressed through better management of funds, procurement reform and elimination of spending by the Pentagon that does not support DoD's mission.

While I voted for the budget resolution, I would like to highlight my concerns about two programs in the budget resolution: Medicare and the Commodity Credit Corporation (CCC).

MEDICARE

Spending increases in the Medicare program must be restrained. The Medicare Part A program spent $133.6 billion in FY '95. Current CBO estimates show that its spending will increase at around 8.7 percent annually through the year 2000. The gap between income to the Trust Fund and what it spends will total at least $125 billion over the seven years between FY '96 and '02. This spending pattern leads to bankruptcy in 2002, according to current estimates.

The Medicare Part B program spent $67 billion in FY '95. Spending in this program will grow at 12.1 percent a year until the year 2000. With national inflation projected to grow at only 3.3 percent per year, clearly we must also bring Part B spending under control.

A program that will spend a total of $181.2 billion (minus premium receipts of $20.1 billion for a total of $161.1 billion) the foreseeable future, is not sustainable.

This untenable situation will become many times worse as the baby-boom generation begins to retire in 2009. Thus, we must make extraordinary efforts to bring the Medicare program into the realm of fiscal sanity. And I believe that this budget resolution begins that effort.

However, I am concerned about the possible consequences of the proposed spending slow-down on low-income Medicare beneficiaries, and on health care services in Medicare dependent areas of the country; or, in areas already at low levels of restrained pricing of health care services; or, in areas of the country like my own State of Iowa which are Medicare dependent and have a history of low Medicare reimbursement relative to the rest of the country.

Were the spending slow-down to be applied in a uniform way across the country, without regard to such circumstances, it is possible that the slow-down in the growth of Medicare spending called for in the budget resolution could place low-income beneficiaries or health care services in parts of the country at some risk.

Therefore, in order to enable the Bipartisan Commission on the Solvency of Medicare, and subsequently, the Committee on Finance, to take such circumstances into consideration, I believe that despite my support of the chairman's Medicare mark in savings from the Medicare program during floor debate.

COMMODITY CREDIT CORPORATION

Agriculture has always been willing to contribute to deficit reduction and the goal of a balanced budget. However, farm programs have made a disproportionate contribution in the past. To put spending on farm programs into perspective, consider the following numbers: thirty years ago, CCC outlays constituted 2.5% of all federal spending. Fifteen years ago, 1.5% of federal spending went for farm programs. In 1995, CCC outlays are estimated to be .6% of all federal spending.

Furthermore, the farm program is the only major mandatory spending program faced with a declining CBO baseline. If the budget resolution had cut nothing from farm programs, CCC spending would still decline from $8.7 billion this year to $7.9 billion in the year 2000, a decrease of over 9%.

For these reasons I offered, and the Budget Committee approved, an amendment during mark-up in the form of a Sense of the Senate Resolution, which states that in meeting its reconciliation instructions, the Senate Committee on Agriculture, Nutrition and Forestry should provide that no more than 20% of its savings be achieved from commodity programs.

My amendment maintains the current 4–1 ratio between farm program spending and spending on food and nutrition programs. The amendment is necessary to ensure that farm programs are not again singled out for disproportionate cuts in relation to other programs.

In addition, while I support the budget resolution's proposed reductions in funding for the legislative branch, I disagree with the elimination of the Office of Technology Assessment (OTA) and the 25% reduction in the General Accounting Office (GAO). While I believe GAO and OTA's funding can be reduced, we must maintain the important services these offices provide the Congress.

While I will continue to work on these issues, let me again express my support for Chairman Domenici's efforts to pass a budget resolution that balances the budget by 2002 and helps ensure a better future for all Americans.

By contrast, the Democrats have offered no budget resolution that balances the budget by 2002. If the Democrats don't offer a balanced budget resolution, they will be all talk and no action, providing no vision for a better future. They will be following their leader in the White House in abdication. And then the Democrats will risk being the PARTY of abdication.

Where's theirs?

CHUCK GRASSLEY.

ADDITIONAL VIEWS OF SENATOR SPENCER ABRAHAM (R–MI)

In successful reporting the Budget Resolution for Fiscal Year 1996, the Senate Budget Committee has taken a historic step towards reducing the deficit and balancing the budget. In light of that accomplishment, I wanted to take the opportunity to address some issues that arose during markup.

First, I would like to discuss the use of the $170 billion fiscal dividend that CBO estimates will occur under this balanced budget resolution. It was the position of Chairman Domenici—a position I strongly supported—that any fiscal dividend resulting from balancing the budget should be given back to the taxpayers in the form of tax cuts.

During the budget markup, however, the reserve fund was included in numerous amendments to pay for additional spending in areas such as Medicare, education, agriculture, and more police for our streets. While these programs are extremely worthwhile and defensible, I opposed all amendments to alter the chairman's use of the fiscal dividend for two reasons.

First, I found it ironic that we are already discussing spending our "surplus" when we haven't even reported this budget to the Senate floor. Americans have waited since 1969 for Congress to begin reducing the growth of federal spending and balance the federal budget, and I think it is imprudent to employ whatever benefits we derive from a balanced budget for more government spending.

Second, if you look at federal outlays over the span of this budget, the federal government will spend in excess of $12 billion between now and 2002. A significant portion of that amount constitutes a redistribution of income from those who work and pay the taxes to those who are elderly, sick, homeless, and have low-incomes. Federal programs targeted at the poor and needy are the result of a truly compassionate society and we should continue to support them. Nevertheless, it is my opinion that any fiscal surplus created by this budget should go to those who have made the surplus, and our compassionate programs, possible—the hardworking taxpayers. Moreover, this surplus or dividend only constitutes one and one-half percent of the $12 trillion over seven years. To me it only seems fair to allow those who pay the taxes to keep this tiny surplus or dividend so that they can invest in their families and in our Nation's economic future.

