Calendar No. 482

106TH CONGRESS
2d Session

SENATE

REPORT
106–251

CONCURRENT RESOLUTION ON THE BUDGET FY 2001

REPORT

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 101

together with

ADDITIONAL AND MINORITY VIEWS

Setting forth the congressional budget for the United States Government for fiscal years 2001 through 2005 and revising the budgetary levels for fiscal year 2000

MARCH 31, 2000.—Ordered to be printed
Filed under authority of the order of the Senate of March 30, 2000

Calendar No. 482

106TH CONGRESS, 2d Session — SENATE — REPORT 106–251

CONCURRENT RESOLUTION ON THE BUDGET FY 2001

REPORT

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 101

together with

ADDITIONAL AND MINORITY VIEWS

Setting forth the congressional budget for the United States Government for fiscal years 2001 through 2005 and revising the budgetary levels for fiscal year 2000

MARCH 31, 2000.—Ordered to be printed
Filed under authority of the order of the Senate of March 30, 2000

U.S. GOVERNMENT PRINTING OFFICE
63–493 WASHINGTON : 2000

COMMITTEE ON THE BUDGET

PETE V. DOMENICI, New Mexico, *Chairman*

CHARLES E. GRASSLEY, Iowa	FRANK R. LAUTENBERG, New Jersey
DON NICKLES, Oklahoma	ERNEST F. HOLLINGS, South Carolina
PHIL GRAMM, Texas	KENT CONRAD, North Dakota
CHRISTOPHER S. BOND, Missouri	PAUL S. SARBANES, Maryland
SLADE GORTON, Washington	BARBARA BOXER, California
JUDD GREGG, New Hampshire	PATTY MURRAY, Washington
OLYMPIA J. SNOWE, Maine	RON WYDEN, Oregon
SPENCER ABRAHAM, Michigan	RUSSELL D. FEINGOLD, Wisconsin
BILL FRIST, Tennessee	TIM JOHNSON, South Dakota
ROD GRAMS, Minnesota	RICHARD J. DURBIN, Illinois
GORDON SMITH, Oregon	

G. WILLIAM HOAGLAND, *Staff Director*
BRUCE KING, *Staff Director for the Minority*

CONTENTS

I. Summary

Senate Budget Resolution for 2001

committee-reported resolution

The Committee-reported resolution for the 2001 Concurrent Budget Resolution represents a fiscal blueprint for the next five years. The latter quarter of the 20th century was one marked by federal fiscal imbalances. The fiscal deficits of the recent past are now surpluses. This positive budget outlook provides Congress and the President with a unique opportunity to structure fiscal policies that address the challenges that lie ahead—both domestic and international.

It is acknowledged, however, that the budget year for which this resolution provides specific fiscal guidance (FY 2001) will be administered by a new President and a new Congress. Therefore, this budget resolution can only serve as the first step in completing the work of the 106th Congress and closing out the Clinton Presidency. The next Congress and the next President will have an opportunity to add more definitive direction to the country's future fiscal policy path, and indeed could, and likely will, propose modifications to this budget blueprint.

The Committee-reported resolution, nonetheless, establishes some general principles and an outline for that future path:

Preserve and protect the social security trust fund balances.

Balance the budget every year not counting social security.

Reduce the level of debt held by the public.

Establish responsible funding levels for national security and domestic spending programs that will be followed through the annual appropriation process this year and that will provide realistic planning estimates for the next five years. For FY 2001 this level of spending would be set at $596.6 billion in budget authority, a 4.7% increase over the enacted FY 2000 level.

Reform federal assistance to elementary and secondary education programs, provide bonus incentive payments to states for good performance, while providing funding (both discretionary and mandatory) to the Department of Education equivalent to President Clinton's five year request.

Establish new procedures in the budget resolution that would better enforce the fiscal policy guidance outlined in this resolution.

Provide $40 billion over the next five years for the development of a Medicare prescription drug benefit. For FY 2001–2003, $20 billion would provide for an unrestricted prescription drug benefit; the remaining $20 billion would be available for FY 2004–2005 conditional upon legislation that would extend the solvency of the Medicare program.

Provide $5.5 billion in emergency funds immediately in FY 2000 to depressed agriculture producers and their families and $11.0 billion in longer term funds for reform of current programs.

Return to working Americans estimated tax overpayments of over $150 billion, of which $13.2 billion would be provided in FY 2001.

The Committee-reported resolution sets out benchmark spending and revenue levels for the next five years. Federal spending under the Committee-reported resolution will increase from $1.8 trillion in 2000 to nearly $2.1 trillion in 2005. After providing for $150 billion in tax reductions, federal revenues would still increase from $1.9 trillion in 2000 to $2.3 trillion in 2005. The budget, excluding social security, will maintain balance throughout the five-year projection period, and approximately $19.5 billion in federal resources are projected to remain available as on-budget surpluses, thereby further reducing debt held by the public—if not needed for emergency funding. Should the resolution's tax reduction or Medicare reform expenditures not become law, additional debt reduction of over $190 billion—for a total of $210 billion—would result.

In more detail, the Committee-reported resolution would:

1. Preserve and Protect Social Security Trust Fund Balances.

The resolution protects social security trust fund balances estimated to total nearly $1 trillion over the projection period. The resolution assumes that the trust fund balances are used to retire debt held by the public and for no other purposes. Debt held by the public would decline from $3.6 trillion at the end of 1999 to $2.5 trillion by the end of the five-year projection period.

2. Modify the 1997 Bipartisan Budget Agreement for Discretionary Spending.

The Committee-reported resolution, as required by law, allocates discretionary spending totals to the Committee on Appropriations consistent with the statutory levels established in the historic 1997 Budget Agreement. However, deliberations surrounding the FY 2001 budget reflect the fact that the President's budget for the last three years has proposed to increase domestic discretionary spending above these statutory levels and that the Congress has exceeded these levels the past two years by the use of various budget devices, which have called into question the integrity of the budget process.

The Committee-reported resolution abides by the 2001 spending limits of $541 billion in BA and $579 billion in outlays, but establishes a mechanism to adjust these statutory caps to more realistic levels of $596.6 billion in BA and $622.6 billion in outlays.[1]

The Congress would be required to set priorities for spending programs within the new 2001 spending levels. Final decisions on how these priorities will be determined lie with the Committee on Appropriations and ultimately the Congress and President. Function-by-function details appear later in this report.

---

[1] Aggregate and functional numbers in this report assume the statutory spending limits will be adjusted to the higher levels. The resolution remains in compliance with Sec. 251(c) of the Deficit Control Act of 1985, as amended.

The following highlights key discretionary policies assumed in the functional aggregates of this resolution:

First, the Committee-reported resolution does assume that an additional $5.4 billion in federal resources will be made available in FY 2000 for specific items requested by the President related to Kosovo/East Timor, Colombia international narcotics intervention, and continued emergency funding for Hurricane Floyd victim assistance.

The Committee-reported resolution has assumed that, within the new caps, funding for national security will grow from $289.9 billion in 2000 to $306.8 billion in 2001, a $16.9 billion increase.

Funding for the Department of Education programs, including federal assistance to elementary and secondary education, would increase $4.5 billion in BA, compared to the 2001 baseline. Special education funding would increase $1 billion. Funding for Head Start would increase $155 million next year.

The Committee-reported resolution assumes fully funding highway and mass transit programs as required in 2001 under the Transportation Equity Act (TEA–21). Further, the resolution assumes increased funding at the authorized levels in the recently enacted aviation legislation. In total, funding for transportation programs would increase nearly $4.3 billion in outlays between 2000 and 2001.

The resolution assumes $1.1 billion increased funding for veterans discretionary health programs, and increased funding for the National Institutes of Health of $1.1 billion next year.

The resolution assumes an increase of nearly $500 million for embassy security, construction, and maintenance of these deteriorating U.S. facilities overseas.

The resolution assumes a $215 million increase in funding for the Export Import Bank to help address the widening and historic U.S. trade gap.

The resolution assumes an increase in funding of $152 million for the National Science Foundation and a similar increase for NASA.

An increase of nearly $250 million in funding is assumed for the operations of our National Park Service, Bureau of Land Management, and Forest Service management.

For nuclear waste disposal activities, the resolution assumes $90 million increased funding over 2000 levels.

Funds are assumed to fully renew annually all Section 8 housing contracts in place at the end of 2000. The resolution assumes $50 million in increased funding for the Women, Infants, and Children program. The Committee-reported resolution also assumes $230 million in increased funding for the Indian Health Service.

Within these spending limits the Committee-reported resolution does not assume a continuation of funding for emergency spending programs adopted at the end of the last Congress. Although if emergency spending becomes necessary in the future, the Committee-reported resolution contemplates that such designations could continue to be made. However, the resolution assumes a change in budget procedures that would require a super-majority vote to maintain an emergency designation.

The Committee-reported resolution assumes the leasing of the Alaska National Wildlife Reserve, which would provide $1.2 billion in offsets to discretionary spending in 2005.

The Committee-reported resolution was developed based on specific programmatic assumptions that may or may not come to pass. When aggregated over time, however, discretionary spending would increase from $623 billion in 2001 to over $675 billion in 2005—an annual rate of growth of over 2.0 percent—a realistic rate only slightly slower than the 3.1 percent experienced over the last five years.

3. Changes to Certain Mandatory Spending Programs.

The Committee-reported resolution assumes increased mandatory spending over current law assumptions of nearly $61.9 billion for the five-year projection period.

Included within this level of increased mandatory spending: $40.0 billion for Medicare prescription drug benefits; $10.1 billion for agriculture risk management and income support reform; $5.2 billion for the effects on the Earned Income Tax Credit program resulting from the marriage penalty tax reform; $3.9 billion for child care payments to states; $3.2 billion for Social Services Block Grant payments; $1.1 billion for payments to rural states and counties for education and roads associated with the loss of federal timber receipts; $0.3 billion for the health care of children with disabilities; and a new Department of Education performance bonus fund that, while authorized in 2001, would not result in any significant outlays until after 2005 as states qualify for bonus payments.

The Committee-reported resolution rejects the President's proposals to reduce Medicare spending by $17 billion over the next five years. The Committee-reported resolution also rejects the President's regressive proposal to increase taxes on tobacco by $37 billion.

The resolution rejects the President's five-year $600 million cut in Impact Aid to the States. The resolution rejects the nearly $2.0 billion cut in the student loan program proposed by the President.

The Committee-reported resolution assumes that, within the funds made available to federal agencies, the historic pay parity between federal civilian and military employees will be maintained. The resolution assumes the President's proposed 3.7% pay raise for all federal workers next year and the repeal of a temporary 0.5% federal employees retirement contribution enacted in 1997.

4. Return to Working Americans' projected tax overpayments.

While maintaining the discipline of a balanced budget excluding social security surpluses, the Committee-reported resolution assumes that overpayment of taxes not needed to fund the general government should be returned to taxpayers in the form of tax reductions. The exact nature of how such overpayments would be returned would be left to the Committee of jurisdiction through a reconciliation instruction—the Finance

Committee. Again ultimately the nature of these tax cuts would be determined by the Congress and the President.

The Committee-reported resolution would instruct a reduction in federal taxes not to exceed net $150 billion over the next five years. The Committee-reported resolution assumes that, within the aggregate $150 billion tax cut, legislation will be enacted to provide marriage penalty tax relief, tax relief for affordable education, health care and small businesses. Tax reductions over and above these levels would have to be offset by the tax writing Committee in order to maintain fiscal balance.

Further, within the aggregate $150 billion tax reduction figure, the Committee-reported resolution could accommodate, but does not require, repeal of any or all of the 4.3 cents per gallon gasoline tax as early as July 1, 2000, or greater amounts thereafter. However, the resolution also assumes that any reduction in receipts to the Highway Trust Fund that might result from any reduction in the gasoline tax, and therein cause a future reduction in highway spending, would be made whole.

The Committee-reported resolution includes a reserve fund in 2001 and beyond for additional on-budget surpluses. The reserve fund allows the Chairman of the Budget Committee to adjust the revenue aggregates and the balances on the pay-go scorecard in the resolution if CBO revises its forecast later this summer to show additional on-budget surpluses. This update would also revise reconciliation instructions to the tax writing committees to permit additional tax reductions in 2001 and beyond based on the amount of the reestimated on-budget surplus.

5. Additional On-Budget Surpluses.

All budget estimates are subject to change and uncertainty—particularly when made over an extended period of time. Therefore, the Committee-reported resolution, showing caution, assumes that not all of the projected on-budget surplus after 2001 would necessarily be allocated to spending or tax reductions. It is estimated, at this time, that nearly $20 billion in on-budget surpluses could result if the Committee-reported resolution were fully implemented. These additional funds, if estimates prove accurate, would further retire debt held by the public.

6. Enforcement Provisions.

The Committee-reported resolution includes provisions designed to provide greater discipline on the decision-making process governing Congressional fiscal policy.

These various enforcement provisions include: limits on future advanced appropriations, limits on delayed obligations, and emergency spending limitations similar to last year's budget resolution. Procedures would be included in the resolution to stop the President's proposed gimmick of using off-budget Federal Reserve revenues to offset discretionary spending. The Committee-reported resolution reaffirms current rules that prohibit the scoring of revenues as offsets in an appropriation bill.

The Committee-reported resolution creates a new super-majority point of order against any future budget resolution that would result in an on-budget deficit—the Social Security Lockbox. The resolution establishes a mechanism for additional debt reduction should the assumed tax reduction or Medicare prescription drug legislation not become law.

The Committee-reported resolution proposes to establish a discretionary defense and nondefense firewall for 2001 appropriations to ensure compliance with the resolution's aggregate spending assumptions for these categories.

In addition, similar to past budget resolutions, various reserve fund mechanisms are included in the resolution that would authorize spending and revenue allocations to Committees of jurisdiction for specific fiscal policy assumptions included in the resolution's assumptions.

Specifically, four special reserve funds are established, one to protect needed agriculture emergency funding in FY 2000, a second reserve fund to provide mandatory spending authority for legislation that would provide funding relief to rural counties for their education and road systems, a third to provide health care funds for children with disabilities, and a fourth to provide funds for a Medicare prescription drug benefit.

SUMMARY OF COMMITTEE REPORTED RESOLUTION: LEVELS OF SPENDING

[In billions of dollars]

	2000	2001	2002	2003	2004	2005	2001–05
Discretionary:[1]							
Defense:							
BA	292.6	306.8	310.0	316.4	324.0	332.3	1589.5
OT	289.1	295.1	303.2	310.3	318.3	328.7	1555.5
Nondefense:							
BA	282.2	289.8	300.0	306.2	310.6	313.5	1520.1
OT	322.5	327.6	337.4	342.4	344.0	346.6	1698.0
Subtotal:							
BA	574.8	596.6	610.1	622.6	634.6	645.8	3109.6
OT	611.7	622.6	640.6	652.7	662.2	675.3	3253.5
Mandatory:							
OT	943.8	987.4	1037.0	1100.3	1169.2	1244.8	5538.8
Net interest:							
OT	224.7	219.3	210.7	196.7	182.1	166.5	975.3
Total outlays:							
OT	1780.1	1829.4	1888.3	1949.7	2013.5	2086.7	9767.6
Revenues	1944.3	2003.2	2071.4	2146.0	2225.0	2318.0	10763.5
Unified surplus	164.1	173.8	183.1	196.2	211.5	231.3	995.9
On-budget	11.2	8.1	1.0	1.1	2.8	6.5	19.5
Off-budget	152.9	165.7	182.0	195.2	208.7	224.8	976.4

[1] Discretionary spending in this summary reflects the levels that will apply once new discretionary limits aer enacted.

SUMMARY OF COMMITTEE REPORTED RESOLUTION: CHANGES FROM SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005	2001–05
SBC Baseline:							
Unified surplus	179.4	192.4	236.7	273.0	314.7	357.7	1374.5
On-budget	26.5	26.5	54.3	77.5	105.6	132.5	396.4
Off-budget	152.9	165.9	182.4	195.5	209.0	225.2	978.0
Discretionary[1]	8.6	−1.9	13.9	24.3	39.0	50.3	125.7
Mandatory	5.5	6.0	11.4	14.6	14.9	15.0	61.9

SUMMARY OF COMMITTEE REPORTED RESOLUTION: CHANGES FROM SBC BASELINE—Continued

[In billions of dollars]

	2000	2001	2002	2003	2004	2005	2001–05
Net interest	0.3	1.4	3.5	7.1	11.7	17.6	41.2
Tax cuts (net)	−0.9	−13.2	−24.9	−30.8	−37.6	−43.4	−149.8
Total change	−15.3	−18.6	−53.6	−76.8	−103.2	−126.4	−378.6
Resolution Total:							
Unified surplus	164.1	173.8	183.1	196.2	211.5	231.3	995.9
On-budget	11.2	8.1	1.0	1.1	2.8	6.5	19.5
Off-budget	152.9	165.7	182.0	195.2	208.7	224.8	976.4

[1] Discretionary spending in this summary reflects the levels that will apply once new discretionary limits aer enacted.

II. Economic Assumptions

The Committee-reported resolution is built upon CBO's assumptions about the future path of the US economy. CBO prepares economic forecasts for 2000 and 2001, which reflect the current state of the economy and relative position in the business cycle. The out year projections are based upon longer-term trends in the economy.

Overview

The present expansion is now the longest on record, yet it shows few signs of infirmity—real GDP grew in excess of 4 percent last year, while the unemployment rate fell to its lowest level in 30 years. Despite this robust performance, inflation was remarkably well contained. While higher oil prices boosted the headline inflation figures, core CPI growth (which excludes volatile food and energy components) remained steady. Furthermore, unit labor costs remained in check, as accelerating productivity growth tempered wage increases.

Surging productivity growth was one of the more notable aspects of the economy's performance last year. Productivity grew at a 3.0 percent pace, nearly double its annual average growth rate from 1973–1995. This improvement reflected the expanded capital stock, technological advances and CPI/GDP measurement changes.

In recent months, however, the Federal Reserve has become concerned that this productivity surge may exacerbate inflationary pressures down the road. Although it has boosted potential aggregate supply sharply, it has increased aggregate demand even more via the "wealth effect" (i.e., productivity improvements fueled equity market gains, which made households feel wealthier and led them to demand more goods than the economy could produce).

Up to now, this imbalance has not been inflationary, since imports provided a needed safety valve. However, with the current account deficit now at a record as a share of GDP, it is unclear how much more this valve can alleviate. As such, the Fed is concerned that inflationary pressures could emerge going forward. For these reasons, financial markets expect the Fed to hike interest rates by an additional 75 basis points by this fall.

Such Fed tightening need not spell the end of the expansion. The Fed embarked on a similar effort in 1994/95 and was successful in engineering a soft landing that prolonged the duration of the expansion.

Summary of CBO's forecasts

Consistent with most private forecasters, CBO expects that the Fed will engineer a gradual slowdown in the economy over the next five years, which preempts a continued rise in inflationary pressures and reduces labor market imbalances.

CBO expects real GDP growth to slow from its 1999 pace of 4.1 percent to 3.3 percent in 2000. Growth is expected to average 2.9 percent over the five year budget window.

This average growth rate is 0.4 percentage points higher than what was assumed in CBO's July forecast. Despite these upward revisions, CBO's (and OMB's) real GDP growth assumptions are still more conservative than the private forecasters.

Forecasts for Real GDP Growth 1999–2005

[Average annual growth rates in percent]

CBO—Jan00	2.85
OMB—Feb00	2.8
Blue Chip—Mar00	3.2
DRI—Mar00 [1]	3.3
Macro Advisers—Mar00	3.0
WEFA—Mar00	3.6

[1] DRI forecasts are for 1999–2004.

CBO assumes that inflation picks up in 2000, before edging down slightly in the wake of Federal Reserve rate hikes. The unemployment rate is expected to bottom at 4.1 percent (annual average) in 2000 and climb gradually to 5.0 percent by the end of the five year budget window.

While CBO does not forecast a recession in 2000 or 2001, it assumes that the risks of recession and the risks of continued economic boom are roughly balanced in their 2002–2005 projections.

Comparison of CBO's economics versus OMB's

OMB's and CBO's economic forecasts are similar and are within the range of error on these forecasts. Both look for the economy to slow below its potential growth rate over the next few years, while inflation increases slightly. Neither expects a recession in the near-term. OMB and CBO have essentially the same average real GDP growth over the next five years. However, OMB projects slightly faster nominal GDP growth, higher interest rates and smaller highly-taxed income shares than CBO over this same period. Over the five year budget window, CBO's economics are slightly more favorable than OMB's as far as their budgetary impact—CBO's economics generate $51 billion more than OMB's over this period.

Growth

CBO and OMB have roughly the same assumptions of real GDP growth from 1999–2005—CBO expects 2.85 percent average annual growth versus 2.81 percent for OMB. Within this period, CBO expects slightly faster growth in 2001–03 than OMB, and slightly slower from 2004–2005.

Despite having nearly identical real GDP projections, OMB assumes higher nominal GDP than CBO—OMB's is $182 billion higher by 2005. As a consequence, OMB's nominal GDP growth rate is 0.3 percentage points faster than CBO's. While this assumption helps OMB's revenue projections, this revenue effect is offset by OMB's more pessimistic income share assumptions (discussed below).

Inflation

Both OMB and CBO expect that inflation will pick-up slightly from this year's pace, in deference to tight labor markets and a waning of temporary factors that had been restraining prices up to this point (i.e., the strengthening dollar and plunging commodity prices).

Both OMB and CBO project largely the same CPI growth over the budget window—OMB expects 2.6 percent, while CBO expects 2.5 percent. There is greater difference on their GDP deflator projections. CBO looks for the deflator to be 1.7 percent from 2002–2005, while OMB expects it to be 2 percent over the same period. This is why OMB has higher nominal GDP projections than CBO.

Income shares

Income shares are a less publicized portion of the forecasts, although they can have key budgetary effects. Income shares depict the breakdown of national income between wages and salaries, benefits, corporate profits, proprietors' income, rental income and net interest. They are expressed as a share of GDP.

If all of the above were taxed the same, the division between income categories would make little budgetary difference. Yet, this is not the case. Wages & salaries and corporate profits are taxed at a higher effective tax rate—as such, the higher they are relative to the other income categories, the higher the projected revenue stream. These latter two categories are termed the highly taxed shares.

OMB and CBO both expect the highly taxed share to decline over the budget window, due to expected rapid growth of depreciation, higher interest rates and an increase in benefit costs. However, OMB expects a steeper decline. The lower the income share, the lower the revenues. OMB's more pessimistic income share assumptions tend to offset the beneficial effects of their higher nominal GDP stream from a revenues perspective.

Interest rates

Both OMB and CBO expect higher interest rates over the next few years, given expected Fed tightening in coming months. CBO assumes slightly higher short and long term interest rates than OMB until 2002, after which CBO assumes interest rates trend down toward their 1999 level. In contrast, OMB assumes that interest rates remain at elevated levels throughout the five year window, thus ensuring that their rates are slightly higher than CBO's from 2003–2005. Higher interest rates erode surplus projections since they raise debt service costs.

Implications of recent data for the economic assumptions

Since CBO's forecasts were compiled in December, there have been several notable developments in the economy. Fourth quarter GDP grew at a 6.9 percent pace, well above what CBO and private forecasters had anticipated. Furthermore, Y2K proved to be an economic non-event. As a result, Blue Chip revised up its forecast for 2000 real GDP growth by 0.6 percentage points from December to February.

Given the improved growth outlook, financial markets now expect 50 basis points more Federal Reserve tightening than is currently priced into CBO's assumptions. Lastly, the price of oil has spiked to $30/barrel, which if sustained, would tend to boost 2000 inflation by several tenths of a percent.

Were such developments to be reflected in budget forecasts, surplus estimates would likely rise slightly over the five year window—the positive revenue effects of higher growth would be expected to more than offset the negative effects of the increase in interest rates and inflation.

ECONOMIC PROJECTIONS COMPARISON

[Level in billions of dollars]

	Calender years—						
	1999	2000	2001	2002	2003	2004	2005
Nominal GDP:							
CBO	9,235	9,692	10,154	10,610	11,069	11,544	12,054
Administration	9,232	9,685	10,156	10,621	11,105	11,644	12,236
PERCENT CHANGE (YEAR TO YEAR)							
Real GDP:							
CBO	3.9	3.3	3.1	2.8	2.6	2.6	2.7
Administration	3.9	3.3	2.7	2.5	2.5	2.8	3.0
Blue Chip	3.9	4.1	3.1	2.8	2.8	3.3	3.3
Consumer Price Index:							
CBO	2.2	2.5	2.4	2.5	2.5	2.5	2.5
Administration	2.2	2.6	2.4	2.6	2.6	2.6	2.6
Blue Chip	2.2	2.6	2.6	2.6	2.6	2.5	2.4
GDP Price Index:							
CBO	1.4	1.6	1.6	1.7	1.7	1.7	1.7
Administration	1.4	1.6	2.0	2.0	2.0	2.0	2.0
Blue Chip	1.4	1.8	2.0	2.0	2.1	2.1	2.0
ANNUAL RATE							
Unemployment:							
CBO	4.2	4.1	4.2	4.4	4.7	4.8	5.0
Administration	4.2	4.2	4.5	5.0	5.2	5.2	5.2
Blue Chip	4.2	4.0	4.2	4.5	4.7	4.7	4.7
Three-Month T-Bill:							
CBO	4.6	5.4	5.6	5.3	4.9	4.8	4.8
Administration	4.7	5.2	5.2	5.2	5.2	5.2	5.2
Blue Chip	4.6	5.8	5.9	5.5	5.4	5.4	5.2
Ten-Year T-Note:							
CBO	5.6	6.3	6.4	6.1	5.8	5.7	5.7
Administration	5.6	6.1	6.1	6.1	6.1	6.1	6.1
Blue Chip	5.6	6.5	6.4	6.2	6.1	6.1	5.9
SHARE OF GDP							
Corporate Profits (Book Profits) + Wages and Salaries:							
CBO	57.6	57.4	57.0	56.7	56.5	56.3	56.2
Administration	57.6	57.3	56.9	56.4	55.9	55.6	55.5

Sources: CBO January 2000, OMB February 2000, Blue Chip Economic Indicators March 2000.

III. Spending and Revenues Baseline Assumptions

A baseline is the indispensable starting point for constructing a budget resolution. Some object to the term and concept of baseline, even though it is a common term found in everyday life—whether in a visit to your doctor, in school testing of your child, or perhaps in your own household budget—that is used to denote a reference point from which you can measure changes. Every congressional budget resolution has started with a baseline.

A budget resolution is a statement of dollar aggregates that represent the set of spending and tax policies that the Congress agrees to pursue over some time in the future, but it does not exist in a vacuum. The way we have come to explain a budget resolution is to describe how it would change these aggregates compared to what the budget would look like if current law were to remain in place. Such a comparison point is called a budget baseline. (Congressional budget law—the Budget Enforcement Act of 1990—acknowledges the utility of a baseline by providing details about how a particular baseline is to be constructed).

For federal revenues and mandatory spending programs, creating a baseline is straightforward because one can estimate the budgetary effects of current laws relating to those items continuing on into the future unchanged. In all except a very few cases, no new laws need be enacted to trigger continued revenues and mandatory spending. For discretionary spending, however, 13 appropriation bills must be enacted every year before we can understand what such spending will look like in the future. So the baseline construction for discretionary spending has typically been more subjective.

The baseline described in this markup book and used in the development of the FY2001 Budget Resolution, while called the "SBC Baseline," is identical in concept to the "freeze" alternative as updated by CBO in its preliminary analysis of the President's budget released on March 9, 2000 (see The Economic and Budget Outlook: Fiscal Years 2001–2010, p. 4). For discretionary spending, the freeze "combines budget authority for discretionary spending enacted in 2000 with the advance appropriations enacted for 2001," and maintains that same nominal amount for each year.

For direct spending, which is all spending authority provided by law other than appropriations acts, the baseline assumes full funding of current law, including cost-of-living adjustments. Direct spending includes entitlements and other mandatory programs such as social security, medicare, and federal retirement, where spending levels are controlled by eligibility rules, benefit calculations, participation levels, and other non-discretionary cost factors. The baseline assumes that all programs greater than $50 million a year will continue, even if their authorization expires. Net interest spending, which is another subset of direct spending, is driven by the size of the annual and cumulative unified cash surpluses or deficits, as well as interest rates.

The SBC baseline assumes the CBO baseline for both on- and off-budget revenues. The baseline takes into account that some provisions are scheduled to change or expire during the 2001–2005 period. Overall, the baseline assumes that those changes and expirations occur on schedule. One category, excise taxes dedicated to trust funds, is the sole exception to this rule. The baseline assumes that those taxes will be extended to be consistent with the spending assumptions (in this baseline, there are three such cases: excise taxes for the Highway Trust Fund, the Airport and Airway Trust Fund, and the Leaking Underground Storage Tank Trust Fund.)

A. Spending by Function

Function 050: NATIONAL DEFENSE

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for function 050, National Defense, will total $288.9 billion in BA and $282.5 billion in outlays for 2000. The President has requested $2.3 billion for additional 2000 appropriations (assumed in the Committee-reported resolution) for military operations in Kosovo, for counter drug operations, and for storm damage to DoD facilities. This function includes funding for the Department of Defense (approximately 95 percent of function total), defense activities of the Department of Energy (about 5 percent), and small amounts expended by the Selective Service, the General Services Administration, the Departments of Transportation and Justice, and other federal agencies (less than 1 percent).

Discretionary

The Committee-reported resolution assumes discretionary spending for Function 050 would total $306.8 billion in BA and $295.1 billion in outlays for 2001. This represents an increase of $16.9 billion in BA and $5.4 billion in outlays over the levels enacted for 2000. With the President's $2.3 billion supplemental requested for 2000 added to the 2000 level, the Committee-reported resolution is a BA increase of $14.6 billion. The Committee-reported resolution is also an increase of $24.9 billion in BA and $24.3 billion in outlays over the amounts assumed by the Balanced Budget Act for 2001, and it is an increase of $2.1 billion in BA and $7.9 billion in outlays over the amount assumed for 2001 in the 2000 congressional budget resolution.