The other major focus for the markup was the proposed reduction in the rate at which we are going to allow Medicare to grow. Senator Frist offered an amendment expressing the sense of Congress that a bipartisan commission should be established immediately to make recommendations concerning the most appropriate response to the short-term solvency and long-term sustainability

questions facing Medicare. While the committee's budget includes changes to Medicare that will keep the system solvent through 2007, most observers agree that an overhaul of the system is necessary, and I supported the Frist amendment as the first step in that process.

One area of the budget where I have special concerns is education. This budget reduces spending in our education function, and based on the examples contained in the presentation book, these reductions could affect student loan programs. Although the volume of loans is not projected to decrease under these assumptions, the out-of-pocket costs to students will increase significantly, potentially lessening the ability of low and moderate income students to access higher education. Therefore, I intend to offer an amendment on the floor to help reduce some of those cuts.

Accordingly, I opposed committee amendments to increase education spending because they were funded either through the reserve fund discussed above, or through offsetting cuts to budget areas with which I disagree. I support education—but I have to draw the line at the defense budget included in this resolution. Real defense spending has declined by 37 percent since 1985 and while I believe there are many money-saving reforms possible within the DOD, I believe these savings should stay within defense to provide for our national security. No other responsibility of government is as important. My amendment regarding education will seek offsets in other budget functions.

Other amendments which deserve special attention were the Exon and Grassley amendments devoted to restoring reductions to federal farm programs. Farmers in Michigan appreciate the effort the federal government makes to assist them, but they also believe in carrying their share of the burden necessary to balance the budget. In a recent poll, 54 percent of them supported eliminating federal farm programs altogether. They recognize that the best federal farm program is the low-tax, low-regulation environment that will be possible once we have federal spending under control. Looking at the overall budget, I believe it does a good job of spreading out the spending reductions necessary to achieve a balanced budget, including cutting many corporate subsidies both in and out of the agriculture function. The Grassley Sense of Congress amendment sends the message that no more than 20 percent of the Agriculture Committee's spending cuts should come out of federal farm subsidy programs. I believe it struck the correct balance between the need to reduce all spending and the danger of treating our farmers unfairly, and I supported it.

Another amendment that should be discussed was the Dodd amendment to add $19.9 billion in spending for the Earned Income Tax Credit by increasing taxes. I would like to make three comments about this amendment. First, it is one thing to say that tax loopholes should be eliminated. In the context of overall tax code reform, I probably would support eliminating many of these targeted tax provisions. It is another thing, however, to raise taxes in order to pay for an increase in spending. The whole process of producing a balanced budget was an effort to get federal spending under control. Given the overall goal of reducing spending to bal-

ance the budget, raising taxes to pay for additional spending makes little sense.

Second, while the basic premise and goals of the Earned Income Tax Credit are sound, it is apparent that the program is in need of reform. As was stated clearly during the debate, the EITC has suffered in recent years from fraud and abuse. According to the Governmental Affairs Committee, the EITC has an error and fraud rate of between 30 and 40 percent. Aside from cheating the taxpayers, this problem is also cheating deserving families from receiving payments for which they are eligible.

Third, with regard to arguments that the chairman's mark for the EITC program would result in higher taxes and lower payments, sometimes as much as $500, it is important to be clear exactly how much the program will grow under this budget. Since 1987, the EITC program has grown from $1 billion to $17 billion this year. Under this budget, spending on the EITC program will continue to increase, 31 percent between now and the year 2000. As a result, the maximum credit available to low-income families with two children will increase from $3110 this year to $3560 in the year 2000. Contrary to what was argued during the markup, credits, EITC payments don't go down under this budget, they go up.

Another amendment of note was the Simon amendment to keep the IRS anti-fraud programs off-budget. As Senator Brown made clear, this budget does not eliminate this program. Instead, it brings the program back on-budget. In the era of a balanced unified budget, it is completely contrary to take programs off-budget, even deserving programs like this one.

In addition, I wanted to address the several amendments that used the so-called "Billionaires Tax Loophole" to offset increases in spending elsewhere. While I have supported eliminating this loophole in the past, and I felt that many of the programs cited for increased spending are deserving, the choices presented by the minority were always caged in terms of raising taxes to increase spending. The loophole deserves to be eliminated, but its elimination doesn't justify turning around and increasing spending just after we have worked so hard to bring spending under control. For that reason, I supported the Brown amendment which, as amended, reserved the elimination of the loophole for deficit reduction.

During the markup, I also had the opportunity to vote for an amendment offered by Senators Boxer and Brown which expresses the Sense of the Senate that approximately 90 percent of the benefits of any tax cuts enacted this year should be directed primarily to those families earning less than $100,000. Although I sought recognition to speak to this amendment, I was unable to due to limited debate. For that reason, I wanted to take this opportunity to explain how I plan to proceed regarding tax cuts both generally and with respect to this amendment.

My past support for tax cuts is well known, and I intend to support legislation this year which will reduce the burden of taxes for hard working American Families. While I don't know that specific percentage of benefits all the various tax cut proposals grant to different income groups, it is clear that the overall economic benefits of tax cuts accrue to everyone.

The benefits of overall economic growth are evidenced by what happened during the 1980s. Contrary to arguments made during the committee hearing, the incomes of middle-income families did not decline during the Reagan Administration. In fact, from 1982 to 1990, real incomes of all economic classes rose dramatically—from $35,419 to $39,086, an increase of over 10 percent. This growth, fueled by tax cuts enacted in 1981, is in contrast to what happened under the previous President—Jimmy Carter. During the last two years of his presidency, real incomes fell by over $2500, from over $38,000 to under $36,000, which is why the Democrats always include 1979 and 1980 in any calculation of income growth during the 1980s. Only by including 1979 can they claim that Republican economic policies created a decline in family incomes. Real incomes also fell following the passage of the 1990 Reconciliation Bill which included massive tax increases. The message should be clear: high taxes and excessive regulations hurt family income, while low tax policies assist all economic classes.

Insofar as specific tax cuts are concerned, my priorities are enacting a $500 family tax credit, changing the tax code to help eliminate the marriage penalty, and providing spouses who stay at home with an opportunity to invest in an IRA. These pro-family tax cuts must comprise the lion's share of any tax package that passes the Congress. While I do not know the precise distribution of direct benefits these proposals will generate, they clearly will provide primary benefit to families earning less than $100,000 and will be directed mainly to working middle-class families. I intend to support these initiatives and get them enacted into law.

I also intend to support tax cuts that provide incentives for savings, investment and growth. Proposals like a cut in the capital gains tax, enterprise zone-related accelerated depreciation, and the Super IRA spread their benefits across income groups and across generations. Economists Gary and Aldonna Robbins have estimated that up to 90 percent of the benefits of a larger capital stock go to wage earners rather than the owners of capital.

Many of these benefits go to the middle-class directly. According to the National Center for Policy Analysis, more than 73 percent of all capital gains are claimed by people who have incomes of less than $75,000 while two-thirds of capital in U.S. is either owned by the elderly or invested in pension funds and IRAs. In other words, reducing the cost of capital not only encourages growth and jobs, it helps Americans—all Americans—prepare for retirement.

A good example how the benefits of accelerated depreciation and lower capital gains taxes can be targeted at low-income workers is Jack Kemp's original enterprise zone proposal. In these zones, lower taxes on capital encourage businesses and employers into economically depressed areas, spurring economic growth and job creation. Although the initial beneficiaries of such tax changes will be business owners, and that 10 percent or more of them will have annual incomes over $100,000, it is clear that the primary benefits of these zones go to the residents of the zones themselves, as new businesses and jobs are created in their neighborhoods. Within the next few months, I plan to introduce a bill which would "supercharge" the current empowerment zones with powerful savings and investment tax incentives.

Similarly, proposals to encourage charitable contributions through the tax code would initially benefit upper-income taxpayers. But the primary beneficiaries would be the hundreds of thousands of low-income people who depend on charitable organizations like the Salvation Army and United Way for assistance. In my view, providing tax incentives for people to contribute to charitable organizations is far more effective in helping the needy than providing assistance through bureaucratic government programs.

Further, it is important to note that the statistics on who earns capital gains are badly flawed Most people who earn a capital gain do so in a single year, even though the gain was created through work and investment over many years. These means that middle-class people who sell their family farm, business, or home to fund their retirement are suddenly thrust into the upper-income classes by the income from that one-time sale. Adjusting for this means that even more middle and low-income people directly benefit from a reduction in the capital gains tax, while all Americans—rich and poor—benefit from the result in economic growth, new small business starts, and job creation.

Clearly, pro-growth tax cuts provide indirect benefits to middle-class families by sparking job creation and economic opportunity. I plan to support some variation of such cuts. If it is my view that when they are combined with family tax cuts the direct and indirect benefits will not overwhelmingly accrue to those at $100,000 and below, I will seek further spending cuts in corporate welfare to offset any differences.

In conclusion, I should point out that, without the guidance of a constitutional balanced budget amendment or the assistance of the minority, Republicans on this committee have stepped forward and made the tough choices necessary to place a cap on federal spending and balance the budget by the year 2002. Many people doubted that it could be done, and it is a credit to Senator Domenici that he set this goal and stuck with it. If we are successful in moving this budget through the entire spending cycle, I believe there is no better present we can give to our children. I thank Chairman Domenici for giving me the opportunity to make my first budget a balanced one.

SPENCER ABRAHAM.

MINORITY VIEWS OF MR. EXON

INTRODUCTION

I salute the Republican Majority for coming forth with a proposal to reach a balanced budget by the year 2002. Most of us on this side share the goal of a balanced budget. We are willing to work with the Republican Majority in the creation of a budget that will reach that important goal. Eliminating our federal deficit spending is, however, a monumental task and there is substantial disagreement on how to achieve that end. No person or party has all of the answers.

As such, it was most unfortunate that the Republican Majority in the Budget Committee took a combative position during our deliberations. Their budget was carved in stone and we in the Minority could not remove one period or comma from it. Not a single

number could be changed in even the smallest amount. That is not the approach to take if there is to be any hope for bi-partisan support for this budget.

I appeal to the Republican Majority who seek support from the Democratic side. If you truly want bi-partisan support; if you truly want Democratic support, Minority rights and views must be recognized and weighed. We cannot be dictated to, or treated as an irrelevance as House Budget Committee Chairman Kasich recently described the Minority. Chairman's Kasich's statement that "Democrats have no standing to say anything about what we are doing in the House and the Senate" does not serve the process well.

On numerous occasions, I have offered a hand of friendship and an invitation to reason. There are many possibilities within the framework of a budget. My purpose is not to undo the Republican budget, but rather to reshape it to better reflect our Nation and its needs. My purpose is to make recommendations and offer amendments which I believe will make the cuts fairer and evenly distributed. I hope that my Republican colleagues remember that I have long supported a balanced budget.