Compared to the President's request, the Committee-reported resolution assumes a BA increase of $400 million in 2000, $500 million in 2001, and $100 million for each of the four years thereafter. For outlays, the Committee-reported resolution assumes an increase over the President of $485 million in 2001, $220 million in 2002, and $100 million in each year thereafter.

The Committee-reported resolution is the first time since 1988 that a congressional budget resolution exceeds the President's request in both BA and outlays in every year for the years assumed in the resolution. In the recent past, spending assumed in budget resolutions has exceeded the President's request for the budget year, but not for all of the "outyears."

It is also notable that the President's request is the first request of any President since 1985 to request real growth in National Defense spending. This dramatic departure from President Clinton's track record in past National Defense budget requests explains in large part why the Committee-reported resolution does not increase BA more dramatically in the budget year, as was done by this Committee and the rest of Congress in past years of this Administration.

The Committee-reported resolution fully funds outlays as scored by CBO. OMB and DoD outlay estimates have not fulfilled assurances of accuracy, continue to undercount outlays, and continue to be less reliable than CBO scoring.

The Committee-reported resolution re-establishes a “firewall” between defense and non-defense discretionary spending. As in the past, this firewall is enforceable by a 60-vote point of order. Such firewalls have been a key element in maintaining budgetary discipline in past years, and they obviate pressure that might otherwise occur to expend national security funds for non-defense purposes.

The Committee-reported resolution assumes that $4.8 billion in outlays originally “shifted” from 2000 to 2001 to achieve delays in obligation of salary and contractual payments is realigned and scored to the appropriate fiscal year—2000.

Need to Address Continuing and Serious Readiness Deficiencies: The Committee-reported resolution takes particular note of the continued deterioration of combat capabilities of U.S. military forces. Despite DoD rhetoric that their budgets have adequately addressed training, weapons and facility maintenance, spare parts supplies, and other key elements of readiness, there has been measurable and significant deterioration of such measures in each of the military services. Since at least 1995, training has been truncated, mission capable rates of aircraft have declined, cannibalization has increased, the backlog of equipment and facilities repairs has climbed, and a shortage of spare parts has become a virtual drought. The deterioration has been directly observed and measured in field surveys by the staff of this Committee, GAO reports, and—belatedly—in DoD reports to Congress. For several years in succession, improvement has been promised, but each new year brings only even more disturbing revelations.

While multiple, valid criticisms have been made of DoD management for the past several years—such as the continuing failure to address chaotic financial management, inadequate support for scientific research, anemic procurement budgets, poorly researched personnel policies, and the lack of candor in assurances that all is—or will soon be—well, none of the manifest failures in DoD policy should be considered more troubling than a demonstrated willingness to send the men and women of our Armed Forces into danger without better training and material support. The adequacy of budgets for national defense should not be judged just for their total amount, but more cogently for the amounts devoted solely to readiness and for the results of that spending in the form of expanded training, full spare parts inventories, and small backlogs for weapons and facilities repairs. The Committee-reported resolution assumes that more meaningful metrics of the adequacy of defense budgets will be adopted in DoD in the future and that they will be closely scrutinized in the relevant Committees of Congress, including this Committee. Accordingly, aside from funding specifically assumed for other purposes, the Committee-reported resolution assumes that funding increases for readiness will be DoD’s first priority until training assets and tempo, spare parts inventories, and maintenance backlogs achieve levels prevalent in the early years of the 1990s.

The 2002 budget will necessarily be prepared by a new President and a new national security team. The Committee-reported resolution welcomes such change and assumes significant budget increases for national defense in the years 2002–2005 to support that team. However, should a new national defense budget request fail to adopt a plan to stem and reverse current readiness inadequacies—and fully fund any such plan over the long and the short term—the budget increases assumed in this Committee-reported resolution will be reconsidered.

Chinese Embassy Bombing Compensation: During markup, the Committee adopted an amendment offered by Senator Feingold. The amendment stated the sense of the Senate that the Committee-reported resolution assumes that "funds designated to compensate the People's Republic of China for the damage inadvertently done to their embassy in Belgrade by NATO forces in May, 1999 should not be appropriated from the international affairs budget." The Committee determined that the funds in question, $28 million, should be paid out of the appropriate portions of the National Defense budget function. In as much as the unintended damage to the embassy has been attributed to an intelligence failure, it would seem appropriate for the funds to be apportioned from the intelligence funding portions of the Department of Defense budget in subfunction 051.

Security and Safety in DoE Defense Activities: For Department of Energy Defense Activities, increases of $400 million in BA, and commensurate outlays, are assumed in 2000 and 2001 to support increased security requirements, newly discovered stockpile safety and reliability issues, and recapitalization and modernization investments to provide plants and laboratories with the facilities to meet scheduled military requirements for weapons refurbishment and certification.

Mandatory programs

The Committee-reported resolution assumes such National Defense Stockpile asset sales that have been approved in previous years.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	291.6	305.8	309.1	315.5	323.2	331.5
Outlays	288.1	294.1	302.3	309.4	317.5	327.9
President's Budget:						
Budget Authority	291.2	305.3	309.0	315.4	323.1	331.4
Outlays	287.8	293.6	302.1	309.3	317.4	327.8
SBC Baseline:						
Budget Authority	288.9	288.9	289.0	289.0	289.1	289.1
Outlays	282.5	288.7	287.5	287.8	287.9	290.6
Resolution compared to:						
President's Budget:						
Budget Authority	0.4	0.5	0.1	0.1	0.1	0.1
Outlays	0.3	0.5	0.2	0.1	0.1	0.1
SBC Baseline:						
Budget Authority	2.7	16.9	20.1	26.5	34.1	42.4
Outlays	5.6	5.4	14.8	21.6	29.6	37.4

Function 150: INTERNATIONAL AFFAIRS

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 150, International Affairs, will total $20.1 billion in BA and $15.5 billion in outlays for 2000. This function includes funding for the operation of the foreign affairs establishment including embassies and other diplomatic missions abroad, foreign aid loan and technical assistance activities in developing countries, security assistance to foreign governments, activities of the Foreign Military Sales Trust Fund, U.S. contributions to international financial institutions, the Export-Import Bank and other trade promotion activities, and refugee assistance.

Discretionary

The Committee-reported resolution assumes discretionary spending would total $20.4 billion in BA and $22.6 billion in outlays for 2001. This represents an increase of $0.4 billion in BA and $1.3 billion in outlays from the 2000 level adjusted for emergencies and other one-time spending.

The Committee-reported resolution assumes the additional resources requested by the President for 2000, amounting to $1.7 billion. In addition, the Committee-reported resolution assumes the requested 2001 funding for Colombia, $0.3 billion, in 2000.

The Committee-reported resolution assumes the following increases in 2001 over enacted 2000 levels of funding: $340 million for the Department of State's embassy security and construction as requested by the President, $156 million for Department of State security upgrades as requested in the Diplomatic and Consular Affairs programs, $16 million as requested by the President for the Department of State's Capital Investment Fund, $215 million for the Export-Import Bank as requested by the President, $77 million as requested for Assistance to Eastern Europe and the Baltic States, $49 million for Non-proliferation, anti-terrorism, and demining and $57 million for Child Survival and disease programs that includes the President's request for AIDS/HIV health activities.

In addition to the increases in funding levels, the Committee-reported resolution assumes the President's FY2001 appropriations language for Foreign Military Financing and the resulting outlay impact in 2001.

The Committee-reported resolution assumes the President's requested program decreases as well as abolition of the Inter-American Foundation and the African Development Foundation.

Mandatory PAYGO

The Committee-reported resolution assumes no mandatory increases or decreases in this function.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	22.0	20.1	20.9	21.4	21.9	22.6
Outlays	16.0	18.6	17.9	17.6	17.7	17.9
President's Budget:						
Budget Authority	21.7	22.5	23.2	23.5	24.0	24.7
Outlays	15.9	19.5	19.4	19.4	19.9	20.2
SBC Baseline:						
Budget Authority	20.1	22.0	22.2	22.2	22.2	22.4
Outlays	15.5	17.7	18.1	18.5	18.7	18.5
Resolution compared to:						
President's Budget:						
Budget Authority	0.3	−2.4	−2.3	−2.1	−2.1	−2.0
Outlays	0.1	−0.9	−1.5	−1.8	−2.1	−2.3
SBC Baseline:						
Budget Authority	1.9	−1.9	−1.3	−0.8	−0.3	0.3
Outlays	0.5	0.9	−0.2	−0.9	−0.9	−0.7

Function 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 250, General Science, Space and Technology, will total $19.3 billion in BA and $18.4 billion in outlays for 2000. This function includes the National Aeronautics and Space Administration (NASA) civilian space program and basic research programs of the National Science Foundation (NSF) and Department of Energy (DOE).

Discretionary

The Committee-reported resolution assumes discretionary spending in this function totaling $19.6 billion in BA and $19.2 billion in outlays for 2001. Over the next five years the Committee-reported resolution provides $99.6 billion in BA and $97.7 billion in outlays for programs in this function. The 2001 assumption represents an increase of $445 million in BA and $818 million in outlays above the 2000 level.

The Committee-reported resolution rejects the President's unsustainable proposals for 2001. The President's budget includes one-time increases in 2001, with little or no growth thereafter. In addition to these increases, the President's proposal also assumes $2.1 billion in advance appropriations in 2002. This approach does not represent a responsible method of sustaining federal funding for basic research in the long term.

The Committee-reported resolution assumes that increases in basic science are needed, but that they should be done in a responsible manner with continuing support beyond 2001. Within Function 250, the Committee-reported resolution assumes annual increases in research and development funding, including the areas of NSF research, DOE science, and NASA science and technology.

In 2001, the Committee-reported resolution assumes an increase in budget authority of $385 million for basic research. This accounts for 87 percent of the $445 million increase assumed in 2001.

For the fiscal years 2001–2005, basic research increases $4.7 billion in funding compared to the baseline. It is also assumed that none of these funds will be provided as advance appropriations.

Mandatory PAYGO

The Committee-reported resolution assumes no mandatory increases or decreases in this function.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	19.3	19.7	19.9	19.8	20.1	20.3
Outlays	18.4	19.2	19.6	19.5	19.7	19.9
President's Budget:						
Budget Authority	19.3	20.8	21.2	21.5	22.1	22.5
Outlays	18.4	19.7	20.7	21.0	21.5	22.0
SBC Baseline:						
Budget Authority	19.3	19.3	19.2	19.2	19.2	19.2
Outlays	18.4	19.1	19.1	19.1	19.1	19.1
Resolution compared to:						
President's Budget:						
Budget Authority	....	−1.1	−1.3	−1.7	−2.1	−2.2
Outlays	....	−0.4	−1.1	−1.5	−1.8	−2.1
SBC Baseline:						
Budget Authority	0.0	0.4	0.6	0.6	0.8	1.1
Outlays	0.0	0.2	0.5	0.5	0.6	0.8

Function 270: ENERGY SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 270, Energy, will total $1.1 billion in BA and −$0.6 billion in outlays for 2000. This function includes civilian activities of the Department of Energy, the Rural Utilities Service, the power programs of the Tennessee Valley Authority (TVA), and the Nuclear Regulatory Commission (NRC). Mandatory spending in this function contains large levels of offsetting receipts, resulting in net mandatory spending of −$1.5 billion in BA and −$3.6 billion in outlays for 2000. Congress provided $2.6 billion in discretionary BA for 2000.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $3.1 billion in BA and outlays for 2001. Over the next five years, discretionary spending in this function will total $14.0 billion in BA and $14.3 billion in outlays. The resolution represents an increase of $0.5 billion in BA and $0.1 billion in outlays from the 2000 level.

Specifically, the Committee-reported resolution assumes increased spending in energy supply, energy conservation, uranium enrichment decontamination and decommissioning, and from the Nuclear Waste Disposal Fund. The Committee-reported resolution assumes that a net of $19 million in additional funds requested by the President for 2000 will be appropriated before the end of this year.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes mandatory savings of $1.0 billion in BA and outlays over 2001–2005 from the sale of unspecified assets assumed to occur at the end of 2002.

Mandatory PAYGO

The Committee-reported resolution assumes no mandatory increases or decreases in this function.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	1.1	1.5	−0.3	1.2	1.2	1.2
Outlays	−0.6	0.2	−1.4	−0.0	−0.1	−0.1
President's Budget:						
Budget Authority	1.1	1.4	1.5	1.3	1.4	1.5
Outlays	−0.6	0.3	0.2	0.1	0.0	0.1
SBC Baseline:						
Budget Authority	1.1	1.4	0.9	1.0	1.0	0.9
Outlays	−0.6	0.1	−0.2	−0.3	−0.4	−0.3
Resolution compared to:						
President's Budget:						
Budget Authority	0.0	0.1	−1.7	−0.1	−0.2	−0.2
Outlays	0.0	−0.1	−1.5	−0.1	−0.1	−0.2
SBC Baseline:						
Budget Authority	0.0	0.1	−1.2	0.2	0.2	0.3
Outlays	0.0	0.1	−1.2	0.2	0.2	0.3

Function 300: NATURAL RESOURCES AND ENVIRONMENT

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 300, Natural Resources and the Environment, will total $24.5 billion in BA and $24.2 billion in outlays for 2000. This function includes funding for water resources, conservation and land management, recreation resources, and pollution control and abatement. Agencies with major program activities within the function include the Environmental Protection Agency (EPA), the Army Corps of Engineers, the National Oceanic and Atmospheric Administration (NOAA), the Forest Service (within the Department of Agriculture), and the Department of the Interior, including the National Park Service, the Fish and Wildlife Service, the U.S. Geological Survey, the Bureau of Land Management and the Bureau of Reclamation, among others.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $24.1 billion in BA and $24.0 billion in outlays for 2001. Over the next five years, the resolution assumes an allocation of $125 billion for programs in this function. For 2001, there is a decrease of $101 million in BA and an increase of $260 million in outlays from the 2000 level.

The Committee-reported resolution for function 300 assumes increases in spending over the 2000 level for several important conservation and land management programs including: $90 million in 2001 for the operation of the National Park Service and a total of $450 million over 5 years; $71 million in FY 2001 for management of land resources for the Bureau of Land Management and $355 million over 5 years; $59 million in 2001 for wildland fire management in the Forest service and $295 million over 5 years; $102 million in 2001 for NOAA's Pacific coastal salmon recovery program and $510 million over 5 years.

The Committee-reported resolution also includes approximately $165 million in additional spending for 2000 for NOAA, the Army Corps of Engineers, the Bureau of Land Management and several other agencies.

The Committee-reported resolution does not accept the President's cut of $539 million in 2001 and $2.4 billion over 5 years in the EPA State and Tribal Assistance grants. The Committee-reported resolution also rejects the President's proposal for a new discretionary spending cap for the Lands Legacy program. The committee believes that the appropriations level of $3.9 billion provided in 2000 for the accounts that comprise the President's Land Legacy proposal is sufficient to fund the activities included in the President's proposal if the Congress and the President choose to do so.

Mandatory used for discretionary offsets

The 2001 Committee-reported resolution for function 300 assumes no mandatory funds used as discretionary offsets.

Mandatory PAYGO

The resolution assumes two changes in mandatory spending for function 300. The function assumes an increase in mandatory spending of up to $200 million in FY 2001 for payments to counties for schools and roads and up to $1.1 billion over the 5 year period. It also assumes the extension of recreational fee demonstration programs for the Bureau of Land Management, National Park Service, Fish and Wildlife Service, and the Forest Service at a total cost of $89 million in 2001.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	24.5	24.9	25.0	25.0	25.1	25.1
Outlays	24.2	24.9	25.0	25.2	25.1	24.9
President's Budget:						
Budget Authority	24.5	26.4	26.2	25.9	26.5	27.0
Outlays	24.2	25.6	26.2	26.0	26.2	26.4
SBC Baseline:						
Budget Authority	24.3	24.8	24.7	24.7	24.7	24.7
Outlays	24.2	24.7	24.8	25.0	24.8	24.5
Resolution compared to:						
President's Budget:						
Budget Authority	....	−1.5	−1.1	−0.8	−1.5	−2.0
Outlays	0.0	−0.7	−1.2	−0.8	−1.1	−1.5
SBC Baseline:						
Budget Authority	0.2	0.2	0.3	0.3	0.3	0.3
Outlays	0.1	0.2	0.2	0.2	0.3	0.3

Function 350: AGRICULTURE

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 350, Agriculture, will total $29.7 billion in BA and $28.3 billion in outlays for 2000. This function includes funding for federal programs intended to promote the economic stability of agriculture through direct assistance and loans to food and fiber producers, provide regulatory, inspection and reporting services for agricultural markets, and promote research and education in agriculture and nutrition.

Farm income support programs operated by the Commodity Credit Corporation (CCC), and risk management programs under the Federal Crop Insurance Corporation (FCIC) make up most of the spending in this function. Over the past 25 years, CCC spending has ranged from $0.6 billion in 1975 to $26 billion in 1986. This year, total outlays for the CCC are expected to be a record $27.6 billion, and FCIC outlays are expected to be $2.2 billion.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $4.5 billion in BA and outlays for 2001. Over the next five years, discretionary spending in this function would total $23.1 billion in BA and $22.8 billion in outlays. The resolution represents a increase of $0.1 billion in BA over the enacted 2000 level.

Specifically, the Committee-reported resolution assumes substantial program increases within the Farm Service Agency, the Agricultural Research Service, the Animal and Plant Health Inspection Service, and research, education and extension activities funded under the Cooperative State Research, Education, and Extension Service. The Committee-reported resolution also assumes sufficient funding to implement a program within USDA to upgrade and integrate outdated department-wide computing systems. The Committee-reported resolution assumes $94 million in additional funds requested by the President for 2000 will be appropriated before the end of this year.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes mandatory savings of $30 million in BA in 2001 and $90 million in BA over the next five years from the Fund for Rural America program.

Mandatory PAYGO

The Committee-reported resolution recognizes that legislation will likely be enacted later this year to help agricultural producers manage risk. For this purpose, the Committee-reported resolution provides for a mandatory spending adjustment of $8.0 billion in this function for the 2001 through 2005 period.

In addition, the resolution recognizes the likely need for additional assistance for agriculture producers, and that legislation for this purpose falls under the jurisdiction of the Committee on Agriculture, Nutrition, and Forestry. The Committee-reported resolution provides a mandatory spending adjustment of $5.5 billion in BA and outlays for 2000, and $3.0 billion for the 2001 through

2005 period upon that committee's reporting of legislation that provides assistance for producers of program crops and specialty crops, and enhancements for agriculture conservation programs.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	35.3	20.9	19.0	18.0	17.4	16.1
Outlays	33.9	18.8	17.2	16.4	15.9	14.6
President's Budget:						
Budget Authority	29.7	21.7	19.8	16.1	15.5	14.2
Outlays	28.4	19.9	18.6	14.6	13.9	12.6
SBC Baseline:						
Budget Authority	29.7	17.7	16.9	15.9	15.1	13.8
Outlays	28.3	16.4	15.3	14.3	13.8	12.4
Resolution compared to:						
President's Budget:						
Budget Authority	5.5	−0.8	−0.9	1.9	1.9	1.9
Outlays	5.5	−1.1	−1.3	1.7	2.0	2.0
SBC Baseline:						
Budget Authority	5.6	3.2	2.0	2.1	2.2	2.3
Outlays	5.6	2.4	1.9	2.0	2.1	2.2

Function 370: COMMERCE AND HOUSING CREDIT

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 370, Commerce and Housing Credit, will total about $8.5 billion in BA and $4.1 billion in outlays for 2000. This budget function includes funding for 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 census, and small business; and mandatory spending for deposit insurance activities related to banks, savings and loans, and credit unions.

Discretionary

The Committee-reported resolution assumes discretionary spending would total $2.5 billion in BA and $2.8 billion in outlays for 2001. This represents a decrease of $4.5 billion in both BA and outlays from the 2000 level, due almost entirely to the fact that funding for the decennial census and certain construction projects of the National Institute of Standards and Technology need not be provided again for 2001 (as indicated in the President's budget). The Committee-reported resolution also assumes the funding for the small amounts of the President's requests for 2000 and for the e-commerce statistics initiative. The Committee-reported resolution assumes that the Patent and Trademark Office (PTO) will be allowed to retain its resources, as assumed in the freeze baseline, so the federal government can fulfill its obligation to the innovators who keep this economy going and who pay for PTO's expenses. The resolution rejects the President's proposed continuation of deferment of federal responsibilities at PTO. The Committee-reported resolution assumes reduction of certain corporate welfare spending, such as requiring beneficiaries of the International Trade Administration's trade promotion activities to either pay for or forgo those activities, saving, ultimately, $0.2 billion annually.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes mandatory savings of $0.9 billion in BA and outlays in 2001 and $1.9 billion in BA and outlays over the five-year period, 2001–2005. In 2001, the majority of savings ($0.7 billion) stem from assuming a provision passed by the Senate last year in the Commerce, Justice, State appropriations bill for 2000 (but not, ultimately, enacted into law) dealing with spectrum licenses issued by the FCC to licensees that have since declared bankruptcy. The provision would clarify that licenses cancel automatically for nonpayment, notwithstanding a pending bankruptcy case.

Mandatory PAYGO

The Committee-reported resolution assumes no mandatory changes in this function.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	8.6	6.7	8.9	10.2	13.4	13.4
Outlays	4.1	2.6	5.2	5.5	8.4	9.3
President's Budget:						
Budget Authority	8.6	7.4	9.3	10.5	14.1	14.2
Outlays	4.1	3.3	5.4	5.8	9.1	10.1
SBC Baseline:						
Budget Authority	8.5	12.0	13.7	14.9	18.3	18.2
Outlays	4.1	7.5	9.9	10.2	13.2	14.2
Resolution compared to:						
President's Budget:						
Budget Authority	0.0	−0.7	−0.4	−0.4	−0.7	−0.8
Outlays	0.0	−0.7	−0.2	−0.3	−0.7	−0.7
SBC Baseline:						
Budget Authority	0.1	−5.3	−4.8	−4.8	−4.9	−4.9
Outlays	0.0	−4.9	−4.7	−4.7	−4.8	−4.8

Function 400: TRANSPORTATION

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 400, Transportation, will total about $51.8 billion in BA and $46.6 billion in outlays for 2000. The function primarily comprises funding for the Department of Transportation, including ground transportation programs, such as the federal-aid highway program, mass transit, motor carrier safety, and the National Rail Passenger Corporation (Amtrak); air transportation through the Federal Aviation Administration (FAA) airport improvement program, facilities and equipment program, research, and operation of the air traffic control system; water transportation through the Coast Guard and Maritime Administration; the Surface Transportation Board; the National Transportation Safety Board; and related transportation safety and support activities within the Department of Transportation. In addition, funds for air transportation programs under the auspices of NASA are included within this function.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $15.8 billion in BA and $48.8 billion in outlays for 2001. This represents an increase of $1.3 billion in BA and $4.4 billion in outlays from the 2000 level adjusted for additional appropriation requests. The majority of the growth in 2001 is due to increases related to the Transportation Equity Act for the 21st Century (TEA–21) and the Wendell H. Ford Aviation Investment Act for the 21st Century (FAIR–21).

The Committee-reported resolution does not make any changes to the obligation limitations or programs under TEA–21, except as required by the Motor Carrier Safety Improvement Act of 1999. Further, it does not assume the President's proposal to change the distribution of revenue aligned budget authority (RABA)—additional highway revenues resulting from increases in gas tax receipts—under TEA–21. In addition, it rejects the President's proposed increases in contract authority for specific programs above that provided in TEA–21.

As part of a five-year, $150 billion tax reduction package, the Committee-reported resolution could accommodate a suspension or repeal of the Clinton/Gore 4.3 cent tax increase on fuel. This tax was initially imposed on motor fuels (gasoline, diesel, and other special fuels) for deficit reduction purposes, and receipts originally were deposited into the general fund; however, the majority of the tax receipts are now deposited into various trust funds. The 4.3 cents tax paid by rail and barge operators is still deposited in the general fund, and therefore, continues to be used for deficit reduction.

If the full Congress enacted such a suspension or repeal, a total of 80 percent of the 4.3 cents collected on non-rail, ground transportation (cars, trucks, and buses) would reduce tax receipts into the highway account of the highway trust fund. Any suspension or repeal assumption would not affect the highway category in 2001. In addition, the Committee-reported resolution does not assume any spending reductions in the highway category in 2002 and 2003 that would result from any suspension or repeal of the 4.3 cent tax.

With any suspension or repeal, revenues into the transit account of the highway trust fund would be reduced by the remaining 20 percent collected on non-rail ground transportation in 2000 and 2001. Since total authorizations and obligation limitations for transit programs are not directly linked to transit account revenues, any suspension or repeal would not affect the transit program levels.

For aviation program funding, the Committee-reported resolution assumes funding at the levels contained in FAIR–21. Discretionary budget authority for FAA programs in 2001 is assumed at $9.5 billion, almost $1.4 billion over 2000 levels. This, added to an obligation limitation assumption of $3.2 billion for the airport improvement program, results in total budget resources of $12.7 billion in 2001, $2.7 billion more than 2000 budget resource levels.

Like the transit program, the aviation authorizations and obligation limitations are not directly linked to airports and airways trust fund tax revenue. Therefore, any suspension or repeal of the Clinton/Gore 4.3 cent tax and the resulting reduction in aviation tax revenue deposits would not lead to a reduction in budget authority or obligation limitation for aviation. Although not explicitly stated, the Committee-reported resolution assumes that air traffic control systems and services will undergo significant structural reforms and will be funded fully by user fees as soon as possible.

The Committee-reported resolution assumes the President's level of funding in 2001 for pipeline safety.

Mandatory PAYGO

The Committee-reported resolution assumes $43.5 billion in mandatory budget authority and outlays of $2.1 billion in 2001, reflecting changes from 2000 levels of $3.6 billion and −$0.2 billion, respectively. The increase in mandatory budget authority is a result of TEA–21 and FAIR–21.

The Committee-reported resolution assumes mandatory budget authority levels contained in TEA–21. The Committee-reported resolution assumes any suspension or repeal of the 4.3 cent tax on fuel would not result in a reduction in the mandatory budget authority in 2002 and 2003. Mandatory budget authority for mass transit programs would not be affected by any suspension or repeal assumption.

The Committee-reported resolution assumes the mandatory budget authority level contained in FAIR–21 for the airport improvement program in 2001 of $3.2 billion and adjusts 2000 to reflect reauthorization of this formerly expired program at $2.5 billion. Mandatory budget authority for the aviation program would not be reduced by any suspension or repeal of the Clinton/Gore 4.3 cents tax on fuel.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	54.4	59.2	57.5	59.1	59.1	59.2
Outlays	46.7	50.8	53.5	55.5	56.1	56.4
President's Budget:						
Budget Authority	53.8	58.8	55.6	57.0	58.4	60.1
Outlays	46.7	50.5	52.3	53.7	54.4	55.3
SBC Baseline:						
Budget Authority	51.8	54.7	52.2	53.0	53.0	53.1
Outlays	46.6	49.1	50.1	51.4	51.4	51.2
Resolution compared to:						
President's Budget:						
Budget Authority	0.6	0.5	2.0	2.1	0.7	−0.9
Outlays	0.0	0.3	1.2	1.8	1.7	1.1
SBC Baseline:						
Budget Authority	2.5	4.6	5.3	6.1	6.1	6.1
Outlays	0.0	1.7	3.4	4.1	4.8	5.2

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 450, Community and Regional Development, will total $11.3 billion in BA and $10.7 billion in outlays for 2000. This function includes funding for community and regional development and disaster relief. The function includes the Appalachian Regional Commission (ARC), non-power programs of the Tennessee Valley Authority (TVA), the Federal Emergency Management Agency (FEMA), the Economic Development Administration (EDA) within the Commerce Department, and portions of the Department of Housing and Urban Development (most notably the Community Development Block Grant program), the Bureau of Indian Affairs, and the Department of Agriculture.

Discretionary

The Committee-reported resolution assumes discretionary spending would total $9.0 billion in BA and $11.1 billion in outlays for 2001. This represents a decrease of $2.6 billion in BA and $401 million in outlays from the 2000 level, due mainly to emergency spending. The Committee-reported resolution assumes increases in Bureau of Indian Affairs programs of $300 million in 2001 and $1.5 billion over 5 years. Funding for the Brownfields redevelopment program is also increased by $25 million in 2001 and $125 million over 5 years. The Committee-reported resolution also assumes an increase of approximately $120 million in 2000 for the Economic Development Administration, and the Small Business Administration disaster loans.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes mandatory savings of $30 million in BA in 2001 and $90 million in BA over the five-year period, 2001–2005 in the Fund for Rural America program.

Mandatory PAYGO

The Committee-reported resolution assumes two mandatory savings proposals. These proposals include: the elimination of Pre-firm flood insurance subsidy for savings of $49 million in outlays in 2001 and $933 million over 5 years; and the elimination of repetitively flooded properties from FEMA flood insurance for savings of $58 million in outlays in 2001 and $336 million in outlays over the 5 year period 2001–2005.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	11.3	9.0	8.8	8.7	8.7	8.7
Outlays	10.7	10.4	9.8	8.7	8.3	7.9
President's Budget:						
Budget Authority	11.3	12.5	12.5	12.6	12.9	13.3
Outlays	10.7	11.4	11.8	11.7	11.8	12.1

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE—Continued

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
SBC Baseline:						
Budget Authority	11.2	11.5	11.4	11.4	11.3	11.4
Outlays	10.7	11.2	11.2	10.9	10.8	10.8
Resolution compared to:						
President's Budget:						
Budget Authority	0.0	−3.5	−3.7	−3.9	−4.2	−4.5
Outlays	....	−1.0	−1.9	−3.0	−3.6	−4.2
SBC Baseline:						
Budget Authority	0.1	−2.5	−2.6	−2.7	−2.7	−2.7
Outlays	0.0	−0.8	−1.4	−2.2	−2.6	−2.9

Function 500: EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 500, Education, Training, Employment, and Social Services, will total $57.7 billion in BA and $61.4 billion in outlays for 2000. This function includes funding for elementary and secondary, vocation, and higher education; job training; children and family services programs; adoption and foster care assistance; statistical analysis and research related to these areas; and funding for the arts and humanities.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $56.8 billion in BA and $52.2 billion in outlays for 2001. This represents an increase of $12.3 billion in BA and $3.1 billion in outlays from the 2000 level. The increase is due to advance appropriations made last year and increases for the Department of Education and Head Start for 2001.