The FY 1996 Republican Senate Budget is far from perfect. It has considerable room for improvement. It is a budget that lacks balance. It is severely skewed against America's working families. It asks the most of those who have the greatest to lose, particularly America's elderly, children and rural communities.

The Republicans promised to make dogged choices, but tax cuts are the tail that wags this budget. The Republicans promised to protect the elderly, but asked for a king's ransom in Medicare cuts to foot the tax cuts. The Republicans promised a brighter future for our Nation, but cast a bleak shadow upon rural America and our children.

HOW DO WE GET FROM A TO Z?

The Republican Senate budget promises a balanced unified budget by 2002 as well as profuse tax cuts for the wealthy. The details of who will pay the price for these cuts and who will gain from the tax cuts are often wanting. Yet, it seems clear that the bulk of the spending cuts will come from our elderly and middle-income families, while the bulk of the tax cuts will benefit the wealthy.

The Republican budget technically fulfills the requirements of any budget resolution. By statute, budget resolutions are painted with a very broad brush. However, when it comes to providing the actual road map for balancing the budget by 2002—of how we get from point A to Z—the Republican budget lacks clarity.

The devastating $256 billion Medicare cut arrives on our doorstep with virtually no detail. Despite the fact that this is by far the largest Medicare cut in history, this budget remains silent on how these cuts will be achieved. Since 83 percent of Medicare benefits go to beneficiaries with incomes of $25,000 or less, we can be reasonably certain *who* will be hurt by these cuts. The budget does not tell us *how* it will be done. The heavy lifting will apparently be shunted off to a commission.

The lion's share of the $497 billion in non-defense discretionary cuts are unspecified. In fact, the baseline from which this budget resolution begins already incorporates $307 billion in non-defense

cuts. That is a whopping 62 percent of the total discretionary cut for which there are no specific policies.

THERE IS A TAX CUT

Although there have been promises to the contrary, there is a tax cut tucked away in this Republican budget. It has been cleverly disguised as a $170 billion contingent fund, but it is a tax cut nevertheless. In fact, this could be the mother lode of tax cuts for the wealthy.

The tax breaks in the House-passed "Contract With America" tax bill will mostly benefit those families with incomes of over $100,000. Senate proponents of tax cuts have publicly stated their support of the House-passed tax provisions in the "Contract With America"—a provision which House Speaker Newt Gingrich described as "the crown jewel of the Republican contract." Although the Committee adopted a Sense of the Congress amendment sponsored by Senator Boxer that states that 90 percent of any tax cut should go to the middle class, no one should be fooled into believing that the plans of the majority have changed.

The tax cuts being considered increase rapidly over time. The House Republican tax cut allegedly costs only $181.2 billion. Yet, that is over a five-year period of time. Over the following five years, those cuts increase more than threefold to $663.3 billion. And, we have every reason to believe that over time, the benefits of the tax cut will fall even more disproportionately into the pockets of our wealthiest citizens, leaving middle income families with the tab.

The Republicans voted on party lines to defeat amendments by Senator Lautenberg to close corporate welfare loopholes, and the incredible expatriate tax loophole that allows those who have benefited the most from our country to avoid millions in taxes by renouncing their American citizenship. Even the House Republican budget makes some effort to end the free ride.

REPUBLICAN TAX CUTS AND DEFICIT REDUCTION: YOU CAN'T HAVE IT BOTH WAYS

The tax cut also throws into serious doubt the Republicans commitment to deficit reduction. The Republicans claim to have created a "fiscal blueprint" to balance the budget. However, when Senator Hollings offered an amendment to use any "surplus" funds for further deficit reduction, rather than tax cuts, the Republicans retreated. Not a single Republican voted for the Hollings amendment.

I also offered an amendment that requires the reconciliation bill to raise the debt ceiling this year by the amount projected in the budget resolution. My amendment then enforces that provision by requiring a budget point of order for any attempt to increase the debt ceiling outside of our budget process. This amendment would have put some teeth in the budget resolution.

By the end of the year, the gross national debt will approach the $5 trillion mark. That is a national disgrace and we will spend $235 billion to service the debt this year. Congress should not be allowed to write itself a blank check and borrow beyond our means.

My amendment was especially needed in the present environment. It's an all-too-familiar scenario. Tax breaks and spending

cuts are promised, yet only the tax breaks are delivered. As a result, the deficit skyrockets. Keeping some limits on the debt ceiling would go a long way to keeping Congress honest. However, not a single Republican voted for my amendment.

HOW THE TAX CUT WORKS

The Republican budget contains contingent funds which would allow for two separate tax cut packages. The first provision would allow the "economic bonus" to be spent on new tax cuts. The "bonus" is currently estimated by the Congressional Budget Office to be $170 billion over 7 years. The second provision makes room for even further tax breaks as long as they are financed through further spending cuts.

I would add that CBO's estimated $170 billion budget bonus from achieving balance requires credibility in the budget plan. However, the Republican promises have been far more specific about their plans to cut taxes than their plans to cut spending. That is not credible. Most of the budget savings in the $170 billion bonus occur in the last 2 years of the 7-year time horizon. It would be self-defeating to enact tax cuts this year, rather than waiting for the savings actually to accrue.

WHO BENEFITS FROM THE TAX CUT

It bears repeating that the Republican "Contract" tax provisions have an obvious bias toward upper-income tax payers. For example, more than half of the benefits go to families with annual incomes above $100,000. That is the top 12 percent of the income distribution.

Even if we disregard Republican plans to increase taxes for those eligible to receive the earned income tax credit, families with incomes below $10,000 would get an average tax cut of $20. Families with incomes over $200,000 stand to receive an $11,266 tax cut bonanza.

We have every reason to expect that those tax cut proposals will form the basis for any tax cut to pass Congress this year.

WHO PAYS FOR THE TAX CUT?

The tax centerpiece of the Republican budget is fueled by cuts in Medicare. The Medicare reductions in the Republican mark total $256 billion over the next 7 years—constituting the largest Medicare cut in history.

Although we have no details on these proposals, it is clear that at least half the cuts will fall on beneficiaries. The only Medicare cut publicly supported by Chairman Domenici would increase the Part B premium to 31.5 percent of programs costs—adding nearly $500 a year to out-of-pocket payments by the year 2002.

Other measures to reduce Medicare are delegated to a commission that has until July 14 to produce the required $256 billion in cuts. Assuming they begin work on June 5th, and burn the midnight oil, they will need to cut Medicare by about $6.4 billion-a-day. Based on the track record of recent commissions, the outcome is dubious.

Even if a commission could recommend a set of cuts in the next 40 days, it is unlikely that we will learn anything new. Most of the incremental changes that have been proposed for Medicare are contained in the deficit reductions options compiled by the Congressional Budget Office. By an interesting coincidence, the total of recommendations in the CBO report is $258 billion. The impact of these cuts on beneficiaries and providers is clear.

By the year 2002, the elderly will pay $900 more in out-of-pocket health care expenses. These cuts will have a devastating impact on the most vulnerable citizens: our frail, sick, and poor seniors. One-in-four Medicare beneficiaries rely on Social Security for their entire income.

COST-SHIFTING: THE BROKEN PROMISE

Republicians promised that their budget would protect Social Security, but the GOP Medicare cuts will require the elderly on fixed incomes to use most, if not all, of their Social Security COLA to pay for health care. For the one-in-four that rely on Social Security for their entire income, this is an enormous hardship.

Cuts in providers are often passed along to other payers. If only one-third of these cuts were shifted to other payers, businesses and families would be forced to pay a hidden tax of $40 to $50 billion between now and 2002.

Provider cuts would have a particularly devastating impact on rural areas. Nearly one-quarter of all Medicare beneficiaries live in rural America where there may be a single hospital serving an entire county or more. Significant cuts in Medicare have the potential to increase the number of hospitals in rural areas that will close. Since rural hospitals are often the largest employer in their communities, closing these hospitals will result in job loss and physicians leaving these communities.

CUTS IN MEDICAID: ANOTHER BLOW AGAINST AMERICA'S SENIORS AND CHILDREN

Cuts in Medicaid would also cause the elderly to suffer severe and needless pain. Nearly 67 percent of Medicaid spending is for the elderly and disabled. The Republicans cut Medicaid by $175 billion over 7 years, or 30 percent by the seventh year.

More than 800,000 elderly and disabled people are likely to lose coverage under this proposal. Between 5 and 7 million children would also fall through the safety net. Half of the children served by Medicaid come from working families. Medicaid is the only major Federal source of funding for long-term care, serving 1.6 million people in nursing homes in FY 1993, while 1.1 million people receive home health care.

PULLING OUT THE RUG FROM UNDER RURAL AMERICA

While the cuts in Medicare and Medicaid are onerous, I am also extremely troubled by the 20 percent cut in mandatory agriculture spending contained in the Republican budget resolution. The Republican budget is a harvest of shame for rural America.

Agriculture has become a popular scapegoat for our inability to balance the budget. Fictions about agriculture abound. Agriculture

programs are driving up the deficit. Agriculture is getting a free ride. Agriculture has made no contribution to balancing the budget. The truth is in shorter supply.

The real deficit problem does not lie in agriculture. It is lodged in the Federal health care programs. But the Republicans said last year that there was no health care crisis. They are the only programs that will grow at a rate significantly faster than the economy. Agriculture is heading in the opposite direction.

We should give credit where credit is due. A hard look at the projected growth of entitlement spending from 1993 to 1999 demonstrates that agriculture spending shrinks while most of the other programs show substantial growth.

In fact, after a peak in 1986, agriculture spending has declined substantially. The Congressional Budget Office projects that total costs for farm price support programs run by the Community Credit Corporation will decline from the $26 billion high-water mark in 1986 to less than $8 billion by the year 2000. This is due primarily to program reforms, including those enacted as part of the 1993 deficit reduction package.

Over the next 5 years, agriculture commodity program spending is projected to decline from $10.3 billion dollars in 1996 to $7.8 billion dollars in the year 2000. As a percentage of total federal outlays, Commodity Credit Corporation outlays have declined from a peak 2.4 percent in the late 1950s to a projected 4/10th of one percent by the late 1990s.

In spite of this downward trend, this budget contains a 20 percent hit on Agriculture. The effect of that cut is startling in its magnitude. It pulls the rug out from rural America. To reach such a number, the Agriculture Committee will need to take draconian and dramatic action, such as increasing un-paid base acreage from 15 percent to approximately 35 percent.

Moreover, these cuts will strangle our ability to craft a rational farm bill this year. When added to deep Medicare cuts that will close rural hospitals, I am deeply concerned that this budget will sound the death knell for rural America. To partially address this, I offered an amendment to reduce by $8 billion the scheduled $12 billion cut in government agriculture programs. My amendment was defeated on a party line vote. What was written in stone could not be undone.