The Committee-reported resolution assumes net discretionary spending increases for elementary and secondary education of $2.6 billion in 2001 and $25 billion over five years (Subfunction 501, table follows). The Committee-reported resolution assumes total budget authority, discretionary and mandatory, for the Department of Education of $47.9 billion, $0.6 billion more than the President's request. This represents an increase of $12.9 billion in BA and $5.1 billion in outlays from the 2000 level.

The Committee-reported resolution assumes a net increase of $19.6 billion over the next 5 years for programs that will be reauthorized by the Elementary and Secondary Education Act this year. This bill will give states greater flexibility in delivering hundreds of elementary and secondary education programs and will place more decision-making in the hands of states, localities, and families. Such legislation should help states and localities emphasize academic achievement and accountability.

The Committee-reported resolution assumes that over the next five years an additional $11.3 billion will be dedicated to funding our federal commitment to special education under IDEA, $9.3 billion more than the President's request. The Committee-reported resolution also assumes an increase in student financial assistance for expanding the maximum Pell Grant award. Finally, the Committee-reported resolution rejects the President's 15 percent cut in Impact Aid.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes a repeal of the provision delaying obligations for the Social Services Block Grant (SSBG) in 2000. The resolution also assumes mandatory savings of $35 million in BA and $21 million in outlays in 2001 and $0.3 billion in BA and $0.2 billion in outlays over the 2001–2005 period from limiting the high rate of growth in administrative expenses of the Department of Education's bureaucracy for the student loan program, thereby freeing up more resources that can go to students through Pell Grants.

In addition, the Committee-reported resolution rejects all student loan program cuts proposed in the President's Budget. While the Department of Education's budget claims that "the Administration is committed to supporting two strong student loan delivery systems, allowing individual institutions to choose which best meets their needs and the needs of their students," the budget sets about making guaranteed student loans (GSLs) more expensive or less available for students.

For example, the President proposes to require guaranty agencies to pay accelerated and increased funds from their federal reserves, which will require them to pass the cost on to students, thereby reducing the amount of actual loan assistance received by students. Further, the President seeks already to reduce the amount paid to lenders (both in interest rates and the retention allowance for default collections) who supply GSLs even though the current rate was just set little more than a year ago after tough negotiations in the reauthorization of the Higher Education Act (and the lender yield was even more recently marginally reduced in the switch to the commercial paper index in a law just signed by the President four months ago). This proposal by the President would make GSLs harder to obtain because many lenders would not be able to participate in the program.

Mandatory PAYGO

The Committee-reported resolution assumes a new one-time grant to the Department of Education of $2.3 billion in 2001 to establish a Performance Bonus Fund. The Fund will reward states which improve student achievement. In addition, the Committee-reported resolution assumes a $100 million increase in the SSBG in 2001, $25 million more than the President's request. The resolution further assumes an increase for SSBG of $3.4 billion over the next 5 years and $8.9 billion over the next ten years.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions fo dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	57.7	75.0	75.7	76.6	77.8	79.1
Outlays	61.9	68.6	72.6	75.4	76.8	78.0
President's Budget:						
Budget Authority	57.2	76.8	77.3	78.2	79.6	81.5
Outlays	61.4	69.1	74.6	76.8	78.3	80.0
SBC Baseline:						
Budget Authority	57.7	70.4	70.9	71.0	71.0	71.8
Outlays	61.4	69.0	70.6	71.0	70.9	71.4
Resolution compared to:						
President's Budget:						
Budget Authority	0.5	−1.8	−1.5	−1.6	−1.9	−2.4
Outlays	0.5	−0.5	−2.0	−1.3	−1.5	−1.9
SBC Baseline:						
Budget Authority	−0.0	4.6	4.8	5.7	6.7	7.4
Outlays	0.5	−0.4	2.0	4.4	5.8	6.6

Subfunction 501: ELEMENTARY AND SECONDARY EDUCATION

SENATE BUDGET RESOLUTION FOR 2001

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	16.6	25.5	27.7	28.1	28.7	29.2
Outlays	19.5	21.2	24.4	27.0	27.9	28.5
President's Budget:						
Budget Authority	16.6	26.2	26.2	26.4	26.7	27.0
Outlays	19.5	21.1	24.3	25.8	26.2	26.6
SBC Baseline:						
Budget Authority	16.6	22.9	22.9	22.9	22.9	22.9
Outlays	19.5	21.1	22.4	23.0	22.8	22.8
Resolution compared to:						
President's Budget:						
Budget Authority	....	−0.7	1.5	1.8	2.0	2.2
Outlays	....	0.1	0.1	1.2	1.7	1.8
SBC Baseline:						
Budget Authority	....	2.6	4.8	5.3	5.8	6.4
Outlays	....	0.1	2.0	4.0	5.1	5.6

Function 550: HEALTH

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 550, Health, will total $159.3 billion in BA and $152.4 billion in outlays for 2000. The major programs in this function include Medicaid, the State Children's Health Insurance Program, health benefits for federal workers and retirees, the National Institutes of Health, the Food and Drug Administration, the Health Resources and Services Administration, Indian Health Services, the Centers for Disease Control and Prevention, and the Substance Abuse and Mental Health Services Administration.

Discretionary

The Committee-reported resolution assumes discretionary spending would total $34.4 billion in BA and $32.7 billion in outlays for 2001. This represents an increase of $0.8 billion in BA and $2.6 billion in outlays from the 2000 level.

The largest increase in this function is for the National Institutes of Health (NIH). The Committee-reported resolution assumes an increase of $1.1 billion in BA and $0.3 billion in outlays for NIH above the 2000 levels. With the Committee-reported resolution, the total increase in funding for NIH since 1998 is 38 percent.

The Committee-reported resolution also assumes the President's request for Indian Health Services in 2001, which is a $0.2 billion increase in BA and outlays above the 2000 funding level.

The Committee-reported resolution assumes several reductions in spending that were included in the President's budget for this function, including removal of temporary Y2K funding for the Health Care Financing Administration.

Mandatory PAYGO

The Committee-reported resolution assumes a $50 million increase in BA and outlays in 2001 and $300 million increase in BA and outlays over the five year period 2001 to 2005 to accommodate an increase in spending on health care delivered in the homes of children with disabilities whose parents are employed. The Committee-reported resolution includes a reserve fund which allows this additional spending to be allocated to the Committee on Finance if the Committee reports a bill meeting the conditions of the reserve fund.

Under current law, mandatory spending in this function, which is primarily Medicaid and State Children's Health Insurance Program (S–CHIP), will increase from $123.4 billion in 2000 to $184.5 billion in 2005, for an average annual increase of 8.4 percent.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	159.2	169.2	178.9	191.0	205.2	221.5
Outlays	153.5	165.8	177.8	190.3	204.8	220.3
President's Budget:						
Budget Authority	159.2	170.5	182.9	196.2	211.7	229.8
Outlays	153.5	166.0	180.2	193.7	210.7	228.7
SBC Baseline:						
Budget Authority	159.3	168.5	177.8	189.2	202.7	218.4
Outlays	152.4	166.8	177.1	189.1	203.0	217.8
Resolution compared to:						
President's Budget:						
Budget Authority	....	−1.3	−4.0	−5.3	−6.6	−8.3
Outlays	....	−0.2	−2.4	−3.4	−5.2	−8.4
SBC Baseline:						
Budget Authority	−0.1	0.7	1.1	1.8	2.4	3.1
Outlays	1.1	−0.9	0.7	1.2	1.8	2.5

Function 570: MEDICARE

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 570, Medicare, will total $199.6 billion in BA and $199.5 billion in outlays for 2000. Medicare, provides health insurance coverage for persons over age 65 and qualified disabled workers.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function of $3.1 billion in BA and outlays for 2001. This represents an increase of $50 million in BA and $32 million in outlays from the 2000 level. This increase would go to improving program administration at the Health Care Financing Administration.

The Committee-reported resolution does not include the President's request to increase user fees on Medicare providers by $0.4 billion in 2001 to pay for discretionary program administration.

Mandatory PAYGO

The Committee-reported resolution assumes an increase in mandatory spending of $40 billion over five years. This increase in Medicare spending is intended to improve the Medicare program with better prescription drug coverage for seniors. The Committee-reported resolution includes reserve fund language which would allow $20 billion to be made available for a prescription drug benefit in the first three years covered by the resolution, and another $20 billion available in 2004 and 2005 if legislation is reported that improves the solvency of the Medicare program.

The Committee-reported resolution does *not* include the President's proposal to transfer general funds to the Medicare Hospital Insurance (HI) trust fund. These transfers would total $32 billion over the period 2001 to 2005, $350 billion over the period 2001 to 2010, and approximately $2.1 trillion over the period 2001 to 2027. The Administration proposes to make these transfers from one government account (the general fund) to another (the HI trust fund), and thus they would have no impact on the budget spending and revenue totals but would substantially increase the public debt, including debt subject to the statutory limit. At a later date, as the HI trust fund drew down reserves, the new IOUs in the HI trust fund would force future taxpayers to pay higher income taxes than they would under current law to pay back these IOUs and fund the Medicare program.

The Committee-reported resolution also does *not* include the President's proposals affecting the 2001 through 2005 period to:

cut Medicare payments for hospitals by $6.8 billion;

cut payments for cancer treatment and other covered outpatient drugs by $1.0 billion;

cut payments to Medicare+Choice plans by $0.5 billion;

and cut payments for other health care providers and services by approximately $5.7 billion.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	199.6	218.8	228.6	249.8	265.3	288.7
Outlays	199.5	219.0	228.6	249.5	265.5	288.7
President's Budget:						
Budget Authority	199.6	215.0	223.7	239.8	261.4	285.6
Outlays	199.5	215.3	223.7	239.6	261.7	285.5
SBC Baseline:						
Budget Authority	199.6	215.7	221.6	239.7	255.3	278.7
Outlays	199.5	216.0	221.6	239.5	255.5	278.6
Resolution compared to:						
President's Budget:						
Budget Authority	....	3.8	4.9	10.0	3.9	3.1
Outlays	....	3.7	4.9	10.0	3.9	3.1
SBC Baseline:						
Budget Authority	....	3.1	7.1	10.1	10.1	10.1
Outlays	....	3.0	7.1	10.1	10.1	10.1

Function 600: INCOME SECURITY

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 600, Income Security, will total $238.4 billion in BA and $248 billion in outlays for 2000. This function contains: (1) major cash and in-kind means-tested entitlements; (2) general retirement, disability, and pension programs excluding Social Security and Veterans' compensation programs; (3) federal and military retirement programs; (4) unemployment compensation; (5) low-income housing programs; and (6) other low-income support programs. Function 600 is the third largest functional category after Social Security and defense. Mandatory programs account for 87 percent of total spending in this function.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $35.4 billion in BA and $42.1 billion in outlays for 2001. This represents increase of $5.5 billion in BA and a decrease of -$0.4 billion in outlays from the 2000 level.

The Committee-reported resolution assumes a $600 million increase in funding for the Low Income Home Energy Assistance program in 2000. The Committee-reported resolution also would increase BA for the Supplemental Nutrition Program for Women, Infants, and Children by $50 million in 2001 and each year thereafter. Finally, the resolution assumes sufficient additional funding, relative to the freeze baseline, to renew annually all Section 8 contracts in place at the end of 2000.

The Committee-reported resolution assumes the 3.7 percent pay raise for both military and civilian employees proposed in the President's budget. In addition, the Committee-reported resolution assumes the repeal of a Balanced Budget Act of 1997 provision that temporarily increases federal employee retirement contributions by 0.5 percent (see revenues).

Mandatory used for discretionary offsets

The Committee-reported resolution assumes a freeze to the Supplemental Grants for Population Increases at the 1998 level, saving $240 million in BA and $25 million in outlays in 2001. The resolution also assumes that Congress will change the date that states remit payments to the federal government for administering the state supplemental payment.

Mandatory PAYGO

The Committee-reported resolution assumes mandatory increases of $5 million in 2001 and $5.2 billion over five years for an expansion of the Earned Income Tax Credit (EITC), that would result from the Marriage Penalty Relief Act. Although changes to the EITC also affect revenues, the portion of the credit that exceeds an individual's tax liability is recorded as an outlay in function 600.

The Committee-reported resolution also would increase the Child Care Entitlement to States by $817 million in 2001, to $3.4 billion.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee reported resolution:						
Budget Authority	238.9	253.2	264.8	274.8	284.9	297.7
Outlays	248.1	255.4	267.3	278.5	288.4	301.2
President's Budget:						
Budget Authority	240.7	258.4	268.8	279.6	291.2	305.1
Outlays	250.4	256.3	270.5	282.3	293.9	308.2
SBC Baseline:						
Budget Authority	238.4	251.8	259.5	268.3	277.8	289.9
Outlays	248.0	255.0	265.7	274.4	279.5	291.8
Resolution compared to:						
President's Budget:						
Budget Authority	−1.8	−5.2	−4.0	−4.8	−6.3	−7.4
Outlays	−2.4	−0.9	−3.2	−3.9	−5.6	−7.0
SBC Baseline:						
Budget Authority	0.5	1.5	5.4	6.5	7.2	7.7
Outlays	0.1	0.4	1.5	4.1	8.8	9.4

Function 650: SOCIAL SECURITY

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 650, Social Security, will total $405.0 billion in BA and $405.0 billion in outlays for 2000. This function includes Social Security benefits and administrative expenses.

Discretionary

The Committee-reported resolution assumes discretionary spending would total $3.5 billion in BA and $3.4 billion in outlays for 2001. This represents an increase of $0.3 billion in BA and $0.2 billion in outlays from the 2000 level. This increase will go to the Social Security Administration to improve services for Social Security beneficiaries.

Mandatory PAYGO

The Committee-reported resolution assumes no mandatory increases or decreases in this function from current policies.

The Committee-reported resolution does *not* include the President's proposal to transfer general funds to the Social Security trust funds. These transfers would total approximately $34 trillion over the period 2011 to 2050.

These transfers would substantially increase the public debt, including debt subject to the statutory limit. At a later date, as the Social Security trust funds drew down reserves, these transfers would force future taxpayers to pay higher income taxes than they would under current law to fund the Social Security program.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	405.0	422.8	443.1	463.8	486.0	510.2
Outlays	405.0	422.8	443.1	463.8	486.0	510.1
President's Budget:						
Budget Authority	405.0	422.8	443.2	463.9	486.2	510.4
Outlays	405.0	422.8	443.1	463.9	486.1	510.3
SBC Baseline:						
Budget Authority	405.0	422.6	442.8	463.4	485.6	509.7
Outlays	405.0	422.6	442.8	463.4	485.6	509.7
Resolution compared to:						
President's Budget:						
Budget Authority	....	....	−0.1	−0.1	−0.2	−0.2
Outlays	....	....	−0.1	−0.1	−0.2	−0.2
SBC Baseline:						
Budget Authority	....	0.3	0.3	0.4	0.4	0.4
Outlays	....	0.2	0.3	0.3	0.4	0.4

Function 700: VETERANS BENEFITS AND SERVICES

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 700, Veterans Benefits and Services, will total $46.0 billion in BA and $45.1 billion in outlays for 2000. This budget function includes income security needs of disabled veterans, indigent veterans, and survivors of deceased veterans 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. Veterans can also receive guarantees on home loans. Roughly half of all spending in this function is for the Veterans Health Administration, which is comprised of hospitals, nursing homes, domiciliaries, and outpatient clinics.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $21.9 billion in BA and $21.8 billion in outlays for 2001. This represents an increase of $1.0 billion or 4.9 percent in BA and $1.4 billion or 6.9 percent in outlays from the 2000 level. In addition, the Committee-reported resolution is an increase between 2001 and 2005 of $2.4 billion in BA and outlays or an average annual increase of 2.7 percent.

The increase in discretionary spending for 2001 is for VA medical care programs. Net spending for VA medical care in the Committee-reported resolution matches the net increase in the President's budget. The Committee-reported resolution assumes an increase of $1.4 billion in VA's medical care appropriation. The additional funds would allow VA to improve access to and service delivery of medical care, would allow patient safety and oversight initiatives to be expanded, and would allow full funding for provisions in the Veterans Millennium Health Care and Benefits Act. The funds would also provide more money to treat the high prevalence of Hepatitis C among enrollees.

In addition, the Committee-reported resolution assumes that $350 million (or one half of the first $700 million) in VA medical care collections in 2001 will be returned to the Treasury. This assumption is identical to a legislative proposal contained in the President's budget. The Committee-reported resolution also assumes the extension of VA's authority to recover costs through medical care collections when that authority expires at the end of 2002.

Mandatory PAYGO

Both the Committee-reported resolution and the President's budget assume that provisions of the 1997 Balanced Budget Act expiring after 2002 will be extended. These provisions include: extending the VA's authority to round-down monthly compensation benefits to the nearest dollar after applying the annual COLA in each year, extending the VA's authority to match income information submitted by pension beneficiaries with the Internal Revenue Service and the Social Security Administration, extending the VA's authority to guarantee VA securities issued in the secondary market directly, thereby enhancing their value, and extending certain fees paid by veterans who obtain a government-guaranteed housing loan.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	46.0	47.6	48.8	50.8	52.1	55.5
Outlays	45.1	47.1	48.7	50.5	51.8	55.2
President's Budget:						
Budget Authority	47.8	45.9	48.4	49.9	51.2	54.5
Outlays	47.0	45.5	48.4	49.7	50.9	54.2
SBC Baseline:						
Budget Authority	46.0	46.5	47.2	49.0	49.7	52.6
Outlays	45.1	46.2	47.2	48.9	49.6	52.4
Resolution compared to:						
President's Budget:						
Budget Authority	−1.8	1.7	0.4	1.0	1.0	1.0
Outlays	−1.8	1.6	0.3	0.8	0.9	1.0
SBC Baseline:						
Budget Authority	—	1.1	1.6	1.9	2.4	2.9

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE—Continued

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Outlays	—	0.9	1.5	1.6	2.3	2.8

Function 750: ADMINISTRATION OF JUSTICE

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 750, Administration of Justice, will total $27.4 billion in BA and $28.0 billion in outlays for 2000. This function includes funding for federal law enforcement activities, including criminal investigations by the FBI and the DEA, border enforcement and the control of illegal immigration, as well as funding for prison construction, drug treatment and crime prevention programs, and the federal judiciary.

Discretionary

The Committee-reported resolution assumes discretionary spending would total $26.8 billion in BA and $27.3 billion in outlays for 2001. The Committee-reported resolution assumes a gross increase of 2.6 percent over the 2000 level to maintain and improve justice enforcement and adjudicative and correctional activities. Such increases are then offset by several savings proposals, some of which were included in the President's budget. Over the next five years, the resolution provides nearly $142.3 billion in BA for federal law enforcement and related activities. The resolution for the Administration of Justice function is fiscally responsible while still insuring that we meet one of the core responsibilities of government.

Increases in BA are due mainly to increased levels of funding for salaries and expenses provided for the major federal enforcement, adjudicative, and correctional agencies in this function. These include: the Bureau of Alcohol, Tobacco and Firearms, Bureau of Prisons, Customs Service, Drug Enforcement Agency, Federal Bureau of Investigation, Immigration and Naturalization Service, Secret Service, and U.S. Marshals Service. Other substantial increases include those for federal courts of appeal and district courts, U.S. Attorneys, BOP prison construction, and acquisition-construction costs at the Federal Law Enforcement Training Center. The increases in the resolution's BA for these entities reflect an Employment Cost Index (ECI) adjustment to their 2000 levels for salaries and expenses and for the construction of federal prisons and federal enforcement officer training sites. The resolution also provides an additional $50 million for counterterrorism efforts and $200 million annually in BA over the next five years for the continued development and implementation of the Custom Service's ACE computer system used to process U.S. border crossings. Finally, the resolution provides an additional $1 million for Civil Rights enforcement in 2000.

The resolution rejects the President's proposed increase for the antitrust activities within the Department of Justice (DOJ) as well as for general DOJ legal activities thereby assuming funding at current law levels. The resolution also provides for current funding levels in assistance to state and local law enforcement through the following grant programs: the Violent Offender Incarceration and Truth in Sentencing incentive grants, the Byrne grant program, local law enforcement block grants, and juvenile justice. The resolution rejects the President's proposed increased level and over-emphasis on uncertain drug treatment and prevention programs at the expense of interdiction and supply-reduction programs, as well as for the amount of Violence Against Women Program funds allocated to research. The resolution rejects the request for COPS funding, and instead provides $200 million for law enforcement technology, $25 million for bullet proof vests, $35 million for tribal law enforcement, and an additional $100 million increase for the enforcement of gun laws.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes the repeal of windfall fines deposited in the Crime Victims Fund as proposed in the President's budget, yet still allows the Fund to spend at its high-water mark of $500 million.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	27.4	27.9	28.5	29.2	31.3	32.1
Outlays	28.0	28.2	28.7	29.1	31.0	31.9
President's Budget:						
Budget Authority	27.4	30.3	30.8	30.6	30.8	31.5
Outlays	28.0	29.8	30.2	30.4	31.0	31.4
SBC Baseline:						
Budget Authority	27.4	27.8	27.3	27.3	28.7	28.9
Outlays	28.0	27.9	27.8	27.4	28.6	28.8
Resolution compared to:						
President's Budget:						
Budget Authority	—	−2.4	−2.3	−1.4	0.5	0.6
Outlay	0.0	−1.5	−1.5	−1.3	0.0	0.5
SBC Baseline:						
Budget Authority	0.0	0.1	1.2	1.9	2.6	3.3
Outlays	0.0	0.4	0.9	1.7	2.4	3.1

Function 800: GENERAL GOVERNMENT

SENATE BUDGET RESOLUTION FOR 2001

Under current law, spending for Function 800, General Government, will total $13.9 billion in BA and $14.7 billion in outlays for 2000. This function consists of the activities of the Legislative Branch, the Executive Office of the President, U.S. Treasury fiscal operations (including the Internal Revenue Service), personnel and property management, and general purpose fiscal assistance to states, localities, and U.S. territories. Discretionary spending represents 93 percent of total spending in this function. The Internal Revenue Service accounts for 62 percent of the discretionary total.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function totals $13.2 billion in BA and $13.1 billion in outlays for 2001. The resolution represents a increase of $0.8 billion in BA over the 2000 level.

Specifically, the Committee-reported resolution assumes the following major discretionary changes:

An additional $700 million to construct, or site and design, fourteen new courthouses in 2001.

A total of $20 million increase for the Payment in Lieu of Taxes (PILT) program funding in 2001, and a $100 million increase over five years. PILT compensates local governments for losses to their tax base when the federal government occupies land within their boundaries. Under the current Administration, economic activity on federal land has decreased markedly, placing added stress on the local communities.

The Committee-reported resolution also assumes three one-year spending initiatives—a $6 million payment to the DC government for Presidential Inauguration expenses, $25 million for the construction of a Metro station on New York Avenue and $7 million for Presidential transition expenses.

Mandatory

The Committee-reported resolution assumes $1.2 billion in BA for mandatory spending in 2001 and $5.9 billion in BA for 2001-2005. Mandatory programs funded within this function include the Federal Reserve Bank Reimbursement Fund, the Civil Service Retirement and Disability Fund, the Presidential Election Campaign Fund, as well as certain payments to state and local governments and specific legislative functions such as Members' salaries and related administrative expenses.

It has been recently reported that a settlement has been reached in a gender discrimination lawsuit filed against the Federal government 23 years ago. This case has been settled out of court. It has been reported that $508 million will be paid out to 1,100 women. Monies for such settlements is paid out of the Claims and Judgements account in this function. However, it is not known when and how this settlement will be paid. As a result, before the completion of the conference on this resolution, the mandatory spending for 2001 in this account may be adjusted to reflect any additional information concerning this settlement.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	13.7	14.4	13.6	13.6	13.6	13.6
Outlays	14.7	14.3	13.9	13.8	13.9	13.6
President's Budget:						
Budget Authority	13.7	15.9	16.1	16.1	16.4	16.6
Outlays	14.8	15.2	15.5	15.8	16.5	16.6
SBC Baseline:						
Budget Authority	13.9	13.8	13.7	13.7	13.7	13.7

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE—Continued

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Outlays	14.7	14.3	13.9	13.7	13.7	13.5
Resolution compared to:						
President's Budget:						
Budget Authority	−0.1	−1.5	−2.4	−2.6	−2.8	−3.0
Outlays	−0.1	−0.9	−1.6	−2.0	−2.6	−3.0
SBC Baseline:						
Budget Authority	−0.2	0.6	−0.1	−0.1	−0.1	−0.1
Outlays	0.0	0.0	−0.0	0.1	0.2	0.1

Function 920: ALLOWANCES

SENATE BUDGET RESOLUTION FOR 2001

Function 920, Allowances, usually displays the budgetary effects of proposals that cannot be easily distributed across other budget functions. In past years, Function 920 has included total savings or costs from proposals associated with emergency spending or proposals contingent on certain events that have uncertain chances of occurring, such as the President's proposal for increased discretionary spending from the Social Security Surplus contingent on Social Security reform.

Discretionary

The Committee-reported resolution assumes discretionary savings in this function would total $4.4 billion in BA and $4.2 billion in outlays for 2001. Such savings are possible by reversing the non-defense, civilian pay date delay enacted at the close of the first session of this Congress and by reducing federal costs in certain programs that appear throughout all budget functions. Reversal of the pay date delay was proposed in the President's budget.

Mandatory PAYGO

The Committee-reported resolution assumes no mandatory increases or decreases in this function.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	....	−4.4	....	....	....	....
Outlays	....	−4.2	−1.3	−4.8	−6.8	−6.1
President's Budget:						
Budget Authority	....	0.0	....	....	....	....
Outlays	....	0.0	....	....	....	....
SBC Baseline:						
Budget Authority	....	....	....	....	....	....
Outlays	−0.8	0.8	....	....	....	....
Resolution compared to:						
President's Budget:						
Budget Authority	....	−4.5	....	....	....	....
Outlays	....	4.3	−1.3	4.8	−6.8	−6.1

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE—Continued

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
SBC Baseline:						
Budget Authority	....	−4.4	....	....	....	....
Outlays	0.8	−5.0	−1.3	−4.8	−6.8	−6.1

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

SENATE BUDGET RESOLUTION FOR 2001

Under current law, receipts in Function 950, Undistributed Offsetting Receipts, will total about $41.8 billion (negative BA and outlays) for 2000. This function records offsetting receipts (receipts, not federal revenues or taxes, 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 for some type of business transaction with the government). The main types of receipts recorded as "undistributed" in this function are: the payments federal 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 the public property or resources, such as the electromagnetic spectrum.

Discretionary

The Committee-reported resolution assumes rare discretionary effects in this function that, while netting to zero over 2000-2001, reflect the intrabudgetary offsets resulting from the pay date shifts included in the President's budget.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes mandatory savings of $0.1 billion in BA and outlays in 2001 and $3.1 billion in BA and outlays over the period 2001–2005. The largest component of savings stems from the assumption of allowing leasing for oil exploration and production on the coastal plain of the Arctic National Wildlife Refuge (ANWR). Bonus bids for such leases would, according to CBO, amount to $1.2 billion by 2005. Royalties would occur sometime thereafter, and the increased domestic production would reduce U.S. dependence on imported oil.

Mandatory PAYGO

The Committee-reported resolution assumes no other mandatory changes in this function.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Budget Authority	−42.0	−46.6	−50.9	−50.8	−48.5	−51.6
Outlays	−42.0	−46.6	−50.9	−50.8	−48.5	−51.6
President's Budget:						
Budget Authority	−42.1	−46.3	−50.1	−49.9	−47.8	−49.5
Outlays	−41.2	−46.3	−50.1	−49.9	−47.8	−49.5
SBC Baseline:						
Budget Authority	−41.8	−46.7	−50.3	−50.2	−48.2	−50.1
Outlays	−41.8	−46.7	−50.3	−50.2	−48.2	−50.1
Resolution compared to:						
President's Budget:						
Budget Authority	0.1	−0.4	−0.7	−0.9	−0.7	−2.0
Outlays	0.1	−0.4	−0.7	−0.9	−0.7	−2.0
SBC Baseline:						
Budget Authority	−0.2	0.1	−0.6	−0.6	−0.3	−1.5
Outlays	−0.2	0.1	−0.6	−0.6	−0.3	−1.5

B. Revenues

SENATE BUDGET RESOLUTION FOR 2001

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, excise taxes, estate and gift taxes, custom duties and miscellaneous receipts (which include deposits of earnings by the Federal Reserve System, fines, penalties, fees for regulatory services, and others).

The Committee-reported resolution assumes a tax cut of $13 billion in 2001 and $150 billion over 2001–2005 relative to the baseline. The Committee-reported resolution assumes that any tax cut adopted by Congress would not return the federal government to an unbalanced federal budget and would not dip into the Social Security surplus. Under the Committee-reported resolution, federal revenues grow at an average annual rate of 3.6 percent from 2000 through 2005. Under the baseline, federal revenues grow at an average annual rate of 3.9 percent from 2000 through 2005.

The Committee-reported resolution assumes a substantial tax cut package to be determined by the tax-writing committees. The revenue levels in the Committee-reported resolution can accommodate tax cut legislation that has already begun to move in the 106th Congress: marriage penalty tax relief, tax relief for education, health care tax relief associated with patients' rights, and small business tax relief (including acceleration of the 100 percent self-employed health insurance deduction, pension provisions, estate tax relief, real estate provisions and the American Community Renewal Act). In addition, it is possible for the Committee-reported resolution to accommodate a suspension or repeal of the 4.3 cents/gallon excise tax on all motor fuels enacted in 1993, and other tax cuts.

The Committee-reported resolution assumes enactment of the President's proposal for a roll back to pre-1999 levels of Federal employee retirement contributions. The proposal would repeal the

Balanced Budget Act of 1997 provision that temporarily increased federal employee retirement contributions by 0.5 percent.

In its reestimate of the President's budget, the Congressional Budget Office (CBO) found that the tax proposals in the President's budget result in a net tax increase of $9.5 billion in 2001 and a net tax cut of $4.9 billion over the 2001–2005 period. CBO's analysis found that the President's budget recommends gross tax increases of $96 billion over the 2001–2005 period; the Committee-reported resolution rejects all of these tax increases.

Over five years, the Committee-reported resolution reduces taxes by $145 billion more than the President's budget.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

	2000	2001	2002	2003	2004	2005
Committee-reported resolution: Revenues	1944.3	2003.2	2071.4	2146.0	2225.0	2318.0
President's Budget: Revenues	1945.7	2025.9	2097.1	2171.0	2261.9	2352.4
SBC Baseline: Revenues	1945.1	2016.3	2096.2	2176.7	2262.6	2361.4
Resolution compared to:						
President's Budget: Revenues	−1.5	−22.7	−25.7	−25.1	−36.9	−34.5
SBC Baseline: Revenues	−0.9	−13.2	−24.9	−30.8	−37.6	−43.4

C. Debt Levels

SENATE BUDGET RESOLUTION FOR 2001

The table on the following page compares the levels of debt held by the public and debt subject to limit associated with the Committee-reported resolution, the President's budget and the SBC baseline.

Under the Committee-reported resolution, debt held by the public declines by $1.1 trillion through the budget projection period. Debt held by the public under the President's budget declines by about the same amount. By the end of 2005, debt held by the public under the Committee-reported resolution is $57 billion higher than under the President's budget. The difference is mostly due to the Committee-reported resolution's inclusion of $40 billion for Medicare reform and prescription drugs in function 570 and the Committee-reported resolution's $150 billion tax cut (compared to the President's $5 billion tax cut).

The statutory debt limit, which now stands at $5.95 trillion, would not have to be increased until 2004 under the Committee-reported resolution. Under the President's budget as well, the statutory debt limit would have to be raised in 2004.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE

[In billions of dollars]

Debt	2000	2001	2002	2003	2004	2005
Committee-reported resolution:						
Held by Public	3,467	3,306	3,129	2,944	2,744	2,522
Subject to Limit	5,638	5,725	5,815	5,910	5,999	6,082
President's Budget:						
Held by Public	3,464	3,287	3,100	2,903	2,690	2,465

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET AND SBC BASELINE—Continued

[In billions of dollars]

Debt	2000	2001	2002	2003	2004	2005
Subject to Limit	5,622	5,683	5,721	5,746	5,738	5,702
SBC Baseline:						
Held by Public	3,452	3,272	3,041	2,780	2,476	2,128
Subject to Limit	5,622	5,683	5,721	5,746	5,738	5,702
Resolution compared to:						
President's Budget:						
Held by Public	3	19	29	41	54	57
Subject to Limit	4	10	6	10	12	−3
SBC Baseline:						
Held by Public	15	34	88	164	267	394
Subject to Limit	16	42	94	164	261	380

D. 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 are based on the committee's most recent report of December 22, 1999 (Estimates of Federal Tax Expenditures for Fiscal Years 2000–2004) (JCS–13–99). 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 a 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.

Tables follow:

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2000–2004

[In billions of dollars]

Function	Corporations					Individuals					Total 2000–2004
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	
National Defense:											
Exclusion of benefits and allowances to Armed Forces personnel	....	....	....	....	....	2.0	1.9	2.0	2.0	2.0	9.9
Exclusion of military disability benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.4
International Affairs:											
Exclusion of income earned abroad by U.S. citizens	....	....	....	....	....	2.4	2.6	2.8	3.0	3.3	14.1
Exclusion of certain allowances for Federal employees abroad	....	....	....	....	....	0.2	0.2	0.3	0.3	0.3	1.3
Exclusion of income of foreign sales corporations (FSCs)	2.7	2.9	3.1	3.3	3.6	....	....	....	....	....	15.6
Deferral of active income of controlled foreign corporations	3.4	3.7	4.0	4.2	4.5	....	....	....	....	....	19.8
Inventory property sales source rule exception	4.0	4.2	4.4	4.6	4.8	....	....	....	....	....	22.0
Deferral of certain financing income	0.5	0.9	0.4	....	....	....	....	....	....	....	1.8
General Science, Space, and Technology:											
Tax credit for qualified research expenditures	....	3.0	6.8	3.7	3.8	....	....	....	....	....	17.3
Expensing of research and experimental expenditures	2.9	2.8	2.9	3.1	3.2	....	....	....	....	....	14.9
Energy:											
Expensing of exploration and development costs:											
Oil and gas	0.4	0.5	0.5	0.5	0.5	(1)	(1)	(1)	(1)	(1)	2.4
Other fuels	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Excess of percentage over cost depletion:											
Oil and gas	0.5	0.5	0.5	0.5	0.5	0.2	0.2	0.2	0.2	0.2	3.5
Other fuels	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	1.5
Tax credit for enhanced oil recovery costs	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.3
Tax credit for production of non-conventional fuels	1.1	1.1	1.2	1.2	1.2	0.2	0.3	0.3	0.3	0.3	7.1
Tax credits for alcohol fuels (2)	(1)	(1)	(1)	(1)	(1)	....	....	....	....	....	(1)
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	0.6
Exclusion of energy conservation subsidies provided by public utilities	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.2
Tax credit for investments in solar and geothermal energy facilities	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Tax credit for electricity production from wind, biomass, and poultry waste	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.4
Natural Resources and Environment:											
Expensing of exploration and development costs, nonfuel minerals	(1)	0.1	0.1	0.1	0.1	(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	0.1	0.1	0.1	0.1	0.1	1.5
Expensing of multiperiod timber growing costs	0.1	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	0.9
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	0.1	0.1	0.1	0.1	0.1	0.3	0.3	0.3	0.3	0.3	2.4

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2000–2004—Continued

[In billions of dollars]

Function	Corporations					Individuals					Total 2000–2004
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	
Special rules for mining reclamation reserves	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.2
Special tax rate for nuclear decommissioning reserve fund	0.1	0.1	0.1	0.2	0.2	....	....	....	....	....	0.8
Exclusion of contributions in aid of construction for water and sewer utilities	([1])	([1])	([1])	([1])	([1])	....	....	....	....	....	0.1
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])	0.1	0.1	0.1	0.1	0.3
Expensing of the costs of raising dairy and breeding cattle	([1])	([1])	([1])	([1])	([1])	0.2	0.2	0.2	0.2	0.2	0.9
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	....	....	....	....	....	([1])	([1])	([1])	([1])	([1])	0.2
Cash accounting for agriculture	([1])	([1])	([1])	([1])	([1])	0.5	0.6	0.6	0.6	0.6	3.0
Income averaging for farmers	....	....	....	....	....	([1])	([1])	([1])	([1])	([1])	0.1
Five-year carryback period for net operating losses attributable to farming	([1])	([1])	([1])	([1])	([1])	0.1	0.1	([1])	([1])	([1])	0.3
Commerce and Housing:											
Financial institutions: Exemption of credit union income	0.8	0.9	0.9	0.9	1.0	....	....	....	....	....	4.5
Insurance companies:											
Exclusion of investment income on life insurance and annuity contracts	1.3	1.3	1.4	1.4	1.5	22.9	23.6	24.3	25.1	25.9	128.7
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.6
Special treatment of life insurance company reserves	1.1	1.2	1.2	1.3	1.3	....	....	....	....	....	6.1
Deduction of unpaid property loss reserves for property and casualty insurance companies	2.8	2.9	2.9	3.0	3.1	....	....	....	....	....	14.7
Special deduction for Blue Cross and Blue Shield companies	0.1	0.1	0.1	0.1	01.	....	....	....	....	....	0.6
Housing:											
Deduction for mortgage interest on owner-occupied residences	....	....	....	....	....	55.2	57.7	60.2	62.8	65.5	301.4
Deduction for property taxes on owner-occupied residences	....	....	....	....	....	18.9	19.6	20.3	20.9	21.6	101.3
Exclusion of capital gains on sales of principal residences	....	....	....	....	....	12.9	12.9	13.0	13.1	13.2	65.1
Exclusion of interest on State and local government bonds for owner-occupied housing	0.2	0.2	0.2	0.2	0.3	0.6	0.6	0.6	0.6	0.6	4.3
Exclusion of interest on State and local government bonds for rental housing	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.9
Depreciation of rental housing in excess of alternative depreciation system	0.2	0.2	0.2	0.2	0.2	1.5	1.5	1.6	1.7	1.9	9.2
Tax credit for low-income housing	1.3	1.4	1.4	1.4	1.4	2.5	2.6	2.6	2.7	2.7	20.0
Tax credit for first-time homebuyers in the District of Columbia	....	....	....	....	....	([1])	([1])	([1])	([1])	([1])	0.1
Tax credit for rehabilitation of historic structures	0.3	0.4	0.4	0.4	0.4	0.1	0.1	0.1	0.1	0.1	2.3
Other business and commerce:											
Reduced rates of tax on long-term capital gains	....	....	....	....	....	36.0	37.8	38.9	40.1	41.8	194.6
Exclusion of capital gains at death	....	....	....	....	....	23.7	25.2	26.9	28.2	32.1	136.1

Carryover basis of capital gains on gifts	....	....	....	....	....	2.3	2.5	2.7	3.0	3.3	13.8
Deferral of gain on non-dealer installment sales	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3	2.5
Deferral of gain on like-kind exchanges	1.0	1.1	1.2	1.2	1.3	0.4	0.4	0.4	0.4	0.4	7.8
Deferral of gain on involuntary conversions resulting from Presidentially-declared disasters	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0l.1
Depreciation of buildings other than rental housing in excess of alternative depreciation system	1.5	1.2	1.2	1.1	0.9	0.7	0.5	0.5	0.4	0.3	8.3
Depreciation of equipment in excess of alternative depreciation system	24.9	24.3	23.7	23.3	22.8	6.8	6.6	6.2	5.9	5.6	150.2
Expensing of depreciable business property	0.2	0.2	0.2	0.1	0.1	0.5	0.6	0.6	0.4	0.2	3.1
Amortization of business startup costs	(1)	(1)	(1)	(1)	(1)	0.3	0.3	0.4	0.4	0.4	1.8
Reduced rates on first $10,000,000 of corporate taxable income	4.3	4.2	4.4	4.5	4.6	....	....	....	....	....	22.0
Permanent exemption from imputed interest rules	(1)	(1)	(1)	(1)	(1)	0.2	0.2	0.2	0.2	0.3	1.2
Expensing of magazine circulation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Special rules for magazine, paperback book, and record returns	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Completed contract rules	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	(1)	1.1
Cash accounting, other than agriculture	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of interest on State and local government small-issue industrial development bonds	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.6
Exception from net operating loss limitations for corporations in bankruptcy proceedings	0.5	0.5	0.5	0.5	0.5	....	....	....	....	....	2.5
Tax credit for employer-paid FICA taxes on tips	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.8
Transportation:											
Deferral of tax on capital construction funds of shipping companies	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5
Exclusion of employer-paid transportation benefits	....	....	....	....	....	3.6	3.6	3.7	3.7	3.8	18.4
Exclusion of interest on State and local government bonds for high-speed rail	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Community and Regional Development:											
Empowerment zone tax incentives	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	1.2
District of Columbia tax incentives	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	0.4
Indian reservation tax incentives	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Expensing of redevelopment costs in certain environmentally contaminated areas (''Brownfields'')	(1)	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Tax credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of interest on State and local government bonds for private airports, docks, and mass-communiting facilities	0.2	0.2	0.2	0.2	0.2	0.4	0.4	0.4	0.4	0.4	2.9
Education, Training, Employment, and Social Services:											
Education and training:											
Tax credits for tuition for post-secondary education	....	....	....	....	....	5.4	5.4	5.5	5.6	5.6	27.5
Deduction for interest on student loans	....	....	....	....	....	0.3	0.4	0.4	0.4	0.4	1.8
Exclusion of earnings of trust accounts for higher education (''education IRAs'')	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.2
Exclusion of interest on educational savings bonds	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of tax on earnings of qualified State tuition programs	....	....	....	....	....	0.1	0.1	0.1	0.2	0.2	0.7
Exclusion of scholarship and fellowship income	....	....	....	....	....	1.1	1.2	1.3	1.4	1.5	6.5
Exclusion of employer-provided education assistance benefits	....	....	....	....	....	0.3	0.4	0.1	....	....	0.8
Parental personal exemption for students age 19 to 23	....	....	....	....	....	0.7	0.8	0.8	0.8	0.8	3.9
Exclusion of interest on State and local government student loan bonds	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	1.6

TABLE 1.—TAX EXPENDITURE ESTIMATES BY BUDGET FUNCTION, FISCAL YEARS 2000–2004—Continued

[In billions of dollars]

Function	Corporations					Individuals					Total 2000–2004
	2000	2001	2002	2003	2004	2000	2001	2002	2003	2004	
Exclusion of interest on State and local government bonds for private nonprofit educational facilities	0.2	0.2	0.2	0.2	0.2	0.5	0.5	0.5	0.5	0.5	3.7
Tax credit for holders of qualified zone academy bonds	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.3
Deduction for charitable contributions to educational institutions	0.9	1.0	1.0	1.1	1.2	3.9	4.3	4.6	4.9	5.2	28.2
Employment:											
Exclusion of employee meals and lodging (other than military)	....	....	....	....	....	0.8	0.8	0.8	0.9	0.9	4.2
Exclusion of benefits provided under cafeteria plans (3)	....	....	....	....	....	6.9	7.3	7.9	8.4	9.0	39.5
Exclusion of housing allowances for ministers	....	....	....	....	....	0.4	0.4	0.4	0.4	0.4	2.0
Exclusion of miscellaneous fringe benefits	....	....	....	....	....	6.5	6.9	7.3	7.8	8.2	36.7
Exclusion of employee awards	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of income earned by voluntary employees' beneficiary associations	....	....	....	....	....	1.4	1.5	1.6	1.7	1.7	7.9
Special tax provisions for employee stock ownership plans (ESOPs)	0.8	0.8	0.8	0.9	0.9	0.2	0.2	0.2	0.2	0.3	5.3
Work opportunity tax credit	0.4	0.4	0.3	0.1	0.1	0.1	0.1	0.1	(1)	(1)	1.4
Welfare-to-work tax credit	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Social Services:											
Tax credit for children under age 17 (4)	....	....	....	....	....	17.1	17.1	17.0	16.9	16.4	84.5
Tax credit for child and dependent care expenses	....	....	....	....	....	2.2	2.2	2.2	2.2	2.1	11.0
Exclusion of employer-provided child care (5)	....	....	....	....	....	0.4	0.4	0.5	0.5	0.5	2.4
Exclusion of certain foster care payments	....	....	....	....	....	0.5	0.5	0.5	0.6	0.6	2.7
Adoption credit and employee adoption benefits exclusion	....	....	....	....	....	0.2	0.3	0.2	0.1	0.1	0.8
Deduction for charitable contributions, other than for education and health	1.5	1.6	1.8	1.9	2.1	21.4	23.1	24.8	26.6	28.4	133.1
Tax credit for disabled access expenditures	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.1	0.1	0.1	0.4
Health:											
Exclusion of employer contributions for health care, health insurance premiums, and long-term care insurance premiums (6)	....	....	....	....	....	58.0	61.1	64.4	68.2	72.5	324.1
Exclusion of medical care and CHAMPUS/TRICARE medical insurance for military dependents, retirees, and retiree dependents	....	....	....	....	....	1.6	1.6	1.6	1.6	1.6	8.0
Deduction for health insurance premiums and long-term care insurance premiums by the self-employed	....	....	....	....	....	1.2	1.3	1.6	2.4	2.8	9.3
Deduction for medical expenses and long-term care expenses	....	....	....	....	....	4.4	4.8	5.1	5.4	5.8	25.4
Exclusion of workers' compensation benefits (medical benefits)	....	....	....	....	....	4.5	4.7	4.9	5.1	5.4	24.6
Medical savings accounts	....	....	....	....	....	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of interest on State and local government bonds for private nonprofit hospital facilities	0.3	0.3	0.3	0.3	0.3	0.8	0.8	0.9	0.9	0.9	5.9
Deduction for charitable contributions to health organizations	0.8	0.8	0.9	1.0	1.1	2.7	2.9	3.1	3.4	3.6	20.4
Tax credit for orphan drug research	0.1	0.1	0.1	0.1	0.1	....	....	....	....	....	0.5

Medicare:											
Exclusion of untaxed Medicare benefits:											
Hospital insurance	....	....	....	....	....	16.1	16.8	17.7	18.8	20.3	89.7
Supplementary medical insurance	....	....	....	....	....	8.8	9.8	11.1	12.5	14.1	56.3
Income Security:											
Exclusion of workers' compensation benefits (disability and survivors payments)	....	....	....	....	....	5.0	5.3	5.5	5.8	6.0	27.6
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	....	....	....	....	....	0.7	0.7	0.7	0.8	0.8	3.7
Net exclusion of pension contributions and earnings:											
Employer plans	....	....	....	....	....	76.0	80.7	83.6	86.5	89.3	416.0
Individual retirement plans	....	....	....	....	....	12.2	12.7	14.0	15.3	16.5	70.7
Keogh plans	....	....	....	....	....	5.0	5.1	5.2	5.3	5.4	26.1
Exclusion of other employee benefits:											
Premiums on group term life insurance	....	....	....	....	....	2.0	2.1	2.2	2.3	2.4	11.0
Premiums on accident and disability insurance	....	....	....	....	....	0.2	0.2	0.2	0.2	0.2	1.0
Additional standard deduction for the blind and the elderly	....	....	....	....	....	2.0	2.1	2.2	2.2	2.3	10.8
Tax credit for the elderly and disabled	....	....	....	....	....	([1])	([1])	([1])	([1])	([1])	0.1
Deduction for casualty and theft losses	....	....	....	....	....	0.2	0.2	0.3	0.3	0.3	1.3
Earned income credit (EIC) ([7])	....	....	....	....	....	4.0	4.1	4.1	4.4	4.4	21.1
Social Security and Railroad Retirement: Exclusion of untaxed social security and railroad retirement benefits	....	....	....	....	....	24.4	25.4	26.4	27.4	28.3	131.9
Veterans' Benefits and Services:											
Exclusion of veterans' disability compensation	....	....	....	....	....	2.1	2.2	2.3	2.4	2.4	11.4
Exclusion of veterans' pensions	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of veterans' readjustment benefits	....	....	....	....	....	0.1	0.1	0.1	0.1	0.1	0.6
Exclusion of interest on State and local government bonds for veterans' housing	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	([1])	0.2
General Purpose Fiscal Assistance:											
Exclusion of interest on public purpose State and local government debt	5.1	5.3	5.4	5.6	5.8	13.0	13.6	14.0	14.4	14.9	96.9
Deduction of nonbusiness State and local government income and personal property taxes	....	....	....	....	....	35.5	36.8	38.1	39.2	40.4	190.0
Tax credit for Puerto Rico and possession income, and Puerto Rico economic activity	3.8	4.0	3.6	3.2	3.0	....	....	....	....	....	17.6
Interest: Deferral of interest on savings bonds	....	....	....	....	....	1.2	1.2	1.2	1.2	1.2	6.0

[1] Positive tax expenditure of less than $50 million.
[2] In addition, the exemption from excise tax for alcohol fuels results in a reduction in excise tax receipts, net of income tax effect, of $0.5 billion per year in fiscal years 2000 through 2004.
[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] The figures in the table show the effect of the child credit on receipts. The increase in outlays is: $0.8 billion in 2000, $0.8 billion in 2001, $0.8 billion in 2002, $0.8 billion in 2003, and $0.8 billion in 2004.
[5] Estimate includes employer-provided child care purchased through dependent care flexible spending accounts.
[6] Estimate includes employer-provided health insurance purchased through cafeteria plans.
[7] The figures in the table show the effect of the earned income credit on receipts. The increase in outlays is: $25.8 billion in 2000, $26.2 billion in 2001, $27.0 billion in 2002, $27.4 billion in 2003, and $28.1 billion in 2004.

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

Source: Joint Committee on Taxation.

IV. Summary Tables

FUNCTION SUMMARY—COMMITTEE REPORTED RESOLUTION

[In billions of dollars]

Function	2000	2001	2002	2003	2004	2005	2001–2005
050:							
BA	291.6	305.8	309.1	315.5	323.2	331.5	1,585.1
OT	288.1	294.1	302.3	309.4	317.5	327.9	1,551.1
Discretionary:							
BA	292.6	306.8	310.0	316.4	324.0	332.3	1,589.5
OT	289.1	295.1	303.2	310.3	318.3	328.7	1,555.5
Mandatory:							
BA	−1.0	−1.0	−0.9	−0.9	−0.8	−0.8	−4.4
OT	−1.0	−1.0	−0.9	−0.9	−0.8	−0.8	−4.4
150:							
BA	22.0	20.1	20.9	21.4	21.9	22.6	107.0
OT	16.0	18.6	17.9	17.6	17.7	17.9	89.8
Discretionary:							
BA	24.2	20.4	20.9	21.4	21.9	22.5	107.0
OT	20.6	22.6	21.7	21.2	21.2	21.3	108.0
Mandatory:							
BA	−2.2	−0.2	0.0	0.0	−0.0	0.2	−0.0
OT	−4.6	−4.0	−3.8	−3.7	−3.5	−3.4	−18.3
250:							
BA	19.3	19.7	19.9	19.8	20.1	20.3	99.8
OT	18.4	19.2	19.6	19.5	19.7	19.9	97.9
Discretionary:							
BA	19.2	19.6	19.8	19.8	20.0	20.3	99.6
OT	18.4	19.2	19.5	19.5	19.6	19.9	97.7
Mandatory:							
BA	0.1	0.1	0.0	0.0	0.0	0.0	0.2
OT	0.1	0.1	0.1	0.0	0.0	0.0	0.3
270:							
BA	1.1	1.5	−0.3	1.2	1.2	1.2	4.9
OT	−0.6	0.2	−1.4	−0.0	−0.1	−0.1	−1.4
Discretionary:							
BA	2.6	3.1	1.7	3.1	3.1	3.1	14.0
OT	3.0	3.1	1.8	3.1	3.1	3.1	14.3
Mandatory:							
BA	−1.5	−1.6	−1.9	−1.9	−1.8	−1.9	−9.2
OT	−3.6	−2.9	−3.1	−3.2	−3.2	−3.2	−15.7
300:							
BA	24.5	24.9	25.0	25.0	25.1	25.1	125.1
OT	24.2	24.9	25.0	25.2	25.1	24.9	125.1
Discretionary:							
BA	24.2	24.1	24.1	24.1	24.1	24.1	120.3
OT	23.8	24.0	24.2	24.2	24.1	24.0	120.6
Mandatory:							
BA	0.3	0.9	1.0	1.0	1.0	1.0	4.8
OT	0.5	0.9	0.8	1.0	1.0	0.9	4.5
350:							
BA	35.3	20.9	19.0	18.0	17.4	16.1	91.3
OT	33.9	18.8	17.2	16.4	15.9	14.6	82.9
Discretionary:							
BA	4.5	4.5	4.6	4.6	4.7	4.7	23.1
OT	4.6	4.5	4.5	4.5	4.6	4.6	22.8
Mandatory:							
BA	30.7	16.4	14.4	13.4	12.7	11.4	68.2
OT	29.3	14.3	12.8	11.8	11.3	10.0	60.1
370:							
BA	8.6	6.7	8.9	10.2	13.4	13.4	52.6
OT	4.1	2.6	5.2	5.5	8.4	9.3	30.9
Discretionary:							
BA	7.0	2.5	3.0	3.0	2.9	2.9	14.3
OT	7.3	2.8	2.9	2.9	2.8	2.7	14.2

FUNCTION SUMMARY—COMMITTEE REPORTED RESOLUTION—Continued

[In billions of dollars]

Function	2000	2001	2002	2003	2004	2005	2001–2005
Mandatory:							
BA	1.6	4.2	5.9	7.2	10.5	10.5	38.2
OT	−3.2	−0.3	2.3	2.5	5.6	6.6	16.8
400:							
BA	54.4	59.2	57.5	59.1	59.1	59.2	294.2
OT	46.7	50.8	53.5	55.5	56.1	56.4	272.4
Discretionary:							
BA	14.5	15.8	16.5	17.1	17.1	17.1	83.7
OT	44.4	48.8	51.8	53.6	54.3	54.7	263.1
Mandatory:							
BA	39.9	43.5	41.1	42.0	42.0	42.0	210.5
OT	2.3	2.1	1.7	1.9	1.9	1.8	9.3
450:							
BA	11.3	9.0	8.8	8.7	8.7	8.7	43.9
OT	10.7	10.4	9.8	8.7	8.3	7.9	45.1
Discretionary:							
BA	11.5	9.0	8.8	8.7	8.8	8.8	44.1
OT	11.5	11.1	10.6	9.8	9.3	9.0	49.7
Mandatory:							
BA	−0.2	0.0	0.0	−0.1	−0.1	0.0	−0.2
OT	−0.7	−0.7	−0.8	−1.0	−1.0	−1.1	−4.6
500:							
BA	57.7	75.0	75.7	76.6	77.8	79.1	384.2
OT	61.9	68.6	72.6	75.4	76.8	78.0	371.4
Discretionary:							
BA	44.5	56.8	59.1	59.6	60.3	60.9	296.8
OT	49.6	52.2	55.9	58.7	59.6	60.3	286.8
Mandatory:							
BA	13.2	18.2	16.6	17.0	17.5	18.2	87.5
OT	12.3	16.5	16.6	16.7	17.1	17.7	84.6
550:							
BA	159.2	169.2	178.9	191.0	205.2	221.5	965.7
OT	153.5	165.8	177.8	190.3	204.8	220.3	959.1
Discretionary:							
BA	33.6	34.4	34.8	35.5	36.1	36.8	177.6
OT	30.1	32.7	33.8	34.5	35.1	35.7	171.8
Mandatory:							
BA	125.6	134.8	144.1	155.5	169.1	184.7	788.1
OT	123.4	133.1	144.0	155.8	169.7	184.6	787.3
570:							
BA	199.6	218.8	228.6	249.8	265.3	288.7	1,251.2
OT	199.5	219.0	228.6	249.5	265.5	288.7	1,251.4
Discretionary:							
BA	3.1	3.1	3.1	3.1	3.1	3.1	15.6
OT	3.1	3.1	3.1	3.1	3.1	3.1	15.5
Mandatory:							
BA	196.5	215.6	225.5	246.6	262.2	285.6	1,235.6
OT	196.4	215.9	225.5	246.4	262.4	285.6	1,235.8
600:							
BA	238.9	253.2	264.8	274.8	284.9	297.7	1,375.5
OT	248.1	255.4	267.3	278.5	288.4	301.2	1,390.7
Discretionary:							
BA	30.4	35.4	38.0	39.1	39.7	40.3	192.5
OT	42.5	42.1	43.0	45.0	45.4	45.7	221.1
Mandatory:							
BA	208.5	217.8	226.8	235.7	245.2	257.4	1,182.9
OT	205.6	213.4	224.2	233.5	243.0	255.5	1,169.5
650:							
BA	405.0	422.8	443.1	463.8	486.0	510.2	2,325.9
OT	405.0	422.8	443.1	463.8	486.0	510.1	2,325.7
Discretionary:							
BA	3.2	3.5	3.5	3.5	3.6	3.6	17.6
OT	3.2	3.4	3.5	3.5	3.5	3.6	17.5

FUNCTION SUMMARY—COMMITTEE REPORTED RESOLUTION—Continued

[In billions of dollars]

Function	2000	2001	2002	2003	2004	2005	2001–2005
Mandatory:							
BA	401.8	419.4	439.6	460.3	482.4	506.6	2,308.3
OT	401.8	419.4	439.6	460.3	482.4	506.6	2,308.3
700:							
BA	46.0	47.6	48.8	50.8	52.1	55.5	254.9
OT	45.1	47.1	48.7	50.5	51.8	55.2	253.4
Discretionary:							
BA	20.9	21.9	22.4	23.3	23.8	24.4	115.9
OT	20.4	21.8	22.4	23.1	23.7	24.2	115.1
Mandatory:							
BA	25.1	25.6	26.4	27.5	28.3	31.1	138.9
OT	24.8	25.4	26.3	27.4	28.2	31.0	138.3
750:							
BA	27.4	27.9	28.5	29.2	31.3	32.1	149.0
OT	28.0	28.2	28.7	29.1	31.0	31.9	148.9
Discretionary:							
BA	26.6	26.8	27.8	28.5	29.2	29.9	142.3
OT	27.2	27.3	27.9	28.5	29.1	29.8	142.5
Mandatory:							
BA	0.7	1.1	0.7	0.6	2.1	2.2	6.7
OT	0.8	0.9	0.8	0.7	2.0	2.1	6.5
800:							
BA	13.7	14.4	13.6	13.6	13.6	13.6	68.8
OT	14.7	14.3	13.9	13.8	13.9	13.6	69.4
Discretionary:							
BA	12.4	13.2	12.4	12.4	12.4	12.4	62.9
OT	13.2	13.1	12.7	12.6	12.6	12.5	63.5
Mandatory:							
BA	1.3	1.2	1.2	1.1	1.1	1.2	5.9
OT	1.6	1.2	1.2	1.1	1.3	1.1	6.0
900:							
BA	224.7	219.3	210.7	196.7	182.1	166.5	975.3
OT	224.7	219.3	210.7	196.7	182.1	166.5	975.3
Discretionary:							
BA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mandatory:							
BA	224.7	219.3	210.7	196.7	182.1	166.5	975.3
OT	224.7	219.3	210.7	196.7	182.1	166.5	975.3
920:							
BA	0.0	−4.4	0.0	0.0	0.0	0.0	−4.4
OT	0.0	−4.2	−1.3	−4.8	−6.8	−6.1	−23.1
Discretionary:							
BA	0.0	−4.4	0.0	0.0	0.0	0.0	−4.4
OT	0.0	−4.2	−1.3	−4.8	−6.8	−6.1	−23.1
Mandatory:							
BA	0.0	0.0	0.0	0.0	0.0	0.0	0.0
OT	0.0	0.0	0.0	0.0	0.0	0.0	0.0
950:							
BA	−42.0	−46.6	−50.9	−50.8	−48.5	−51.6	−248.3
OT	−42.0	−46.6	−50.9	−50.8	−48.5	−51.6	−248.3
Discretionary:							
BA	−0.2	0.1	−0.6	−0.6	−0.3	−1.5	−2.9
OT	−0.2	0.1	−0.6	−0.6	−0.3	−1.5	−2.9
Mandatory:							
BA	−41.8	−46.7	−50.3	−50.2	−48.2	−50.1	−245.5
OT	−41.8	−46.7	−50.3	−50.2	−48.2	−50.1	−245.5
Total:							
BA	1,798.0	1,865.2	1,910.9	1,974.2	2,039.7	2,111.5	9.901.5
OT	1,780.1	1,829.4	1,888.3	1,949.7	2,013.5	2,086.7	9.767.6
Discretionary:[1]							
BA	574.8	596.6	610.1	622.6	634.6	645.8	3,109.6
OT	611.7	622.6	640.6	652.7	662.2	675.3	3,253.5

FUNCTION SUMMARY—COMMITTEE REPORTED RESOLUTION—Continued

[In billions of dollars]

Function	2000	2001	2002	2003	2004	2005	2001–2005
Mandatory:							
BA	1,223.2	1,268.6	1,300.8	1,351.7	1,405.2	1,465.7	6,791.9
OT	1,168.5	1,206.8	1,247.7	1,297.0	1,351.3	1,411.3	6,514.1
Revenues	1,944.3	2,003.2	2,071.4	2,146.0	2,225.0	2,318.0	10,763.5
Surplus	164.1	173.8	183.1	196.2	211.5	231.3	995.9
On-budget ...	11.2	8.1	1.0	1.1	2.8	6.5	19.5
Off-budget ..	152.9	165.7	182.0	195.2	208.7	224.8	976.4

[1] Discretionary spending in this summary reflects the levels that will apply once new discretionary limits are enacted.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT—BUDGET YEAR TOTAL 2001

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Appropriations:				
General Purpose Discretionary	541,095	547,279	0	0
Memo on-budget	537,666	543,901	....	....
Memo off-budget	3,429	3,378	....	....
Highways	0	26,920	0	0
Mass Transit	0	4,639	0	0
Mandatory	327,904	310,251	0	0
Total	868,999	889,089	0	0
Agriculture, Nutrition, and Forestry	14,254	10,542	29,584	12,003
Armed Services	50,139	50,129	0	0
Banking, Housing and Urban Affairs	4,050	−2,339	0	0
Commerce, Science, and Transportation	7,341	3,433	739	737
Energy and Natural Resources	2,429	2,373	40	51
Environmental and Public Works	39,643	2,029	0	0
Finance	708,237	705,227	165,511	165,984
Foreign Relations	11,364	10,107	0	0
Governmental Affairs	60,323	58,905	0	0
Judiciary	5,590	5,076	253	253
Health, Education, Labor, and Pensions	12,259	9,231	1,382	1,381
Rules and Administration	113	68	0	0
Veterans' Affairs	1,367	1,363	24,527	24,444
Indian Affairs	192	189	0	0
Small Business	0	−195	0	0
Unassigned to Committee	−313,951	−296,951	0	0
Total	1,472,349	1,448,276	222,036	204,853

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT—5-YEAR TOTAL: 2001–2005

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	61,372	43,745	114,139	67,379
Armed Services	267,298	266,974	0	0
Banking, Housing and Urban Affairs	32,946	−10,841	0	0
Commerce, Science, and Transportation	58,896	38,339	4,061	4,040
Energy and Natural Resources	11,570	11,364	200	232
Environmental and Public Works	178,735	8,662	0	0
Finance	3,753,455	3,748,941	970,955	971,333

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT—5-YEAR TOTAL: 2001–2005—Continued

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Foreign Relations	58,705	52,862	0	0
Governmental Affairs	324,981	318,539	0	0
Judiciary	26,693	25,704	1,265	1,265
Health, Education, Labor, and Pensions	51,320	46,784	6,985	7,007
Rules and Administration	462	451	0	0
Veterans' Affairs	6,837	7,022	133,449	133,090
Indian Affairs	921	941	0	0
Small Business	0	−745	0	0

V. Budget Resolutions: Enforcement and Other Provisions

A budget resolution does not become law and cannot amend law. However, a budget resolution's miscellaneous provisions can affect the consideration of legislation to implement and enforce the underlying policy assumptions contained in such resolution. The Committee-reported resolution contains a number of provisions which implement policies assumed in this resolution while protecting the Social Security surplus and maintaining on-budget surpluses which will serve to further reduce the publically held debt.