WORKING AMERICA TAKES A BACK SEAT IN THE REPUBLICAN BUDGET

The cuts in the Republican budget go deep and far afield to finance the tax cut. Funding for income security programs is cut $113 billion over 7 years. Food stamps and other nutrition programs are cut by $34 billion over 7 years. Some 17 percent of households receiving food stamps have elderly members.

The Republicans also take a chainsaw to the earned income tax credit. The EITC helps keep working families off of welfare and assists middle-class families who have sudden losses of income. However, in the Chairman's mark, EITC will be cut by $13 billion over 5 years. That's 11 percent. This program is especially important because real wage growth has been slow, and many people are having to take lower-wage jobs as a result of downsizing and restructuring.

The Republicans say they will "shield" the VA's medical system from cuts. This is not a shield I would want to stand behind. The Republican budget increases the veterans' contribution for GI Bill education benefits. It increases the co-payment for prescription drugs for higher-income individuals. Let us be clear. By funding the VA's medical system at the 1995 level for the next seven years, the Republicans are dramatically cutting access to health care services for veterans all over this country.

DEMOCRATS TRY TO RESTORE MEDICARE AND OTHER CRITICAL PROGRAMS TO AMERICA'S FAMILIES

During markup, Democratic Senators on the Committee made numerous attempts to soften the blow upon Medicare and other programs critical to working American families. However, at every turn, we were rebuffed by the Republican Majority. We believe that any "fiscal bonus" that may be accrued from balancing the budget should not be spent on tax cuts. Rather, this money could go a long way to alleviate some of the hardship that would be imposed by the cuts in the Republican budget, or to further reduce the deficit.

Democratic Senator after Democratic Senator offered amendments to get our priorities straight and put this budget back on tract. *Not a single Democratic amendment would have resulted in an unbalanced budget in 2002*. I offered an omnibus amendment that would have taken the $170 billion contingent fund and redistributed the money in the following manner: $100 billion to Medicare: $45 billion of Medicaid; $15 billion to education and $10 billion to Agriculture. It was defeated on a party-line vote as was my amendment to ameliorate the savage cuts made to the Agriculture budget. My call for fairness and balance fell on Republican deaf ears; so did that of my Democratic colleagues.

As the Republicans marched in lockstep to defeat our amendments, they showed who they put first in their budget. Senator Lautenberg offered an amendment that would have repealed the expatriate loophole—a financial incentive that allows millionaires to change their citizenship to avoid paying taxes on income and assets—and used the $3.6 billion in revenues to offset some of the $16 billion in Veterans program cuts. It was defeated on party lines.

Senator Lautenberg also offered an amendment that would have used some of the $170 billion economic bonus to hire more officers for community policing. It too was voted down on strict party lines. A third Lautenberg amendment that would have restored Medicare/Medicaid funds by reallocating the savings in the bonus did not garner one Republican vote.

Senator Murray offered two excellent amendments. The first was a Sense of the Congress that the Federal Government has a financial responsibility under the Impact Aid Program to provide for the educational needs of children who reside in school districts with large areas of Federal lands. Federal land is exempt from local property taxes which is the mainstry of local education financing. It is only right and fair that the Federal Government accept its responsibility and not pass the buck to local property owners. The amendment was voted down on party lines.

The second Murray amendment would have created a point of order against any legislation that would cause children eligible to receive Medicaid to lose their coverage. Nearly 20 million children under the age of 21 are covered by Medicaid. That translates to 1 in 4 American children and 1 in 3 American infants. But not one of the Committee's 12 Republicans could vote for these children.

Senator Dodd stood up for America's working families when he offered an amendment that would have restored $19.9 billion to the EITC by closing corporate tax loopholes and eliminating the tax break for expatriate millionaires. His amendment had obvious appeal: rewarding work and creating jobs while striking corporate and special interest tax loopholes that riddle our tax code. It did not appeal to the Republicans on the Budget Committee. To a Senator, they voted it down.

The Budget Committee Republicans followed an identical course when they defeated Senator Dodd's amendment to reduce bloated and outdated special interest tax loopholes and spending programs and restore $60 billion in funding for critical education and children's programs.

In all, Democrats sponsored or co-sponsored a total of 28 substantive amendments to the Republican budget. Only 3 non-binding Sense of the Congress or Senate amendments were accepted by the Republican Majority. Clearly, the Republican priority was a tax cut, regardless of the consequences on America's families.

THE FIRST BALANCED BUDGET

Contrary to Republican statements, this in not the first budget resolution to achieve balance. It is the fifth in line. The 1980, 1981, 1982 and 1991 budget resolutions were in balance. In the 1991 budget, Democrats did not use the Social Security trust fund surplus to reach balance. This all goes to demonstrate that the universe covered by a budget resolution can change in the course of the years.

CONCLUSION

It is indeed a sad commentary on our times that during the markup of the Republican budget, we did not have a bi-partisan approach towards a common goal. Many Democrats agree that we should balance the budget by the year 2002. I certainly do. We recognize that doing so will take painful, but necessary cuts and we are willing to call for the sacrifices that will be necessary.

It is not the goal, but the distribution of the cuts in this resolution that are so troubling. At a time when so many Americans are being asked to sacrifice to balance the federal budget, I cannot and will not condone a budget that contains a tax cut that is a sop to the wealthiest among us. I cannot support a budget that makes misguided cuts in Medicare and other programs that improve the lives of millions of American families merely to underwrite this extravagance. I cannot support a budget that would lay waste to rural America and its fragile economy.

It is my hope that during the upcoming debate on the Senate floor, my Republican colleagues will give serious and due consideration to the amendments that will be offered to alleviate the unfair distribution of those cuts and to reverse the course on the tax cut.