Title I of the Committee-reported resolution contains a provision to focus attention on debt held by the public levels. Section 101(6) provides advisory debt held by the public levels. These debt held by the public levels reflect the fact that the resolution devotes the entire Social Security surplus to the reduction of debt held by the public.

Section 102(c) shows (for informational purposes only) the level of budget authority and outlays for Social Security administrative expenses. These expenses, as is the case with all expenditures from the Social Security trust funds are off-budget, however for scoring purposes they are counted against the discretionary spending limits because they are provided annually in appropriations acts.

Title II of the Committee-reported resolution contains 14 sections that either modify budget procedures for consideration of legislation or authorize the Chairman of the Budget Committee to alter the levels in the budget resolution to accommodate Senate consideration of certain legislation.

Each of these sections are discussed in more detail below. Many of these sections make reference to the terms "on-budget" and "deficit." Congress, the Office of Management and Budget and the Congressional Budget Office generally distinguish between on-budget and off-budget activities in the federal budget. "On-budget" means the receipts and disbursements of all Federal government accounts, funds, and functions except the receipts and disbursements of the two Social Security trust funds and the Postal Service.

The whole premise of this resolution is to preserve the Social Security surplus and to prohibit consideration of legislation resulting in an on-budget deficit in the future. The Committee does intend, by virtue of the reserve funds set out in title II, that on-budget surpluses may be made available for: tax relief, targeted agriculture spending, spending for schools and roads in rural counties, providing medical care to disabled children, and for a Medicare prescription drug benefit. After accounting for such spending, the Committee-reported resolution produces a $19.5 billion on-budget surplus over the next 5 years.

The Senate's pay-as-you-go point of order

The Senate's "pay-go" point of order was modified in section 207 of the conference report on the fiscal year 2000 budget resolution to make clear that spending of on-budget surpluses would not violate the pay-go rule. This rule continues in effect, unchanged by this resolution, and is reprinted below:

PAY-AS-YOU-GO POINT OF ORDER IN THE SENATE

See Section 207 of H. Con. Res. 68 (106th Cong. 1st Sess.)

(a) PURPOSES.—The Senate declares that it is essential to—

(1) ensure continued compliance with the balanced budget plan set forth in this resolution; and

(2) continue the pay-as-you-go enforcement system.,

(b) POINT OF ORDER.—

(1) IN GENERAL.—It shall not be in order in the Senate to consider any direct spending or revenue legislation that would increase the on-budget deficit or cause an on-budget deficit for any one of the three applicable time periods as measured in paragraphs (5) and (6).

(2) APPLICABLE TIME PERIODS.—For purposes of this subsection the term "applicable time period" means any one of the three following periods:

(A) The first year covered by the most recently adopted concurrent resolution on the budget.

(B) The period of the first five fiscal years covered by the most recently adopted concurrent resolution on the budget.

(C) The period of the five fiscal years following the first five fiscal years covered by the most recently adopted concurrent resolution on the budget.

(3) DIRECT-SPENDING LEGISLATION.—For purposes of this subsection and except as provided in paragraph (4), the term "direct-spending legislation" means any bill, joint resolution, amendment, motion, or conference report that affects direct spending as that term is defined by and interpreted for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985.

(4) EXCLUSION.—For purposes of this subsection the terms "direct-spending legislation" and "revenue legislation" do not include—

(A) any concurrent resolution on the budget; or

(B) any provision of legislation that affects the full funding of, and continuation of, the deposit insurance guarantee commitment in effect on the date of enactment of the Budget Enforcement Act of 1990.

(5) BASELINE.—Estimates prepared pursuant to this section shall—

(A) use the baseline used for the most recently adopted concurrent resolution on the budget; and

(B) be calculated under the requirements of subsection (b) through (d) of section 257 of the Balanced Budget and Emergency Deficit Control Act of 1985 for fiscal years beyond those covered by that concurrent resolution on the budget

(6) PRIOR SURPLUS.—If direct spending or revenue legislation increases the on-budget deficit or causes an on-budget deficit when taken individually, then it must also increase the on-budget deficit or causes an on-budget deficit when taken together with all direct spending and revenue legislation enacted since the beginning of the calendar year not accounted for in the baseline under paragraph (5)(A), except that the direct spending or revenue effects resulting from legislation enacted pursuant to the reconciliation instructions included in that concurrent resolution on the budget shall not be available.

(c) WAIVER.—This section may be waived or suspended in the Senate only by the affirmative vote of three-fifths of the Members, duly chosen and sworn.

(d) APPEALS.—Appeals in the Senate from the decisions of the Chair relating to any provision of this section shall be limited to 1 hour, to be equally divided between, and controlled by, the appellant and the manager of the bill or joint resolution, as the case may be an affirmative vote of three-fifths of the Members of the Senate, duly chosen and sworn, shall be required in the Senate to sustain an appeal of the ruling of the Chair on a point of order raised under this section.

(e) DETERMINATION OF BUDGET LEVELS.—For purposes of this section, the levels of new budget authority, outlays, and revenues for a fiscal year shall be determined on the basis of estimates made by the Committee on the Budget of the Senate.

(f) CONFORMING AMENDMENT.—Section 23 of House Concurrent Resolution 218 (103d Congress) is repealed.

(g) SUNSET.—Subsections (a) through (e) of this section shall expire September 30, 2002.

The Committee-reported resolution assumes that the on-budget surplus be placed on the Senate's pay-as-you-go scorecard. The baseline on-budget surpluses are shown on the table below:

TABLE 1

[In billions of dollars]

	Fiscal year—										5 yr.	10 yr.
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010		
Baseline on-budget surplus	26.509	54.330	77.487	105.636	132.475	197.085	248.281	290.469	348.599	410.089	396.437	1,890.961

DISCUSSION OF THE PROVISIONS CONTAINED IN TITLE II OF THE COMMITTEE-REPORTED RESOLUTION

Section 201: Congressional lockbox for Social Security surpluses

The Committee-reported resolution contains language which is very similar to section 201 of the conference report on the fiscal year 2000 budget resolution. This "Social Security lockbox" as it is known, provides a point of order in both the House of Representatives and the Senate against a budget resolution that sets forth an on-budget deficit for any fiscal year. This ensures that Social Security surpluses cannot be used by the budget to finance deficit spending.

As a result of an amendment offered and agreed to in committee by Senator Abraham, the point of order will now be permanent and in the Senate will require 60 votes for a waiver or to sustain an appeal. In addition, an amendment offered and agreed to in committee by Senator Grams, added a "double lock" on this lockbox point of order by adding a "lookback". The "lookback" requires that after the end of the fiscal year, in its next budget resolution, Congress must look back to see if any deficit spending has occurred and make the Social Security trust fund whole in the subsequent year by reducing future discretionary spending by an equivalent amount.

Section 202: Reserve fund for Medicare

The Committee-reported resolution contains language in section 202 which establishes a two-part reserve fund for Medicare legislation.

Subsection (a) permits the Chairman of the Committee on the Budget to adjust the section 302 allocation to the Committee on Finance, and the aggregates and other appropriate budgetary levels for legislation which provides a Medicare prescription drug benefit if the cost of the legislation does not exceed $20 billion over the period of fiscal years 2001 through 2003 and the legislation does not cause an on-budget deficit in any of these years.

Subsection (b) provides that if the Committee on Finance fails to report such legislation prior to September 1, 2000, the adjustments permitted by subsection (a) shall be made with respect to any legislation considered in the Senate which contains a prescription drug benefit.

Subsection (c) permits the Chairman of the Committee on the Budget to adjust the section 302 allocation to the Committee on Finance and the spending aggregates for legislation which provides an additional $20 billion for fiscal years 2004 and 2005 if the Committee on Finance reports legislation which extends the solvency of the Medicare Hospital Insurance trust fund without the use of new subsidies from the general fund, without decreasing beneficiaries' access to health care, and excluding the cost of extending and modifying the prescription drug benefit crafted pursuant to the first part of the reserve fund. The Committee assumes Medicare reform efforts will ensure adequate reimbursement for Medicare providers. The allocation of this $20 billion cannot cause an on-budget deficit in either 2004 or 2005.

Section 203: Reserve fund for the stabilization of payments to counties in support of education

The Committee-reported resolution contains language which provides a reserve fund that would allow the Chairman of the Committee on the Budget to adjust the section 302 allocation to the Energy and Natural Resources Committee for legislation which provides for additional mandatory spending for the stabilization of receipt-based payments to counties that support school and road systems and also provides that a portion of those payments would be dedicated toward local investments in Federal lands within those counties. Adjustments may also be made for amendments which bring the reported legislation into compliance with the terms of this reserve fund. The reserve fund requires that the committee report this legislation and that the cost shall not exceed $200,000,000 in the first year and not more than $1,100,000,000 for fiscal years 2001 through 2005.

Section 204: Reserve fund for Agriculture

The Committee-reported resolution contains language which provides a reserve fund that would allow the Chairman of the Committee on the Budget to adjust the section 302 allocation to the Committee on Agriculture, Nutrition, and Forestry for legislation which provides for additional mandatory spending for assistance for producers of program crops and specialty crops, enhancement for agriculture conservation programs, and perhaps other programs within the committee's jurisdiction. The reserve fund can only be triggered if the committee reports legislation to the Senate on or before June 29, 2000. Adjustments may also be made for amendments which bring the reported legislation into compliance with the terms of this reserve fund. The cost of such legislation shall not exceed $5,500,000,000 for fiscal year 2000; $1,640,000,000 for fiscal year 2001; and $3,000,000,000 for fiscal years 2001 through 2005.

Section 205: Tax reduction reserve fund in the Senate

The Committee-reported resolution contains language which provides a reserve fund that allows the Chairman of the Committee on the Budget to adjust the spending and revenue aggregate for legislation that reduces revenues as long as the legislation does not cause an on-budget deficit for the first year or the sum of the five years covered by this resolution.

Section 206: Reserve fund for additional surpluses

The Committee-reported resolution contains language which would allow the Chairman of the Committee on the Budget to adjust the revenue aggregate, the pay-go scorecard balances, and the reconciliation instructions to take into account any additional surpluses contained in the Economic and Budget Outlook published by the Congressional Budget Office (CBO). This section calls upon the CBO to complete this "summer-update" by July 1, 2000. If surpluses are larger than was set forth in their prior report, then the Chairman may make the above-mentioned adjustments in an amount equal to the increase for fiscal years 2001 through 2005. This will permit additional revenue reductions to occur in the reconciliation legislation provided for in section 104 of the Committee-reported resolution.

Section 207: Mechanism for additional debt reduction

If either or both of the tax reconciliation bill envisioned by section 104 of the Committee-reported resolution or the Medicare/Prescription drug legislation envisioned by section 202 of the Committee-reported resolution do not become law (because they are never enacted by the Congress or the President vetoes the measures), the Committee-reported resolution contains language which would allow the Chairman of the Budget Committee to reduce the balances available on the Senate's pay-go scorecard and adjust the aggregates and committee allocations to prevent these "reconciled" or "reserved" amounts from being spent for anything else. In addition, the debt held by the public levels shown in section 101(6) of this resolution will be reduced by those same amounts to make clear that these funds are dedicated to debt reduction.

Section 208: Emergency designation point of order in the Senate

The Committee-reported resolution contains language which provides a 60-vote point of order in the Senate against any legislation (including conference reports) which contains an emergency designation with respect to any spending or revenues. This section is very similar to section 206 of the conference report on the fiscal year 2000 budget resolution with the following two exceptions: the point of order now applies to defense as well as non-defense spending and is permanent. As was the case last year, the point of order would operate similar to the Senate's Byrd Rule (section 314 of the Congressional Budget and Impoundment Control Act of 1974) in that if the point of order is sustained, the offending language (in this case the emergency designation) can be excised from the bill, amendment or conference report, leaving the remainder intact. This is likely to result in the remaining language then being subject to some other Budget Act point of order because the additional spending would then be scored against either the discretionary spending limits, the section 311 aggregates, a committee's allocation, or pay-go.

Section 209: Reserve fund pending the increase of fiscal year 2001 discretionary spending limits

Section 312(b) of the Congressional Budget and Impoundment Control Act of 1974 provides a 60-vote point of order in the Senate against any legislation that exceeds the discretionary spending limits set forth in section 251 of the Balanced Budget and Impoundment Control Act of 1985. This point of order applies to a concurrent resolution on the budget as well as substantive legislation. Sustaining the current discretionary spending limits is not feasible based on recent budget submissions by President Clinton and congressional action.

The Committee-reported resolution envisions a level of discretionary spending which exceeds the current statutory limits. However, because of the restrictions of section 312(b), the functional totals and spending aggregates contained in this resolution technically indicate a level of discretionary spending which adheres to the current-law limits. The section 302(a) allocation to the Committee on Appropriations is also in compliance with the current limits. This is achieved by assuming a reserve amount within function 920.

The Committee-reported resolution contains language which provides the Chairman of the Committee on the Budget in the Senate with the authority to adjust the section 302(a) allocation to the Committee on Appropriations up to the level of discretionary spending envisioned by the resolution, only after legislation has been enacted which increases the statutory discretionary spending limits. For the purposes of this section, the Committee assumes that only the fiscal year 2001 limits will be increased. No assumption is made with respect to the appropriate level for fiscal year 2002. The Committee also intends that in order to maintain mathematical consistency and accurate enforcement of the budget resolution, the Chairman will also be authorized to adjust the aggregates contained in the resolution. Therefore the Committee anticipates that the language of section 209 will be amended to provide the Chairman with this additional authority.

Section 210: Congressional firewall for defense and non-defense spending

The Committee-reported resolution contains language which, upon the enactment of legislation which increases the discretionary spending limits for fiscal year 2001, establishes a "firewall" between defense and non-defense discretionary spending in the Senate. This firewall consists of limits on the overall level of both defense and non-defense spending. The non-defense portion includes the outlays for both highways and mass transit. These limits will be enforced by a 60-vote point of order against measure which exceeds the limits.

Section 211: Mechanisms for strengthening budgetary integrity

The Committee-reported resolution contains language which establishes two new points of order in the Senate one with respect to advanced appropriations and the other with respect to delayed obligations. Both points of order require 60-votes for a waiver or to sustain an appeal of the ruling of the Chair. Similar to the emergency designation point of order in section 208 of the Committee-reported resolution, these points of order also operate like the Byrd Rule: if the point of order is sustained, the offending language will be excised from the measure—including the conference report. Both points of order expire at the end of fiscal year 2002 in keeping with the lifetime of the current discretionary spending limits.

Section 211(b) of the Committee-reported resolution provides a point of order against any appropriation that results in the sum of all advances from fiscal year 2001 into fiscal year 2002 (or into any subsequent fiscal year) in excess of the amounts which were advanced from fiscal year 2000 into fiscal year 2001 for education programs ($14.2 billion).

Section 211(c) of the Committee-reported resolution provides a point of order against the use of any delayed obligations in an appropriations bill with specific exceptions for current programmatic-driven delays (including a date and a dollar limitation) which are contained in this section. These specified delays total approximately $11.2 billion and are described below:

Department of the Interior: for Operation of Indian Programs School Operation Costs (Bureau of Indian Affairs Funded Schools and Other Education Programs)—until July 1 not to exceed $401,000,000.

Department of Labor: for Training and Employment Insurance—until July 1 not to exceed $1,650,000,000.

Department of Labor: for State Unemployment Service—until July 1 not to exceed $902,000,000.

Department of Education: for Education Reform—until July 1 not to exceed $512,000,000.

Department of Education: for Education for the Disadvantaged—until July 1 not to exceed $2,462,000,000.

Department of Education: for School Improvement Program—until July 1 not to exceed $975,000,000.

Department of Education: for Special Education—until July 1 not to exceed $2,048,000,000.

Department of Education: for Vocational Education—until July 1 not to exceed $858,000,000.

Department of Transportation: for Grants to the National Railroad Passenger Corporation—until September 30 not to exceed $343,000,000.

Department of Veterans' Affairs: for Medical Care (equipment-land-structures)—until August 1 not to exceed $900,000,000.

Environmental Protection Agency: for Hazardous Substance Superfund—until September 1 not to exceed $100,000,000.

Section 211(g) of the Committee-reported resolution provides guidance for interpreting the germaneness requirement found in section 305(b)(2) of the Congressional Budget and Impoundment Control Act of 1974. Section 305 requires that all amendments offered on the floor to a budget resolution or a reconciliation bill must be germane to the underlying legislation and is enforced by a 60-vote point of order in the Senate. The Committee-reported resolution states that an amendment will be considered not germane if it contains only precatory (non-binding) language. This is designed to place a 60-vote hurdle with respect to what is commonly referred to as "sense of the Senate" amendments. Note that it is not meant to preclude the inclusion of "purpose" or "findings" language that is part of an otherwise substantive amendment.

Section 212: Prohibition on the use of Federal Reserve surpluses

The Committee-reported resolution contains language which is designed to ensure that transfers from non-budgetary governmental entities such as the Federal Reserve banks shall not be used to offset increased on-budget spending when such transfers produce no real budgetary effects. It has long been the view of the Committee that transfers of Federal Reserve surpluses to the Treasury are not valid offsets for increased spending. Nonetheless, such transfers have been legislated in the past—as recently as the fall of 1999. The purpose of this section is to establish a scoring rule to make clear that such transfers will not be taken into account when determining compliance with the various Budget Act and Senate pay-go points of order.

Section 213: Reaffirming the prohibition on the use of revenue offsets for discretionary spending

The Committee-reported resolution contains language which is intended to emphasize the longstanding view of the Congressional Budget Committees and the Congressional Budget Office that changes in revenues shall not be scored in appropriations legislation. This means that tax increases shall not be used as offsets for increased discretionary spending. The Committee finds it necessary to set this forth in this budget resolution in response to the President once again asserting in his fiscal year 2001 budget that an increase in tobacco taxes can be used to offset huge increases in discretionary spending.

Section 214: Application and effect of changes in allocations and aggregates

The Committee-reported resolution contains language which is identical to the language found in section 208 of the conference report on the fiscal year 2000 budget resolution. This language clarifies how and when any adjustments to the allocations or aggregates or pay-go balances permitted by the various reserve funds contained in the Committee-reported resolution may be made.

Section 215: Reserve fund to foster the health of children with disabilities and the employment and independence of their families

The Committee-reported resolution contains language which provides a reserve fund that would allow the Chairman of the Committee on the Budget to adjust the section 302 allocation to the Committee on Finance and the spending aggregate for legislation which facilitates children with disabilities receiving needed health care at home while still allowing their families to become or remain employed. The reserve fund can only be triggered if the committee reports legislation to the Senate. Adjustments may also be made for amendments which bring the reported legislation into compliance with the terms of this reserve fund. This will permit such legislation to make use of any on-budget surpluses. However, the cost of such legislation shall not exceed $50,000,000 for fiscal year 2001; and $300,000,000 for fiscal years 2001 through 2005.

Section 216: Exercise of rulemaking powers

The Committee-reported resolution contains language regarding the rulemaking authority of each of the Houses of Congress.

Title III of the Committee-reported resolution contains the following 29 non-binding provisions that express the will or intent of either or both Houses of Congress:

Sense of the Senate on controlling and eliminating the growing international problem of tuberculosis.

Sense of the Senate on increased funding for the Child Care and Development Block Grant.

Sense of the Senate on tax relief for college tuition paid and for interest paid on student loans.

Sense of the Senate on increased funding for the National Institutes of Health.

Sense of the Senate supporting funding levels in Educational Opportunities Act.

Sense of the Senate on additional budgetary resources.

Sense of the Senate on regarding the inadequacy of the payments for skilled nursing care.

Sense of the Senate on the CARA programs.

Sense of the Senate on veteran's medical care.

Sense of the Senate on Impact Aid.

Sense of the Senate on funding for increased acreage under the Conservation Reserve Program and the Wetlands Reserve Program.

Sense of the Senate on tax simplification.

Sense of the Senate on antitrust enforcement by the Department of Justice and Federal Trade Commission regarding agriculture mergers and anticompetitive activity.

Sense of the Senate regarding fair markets for American farmers.

Sense of the Senate on women and Social Security reform.

Protection of battered women and children.

Use of False Claims Act in combating medicare fraud.

Sense of the Senate regarding the National Guard.

Sense of the Senate regarding military readiness.

Sense of the Senate on compensation for the Chinese Embassy bombing in Belgrade.

Sense of the Senate supporting full funding of the President's digital opportunity initiatives.

Sense of the Senate regarding immunization funding.

Sense of the Senate regarding tax credits for small businesses providing health insurance to low-income employees.

Sense of the Senate on funding for criminal justice.

Sense of the Senate regarding the Pell Grant.

Sense of the Senate regarding comprehensive public education reform.

Sense of the Senate on providing adequate funding for United States international leadership.

Sense of the Senate concerning the HIV/AIDS crisis.

Sense of the Senate regarding tribal colleges.

RECONCILIATION

Reconciliation

The Committee-reported resolution contains a reconciliation instruction to reduce revenues by not more than $13.157 billion for fiscal year 2001 and by not more than $149.761 billion for the sum of the fiscal years 2001 through 2005.

The Senate Finance Committee would be required to report reconciliation legislation by September 22, 2000.

VI. Committee Views and Estimates

Section 301(c) of the Congressional Budget Act requires the committees of the Senate to report to the Budget Committees the 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 committees:

United States Senate

COMMITTEE ON
AGRICULTURE, NUTRITION, AND FORESTRY
WASHINGTON, DC 20510-6000
202-224-2035

March 2, 2000

Honorable Pete V. Domenici
Chairman
Honorable Frank R. Lautenberg
Ranking Minority Member
Committee on the Budget
Washington, D.C. 20510

Dear Mr. Chairman and Senator Lautenberg:

This letter provides the views of the Senate Committee on Agriculture, Nutrition, and Forestry regarding the FY 2001 Budget Resolution. These views are provided in response to your January 28 letter and are in accordance with the requirements of the Congressional Budget Act.

Farmers and ranchers know that agriculture is a cyclical business and that farm prices can be subject to large swings. Low commodity prices over the past two years have presented serious economic challenges for farmers. Total government payments to farmers for 1999 were estimated at $22.7 billion, most of which was assistance under the 1996 Federal Agriculture Improvement and Reform Act. Last fall Congress, through emergency farm relief in the FY2000 Consolidated Appropriations Act, provided about $9 billion in income and crop disaster assistance.

We recognize that further assistance will be necessary this year and stand ready to assist our producers. While not endorsing the proposal in its entirety, we do note that the President's budget for FY2001 proposes new farm legislation that it estimates will increase spending by $11.7 billion.

Last year's budget resolution established a special reserve fund for agriculture to support enactment of risk management legislation for farmers. The Committee is working to complete that legislation this year. To minimize uncertainty about the availability of funds for this legislation, we recommend that the reserve fund for agriculture be continued. Unfortunately, the President's budget for FY 2001 proposes substantially less funding than is available in the reserve fund for farm risk management improvements.

We were pleased that the President's budget recognizes the importance of federal conservation programs and recommends additional funding for them. The Environmental

Quality Incentives Program (EQIP) and the Wetlands Reserve Program (WRP), both slated for increases, have demonstrated effectiveness at protecting and preserving our natural resources, and new funding is included for the Conservation Security Program proposed by Senator Harkin. Also important is the technical assistance that is provided to farmers through the Natural Resources Conservation Service (NRCS).

The Committee recognizes the importance of foreign markets for U.S. agricultural commodities and U.S. agricultural profitability. We must pursue enforcement of existing trade agreements and the negotiation of new trade agreements which will open new markets to U.S. agricultural exports and that eliminate or greatly reduce existing barriers and trade distorting agricultural subsidies around the world. Another positive step would be legislation that exempts commercial agricultural exports from the effects of unilateral economic sanctions imposed by our government. Fast track legislation should be a priority.

We also must substantially increase our funding of research on renewable sources of fuel and new non-food, non-feed products. Doing so will reduce our dependence on foreign sources of oil and help provide other markets for our farmers' agricultural products and byproducts. We are pleased that the President's budget requests additional funds for bioenergy and bioproducts research and development. Legislation that has been approved by the Committee, the Biomass Research and Development Act, would authorize federal funding for the necessary innovation-driven research that will result in cost-effective technologies for biomass conversion. Working together we can promote research that will improve our national security and balance of payments, reduce greenhouse gas emissions and strengthen rural economies.

The Committee strongly supports agricultural research. Enactment of the Agricultural Research, Extension, and Education Reform Act in 1998 provided $120 million in new annual mandatory funding for competitive agricultural research grants and $60 million annually for the Fund for Rural America. While this funding was denied through the appropriations process the past two years, the Committee is hopeful that funding for fiscal year 2001 and beyond will remain intact throughout the budget and appropriations process. We were pleased that USDA announced that nearly $120 million will be awarded this fiscal year for competitive agricultural research grants. We appreciate the Administration's support of this initiative. It is imperative that this funding be available to address critical emerging agricultural issues related to future food production, environmental quality, natural resource management, and farm income. In order for U.S. producers to be able to improve profitability, increase productivity to meet future food and fiber demands of a growing world population, and develop new markets and uses, we need to invest in agricultural research now.

Changes in tax laws can help farmers manage their finances in times of volatile markets and fluctuating income and facilitate passing on family farming operations to sons, daughters, or other family members. Although significant changes were made in 1997, the Committee supports additional estate tax relief and other tax changes beneficial for farmers and other small business owners.

Page 3

The Committee will continue to review and monitor spending in both the farm and food and nutrition area. We have been, and continue to be, strong supporters of federal nutrition programs. As your Committee considers the aggregate discretionary spending levels in the FY2001 budget resolution, we ask that you keep in mind the need to accommodate a continued strong U.S. role in international food aid, the critical importance of securing future gains through competitive grants for agricultural and biomass research, support for rural economic development, funding for food safety, and programs that will support farmer-owned, value-added enterprises.

Sincerely,

Richard G. Lugar
Chairman

Tom Harkin
Ranking Minority Member

United States Senate
COMMITTEE ON ARMED SERVICES
WASHINGTON, DC 20510–6050

February 25, 2000

Senator Pete V. Domenici
Chairman
Senator Frank R. Lautenberg
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Pete and Frank:

In accordance with your request, I am forwarding my recommendations for the Fiscal Year 2001 Budget Resolution.

Our defense budget should begin with an analysis of the worldwide threat that our military faces - both now and in the future. The world remains complex and dangerous, and the United States is continually called upon to provide the requisite leadership to resolve the many conflicts which continue to erupt in this rapidly changing world. The impact on the readiness of our military forces because of the number of contingency operations in which our military is engaged worldwide is of great concern. We have had troops in Bosnia for over four years and there is no end in sight for this operation, nor the operations in Kosovo or Southwest Asia.

For too many years, the defense budget has not been based on the threats facing our country or the military strategy necessary to meet those threats, but by constrained funding. The Joint Chiefs of Staff have testified that they have a shortfall in funding of $9.0 billion for this fiscal year; a requirement for an additional $15.5 billion above the budget request to meet shortfalls in readiness and modernization for fiscal year 2001; and a requirement for an additional $85.0 billion over the next five years. These were presented by the Service Chiefs as their unfunded validated requirements - not a set of "wish lists."

While the fiscal year 2001 defense budget request does reach the $60 billion modernization goal set in fiscal year 1995, this goal has not kept pace with requirements and has never been adjusted for inflation. Estimates from the Congressional Budget Office (CBO) have more accurately placed the funding necessary to meet modernization requirements at $90.0 billion, with other organizations stating that even larger increases are necessary.

I believe there is overwhelming support in the Senate, beginning with the Majority Leader, to correct many of the shortfalls in the military healthcare system for our service members, their families, and our military retirees. The Secretary of Defense, the Chairman of the Joint Chiefs, and the Service Chiefs have all said that fulfilling our commitment for healthcare to our military retirees will be among the highest priorities this year. I believe it is critical to include the necessary resources of $250 million each year in the mandatory accounts to enact the important initiatives contained in the bipartisan healthcare legislation introduced by the Senate and Committee leadership.

The National Defense Authorization Act for Fiscal Year 2000 provided an important retention tool by authorized military personnel to participate in the Thrift Savings Plan with no matching government contribution. The Committee continues to receive testimony strongly supporting a Thrift Savings Plan for military personnel as a strong incentive for both recruiting and retention. The Service Chiefs have indicated that this plan, combined with the pay raise, the repeal of the Redux retirement system, and the increased bonuses in the FY 2000 bill, will help stop the hemorrhage of trained and experienced military personnel. This critical initiative was not included in the President's budget request. I believe sufficient resources should be provided in the fiscal year 2001 Concurrent Budget Resolution of $980 million in lost revenues over a ten year period.

The outlay levels of funding for defense in the fiscal year 2000 Concurrent Budget Resolution are clearly insufficient. The CBO estimate of the defense budget request indicates that the request exceeds the outlay level of funding in the Concurrent Budget Resolution by $5.0 billion for fiscal year 2001. This mismatch of the budget authority and outlay levels has been allowed to continue for the last two fiscal years and must be corrected for fiscal year 2001 and each year of the resolution. Allowing this mismatch of budget authority and outlay funding levels to continue risks undermining the budget process and the readiness and future modernization of our armed forces.

Mr. Tenet, Director of the Central Intelligence Agency, recently told the Committee: "The fact that we are arguably the world's most powerful nation does not bestow invulnerability; in fact, it may make us a larger target for those who don't share our interest, values, or beliefs." We know the challenges that this country will face in the new millennium are diverse - new threats, new battlefields, and new weapons. It is important that we remain vigilant, forward thinking, and prepared to address these challenges. We must ensure that our military forces remain ready to meet present and future challenges.

We must continue the momentum we started last year when the Congress provided the personnel incentives necessary to reverse the negative trends in recruiting and retention. At a minimum, I believe the defense totals for fiscal year 2001 must be $308.6 billion for budget authority, with an appropriate outlay funding level.

I look forward to working with you on a Budget Resolution for Fiscal Year 2001 that will help correct the readiness and modernization problems identified by the Service Chiefs, and result in a budget that supports a strong national defense. I have included a ten-year projection of the funding necessary to maintain an adequate force necessary to execute our national security strategy.

With kind regards, I am

Sincerely,

John Warner
Chairman

Attachment

Ten Year Projection (050) Defense

Budget Authority ($Bs):

FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10
$308.6	$316.0	$323.6	$331.4	$339.3	$347.5	$355.8	$364.3	$373.1	$382.0

United States Senate
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
WASHINGTON, DC 20510–6075

February 25, 2000

The Honorable Pete V. Domenici, Chairman
The Honorable Frank R. Lautenberg, Ranking Member
Committee on the Budget
Washington, D.C. 20510

Dear Pete and Frank:

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. In preparation for this submission, the Committee has engaged in a broad and comprehensive series of briefings involving virtually every area of the Committee's jurisdiction.

Securities Markets Oversight and Reform

The Banking Committee has a continuing concern regarding the user fees that are collected by the Securities and Exchange Commission (SEC). The fees on registrations under Section 6(b) of the Securities Act of 1933, and fees on transactions under Section 31 of the Securities Exchange Act of 1934 provide the two largest sources of revenue collected by the agency. The original objective of the user fees was to provide a funding source for the SEC's operations. However, increases in stock market volume and valuation have spawned revenues that far surpass what is needed to operate the agency. For example, aggregate fee revenue in Fiscal Year 1999 was $1.76 billion while the SEC's budget totaled only $341 million. These excess fees act as a tax on investment and capital formation, diminishing resources available for economic growth, development, and job creation. Since this imbalance is projected to worsen even further in the future, with total fee revenues increasing to over $3.5 billion by Fiscal Year 2006, a top priority for the Committee is to enact legislation to scale these fees back and return them to investors. Therefore, we ask that the Budget Committee assume the elimination of general revenue SEC fees in its budget resolution while retaining the baseline level of offsetting collections. The reduction in total fees would still result in the SEC collecting user fees equal to more than twice its budget, an amount still excessive but a significant improvement from the current and projected collections without a legislative reduction.

The Securities and Exchange Commission has requested $422 million, a 12.1 percent increase, in spending authority for Fiscal Year 2001. The main justification for the increase, according to the SEC, is to accommodate an improved compensation structure to stem the loss of senior staff. The Committee recognizes the serious problem of the loss of experienced staff from the Commission. A very similar, serious problem was faced by some of the bank regulatory agencies in the 1980s. A key element in addressing the problem at that time was to grant to all bank regulatory agencies the compensation flexibility that was enjoyed by some, but not all, of them. In light of the enactment last year of the Gramm-Leach-Bliley Act, the Committee will closely examine whether it might be appropriate to extend to the SEC the same compensation flexibility provided to the bank regulators as part of the Financial Institutions Reform, Recovery and Enforcement Act (FIRREA). This change is not dependent upon the budget increase sought by the SEC, and the Committee expresses no opinion at this time on that request until further consideration can be made of the entire SEC budget request.

One area of great disappointment for the Committee is the low priority that the SEC has shown in its Fiscal Year 2001 budget request for funding the agency's Office of Economic Analysis. In the Committee's view, economic input in virtually all of the agency's activities is essential to know whether those activities are adding value to the marketplace and the economy or instead doing more harm than good. This requirement for economic analysis was highlighted by Congress in the National Securities Markets Enhancement Act of 1996 , but has so far largely been ignored by the Commission. The Banking Committee is committed to increasing the role of economic analysis within the SEC, and we ask that the Budget Committee prioritization of the Office of Economic Analysis within the SEC's budget.

Public Utility Holding Company Act of 1999

On February 11, 1999, the Committee ordered reported S. 313, the "Public Utility Holding Company Act of 1999." This bill represents the first step toward passing comprehensive electricity deregulation in the Senate, and it is expected to be joined with other elements of reform within the jurisdiction of the Energy and Finance Committees.

While the direct budgetary impact from enactment of S. 313 and related provisions is expected to be small, the General Accounting Office projects that the Federal government, as the largest electric consumer in the country, could save hundreds of millions of dollars per year in the future as competition lowers retail electricity prices.

International Finance and Trade

The President is seeking significant new funding for international debt relief, in addition to authorization to release the remaining funds of the International Monetary Fund (IMF) earmarked in last year's appropriations bill. The Committee notes that the bipartisan Commission chaired by Dr. Allan Meltzer, authorized by the legislation providing funds for the most recent IMF quota increase, will provide its final report in March. This report will recommend a significant reform of the IMF and its mission. Some of these ideas were recently foreshadowed by comments made by Treasury Secretary Lawrence Summers. This report and the views of Secretary Summers should be closely considered by the Congress and form the context within which any additional resources are provided to the IMF.

For FY 2001, the President requested $1.4 billion for the multilateral development banks, a $321 million increase over FY 2000 levels. The Committee continues to believe that the most effective means of promoting economic development in developing nations is an expansion in trade through reductions in trade barriers.

The President also requested an increase of 26 percent, or $15 million, in funding for the Bureau of Export Administration for FY 2001. The Committee has devoted significant attention this Congress to the review and update of our export control system. During the first session of the 106th Congress, the Committee unanimously reported legislation to reauthorize the Export Administration Act of 1979, which authorities expired in 1994. The Committee legislation would strengthen controls on truly sensitive items, while eliminating ineffective controls that serve only to distract our control efforts and impose unnecessary costs on American businesses. By definition, export controls fall on our highest technological, most innovative companies, and when serving no useful purpose act as a tax on our future. Of the funding request, there are strong grounds for support of the $2 million earmarked for in-bound shipment investigation, counter-terrorism initiatives, laboratory outreach, and other enforcement efforts. We believe that the President's request would be more than adequate to accommodate any changes mandated by the reauthorization legislation.

It is also important to note that the President's budget includes $8.5 million for the Bureau of Export Administration's program for implementation of the Chemical Weapons Convention. This program would help prevent the unauthorized release of confidential business information of U.S. chemical and pharmaceutical firms during inspections conducted in connection with the Convention, ensuring that U.S. national security and economic interests are well served.

The Budget Committee is also requested to assume in the budget resolution the enactment of the Export Administration Act of 2000, reported by the Banking Committee on October 8, 1999. Enactment of this legislation, S.1712, is projected by the Congressional Budget Office to increase collections of civil and criminal penalties, that automatically triggers additional spending from the Crime Victims' Fund. The net effect of these changes will slightly increase the on-budget surplus.

With regard to trade-related agencies, the International Trade Administration is slated to receive an additional $49 million, or 16 percent increase, in funding under the President's FY 2001 budget proposal. Most of this increase is to be devoted to increasing efforts to monitor and enforce bilateral trade agreements. The Committee strongly believes that American consumers and businesses stand to gain significantly from continued efforts to liberalize trade. As long as the funding is dedicated to efforts to maintain market openness – instead of advance efforts to impose new duties on imported goods, duties that penalize American consumers and businesses, – the Committee would not object to increased funding for enforcement of trade agreements.

The Committee also notes that the President has requested an increase of nearly $3 million for the Office of the U.S. Trade Representative (USTR). This important agency is charged, among other responsibilities, with carrying out negotiations to liberalize international trade in services, of which financial services make up a major part. Given this interest, the Committee wishes to lend its support for adequate funding for USTR.

Under the President's request, the Export-Import Bank would receive nearly $1.0 billion, or a 27 percent increase, over FY 2000 levels. Skepticism of government export subsidies is always warranted, so a strong case will need to be made that such an increase is appropriate before the Committee can pledge its concurrence. Likewise, the Committee will have to examine very carefully the President's request for $54 million in funding for the Trade and Development Agency (TDA) before concluding that it is merited. While studies of the feasibility of new export-related projects involving energy and Africa may be valuable, is that enough to justify a 23 percent increase in TDA's budget?

Defense Production Act

For the 2001 budget, the President has requested $3,000,000, for activities connected with the Defense Production Act of 1950 (DPA). This funding would be used for the purchase of microwave power tubes, with the funds to remain available until expended.

The DPA may be employed to respond to critical resource shortfalls in areas deemed critical to national defense, or to establish domestic production capacity for critical resources. However, while there may exist a potentially critical shortfall of microwave power tubes, it is not clear why such resources cannot be obtained through standard procurement procedures, financed by standard defense appropriations. The DPA should remain focused on acquisition of resources critical to the national defense, and it should be employed only in emergencies.

National Flood Insurance Program

The Committee has shown consistent support for the National Flood Insurance Program (NFIP), as administered by the Federal Emergency Management Agency (FEMA). The Committee notes favorably the three-year reauthorization of the NFIP in the Quality Housing and Work Responsibility Act, adopted in 1998. Similarly, the Committee finds no objection to the President's request to consolidate authorizations through FY 2004, covering borrowing authority, authority for new contracts, implementation of the emergency program, and appropriations for studies.

The Committee supports FEMA's efforts to update and modernize its flood-mapping technologies and flood-zone hazard maps in order to improve its much needed services. However, the Committee is reluctant to support the Administration's budget proposal to fund, at least in part, flood map modernization efforts through a $12 license fee paid when FEMA maps are utilized. The National Flood Insurance Reform Act (NFIRA) of 1994 requires that all

Federally insured lenders make a flood hazard determination every time a mortgage is originated, renewed, or increased. Lenders will not internalize this fee, but will pass it on to consumers. The Committee notes that such a fee would function as the imposition of another home ownership tax on over 8 million Americans per year.

Neither can the Committee embrace at this time an increase in the maximum amount that the Director of FEMA can borrow from the U.S. Treasury. Current borrowing totals $738 million, and the Committee has not received any information from FEMA regarding any plans to pay back this obligation to the taxpayers. The Committee feels strongly that FEMA should focus on making the NFIP a self-supporting program and use its borrowing authority only in extreme circumstances, not as a matter of routine. Federal insurance programs, in order to be sustainable over time must be fully self funding.

The Committee applauds FEMA's efforts to address the longstanding problem of repetitive loss properties. While the Committee agrees that such properties should be removed from the NFIP in order to ensure the continuing integrity of the program, we oppose any proposal that would add such properties to the existing inventory of publicly held lands. We strongly suggest that FEMA investigate an alternative resolution to the repetitive loss issue that does not turn private property into public property. For example, a program of "flood easements" would allow a repetitive loss property to remain in the private sector, while removing the NFIP's exposure to repetitive flood losses affecting the property, and at the same time eliminate the perverse incentive inherent in current policies for unwise development in flood-prone areas.

The Committee has noted with great interest the acquisition of *uninsured* properties destroyed by catastrophic flooding. Generally, acquisition benefits are afforded to uninsured property owners at a level on par with those who have bought and maintained flood insurance coverage. The Committee's view is that Federal disaster funds that are used in such an indiscriminate manner have the morally hazardous effect of rewarding those who have failed adequately to insure against flood risks and penalizing those that have. This will likely have the undesirous consequence of discouraging individuals from participating in the NFIP and could very well contribute to the continued problem of under subscription in the program. We look forward to receiving FEMA's forthcoming study on how to lessen this moral hazard by reducing acquisition benefits to uninsured disaster victims. Resolution of the problems of repetitive flood claims and under subscription in the program should contribute greatly to improving the finances of the Federal flood insurance program.

Federal Disaster Reinsurance Programs

Proposals have been made to establish a Federal Disaster Reinsurance Program. Such a program would expose American taxpayers to billions of dollars annually in mandatory obligations that may not be fully covered by premiums collected. Unfortunately, the history of Federal insurance programs reveals a strong tendency over time for such programs to become underfunded, witness the disastrous experience with the Federal Savings and Loan Insurance

Corporation (FSLIC). It has only been the careful reforms and stringent vigilance on the part of the Congress and the executive branch that have secured the solvency of the deposit insurance programs since the collapse of the FSLIC and near exhaustion of the resources of the Federal Deposit Insurance Corporation (FDIC) in the late 1980s.

In connection with the proposals for a Federal role in the insurance industry, the issue regarding whether or not reinsurance and capital markets have the capacity to hedge against catastrophic risk remains unresolved. If a Federal Disaster Reinsurance Program is established unnecessarily, it may have the unintended consequence of displacing well-functioning private insurance markets and stifling innovations that are greatly increasing insurance capacity and the ability to diversify risk. A more fruitful avenue might be to pursue removal of barriers that may exist to the insurance industry creating its own reinsurance resources.

Office of Federal Housing Enterprise Oversight

The President has requested $26.77 million for Fiscal Year 2001 operations for the Office of Federal Housing Enterprise Oversight (OFHEO), including $25.8 million in the President's budget and a $970,000 supplemental request. OFHEO regulates the safety and soundness of Fannie Mae and Freddie Mac. An independent office within the Department of Housing and Urban Development, OFHEO is subject to the appropriations process for establishing its budget, but receives its funding from assessments on Fannie Mae and Freddie Mac (government sponsored enterprises or GSEs).

Last year, Chairman Gramm encouraged the Senate Appropriations Committee to provide full funding for OFHEO at the requested level of $19.493 million. Chairman Gramm noted that Fannie Mae and Freddie Mac together have assets and securities outstanding in excess of $2 trillion. "These organizations," Chairman Gramm wrote to Senate appropriators, "present risk to the American taxpayer through the implied guaranty of their obligations by the United States Treasury." Subsequently, Chairman Gramm obtained acceptance of an amendment to provide full funding for OFHEO, which amendment was included in the managers' package to the Fiscal Year 2000 appropriations bill for VA, HUD, and Independent Agencies.

OFHEO should once again, in the FY2001 funding, be given full and necessary resources to protect the taxpayer from the growing contingent liability resulting from GSE operations.

Federal Housing Finance Board

Title VI of the Gramm-Leach-Bliley Act makes a number of significant changes to modernize the Federal Home Loan Bank System. The system was first created in the 1930s to facilitate greater liquidity in the housing markets. As part of the changes mandated by the Act, the regulator of the system, the Federal Housing Finance Board (FHFB), was directed to promulgate a series of regulations to give effect to the statutory provisions. Instead of turning to these Congressionally mandated priorities, however, the FHFB's first post-enactment action at a meeting on December 14, was to propose a total reorganization of the system's Office of Finance (OF), giving it a full-blown corporate structure and markedly expanding its functions. The new OF proposal was published in the Federal Register on January 4, 2000, with a comment period ending March 6, 2000.

It is noteworthy that while the Congress was very publicly considering the sweeping Title VI changes, the FHFB was proceeding on a regulatory track with dramatic policy changes of its own, some of which paralleled what was in Title VI, but much of which was not under consideration by Congress. When severe congressional displeasure with this regulatory initiative was made known, the FHFB Chairman, in a letter to the two Banking Committee chairmen, promised to withdraw the proposed rulemaking until the new capital structure called for in the Gramm-Leach-Bliley Act was put in place. Any new initiatives would be proposed only in consultation with the leadership of the Banking Committees. However, upon enactment of the Gramm-Leach-Bliley Act passed and signed into law, the FHFB Chairman, although faithful to his promise to withdraw the proposed rules, has returned to pursuing new initiatives without adequate consultation with the Congress.

Up to now, the Office of Finance has operated as the fiscal agent for the Federal Home Loan Banks, raising funds through consolidated obligations in the capital markets. The new proposal, however, envisions a broader role for the OF not supported by the statutory authority under which the FHFB and the system operate.

With a fresh congressional mandate to implement changes contained in the Gramm-Leach-Bliley Act, the FHFB should devote its attention to congressionally selected priorities and put its plans for the Office of Finance back on the drawing board. The ultimate costs to the taxpayer of proceeding with the OF plans cannot be estimated at this time, but they could very well prove to be quite significant.

Reform the Budget Process to Account for GSEs

A growing and disturbing trend in recent years is the expansion of government sponsored enterprises (GSEs), particularly into areas well served by the private sector. Reminiscent of the days before credit reform, when credit guarantees were seen as a painless way to create expensive government programs that did not score for budgetary purposes, proposals to create new GSEs abound as a means to direct resources toward favored constituencies in the face of difficult battles over the Federal budget. Currently the GSE concept allows Federal subsidies to be given without budget scoring, carrying with those guarantees huge contingent liabilities for the U.S. taxpayers. While the obligations of GSEs may formally lack the backing of the Federal government, the markets assume that no GSE would be allowed to fail and gives a discount to the debt of these entities.

Given the unlikelihood that the government would acquiesce in the failure of a GSE, if only for the impact that such a failure would have on the debt of other GSEs and on government borrowing in general, the Budget Committee should give consideration to reforming the budget process to account for the subsidy element and unfunded liabilities of GSE operations and obligations. This is no small matter, if it is remembered that two GSEs alone, Freddie Mac and Fannie Mae, have financial assets of over $2 trillion, and that borrowing by the Federal Home Loan Banks last year exceeded borrowing by the U.S. Treasury.

Federal Housing Programs

The Committee will continue to give priority to oversight of the Department of Housing and Urban Development (HUD). Effective implementation of Federal laws is as significant as enactment of such laws. The 105th Congress enacted two key housing reform measures. The Multifamily Assisted Housing Reform and Affordability Act (MAHRAA) and the Quality Housing and Work Responsibility Act (QWHRA) were passed by the Banking Committee and the full Senate and then adopted in 1997 and 1998, respectively.

At the start of the 106th Congress, the Committee had every expectation that the Section 8 multifamily reforms established by MAHRAA and the public housing reforms established by QHWRA would be fully implemented within statutory deadlines. Unfortunately, there is serious concern that these reasonable time expectations are not being met by the Department of Housing and Urban Development in an effective, fair manner that complies with congressional intent.

It is essential that MAHRAA reforms be implemented by HUD in a timely fashion in order for significant short- and long-term savings in mandatory and discretionary budget authority to result. As of this date, the process of Section 8 restructuring is more than a year behind schedule. In addition, QWHRA reforms must also be made in a timely manner in order for public housing authorities to experience increased operating efficiencies and income which should eventually result in a reduced need for HUD budget authority and outlays. The Department should focus on meeting its existing statutory and regulatory obligations before undertaking expansive new responsibilities.

Neither is there satisfaction that HUD has concentrated its limited resources on the fulfillment of its historic mission. As one glaring example in particular, HUD's Community Builders program has failed to contribute to the accomplishment of HUD's core mission. The Committee will continue its oversight to ensure that the program be terminated consistent with the intent of the Fiscal Year 2000 VA-HUD-Independent Agencies Appropriations Act. Further, the Department's recent forays into gun control and litigation raise additional questions about the Department's ability to focus on its mission as established by the Congress.

While satisfied that the President's proposed HUD budget for fiscal year 2001 contains fewer new programs than the fiscal year 2000 proposed budget, the Committee nevertheless must carefully review the need for the Department's nine new initiatives and HUD's capacity to carry out those initiatives, if they were to be authorized, in light of the current business before the Department. In particular, the Committee plans a close scrutiny of current and proposed initiatives, particularly those which appear to be duplicative in nature to existing Federal programs, and proposed increased funding levels for programs that have unobligated balances that are higher than accounting norms allow. It is important to emphasize at this point that as a general rule, the Committee could not condone the creation of any new HUD programs without specific authorization. Further, the Committee would oppose any modification of the Department's principal core programs, including changes in the Community Development Block Grant formula, without authorizing committee action.

Rather than continued growth in HUD's mission and responsibilities, the Committee continues its interest in the consolidation, elimination or transfer of existing housing and community development programs in order to improve efficiencies, enhance accountability, save taxpayer money and offer greater responsibility and flexibility to State and local governments.

The Department of Housing and Urban Development has made progress in addressing its longstanding weaknesses that cause its continued classification as a "high-risk" agency by the General Accounting Office. In that regard, the Department is encouraged to continue its focus on management reforms until HUD achieves and consistently maintains higher standards.

Community Development Financial Institutions Fund

There continues to be reason for concern about the fundamental nature of the Community Development Financial Institutions Fund. The Fund's programmatic goals bear strong similarity to programs administered by the Small Business Administration, the Department of Commerce, and the Department of Housing and Urban Development. In addition, significant issues concerning the operations, goals, and efficacy of the program are heightened by the Administration's request for funding to support a 20% increase in staff. Little justification has been provided to support this request.

Federal Transit Administration

The Banking Committee continues its diligent oversight of the operations of the Federal mass transit program. The Department of Transportation's request for $50 million of revenue aligned budget authority (RABA) funds for the Access to Jobs Program is a significant increase -- essentially doubling the amount of current funds available for this program last year -- for a total of $150 million. The General Accounting Office has a mandate to conduct a bi-yearly review of this program and has concluded that the process by which these grant applications are reviewed needs refining and that a more thorough evaluation process needs to be developed to judge the efficacy of a grantee's project. Accordingly, it would be imprudent to divert RABA funds from their originally intended purpose for use on a program that has not yet satisfied auditors' concerns and that already has sufficient funding to carry out its mission.

First Accounts

The President has requested $30 million to fund a new initiative called "First Accounts," to "bring the 'unbanked' into the financial mainstream." As part of the "pilot" program, the Treasury Department would work with financial institutions to encourage the creation of low cost banking accounts and to expand access to automatic teller machines in U.S. Post Offices and low-income neighborhoods. The Treasury Department would also coordinate with community-based organizations to provide financial education for lower income individuals.

The Banking Committee is supportive of the policies that encourage Americans to save more of their hard-earned dollars and that increase the access of all Americans to financial services, which was one of the goals of last year's Gramm-Leach-Bliley Act. Unfortunately, the Administration has not yet provided sufficient details about this new program to enable the Committee to know how the scheme might contribute to the achievement of these goals. If it is merely a new subsidy program, it is difficult to understand how we can encourage saving by being profligate. Accordingly, more specific information about how the Treasury Department will actually use the $30 million must be provided before the Congress could endorse this new spending program.

Accrual of Interest on Short-Term Obligations

The President's Budget proposals would require banks to accrue as ordinary income interest, including original issue discount, on all short-term loans made in the ordinary course of the bank's business. According to the Administration's estimate, this change will cost the industry about $98 million over a 5-year period. The provision of the Internal Revenue Code that is at issue is Section 1281, which became law in 1984. The effect of this proposal, if enacted into law, is to impose an accrual basis of accounting to record income from short-term obligations although a bank may account for income using the cash method of accounting. The Internal Revenue Service (IRS) has attempted unsuccessfully to apply this reading of Section 1281. The United States Court of Appeals for the Eighth Circuit in a 1993 decision (Security Bank Minnesota v. Commissioner of Internal Revenue Service, 994 F.2d 432) disagreed with the IRS and affirmed the decision of the United States Tax Court. The Court said,

> ...[T]here is no general rule requiring accrual of stated interest.... Applying the accrual rules to Security's short-term loans would not "plug a gap" in the accrual rules, but would create a special accrual rule where none otherwise existed. We find no indication that Congress in 1984 intended to create such a special accrual rule. (Id. at 440.)

Subsequently, the United States Tax Court followed the Eighth Circuit's reasoning when deciding U.S. Bancorp v. Commissioner of Internal Revenue, 76 T.C.M. (CCH) 719 (October 22, 1998).

It should be understood that adoption of the President's proposal would result in the creation of unnecessarily complex and burdensome accounting rules for banks using the cash method of accounting for income. As our nation's banks strive to preserve and improve upon their competitive posture following the enactment in 1999 of landmark financial reform legislation, the tax-writing Committees should evaluate whether there is a compelling reason for

Congress to consider the proposed revisions to Section 1281 of the Internal Revenue Code.

S Corporations

The President proposes to impair the S corporation as an organizational option. In the Taxpayer Relief Act of 1997, Congress legislated changes to S corporation rules making it more attractive to elect the S corporation structure. More recently, the Banking Committee and the Congress looked favorably upon S corporations. For example, section 721 of the Gramm-Leach-Bliley Act requires the General Accounting Office to present to the Congress by no later than May 12, 2000, a study on expanded small bank access to S corporation treatment. Any proposal resulting adversely on S corporation elections, specifically including the President's recommendation subjecting certain employee stock option plans (ESOPs) that are S corporation stockholders to current income taxation must be seen as contrary to the intent of Congress very recently expressed.

New Federal Fees on State-Chartered Banks and Bank Holding Companies

At present, the fee structure for Federally and state chartered banks is identical: both pay their chartering organization for their examinations, and pay deposit insurance premiums to the FDIC. The balance represented by this fee structure is critical to the success of the dual banking system. The Administration's budget proposal would raise an estimated $507 million over five years through the imposition of Federal examination fees on state-chartered banks and their holding companies. The effect of this proposal will not increase bank safety and soundness. If anything, by imposing unnecessary costs, it will harm the profitability of small banks to no purpose. No additional examinations will occur. The only achievement will be that a segment of the banking industry will be forced to bear significant additional costs. This proposal should not be included in the budget, as it has been rejected consistently by previous Congresses and should be again this year.

Yours respectfully,

PHIL GRAMM
Chairman

United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510–6150

WWW.SENATE.GOV/~ENERGY

February 24, 2000

The Honorable Pete V. Domenici, Chairman
The Honorable Frank R. Lautenberg, Ranking Member
Committee on Budget
Washington, D.C. 20510-6100

Dear Senators Domenici and Lautenberg:

This letter sets forth the views of the Committee on Energy and Natural Resources on the budget for fiscal year 2001, in response to your letter of January 28 and in accordance with the requirements of the Budget Act.

As you are aware, the members of this Committee have long supported the goal of deficit reduction and have consistently met all instructions during the Reconciliation process. In addition, various discretionary spending programs under the Committee's jurisdiction have been curtailed as a result of spending caps and budget enforcement mechanisms. Some of those programs, such as expenditures from the Nuclear Waste Fund, involve the use of funds collected with the assurance that they would be expended to accomplish certain national goals. Others, such as the expenditure of funds credited to the Land and Water Conservation Fund, represent a commitment to future generations that a portion of the proceeds from the development of certain natural resources would be invested in the protection and enhancement of other natural resources.

While the Committee believes that we must continue to exercise restraint in spending, we also believe that the current budgetary situation offers the opportunity to restore many of these important programs. To that end, the Committee on Energy and Natural Resources is considering legislation to bring spending from Land and Water Conservation Fund in line with revenues and to dedicate a portion of receipts from Outer Continental Shelf development to offset the effect of such development on coastal zone communities. The Committee may also consider legislation to ensure that revenues to the Nuclear Waste Fund are made available for expenditure as originally contemplated. Although each of these proposals could result in significant spending increases over current baselines for these programs, we believe such increases are fully justified.