Then we will have a balanced budget that can be supported not only by both Democrats and Republicans but the American people.

JIM EXON.

"I am certain Americans don't want to saddle the next generation of children with paying our debt," Budget Chairman Domenici stated at the beginning of the mark-up. And then he presented the Chairman's mark which did exactly that—spending $636 billion of the Social Security trust fund to lower the deficit.

Amidst cries that, "The President punted on Medicare," the Chairman's mark promptly "punted"—assigning the task to a commission. Chairman Domenici then solemnly announced that the Chairman's mark would not provide a tax cut. But tucked away in the back of the bill was a provision for a $350 billion tax cut.

Argument ensued. The Republicans wanted to give a tax cut to the middle class; the Democrats wanted the surplus, if any, on Medicare. To my motion that any surplus go to reduce the deficit, the Republicans voted in bloc "No." Obviously deficit reduction was not foremost in the minds of this Republican budget. Eliminating the government was more the intent.

"The root problem goes back to the July, 1981 frenzy of excessive and imprudent tax cutting that shattered the nation's fiscal stability," wrote David Stockman, President Reagan's budget director. "A noisy faction of Republicans have willfully denied this giant mistake of fiscal governance, and their culpability in it, ever since. Instead, they have incessantly poisoned the political debate with a mindless stream of anti-tax venom, while pretending that economic growth and spending cuts alone could continue the deficit."

This budget continues the pretense. After 12 years of spending cuts by President Reagan and President Bush, President Clinton came to town with $500 billion in spending cuts and tax increases including one on Social Security. Last year, he intensified his drive for cuts in Medicare with health care reform. This initiative was rejected out of hand by the Republicans claiming that nothing was wrong with health care in America. Now they cite a report that health care funds could be depleted by FY2002. Never mind that the same group reported last year that Medicare would be in trouble by FY2001.

In addition to his first year cuts and tax increases of $500 billion, President Clinton called for an additional $150 billion in cuts in this year's budget. Taken together, domestic discretionary spending today as a percent of GDP is less than under President Johnson's balanced budget of 1969. Investments by government that save money have been stultified. For every dollar we spend on WIC, we save $3. For every dollar in Head Start, we save $4.25. For every dollar spent on Education's Title I for the disadvantaged, we save $650. For every dollar invested in NIH for medical research, we save $13.50. After 15 years of spending cuts, WIC today is only 65% funded; Head Start, 36%; Title I, 60%. Cancer clinics have been closed and medical research severely curtailed. Today, spend-

ing freezes, spending cuts and tax loophole closings are insufficient to balance the budget. This balanced budget attempt refuses to acknowledge the need for taxes and instead engages in Kasich's Vietnam approach—destroy the government in order to save it; i.e. eliminate departments and stop investing. This was the dilemma facing Democrats on the Budget Committee. The Republicans were determined to obscure half the deficit with a looting of Social Security, buy the next election with an unaffordable tax cut, ignore the need to get the country moving with a tax increase all the while shouting, "Where's your budget to balance by FY2002?" I submitted one in January, introduced it into the Congressional Record four times since and presented it on the first day of the mark-up. But there were no nibbles from either side of the aisle. This budget doesn't balance!

President Clinton compromised his credibility by calling for a tax cut. But he didn't join the charade. He provided a realistic budget of $150 billion in spending cuts and increases in investment. The Chairman commenced the mark-up with a rule allowing the submission of the Clinton budget. But the rule required that to adopt it, one would have to join in the decimation of the government. The Republicans formed a solid block against defense cuts, against closing tax loopholes, for looting the Social Security trust fund, for tax cuts and they made sure that any surplus available would not be applied to the deficit. The best the Democrats could do was struggle to save health, education, research, agriculture, and veterans programs.

Both sides continue to mislead the people; i.e. the crisis is seven years away, the government is too big, cut spending, taxes are not needed. The crisis is now! The "big" part of government is interest costs on the national debt. The real deficit projected for 1996 is $317 billion. Interest costs on the national debt are $340 billion. Domestic discretionary spending is only $275 billion. Not just cut but totally eliminate the government as we know it—Congress, courts, President, Departments, FBI, DEA, etc., and you still have a deficit. As a character in Alice in Wonderland said, "To stay where we are, we must run as fast as we can; to get ahead, we must run even faster." Interest costs grow faster than the cuts in this budget. Cuts alone won't do the job.

The need is for increases as well as cuts. The need is for balanced legislators as well as a balanced budget. With the fall of the Wall, America needs desperately to start investing more in education, research, rebuilding our cities, rebuilding our infrastructure and investing in technology development. Spending freezes, spending cuts, tax loophole closings and tax revenues to eliminate the deficit, debt are necessary. At the same time, a Marshall Plan for America is needed. Rather than responding to the needs of the country, this budget simply responds to the need of the politicians. This budget is simply a charade for reelection.

ERNEST F. HOLLINGS.

MINORITY VIEWS OF SENATOR PAUL SIMON ON THE BUDGET RESOLUTION

For fifteen years, I have fought for a balanced budget amendment to the Constitution. I have done so in the firm belief that persistent budget deficits pose a grave threat to the future prosperity and vitality of the nation. For that reason, I commend Senator Domenici for his extraordinary efforts in fashioning a budget resolution designed to end our long parade of budget deficits.

Nonetheless, my support for the goal of a balanced budget does not mean that I support every or any plan proposed to reach that vital objective. Indeed, as I see it, America stands now at the crossroads of two very different roads of fiscal discipline. The current budget resolution takes the path of least resistance. It is, in the end, the wrong path for our nation to take.