Given the magnitude of the potential budget effect of these two proposals, the Committee respectfully requests that the Budget Committee provide for the necessary revision of both spending caps and committee allocations in the concurrent budget resolution to permit the Senate to consider them expeditiously if they are reported from Committee.

In addition to those proposals, you should be aware that the Committee will also be considering other measures with a more limited effect on the budget, such as the legislation that passed the Senate two years ago for the transfer of certain Reclamation projects. While the budgetary effects of these proposals are far more limited, these projects and proposals also achieve important national objectives and will need to be included within any caps and allocations.

Sincerely,

Jeff Bingaman
Ranking Member

Frank H. Murkowski
Chairman

United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
WASHINGTON, DC 20510-6175

February 25, 2000

The Honorable Pete V. Domenici
Chairman
The Honorable Frank R. Lautenberg
Ranking Minority Member
Committee on Budget
United States Senate
Washington, DC 20510

Dear Pete and Frank:

In response to your letter of January 28, 2000, we have prepared the following views and estimates for programs under the jurisdiction of the Committee on Environment and Public Works. As in previous years, a brief summary of the Committee's legislative initiatives for this year also is included.

Legislative Initiatives

The Committee on Environment and Public Works will work on a number of legislative initiatives this year. The Committee expects to report a number of bills, including: 1) a measure to facilitate the treatment of remediation waste regulated under the Resources Conservation and Recovery Act; 2) the Water Resources Development Act of 2000, including an Everglades Restoration component; 3) legislation relating to MTBE; 4) legislation amending the Clean Water Act, including bills on wet weather, beaches and other initiatives; 5) amendments to the Endangered Species Act regarding Habitat Conservation Plans; and 6) General Service Administration reform.

Beyond these specific legislative initiatives, the Committee will conduct extensive oversight and review of the Environmental Protection Agency in preparation of considering authorization legislation in the next Congress.

Specific Discretionary Programs

1. Environmental Protection Agency

The President has requested $7.257 billion in discretionary spending and 18,050 FTEs for the Environmental Protection Agency's (EPA) fiscal year 2001 budget, a $306 million reduction from the fiscal year 2000 enacted level. EPA's budget is divided into three primary categories: water and air infrastructure financing; operating programs; and Superfund and leaking underground storage tanks. The request for water and air infrastructure financing is $1.9 billion,

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 2

a $7 million decrease from the fiscal year 2000 enacted level. The request for the Superfund and the leaking underground storage tank trust funds is $1.52 billion, slightly more than last year's enacted level of $1.47 billion. The operating program is $3.9 billion, a $385 million increase from the fiscal year 2000 enacted level. Overall, we support the President's request for EPA, although we have some concerns.

State Revolving Loan Funds

The President's request for the EPA's Office of Water is $2.782 billion for fiscal year 2001, a 20 percent reduction from the fiscal year 2000 enacted level of $3.465 billion.

For the second year in a row, the President's request for the Clean Water State Revolving Loan Fund (SRF) is $800 million, a $545 million reduction from the fiscal year 2000 enacted level of $1.345 billion. The Clean Water SRF has been an extremely important resource for states and municipalities to help meet the requirements of the Federal Water Pollution Control Act. EPA estimates that an additional $139.5 billion is needed nationwide over the next twenty years for all types of projects eligible for funding under the Clean Water Act. Considering the need facing our nation, we are extremely concerned about the level of this budget request. We strongly encourage you to increase funding for this program. It has proven to be cost-effective and of tremendous environmental benefit.

In addition, we have serious concerns with the significant number of clean water legislative proposals EPA has included in this year's budget; especially in the area of the Clean Water SRF. These proposals should be carefully reviewed and considered by the Committee on Environment and Public Works, which is the proper forum to examine clean water legislative proposals. In addition, these proposals would be inappropriate as riders to appropriations bills.

Operating Programs

The President's fiscal year 2001 request for the operating programs account, which includes EPA's administration and enforcement of the air quality, water quality, drinking water, hazardous waste, pesticides, radiation, multi-media and toxic substances programs is $3.9 billion, $385 million more than current funding levels. In general, we support this request, although we have several concerns with funding for the air program and drinking water program.

The President's budget is again seeking funds for the Clean Air Partnership Fund, though Congress chose not to fund this ill-defined initiative last year and instead directed resources to programs with successful track records and mandated by the Clean Air Act. For example, the Section 112 program has achieved significant reductions in toxic emissions at a fraction of the

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 3

cost of the proposed FY 2001 funding level for the Clean Air Partnership Fund.

We are also concerned with EPA's proposal to reduce drastically funding for the safe drinking water Rural Water Technical Assistance program. Many rural communities lack technical expertise and financial resources to ensure a safe drinking water supply for their residents. The Rural Water Technical Assistance program goes a long way toward helping rural communities meet the requirements of the Safe Drinking Water Act of 1996.

We are pleased with the President's request of $48.87 million for safe drinking water research. The requested funding level will better enable that EPA to develop strong scientific foundation for the regulations that the agency is required by law to issue in the next several years.

We support the funding increase the Administration has requested for the development of Total Maximum Daily Loads (TMDLs) under the Clean Water Act, but are concerned that the additional funding may not be sufficient considering the new requirements that are being imposed on the States.

<u>Superfund and Resource Conservation and Recovery Act</u>

The President's request for Superfund discretionary spending is $1.45 billion, an increase of $50 million from the fiscal year 2000 enacted level. At a minimum we support at least the President's request of $91.6 million for the Brownfields program.

We are concerned that the $3.4 million increase the President is requesting for the Resource Conservation and Recovery Act (RCRA) Corrective Action Program is inadequate. EPA, after consultation with the states, has identified over 1,700 "high priority" RCRA sites. These are contaminated sites where there is potential human exposure to hazardous substances and/or ground water contamination. Some of these sites are as contaminated and pose as much environmental threat as sites currently on the Superfund National Priority List. EPA's goal under the Government Performance Review Act (GPRA) is to control human exposure at 171 sites and ground water contamination at 171 sites. If EPA and the states are to meet EPA's GPRA goals, and clean up these sites expeditiously, we believe that significant resources will need to be dedicated to this program.

We also are concerned with the President's request of $48.5 million for the National Institute of Environmental Health Sciences (NIEHS), a decrease of $11.5 million from last year's enacted level. NIEHS employs a unique multidisciplinary approach, bringing together medical researchers, toxicologists, engineers and environmental scientists to expand scientific knowledge regarding the reduction of the amount and toxicity of hazardous substances. Such a substantial decrease to NIEHS's budget will hinder the development of cost-effective cleanups and delay new understanding of health effects and the development of innovative technologies.

2. Federal Highways

The President's fiscal year 2001 budget request for federal-aid highways is $30.36 billion, an increase of $1.63 billion over the fiscal year 2000 enacted level. The federal-aid highways budget is funded from the Highway Trust Fund according to guaranteed levels provided in the Transportation Equity Act for the 21st Century (TEA-21). These guarantees ensure that all federal gas tax revenues deposited into the Highway Trust Fund are spent on transportation programs. Thus, TEA-21 allows for annual funding adjustments based on fluctuations between estimated and actual trust fund tax receipts through the Revenue Aligned Budget Authority (RABA).

The increase in transportation spending subject to TEA-21's RABA provision is $3.06 billion for fiscal year 2001. As authorized in TEA-21, the majority of these funds would be appropriated to the states, with a certain ratio being reserved for allocated programs. We strongly disagree with the President's proposal because it would reopen fundamental issues resolved during TEA 21.

We also are concerned with the President's proposal for new contract authority in the amount of $785 million for the following programs: $389 million to Emergency Relief Reserve fund; $222 for Research and Technology; $25 million for the Transportation Community and Systems Preservation program; and $140 million for the Corridors and Borders program. The new contract authority funding would be taken from within the federal-aid highway obligation limitation, reducing the obligation limitation ratio used in the formula calculations. Moreover, the President's budget proposes to fund several programs at 100 percent obligation limitation, also not in accordance with TEA-21. The RABA fund diversions and the new contract authority reduces the federal-aid highway obligation limitation by $1.3 billion. Contrary to the President's proposal, the Budget Resolution should continue funding levels in accordance with the agreements reached during TEA 21.

It is our expectation that the Budget Committee will use a baseline without discretionary inflation (WODI baseline) that fully incorporates the increased obligation limitations and discretionary budget authority guaranteed by TEA-21 in fiscal years 2001-2003.

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 5

3. Department of the Interior

The President's request for the Fish and Wildlife Service is $1.127 billion, an increase of $250.3 million from the fiscal year 2000 enacted amount. While we support the increase in funding for the approval of habitat conservation plans and consultations under the Endangered Species Act, we believe additional funding would be beneficial. We also support the increased funding request for refuge operation.

We support the President's proposal to establish a State Non-Game Wildlife Grant program that will provide $100 million in grants to states for non-game wildlife. This program would enable state fish and wildlife game agencies to expand their existing programs to include non-game species, an area that has traditionally been underfunded. In addition, we support a significant increase in funding under the Federal Aid in Wildlife Restoration Act, commonly known as the Pittman-Robertson Act, as well as any other programs to preserve habitat and wildlife that may be considered in conjunction with the Land and Water Conservation Fund legislation.

4. U.S. Army Corps of Engineers (Civil Works)

The President's request for the civil works program of the Army Corps of Engineers is $4.064 billion, a $91 million decrease from the fiscal year 2000 appropriated amount. The amount requested for the Construction General account is $1.346 billion, a slight decrease from the fiscal year 2000 enacted amount.

We are pleased to note that approximately $895 million -- or 22 percent -- of the Corps' proposed budget is devoted to environmental projects, including $20 million for the Flood Mitigation and Riverine Restoration Program ("Challenge 21") and $158 million for the ongoing restoration effort in south Florida to preserve and protect the Everglades.

Regarding the "Challenge 21" program, the Corps has requested the full appropriation authorized for fiscal year 2001 by the Water Resources Development Act of 1999. Certainly, riverine ecosystem restoration and flood hazard mitigation are laudable goals to promote.

We remain concerned that the Administration is once again proposing the creation of a Harbor Services Users Fee and Harbor Services Fund to replace the existing Harbor Maintenance Fee and Harbor Maintenance Trust Fund. It is premature to forecast $950 million in offsetting collections on a proposal that lacks support.

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 6

Other new initiatives that warrant Committee support include the comprehensive river/watershed studies and the recreation modernization program. We applaud the inclusion of $27 million in this budget proposal to address the serious maintenance needs at Corps recreation sites. We also support the proposed watershed studies, which would promote a holistic approach to water resource problems, as opposed to the site specific solutions usually embodied by the Corps.

We were particularly disappointed to note that the Administration did not seek the entire funding level authorized for Project Modifications for the Improvement of the Environment, Section 1135 authority. The Administration requested $14 million for this vital program, as opposed to the $25 million authorized. It is our desire to see this continuing authority program funded at the full $25 million level.

We also are concerned that the level of construction appropriations is not sufficient to provide for efficient and environmentally sound development of needed projects authorized in recent WRDAs. The Committee intends to take a close look at the $30 billion Corps backlog and assess which of these projects remain meritorious, meet project criteria, and have viable non-federal sponsors.

Furthermore, the Committee is disappointed that the Administration has not fulfilled its commitment and included no new start funds for shoreline protection, particularly in light of the policy change regarding shoreline protection cost sharing, which was enacted in WRDA 99 at the Administration's behest.

5. Economic Development Administration

The Administration's fiscal year 2001 budget request for the Economic Development Administration (EDA) is $437 million, with approximately $27.7 million of that figure dedicated to salaries and expenses and $409 million to EDA assistance programs. The program was funded at $362 million in fiscal year 2000.

The proposal includes a new "E-Commerce" initiative that would target $23 million at distressed communities with underutilized human and capital resources by supporting the development of state of the art infrastructure to bridge the "digital divide." In addition, the Administration is proposing to address the needs of those communities whose economy has undergone significant structural change caused by external factors through a targeted Community Economic Adjustment program. Both new initiatives warrant Committee support.

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 7

6. General Services Administration (Public Buildings Service)

The Administration's fiscal year 2001 budget proposal for the Public Building Service is $7.801 billion in new obligational authority. Of the new authority requested, $2.945 billion is allocated for rental of space; $1.625 billion is allocated for building operations; $721 million is allocated for repairs and alterations; $185 million is allocated for installment acquisition payments; and $780 million is allocated for construction and acquisition of facilities. We are pleased to note that in this figure, the President has included $488 million for the construction of new federal courthouse facilities in Los Angeles, California; Seattle, Washington; Richmond, Virginia; Biloxi-Gulfport, Mississippi; Washington, DC; Miami, Florida; and Little Rock, Arkansas. The Committee would like to work closely with the Budget Committee on an appropriate level at which to meet the continuing needs of the federal judiciary.

Thank you for your consideration of our views on the fiscal year 2001 budget. Please do not hesitate to contact us if you have any questions or concerns regarding this submittal.

Sincerely,

Max Baucus

Max Baucus

Bob Smith

Bob Smith

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510-6200

March 2 , 2000

The Honorable Pete Domenici
Chai.nan
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Pursuant to Section 310(d) of the Congressional Budget Act of 1974, I am submitting my views and estimates with respect to federal spending, revenues, and debt within the jurisdiction of the Senate Committee on Finance for fiscal year 2001.

While I was pleased that the President's latest budget embraced principles that I feel allow us to work together, I believe that the budget resolution to be prepared by Congress and your committee should go further still toward implementing these principles — particularly in regards to reducing the tax and debt burden on America's families and future generations.

We must also look seriously at reform of entitlement programs such as Medicare and Social Security at the same time that we look to alleviating beneficiaries' difficulties in areas such as prescription drugs and the limitation on earnings they can receive without seeing a reduction in Social Security benefits. As you will recall, we have been extremely successful in regards to reforming both the welfare and Medicaid programs. America's taxpayers as well as these particular programs' participants have benefitted. We should not stop there, particularly in light of the coming "baby boom" retirees who will soon be entering the Social Security and Medicare programs.

Finally, we must craft a budget that looks at America's international concerns as well. For my committee's jurisdiction this means further opening international markets to American products.

<u>Economic Outlook</u>

Our economy continues to progress at a remarkable pace. America is in the midst of what is an essentially 17-year economic expansion. This economic expansion spans both

Republican and Democrat administrations. Since 1981, the U.S. economy has performed spectacularly. It has created 39 million new jobs. We have seen unemployment cut roughly in half — from 7.5 percent to 4.0 percent today. We have seen inflation fall from 12 percent to 2 percent and interest rates fall from a staggering 21.5 percent in 1980 to just 6.1 percent today. Over this period, the economy has averaged 3.2 percent growth and the stock market is 13 times higher. Just last year the economy grew at a real 4.1 percent rate — the third consecutive year of better-than-4 percent real growth.

Both the Office of Management and Budget (OMB) and the latest Congressional Budget Office (CBO) estimate that this prosperity will continue throughout the next ten years. Just last week, Federal Reserve Board Chairman Alan Greenspan indicated, at least in the near-term, that these projections might be conservative. He expects the economy to experience real growth of from 3.5 percent to 3.75 percent. In contrast, both CBO and OMB project real growth of 2.9 percent.

Together these forecasts all project a climate of solid economic growth, low unemployment, and low inflation that is virtually a mirror opposite of what prevailed just a generation ago when America was wracked by "stagflation's" low growth, high unemployment, and high inflation.

As we prepare next year's budget we should remember the mistakes of the past in order to insure that the prosperity of the present extends into the future. Foremost in our view should be the fact that we owe the economy's strength to just one person: the American taxpayer.

Protecting the Social Security Surplus

In 1999, we recorded the first non-Social Security budget surplus since 1960. In 2000, we are projected to do the same. We should likewise commit ourselves that Social Security's payroll revenues will be used only for Social Security — its current benefits and future reform. I regret that the President did not choose to submit a real, fundamental reform plan in his latest budget. Such reform cannot proceed without sustained and significant presidential leadership.

However in the absence of such a presidential reform plan, Congress should still reserve the Social Security surplus — which both OMB and CBO estimate will be greater than $2.1 trillion over the next decade — as it has over the last two years: for Social Security alone. By continuing our fiscal restraint and leaving this surplus reserved for Social Security's reform, we will not only strengthen working Americans' and Social Security beneficiaries' faith in the nation's retirement system, but it will also pay real economic dividends in the form of a reduction in the publicly held federal debt.

Federal Debt Reduction

As you are aware, by maintaining the Social Security surplus intact over the last two fiscal years, we have reduced the federal government's debt held by the public by $180 billion according to the General Accounting Office (GAO) — from a peak of $3.83 trillion in March

1998 to \$3.65 trillion as of July 1999. CBO estimates that this level will fall to \$3.46 trillion by the end of the current fiscal year. All told, this amounts to the largest such reduction in U.S. history. If we continue this fiscal discipline over the next ten years and reserve the Social Security surplus for Social Security reform, the effect will be to devote this \$2.1 trillion to reducing the publicly held debt. This would result in a roughly two-thirds reduction in this debt and put us on track to eliminate it entirely by 2013. As Federal Reserve Chairman Alan Greenspan has repeatedly told Congress, this would have beneficial effects for our economy by lowering the costs of borrowing below what they would otherwise have been. This means more and better jobs and lower home mortgage rates for all Americans.

I would also ask you to consider going further in regards to public debt reduction. I ask you to consider applying any non-Social Security surplus that is not used to bolster America's critical entitlement reform needs or to reduce America's current tax burden to further lowering our public debt burden.

Lastly, the Committee is cognizant of the many important uses for U.S. Treasury securities other than financing federal deficits. For example, Treasury securities serve as the pricing benchmark for virtually all capital debt markets and are used by the Federal Reserve in managing monetary policy. The Committee is closely monitoring the impact of public debt reduction on the Treasury bond market and its implications for private markets.

Non-Social Security Budget Surplus

According to CBO, if annually appropriated spending were held at this fiscal year's level over the next five years, the result would be a non-Social Security budget surplus of \$379 billion. From 1991 to 2000, domestic discretionary spending has grown at an annual above-inflation growth rate of 4.6 percent. In last year's budget, we also included one-time spending for programs such as the 2000 Census. As a result of this recent history, I would like to encourage you that there should be ample resources for the priorities of this Committee listed in this letter.

Tax Reduction

I would encourage the Budget Committee to adopt a budget resolution that provides the maximum amount of resources possible to tax relief in conjunction with preserving the Social Security surplus, reducing the federal public debt level, and maintaining our entitlement programs — including providing the means to add a prescription drug benefit to Medicare as part of our comprehensive modernization of the federal senior health system.

I believe such a commitment to tax reduction is justified not only by the overall tax burden but inequities in the tax code itself. According to the President's budget, the ratio of income taxes to the economy is the highest ever (9.9 percent) and the ratio of total taxes to the economy is the highest since World War II (20.4 percent). Since 1992, income taxes as a percentage of America's gross domestic product (GDP) have increased from 7.7 percent to 9.9

percent and total receipts have increased from 17.5 percent to 20.4 percent. In fact, had the calculation of the GDP not been revised upwards recently, these current percentages would have been even higher. When you furthermore consider the recent rapid growth in the economy, the level of increase in federal revenues has been huge. Overall, federal receipts have grown 85 percent from 1992 ($1.091 trillion) to 2001 (projected by OMB: $2.019 trillion).

The President promised tax relief in his budget, yet when tax and fee increases and the spending component of his proposals are factored in, the net tax cut disappears. Over the 5-year window of your Committee's proposed budget resolution, the President's tax proposals amount to a tax increase — $3.9 billion by your Committee's estimations, and even more if increased fees are included. During a period of record surpluses and record tax burdens, I do not believe this is acceptable or fair to the taxpayers who created the surplus.

We have already begun a process that will provide substantial and needed tax relief to over-taxed Americans. The Senate has already passed health care-related tax provisions as part of its Patient Protection Act (HR 2990 as amended) managed care reform legislation. The Senate has also passed small business tax provisions that will help offset these businesses' increased costs resulting from a minimum wage hike. Finally, the Finance Committee has passed education savings initiatives and this bill is currently before the Senate. All these will help Americans with areas of prime importance to their lives — health care access, job creation, and saving for their children's education — and at the same time ensure that our growing economy keeps growing. Your budget resolution should accommodate all these provisions. However, I feel we should do more as well.

While I would like to pursue reductions in the marginal income tax rates and across-the-board tax relief, I believe that we must first address what I feel is one of the most unfair provisions in the current tax code: the marriage penalty. This occurs when two individuals are taxed at a higher rate as a married couple filing jointly than they would be if taxed as two unmarried individuals filing separately. This unfairness strikes tens of millions of Americans simply because they choose to marry. Such discrimination on any other basis would be intolerable. We should not tolerate it here either. The tax code should not discriminate against marriage.

Nor should we tolerate simply solving it for some married couples and denying it to others. The President proposed just $9.4 billion over five years and just $44.8 billion over ten years in very limited marriage penalty relief. I do not believe that fixing the marriage penalty means fixing just *part* of the marriage penalty. Nor do I believe that marriage penalty relief should be addressed without considering the adverse impact of the alternative minimum tax (AMT).

Americans deserve to keep more of what they earn — especially when there exists a surplus of the revenues they have sent to Washington and the tax burden is so high. I hope that the budget resolution for FY 2001 will give the Senate Finance Committee sufficient means to address the areas I have raised here. Finally, while the four tax cut proposals I have outlined in this section are currently being pursued, if we are unable to proceed on all of these under regular order, it would be helpful to have instructions for a reconciliation tax cut bill. These instructions for a reconciliation tax cut bill should be at a level that would take into account our continued commitment to reduce the public debt and to protect our entitlement priorities as outlined in this letter.

Medicare

Over the last three years, we have made substantial and needed changes to Medicare, America's health program for seniors. In 1997, 1998, and 1999 we took the first significant steps to improve the Medicare program. We have underway now in the Finance Committee a series of hearings to determine the next steps needed.

However these efforts of the last three years were only the first steps toward modernizing Medicare, not the final ones. I regret the President did not choose to submit a new comprehensive reform plan with his budget; it is an opportunity missed. Many members of this Committee are interested in stabilizing the Medicare+Choice program, introducing greater competition and choice in Medicare plans, improving federal management to look more like the health plan used by federal employees, and in creating a Medicare benefit package that looks more like mainstream private coverage. Part of the task of modernizing Medicare is to review its benefits and make sure that beneficiaries get the services they need. Of course, this includes prescription drugs.

The President in his State of the Union address this year spoke in favor of adding a prescription drug benefit to the Medicare program. Members of this Committee on both sides of the aisle have worked hard on this issue, as well as that of overall reform of the Medicare program. We believe the two are part and parcel of the same modernizing process.

Last year, the budget resolution contained language establishing a reserve fund to be used for providing prescription drug coverage as part of a comprehensive modernization. Specifically, the FY 2000 budget resolution conference report created a reserve fund in the event of legislation that:

> *"implements structural medicare reform and significantly extends the solvency of the Medicare Hospital Insurance Trust Fund without the use of transfers of new subsidies from the general fund...[and] if such legislation will not cause an on-budget deficit..."* In such an event, this reserve fund may be used to *"address the cost of the prescription drug benefit."*

I would encourage the Budget Committee to again include such language that would allow us to make available prescription drug coverage as part of Medicare's modernization.

Finally, I would caution your Committee to not accept the President's proposal simply to credit additional balances to the Medicare Part A trust fund without more comprehensive reforms. My reasons are discussed below.

Social Security

The President again this year chose not to include in his budget a real reform proposal for Social Security. I still hold out hope that he may do so because the Committee is committed to achieving bipartisan action on Social Security's long-term solvency. I believe that such reform to so important a program neither can nor should take place without the President's leadership. However, we should not let his budget's omission prevent us from acting where a real opportunity exists to correct a longstanding injustice. I am here referring to the earnings limit whereby seniors lose $1 of benefits for every $3 they earn above $17,000. It is time that we abolished this anachronism of the Depression. The earnings limit is an outdated incentive to stop working, and making the choice to work longer can improve the financial security of seniors. The earnings limit is also expensive and confusing for the Social Security Administration to administer. We need more workers, not just for today's booming economy, but even more in the coming decades.

There is a bipartisan consensus within the Congress and agreement with the White House to make this reform. Whatever the short-term cost of partial or complete repeal, such action, as Social Security Commissioner Kenneth Apfel has pointed out, would have no long-term effect on the trust fund's solvency, since the effect of repeal is merely to alter the timing of benefits. I therefore strongly urge you to take this change into account when drafting your budget resolution for the next fiscal year.

I would strongly caution your Committee to not adopt the President's proposal simply to credit additional balances to the Social Security trust fund (a similar crediting is proposed for Medicare's Part A trust fund) without more comprehensive reforms. The proposal has been rejected by outside experts ranging from Federal Reserve Chairman Alan Greenspan to CBO and GAO.

Crediting inflated balances to the trust fund does not change the fundamental nature of the Social Security program, which is one of pay-as-you-go. Hence, crediting additional resources to the trust fund does not alter the ultimate problem: in 2014 payroll tax revenues will not be able to meet benefit payments and the federal government will begin to have to finance an increasing shortfall. The President's proposal to credit interest savings due to using the Social Security surplus to repay publicly held federal debt will create a $34 billion contingent liability by 2050 with no additional means to pay it. It is not simply a transfer of debt but a compounding of it. This is not the legacy we should bequeath to our grandchildren. Furthermore, I believe that such an action will have a detrimental impact on the real reform Social Security needs. In testimony before the Committee, the GAO Comptroller General David Walker stated, "[The President's proposal] does not represent a Social Security reform plan...The changes to the Social Security program will thus be more perceived than real: although the Trust Funds will appear to have more resources as a result of the proposal, in reality nothing about the program has changed."

In last year's letter, the Committee recommended that CBO develop the capacity to provide long-term cost estimates on Social Security and Medicare legislation. Proper evaluation of reform proposals requires estimates longer than the current ten-year practice. I am pleased CBO acted on this recommendation and established a new long-term estimation unit.

The Committee is also concerned about reports of poor public service by the Social Security Administration (SSA). This is not only an important issue today, but even more significant in the coming decades as SSA's workload grows substantially. The Committee intends to examine these complaints and possible remedies, including greater use of Internet technologies.

Medicaid and Welfare

As part of the Balanced Budget Act of 1997, both welfare and Medicaid were fundamentally reformed. These initiatives to give states a greater partnership with the operation of what before had been simply top-down, one-size-fits-all programs have both been very successful. We intend to continue our oversight of both these programs in order to build on the successes of 1997. The welfare law is subject to reauthorization in the next Congress.

Trade

Increased foreign trade has been a prime mover of America's prosperity. America's exports mean more jobs and higher wages at home, while imports have helped hold down inflationary pressures — thereby keeping interest rates low. We must do all we can to further the benefits arising from greater openness of foreign markets to America's products. To encourage this, the Committee will be working on completing the Africa Trade and Caribbean Basin Initiative bills. In addition, several initiatives relating to trade with China — permanent normal trade relations (PNTR) and China's accession to the World Trade Organization are also expected to be considered. The Congressional Research Service (CRS) has reported that China PNTR will result in "across the board" benefits to American workers and farmers.

According to CBO estimates, the African Growth and Opportunity Act as reported by our Committee increase receipts by $23 million and discretionary spending by $2 million annually over the first five years. The United States-Caribbean Basin Trade Enhancement Act would increase receipts by $511 million over the first five years and direct spending by $16 million in the first year, according to CBO. Pay-as-you-go procedures would apply to both these pieces of legislation.

I must also call to your attention that the Administration has once again refused to provide a proper funding source for the modernization of the U.S. Customs Service's computer network, the Automated Commercial System (ACS). This 17-year old system handles $20 billion of duties and import fees annually and is vital to the smooth operations of our trading system. For want of funding, Customs Commissioner Raymond Kelly recently was forced to cancel both the planned replacement of the ACS and a modernization prototype operating at three border locations. Rather than seriously budgeting for this needed expense, the Administration is again insisting on a user fee on top of the roughly $1 billion in annual processing fees imposed on the trade system. I urge you when looking at the Administration's funding requests in this area, to make the necessary savings in order to accommodate this needed modernization.

Conclusion

As we begin preparing the budget for the next fiscal year, I believe that it is important that we keep foremost in our minds to whom we owe the non-Social Security budget surplus, which is now projected to extend from 1999 through at least the next decade at least: the American taxpayers. We must guarantee that the opportunities presented by this economy stay with the American taxpayers who created them. Every cent of the hundreds of billions of dollars that we speak of so casually in these federal budgets comes from men and women who go to work every day.

Mr. Chairman in summation, the Senate Finance Committee's priorities for the next fiscal year are: continuing to reduce the federal debt, cutting the historically high federal tax burden, continuing efforts to modernize the Medicare program — including having set aside resources for a prescription drug benefit as was done last year — furthering efforts to reform Social Security — including eliminating the unfair earnings limit on seniors — and opening ever wider international markets to American products. These ends would be greatly facilitated by your Committee's inclusion of instructions for a reconciliation bill to reduce taxes, in the event doing so by regular order is not possible this year, and for a reserve fund providing for a prescription drug benefit as part of Medicare's comprehensive modernization, as was done in last year's budget resolution.

I appreciate this opportunity to comment on the programs within the jurisdiction of the Finance Committee. I look forward to working with you as we prepare the fiscal year 2001 budget

Sincerely,

Bill

William V. Roth, Jr.
United States Senate

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510–6225

March 3, 2000

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your request for views and estimates regarding the International Affairs or "Function 150" budget. The President has requested $22.8 billion for the 150 Account. As your staff noted in its February 7, 2000 overview of the President's Budget, the budget authority for international affairs is increased by $2.5 billion, or 13 percent above the 2000 level. Regrettably, the President has overstated the 2000 baseline by including one-time payments for a number of programs. For example, the baseline includes payment of U.S. arrears to the United Nations, even though those funds were part of an historic agreement that permitted those funds to lie outside the normal budget caps. The President's budget similarly treats one-time payments for international financial institutions and the Wye River Peace Accords.