Instead of spreading the burden among all segments of our society, the resolution enacts the deepest spending cuts on those programs that serve the least advantaged among us. It slashes funding for education and training initiatives that make the American Dream possible for many ordinary citizens. And it devastates initiatives—like Medicaid, Medicare, child nutrition and Head Start—that provide essential services for children, the poor, and the elderly.

At the same time, the budget resolution insulates significant parts of the budget from any reduction at all. Defense spending, corporate and individual tax breaks, Social Security, and other areas all remain free from examination. Worse, the resolution contemplates a "reserve fund" to be used for nearly $300 billion in tax cuts over ten years, a rebate that is likely to disproportionately benefit the wealthiest among us. Given the size of the cuts in basic human services, even the thought of such a tax cut at this time seems heartless and perverse.

To be sure, the political rationale for this budget resolution is easy enough to understand. It imposes the most significant burdens on those who have the weakest voice in government, and virtually none on those who are wealthy, well-connected and powerful. Equally clear is the ideological rationale for this resolution. It rests on the comforting—but oversimplified—belief that the American Dream will be restored when social services are reduced, and when individuals are left free to pursue their own self-interest in the private sector.

That may be a fairly accurate assumption to make when one talks about the many citizens who have the minimal resources and opportunities necessary to compete in the marketplace. But it ignores the fact that many citizens, absent government assistance, will be without even the most basic educational opportunities, health care, or employment chances. They will lack, in short, any reasonable opportunity to rise to their full stature as human

beings. And a society that leaves significant parts of its populace without opportunity or hope does not deserve to call itself a just society, for it has turned its back on its least advantaged members.

There is, however, another path before us. It is a path that calls upon every American, and particularly upon the well-off and secure, to bear a fair share of the burden of reaching a balanced budget. That means rejecting the idea that any part of the budget is sacrosanct and protected. It means reducing defense expenditures to a level appropriate for the post-cold war era. It means closing some of the special tax benefits and loopholes that needlessly line the pockets of well-off investors and corporations. And it means dismissing proposals to use spending cuts in social services to fund tax cuts for the rest of us.

Admittedly, this is a difficult path to follow, for it imposes significant burdens upon the interests of the wealthy and powerful. It will require courage and discipline by Congress—and by the American people themselves. But, ultimately, it is the only path worthy of a society committed to the Common Good and to Justice. Ultimately, it is the only path that can make the American Dream possible for all our citizens, for rich and poor alike.

PAUL SIMON.

VIEWS OF SENATOR BARBARA BOXER

If enacted as proposed, this Republican budget will impose enormous pain on millions of Americans, especially the elderly, our children, and our environment. I am extremely disappointed that, for the most part, Republican members of the Committee refused to consider amendments offered by Democratic members to lessen the pain imposed by this budget. They turned down amendments on Medicare, education, agriculture, and the environment, in order to maintain a reserve fund for tax cuts for the wealthy.

Committee Democrats offered many reasonable, revenue neutral amendments that could have greatly improved this budget. I look forward to offering some of these and voting on others when the resolution is considered by the full Senate. The resolution as it stands is a callous retreat from the American Dream: it makes our country weaker, not stronger.

In searching for sources of revenue for this budget plan, the Committee originally made one significant assumption based on incorrect information. I wish to thank Senator Brown and Chairman Domenici for their help in correcting this error. The Committee had originally assumed that $555 million could be saved in fiscal years 2000–2002 in the Environment and Natural Resources function by privatizing—i.e. selling—the Presidio of San Francisco.

The fact is that the Presidio is not saleable: Congress may have the authority to mandate a sale, but it cannot force anyone to buy. The Presidio is now designated as "open space" in the City of San Francisco's master plan and as a "public district" under the local zoning ordinance. That low-use zoning would have to be changed in order for the property to be developed, a process which would take many years, given the strong opposition of the Mayor, the Planning Department, the Board of Supervisors, and the majority of community organizations.

Regardless of the desire of the Committee to assume savings from sale of the Presidio, it is a fact that such sale is not a realistic expectation, and thus would not result in any savings. A more realistic approach is embodied in S. 594, my bill to establish a private sector management structure for the Presidio in order to maximize the collection of rents and other revenues and minimize the cost to the federal government.

BARBARA BOXER.

MINORITY VIEWS OF SENATOR PATTY MURRAY

When this Committee mark-up began, I stated my belief that the American people deserve a sound budget. The deserve proposals that meet their needs and reflect their spending priorities. They deserve security for themselves and their families. Taxpayers deserve to get something back from the system they are paying into.

I analyzed the Chairman's mark from this perspective. Is it sound? Does it represent the priorities of the American people? Does it provide a sense of security? From the numbers contained within the mark as laid down by the Chairman, I concluded it did not.

A number of my Democratic colleagues and I offered several amendments during the mark-up which would have gone a long way toward meeting these goals. But, we were rebuffed by party-line votes. We were unable to restore economic soundness, fiscal common sense and security to the process, and I cannot support this draconian budget.

I offered an amendment which would have forced the Senate to think twice before we enact a cut to Medicaid which results in more uninsured children. Democratic Senators offered amendments to lessen the adverse impacts of Medicare cuts on our senior citizens and education cuts on our children. These were all rejected on party-line votes.

This was my greatest fear in this process. No one doubts the need to put our fiscal house in order. But, deficit reduction in and of itself is not an economic policy. Under today's mantra of "cut, cut, cut" I am sorry the other party seems to have forgotten the word "compassion." I worry that slash and burn politics will override common sense and fairness, especially for our children.

I opposed the Chairman's mark for that reason.

PATTY MURRAY.

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