In November, the President signed into law the James W. Nance and Meg Donovan Foreign Relations Authorization Act, Fiscal Years 2000-2001. That law authorizes funding for State Department programs for the coming fiscal year. Given the unavailability of funding requests for fiscal year 2001 during final consideration of the legislation we provided the Secretary of State with adequate flexibility in each of the State Department accounts. I am certain that in some cases the appropriations for fiscal year 2001 will be below the authorization levels.

The Secretary has indicated that the reorganization of the State Department will yield future savings, however, she continues to refuse to identify a plan to achieve the savings. As a result it is my recommendation that there be a reduction in budget authority for the diplomatic and consular programs account in the next fiscal year, and that those funds be reprioritized within the 150 account. The reorganization will have been completed for a full year at the start of fiscal year 2001, and it is now time to focus on the anticipated second phase of reorganization – reshaping the Department of State. To date, no clear plan has been undertaken that would set out a projected workforce for the next decade. The State Department has never undertaken a serious review of its current staffing levels given the advent of technology and the shifting global priorities. I am convinced that much more can be done to out-source functions performed by State Department employees and foreign service national employees in large developed cities overseas. The Department of State funding levels are likely to remain fairly constant. Therefore, more needs to be done to dramatically change the way State Department does business with these funds. A failure to undertake such an exercise will only erode the credibility and strength of U.S. diplomacy.

Embassy Construction, Maintenance and Security Account

The James W. Nance and Meg Donovan Foreign Relations Authorization Act authorizes a five year plan to construct and upgrade U.S. embassies overseas. The law, based on a bill by Senator Rod Grams, the chairman of the Subcommittee on International Operations, erects strict firewalls to ensure the funds provided for embassy construction do not get diverted to other priorities of the moment. The law also ensures that the funds are used to address the security needs in order of priority around the world. The plan authorizes $1.4 billion each year for the five year period. This is a major commitment and tracks with the recommendations of Admiral Crowe and his panel, which reviewed the state of U.S. embassies following the bombing of the two U.S. embassies in East Africa in August 1997.

Pete, I believe that additional resources should be found within the overall budget to ensure funding of the U.S. diplomatic infrastructure. Allowing U.S. citizens working overseas to serve as targets for terrorism is unacceptable. The President has requested $1.1 billion for embassy construction and security upgrades. In addition, he has asked for an advanced appropriation of $3.4 billion. I cannot support inclusion of an advanced appropriation, however, as I noted, the Senate has already approved a multi-year plan for embassy security.

However, I do have concerns that the security upgrades are implementing a number of new programs and staffing levels that will have escalating budget implications in future years. Already the recurring costs of the security personnel are increasing, and this budget makes recommendations for 162 additional security professionals to be positioned in the United States. Although the cost of these additional employees is relatively small in the fiscal year 2001 budget, it is projected to at least double in recurring costs in fiscal year 2002. I am concerned that these costs have not adequately been considered in the overall funding of State Department operations and priorities.

In addition, the construction project will need to be undertaken with a willingness by the State Department to adapt U.S. diplomatic needs to the new century. The Overseas Presence Advisory Panel, chaired by Louis Kagen, recently released its report entitled "America's Overseas Presence in the 21st Century." Any commitment to upgrading U.S. facilities must be directly linked to reassessing the role and size of U.S. embassies abroad. The report recommended the establishment of an interagency committee led by the Secretary of State to review and streamline every U.S. mission and to reallocate all personnel as foreign policy needs and objectives change. The report found that "right-sizing will match staff with mission priorities and can achieve significant overall budget savings by reducing the size of overstaffed posts." Again, I am not convinced that the costs of construction adequately reflect the true needs of the Department.

An overall commitment to rethinking and updating U.S. priorities and the infrastructure that supports those priorities should be a priority in the fiscal year 2001 budget. I am hopeful that funds will be identified within the budget to carry out this plan, but I also want to work with you and Judd Gregg to ensure that this construction and upgrade program reflects the practical needs of the Department of State.

State Department Operations

The Administration of Foreign Affairs budget is for the most part a current services budget (with the additional funding for the embassy security upgrade plan). However, there are several last minute additions that have been included in the budget for political reasons that have not been adequately justified. First the budget includes $4.5 million for monitoring of labor and environment standards. I am concerned that these funds are designed to answer a political constituency, but the need for the additional employees, and the recurring costs of the employees has not been adequately detailed. Second, the budget includes $3 million for personnel training. Although recent studies undertaken by the State Department and findings of the Overseas Presence Advisory Panel have all advised additional training (particularly in management) for the Department, these funds were simply inserted at the last minute to respond to recent criticism of its management shortcomings. Unless there is a clear plan, I am concerned that this will be yet another unsuccessful program with a large price tag. Again, the State Department seems to be missing the larger opportunity to grapple with the problems of injecting management training into the everyday work of the Foreign Service and creating incentives for encouraging management in favor of establishing a few courses at the Foreign Service Institute.

The budget also indicates the State Department's desire to consider charging other agencies for office space and capital investments. This too is a response to the findings of the Overseas Presence Advisory Panel. I do not favor this approach and hope that you will not grant any such authority in the budget. However, I would like to work further with the Department to identify ways to regain control of burgeoning federal agencies overseas.

In addition, the Secretary continues to have large fee authorities that should be considered when looking at the overall State Department budget. Each year the Machine Readable Visa fee brings new and additional funds to the State Department and has become a large portion of the consular affairs budget. I know both of our Committees will continue to monitor these authorities to ensure they are not abused.

International Organizations:

As for funding for international organizations, the budget request calls for an increase of over $4 million for the International Atomic Energy Agency (IAEA) over the estimated spending for FY 2000. While no one is more committed to confronting the scourge of nuclear proliferation by dictatorships than I am, the limited effectiveness of the IAEA does not merit a boost in funding. We know that the IAEA provided Iraq access to nuclear technology before the Gulf War by Iraq pledging to use that technology for civilian purposes. And Saddam Hussein has foiled international inspection efforts since the Gulf War.

The budget request for FY 2001 calls for a dramatic increase in Contributions for International Peacekeeping Activities (CIPA). There clearly is a proliferation of U.N. peacekeeping operations being authorized recently, which is eerily reminiscent of the start of the Clinton Administration. The growth in peacekeeping operations does not mean Congress necessarily should fund them more – especially when the United States does not get full credit for what it already contributes to U.N. operations. The General Accounting Office reported to me that in 1999 the American taxpayer contributed $8,790,000,000 from the United States' military budget to support various U.N. resolutions and peacekeeping operations around the world. Most importantly, the efficacy of U.N. peacekeeping operations remains in question, as demonstrated by the recent disarming of peacekeepers in Sierre Leone. In Kosovo, despite my commitment to retarding Slobodan Milosevic efforts to pursue ethnic cleansing in the Balkans – given appropriate European burdensharing – there is a substantial question whether the U.N. component of international efforts in Kosovo is working. NATO is far more efficacious. Finally, peacekeeping operations never seem to end – whether a success or a failure. The creation of a follow-on operation in Angola is an example of the latter.

Foreign Assistance

The President's request to increase population control funding by $169,000,000 – announced hours after the President acceded to the modified "Mexico City" provision in the fiscal year 2000 foreign operations bill – should be seen for what it is: cynical political pandering to pro-abortion activists.

As I have reported to you in the past, no other country provides as much bilateral population control funding as has the United States. Funding for international population control programs is by far the largest category within the Agency for International Development's Development Assistance account. A.I.D. will have difficulty spending the $372,000,000 provided for fiscal year 2000; it will be impossible for A.I.D. to spend responsibly $541,000,000 in 2001.

I strongly recommend eliminating funding for the Inter-American Foundation and the Africa Development Foundation. This past year, I informed you that the Inter-American Foundation had funded terrorists groups in Ecuador responsible for kidnapping American citizens. In response to these and other problems discovered later, the fiscal year 2000 Foreign Operations Appropriations bill drastically cut funding for the Inter-American Foundation and recommended that it be abolished.

One of the reasons Congress gave consideration to establishing the Inter-American Foundation (which has given away more than one billion dollars since its inception) was to benefit directly the poorest-of-the-poor in Latin America who were not benefitting from AID programs in the late 1960s and who were being wooed by Soviet-supported Cuban insurgents. Given the end of the Cold War, one of the fundamental rationales for the existence of the Inter-American Foundation has disappeared.

There are currently no programs the Inter-American Foundation or the African Development Foundation operate that the Agency for International Development or the Peace Corps do not already operate and with better oversight. These foundations are redundant and given the limited foreign assistance funds available, eliminating redundancies should be a priority.

Sincerely,

Jesse Helms

JESSE HELMS

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510–6225

February 24, 2000

The Honorable Pete V. Domenici, Chairman
The Honorable Frank R. Lautenberg, Ranking Minority Member
Committee on the Budget
United States Senate

Dear Chairman Domenici and Senator Lautenberg:

I write in response to your request for the views and estimates of the Committee on Foreign Relations on the President's budget request for international affairs for Fiscal Year 2001.

The President's budget request for Function 150, the international affairs function, is a total of $22.75 billion. In addition, the budget request includes advance appropriations of $3.35 billion for embassy security. Although not all of the programs funded under Function 150 are within the jurisdiction of the Committee on Foreign Relations, most of them are.

I support the President's request. As the Secretary of State testified before your Committee on February 11, the nation's foreign policymakers need every cent; the Committee should regard the request as the minimum necessary to protect our numerous interests overseas. The United States is the world's only military, political, and economic superpower. Accordingly, we must invest significant resources to protect our numerous interests overseas. Moreover, our unique position vests us with a responsibility to take a leadership role in protecting international peace, security and economic stability.

We have made important progress in the past several years in restoring funding for international affairs. Unfortunately, we haven't made enough progress, and the budget remains below historical levels. According to a recent study by the Congressional Research Service (CRS) prepared at my request, the discretionary budget authority for Function 150 in Fiscal 2000 ($22.264 billion in FY 2000 dollars) is 9.3 percent below the average of the past two decades ($24.56 billion). As a percentage of total budget authority, Function 150 funding in FY 2000 is 1.24 percent, nearly one-fifth below the annual average (1.571 percent) for the past two decades.

Against that background, let me highlight a few priorities in the budget.

First, a top priority must be the security of our diplomatic missions. The embassy bombings in East Africa in August 1998 underscored the vulnerability of U.S. embassies to terrorism. Last year, Congress authorized a $4.5 billion, five year embassy security program in the Admiral James W. Nance and Meg Donovan Foreign Relations Authorization Act, Fiscal

Committee on the Budget
February 24, 2000
Page 2

Years 2000 and 2001. Unfortunately, appropriations last year did not begin to match this level. The advance appropriations the President requested last year were not provided, and roughly $300 million was provided for capital projects in fiscal 2000.

We must do better. Recall that in the mid-1980s, a commission chaired by Admiral Bobby Inman recommended increases in embassy security spending. Congress initially responded by providing significant funding and significant promises. But as the years passed, security became a second-order priority; the requested funding for security was denied by Congress, and some of the money allocated for security was either rescinded by Congress or redirected to other priorities. We must guard against repeating the history that occurred after the Inman Commission.

Last year, the Senate approved an amendment I offered to the concurrent budget resolution which proposed treating embassy security funding as a special category in the event of on-budget surpluses. I hope the Committee will take a look at mechanisms that can assure such funding. As a government, we have decided to maintain a robust overseas presence; it would be a dereliction of our duty not to provide adequate security for our people serving in these missions. As Admiral Crowe, who chaired a review panel after the embassy bombings in 1998, stated succinctly in recent testimony to the Committee on Foreign Relations, "[i]f you are going to send people overseas, then you should protect them."

Second, the budget includes funds to assist Colombia fight the drug war. The Administration has presented a comprehensive plan which contains nearly $1 billion in Fiscal 2000 supplemental spending, and an additional $318 million in Fiscal 2001 spending. This represents a significant expansion of U.S. efforts in Colombia, which faces a three-front war against narcotraffickers, left-wing guerrillas and right-wing paramilitaries. Our primary objective in this effort is counternarcotics, because the flow of cocaine and heroin from Colombia to the United States significantly affects U.S. interests. Colombia is a valued democratic ally. Its President is committed to a strong and comprehensive counternarcotics program. Congress must do its part and fund this program, both the supplemental and the regular 2001 request.

Finally, we must continue our support for non-proliferation programs, including the Expanded Threat Reduction Initiative. This program, proposed last year, increases existing Nunn-Lugar-Domenici programs -- funded both in the 050 and the 150 accounts -- over a five year period. This is an absolutely vital initiative, one that Congress can and should strongly support. The concern is broader than just "loose nukes" in the former Soviet Union -- because we are equally concerned about "loose chemicals" and "loose pathogens" and "loose missiles." We must do whatever we can to stem the risk that Russian weapons of mass destruction or expertise will literally go south -- to Iran, or Iraq, or who-knows-where. The money we spend to

Committee on the Budget
February 24, 2000
Page 3

help Russia destroy missiles and warheads, or to keep Russian institutes busy on socially useful projects, is a bargain -- and our money goes farther in these difficult times.

As I stated at the outset, I support the President's request. I urge the Committee to do likewise.

I hope you find these comments helpful as you prepare the Fiscal 2001 budget resolution. I look forward to working with the Budget Committee as the budget process moves forward. I enclose for your reference a copy of the aforementioned CRS study.

Sincerely,

Joe Biden

Joseph R. Biden, Jr.
Ranking Minority Member

Enclosure

CRS Congressional Research Service • Library of Congress • Washington, D.C. 20540

International Affairs Budget Trends FY1980 – FY2000

Prepared at the Request of
Senator Joseph R. Biden, Jr.
Ranking Minority Member, Senate Committee
on Foreign Relations

February 23, 2000

Larry Nowels
Specialist in Foreign Affairs
Foreign Affairs, Defense, and Trade Division

Contents

List of Figures

List of Tables

International Affairs Budget Trends FY1980 – FY2000

This report responds to your request for an update and revision of an earlier CRS report providing an overview of trends in the International Affairs budget for the past two decades. This revised report covers the period FY1980-FY2000. For each aspect of the budget discussed, it includes a graphic illustration of funding trends, a table with the actual figures, expressed in both current and constant FY2000 dollars, and a brief analysis of the funding levels. Most of the data are drawn from the Office of Management and Budget, with calculations for constant dollars and selected groupings of programs done by CRS.

This analysis covers only *discretionary* budget authority and outlays, and excludes amounts for mandatory Foreign Service retirement programs, as well as International Monetary Fund quota increases and funds for other IMF facilities. From time-to-time (on five occasions in the past 20 years), the United States participates in the expansion of IMF resources or the creation of a new IMF facility, such as the recently-established IMF New Arrangements to Borrow. Although Congress provides new budget authority through appropriations for the full amount of U.S. participation, the transaction is considered as an exchange of assets between the United States and the IMF, and results in no outlays from the U.S. treasury. In short, the appropriations are offset by the creation of a U.S. counterpart claim on the IMF that is liquid and interest bearing. Including budget authority figures for the IMF creates "spikes" in selected years and tends to blur continuing trends in funding levels. Because of this, and the fact that IMF budget authority does not result in an outlay or have any impact on the Federal deficit or surplus, amounts are excluded from this report.

Please contact me if you have any further questions (7-7645).

Changes in Budget Scorekeeping Procedures and Problems with Precise Analysis of Spending Trends

Following enactment of the Budget Enforcement Act of 1990, the United States began applying in FY1992 different procedures for appropriating funds for credit programs. Prior to FY1992, Congress would appropriate the full value of *direct loans* issued by the U.S. government. For commercial loans *guaranteed* by the United States, Congress placed annual limitations on the total amount of these guarantees, but was not required to appropriate any funds. Under the terms of "credit reform," Congress must now appropriate the subsidy value of both direct loans issued and loan guarantees backed by the government. In simple terms, the subsidy value, as determined by OMB, is an amount that represents the risk to the U.S. government in issuing or backing the loan, plus the extent to which, if any, the loan carries a concessional interest rate below market value. Accordingly, there are inherent problems with comparing trends before and after FY1992 for any element of discretionary spending that includes credit programs.

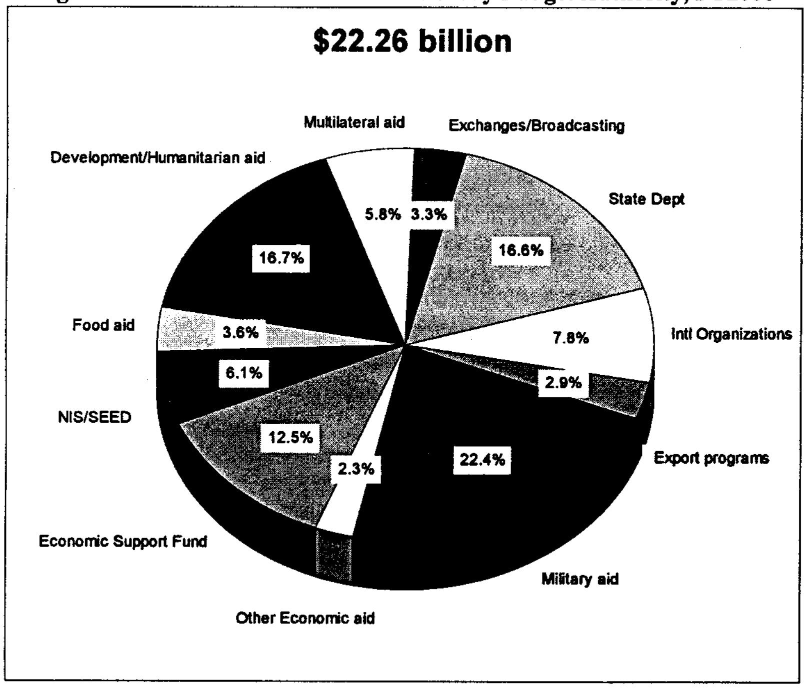
Several credit programs operate within Function 150, including direct loans under Foreign Military Financing (FMF) and (prior to FY1999) P.L. 480 food programs, loan guarantees issued by the Agency for International Development's (USAID) Urban and Environmental Credit Office, and direct loans and loan guarantees managed by the Export-Import Bank and the Overseas Private Investment Corporation. Two examples illustrate the mixed impact on appropriation requirements of the "credit reform" policy changes that took effect for FY1992. In FY1997, Congress enacted a $60 million subsidy appropriation for FMF direct loans, an amount that allowed the Defense Department to issue military aid loans with a total face value of $540 million. Prior to FY1992, Congress would have had to appropriate the full $540 million instead of the $60 million subsidy that backed the loans. On the other hand, in the case of a loan guarantee, Congress approved in FY1997 a $3.5 million subsidy appropriation permitting USAID's Urban and Environmental Credit program to guarantee $29.4 million in loans. These represent loans issued by commercial lenders for which the United States government guarantees repayment. Before FY1992, no appropriation would have been required. As seen in the two examples, Congress appropriated in FY1997 $63.5 million in support of these programs. Budget rules that existed in the pre-credit reform period would have required an appropriation of $540 million to implement these two activities in exactly the same way they were carried out in FY1997.

Because OMB has not adjusted its figures for pre-FY1992 credit programs, comparisons between the two time periods cannot be totally precise. Nevertheless, an assessment of funding trends before and after FY1992 is still useful in identifying an illustrative pattern of spending decisions. While the application of post-credit reform procedures, on balance, probably tends to overstate somewhat the degree of reductions in Function 150 spending during the mid-1990s, the extent of this overstatement does not appear to be sufficient to override the general conclusion that cuts in the international affairs budget were substantial. Comparison of the increases in FY1999 and FY2000 for Function 150 resources with pre-1992 levels face the same methodological problems. At a subfunction level, however, where no credit programs exist, such as for State Department and U.S. international exchange programs, the credit reform changes have no effect on measuring and comparing discretionary spending.

Scope of the International Affairs Budget

In "budgetary" parlance, the foreign policy budget is technically termed the International Affairs Budget Function, or Function 150.[1] Foreign policy spending supports a variety of U.S. government programs and activities, including foreign economic and military assistance, contributions to international organizations and multilateral financial institutions, State Department, U.S. Agency for International Development (USAID), U.S. Information Agency (USIA), and the Arms Control and Disarmament Agency (ACDA)[2] operating expenses, and export promotion programs. Figure 1 illustrates the major components of the International Affairs Budget Function and shows current programmatic allocations for FY2000.

Figure 1. International Affairs Discretionary Budget Authority, FY2000



[1] In this report, the terms international affairs, foreign policy, foreign affairs, and Function 150 are used interchangeably to refer to the International Affairs Budget Function.

[2] USIA and ACDA became part of the State Department on October 1, 1999. For all years prior to FY2000, Congress approved their budgets in separate accounts discrete from the State Department. Beginning with FY2000, former-USIA and ACDA operating expenses are merged with those of the State Department.

International Affairs Discretionary Budget Authority

International Affairs discretionary budget authority, measured in real terms, has experienced several cycles over the past two decades. There were periods of rapid growth followed immediately by sharp declines during the mid-1980s. After several years in the late 1980s and early 1990s of relative stable budget levels, amounts fell – at first gradually, and then sharply – through FY1997. The foreign policy budget rose slightly in FY1998 but significantly in FY1999. The increases in FY1998 and FY1999 represented the first back-to-back years in which the international affairs budget grew compared with the previous year since FY1990/1991. Estimates for FY2000 are below FY1999, although enactment of pending supplemental requests would bring this year's spending up to FY1999 amounts.

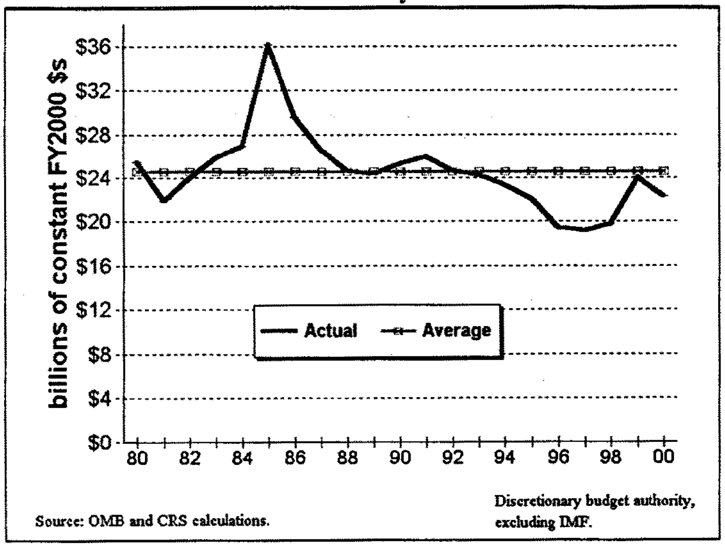
Table 1. International Affairs Discretionary Budget Authority
($s - billions)

Fiscal Year	Function 150 Current $s	Function 150 Constant FY2000 $s
1980	12.874	25.496
1981	12.194	21.928
1982	14.222	24.026
1983	16.017	25.834
1984	17.396	26.957
1985	24.057	36.126
1986	20.279	29.628
1987	18.800	26.602
1988	18.079	24.671
1989	18.537	24.301
1990	20.027	25.326
1991	21.321	25.901
1992	20.927	24.677
1993	21.194	24.279
1994	20.854	23.373
1995	20.166	22.079
1996	18.122	19.452
1997	18.150	19.138
1998	18.991	19.799
1999	23.414	23.986
2000 (est)	22.264	22.264

Budget Authority excludes International Monetary Fund in selected years.
FY2000 excludes pending supplemental appropriation requests.
Source: Office of Management and Budget and CRS calculations.

The early-to-mid 1980s were marked by a steady increase in foreign policy spending, largely the result of rising amounts of security assistance allocated for strategic purposes in Central America, Pakistan, and "military base rights countries" such as the Philippines. At the same time that this growth in security-related aid peaked in FY1985, Congress approved two major supplementals: a $2.25 billion economic aid package for Israel, Egypt, and Jordan, and about $1 billion in famine relief for Africa. The State Department also launched a new initiative in FY1985 to increase physical security at its facilities around the world. All of these factors combined to set foreign affairs discretionary budget authority at $36.1 billion, in FY2000 dollars, a level about 38% higher than the current amount.

Figure 2. International Affairs Budget – Discretionary Budget Authority



Absent the unique combination of these international demands that spiked aid spending in FY1985, and with intensifying pressure in Washington to reduce the Federal deficit, Function 150 discretionary spending, like other Federal spending, fell abruptly in FY1986, and declined further in the next two years. The following period — FY1988 through FY1993 — marked a relatively stable level of foreign affairs budget authority, ranging in most years at roughly between $24.3 and $25.9 billion annually, as calculated in FY2000 dollars. To a considerable extent, this steady period can be attributed to annually negotiated budget agreements between the Administration and Congress for major discretionary spending categories, one of which was international affairs. A small, temporary upsurge occurred in FY1990/1991, primarily the result of a supplemental appropriation for aid to Panama and Nicaragua, additional costs associated with the Persian Gulf War, including supplemental assistance for Israel and Turkey, and added expenses for U.S. agencies operating in the Gulf region.

Although the foreign affairs budget had been on a long downward trend since FY1985, the drop in FY1994 was the first significant annual decrease in real terms since FY1988. The 3.7% real cut for FY1994 was followed by two years of increasingly larger reductions in real spending for foreign policy programs. FY1995 discretionary budget authority dropped 5.5% below FY1994, followed by an 11.9% cut in FY1996. Reductions continued for FY1997, although at a more modest 1.6% level.

This downward cycle reversed in FY1998, with international affairs budget authority rising by 3.5% in real terms over FY1997, followed by a far more significant rise – 21.1% – in foreign policy spending for FY1999. Only the 34% increase between FY1984 and FY1985 has exceeded the annual growth in foreign affairs budget authority that occurred in FY1999. In addition to approving modest increases for programs throughout the Function 150 account, Congress further agreed to nearly $1 billion for U.S. arrearage payments to various international organizations and multilateral development banks, about $1.5 billion for security upgrades at American embassies and missions around the world, and large supplementals for Central American victims of Hurricane Mitch ($1 billion) and for Kosovo humanitarian aid relief ($1.1 billion).

Foreign policy funding for FY2000, in real terms, falls below FY1999 by 7.2%, even though the budget continues relatively stable levels for regular international affairs programs, plus includes a $1.8 billion one-time aid package in support of the Wye River/Middle East peace accord.[3] With the exception of FY1999, the FY2000 foreign affairs budget is larger than any since FY1994. The FY2000 Function 150 discretionary budget authority of $22.26 billion, nevertheless, is 9.3% below the annual average of $24.56 billion for the past 21 years.

[3] Congress is considering a $1.65 billion FY2000 supplemental appropriation for counternarcotics aid to Colombia, Kosovo and Southeast Europe economic assistance, and poor country debt relief. If enacted, the FY2000 foreign policy budget would remain below FY1999, but by only $82 million, or 0.3%, in real terms.

International Affairs Discretionary Outlays

Once Congress approves budget authority for International Affairs programs, the pace at which the funds are actually spent -- or outlayed — varies widely. Salaries and expenses of USAID, assistance to Israel, and voluntary contributions to several international organizations, for example, outlay quickly, normally within the same fiscal year. Funds for bilateral development aid and contributions to the World Bank and other multilateral development institutions may not be spent for several years. As a result, the "spikes" and rapid reductions that characterize budget authority trends are flattened somewhat in outlay patterns.

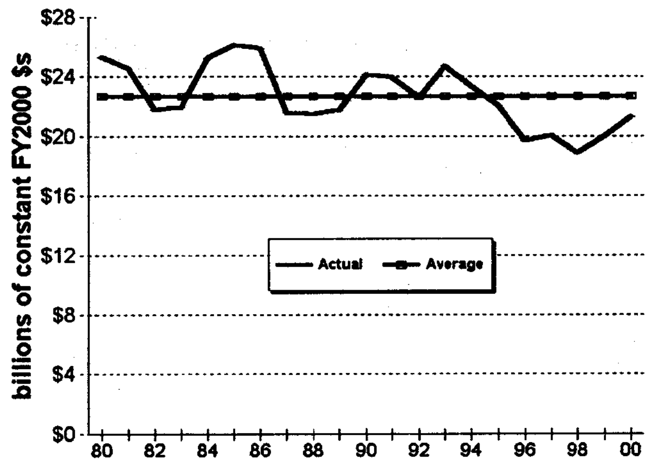
Table 2. International Affairs Discretionary Outlays
($s - billions)

Fiscal Year	Function 150 $s - Current	Function 150 $s - Constant FY99
1980	12.775	25.300
1981	13.648	24.543
1982	12.881	21.760
1983	13.603	21.941
1984	16.267	25.207
1985	17.390	26.114
1986	17.708	25.871
1987	15.224	21.542
1988	15.743	21.483
1989	16.584	21.741
1990	19.056	24.098
1991	19.698	23.929
1992	19.160	22.593
1993	21.570	24.710
1994	20.806	23.320
1995	20.116	22.024
1996	18.336	19.682
1997	18.982	20.015
1998	18.101	18.871
1999	19.519	19.996
2000 (est)	21.305	21.305

FY2000 excludes pending supplemental appropriation requests.
Source: Office of Management and Budget and CRS calculations.

Function 150 outlays peaked in FY1986, lagging one year behind the high point of international affairs budget authority, fell sharply the next year, then continued on a generally upward trend through FY1993. As budget authority took a substantial downturn in FY1994, outlays followed immediately, declining from $23.3 billion to under $20 billion two years later. Although foreign affairs budget authority began to climb in FY1998, outlays hit a twenty-year low point of $18.9 billion, in real terms, reflecting the sharp appropriation cuts of the two previous years. With significant increases in budget authority for FY1999 and FY2000, some of which target fast-disbursing, emergency requirements, Function 150 outlays have risen to an estimated $21.3 billion for this year. Although they are at the highest level since FY1995, FY2000 foreign policy outlays fall 6% below the $22.67 billion annual average for the past 21 years.

Figure 3. International Affairs Budget – Discretionary Outlays



Source: OMB and CRS calculations

FY2000 excludes pending supplemental requests.

International Affairs Budget and Total Discretionary Funds

Another way of analyzing trends in International Affairs resources is to draw relationships between foreign policy spending and overall funding for total Federal discretionary programs. This is relevant especially for the present debate over budgetary priority-setting decisions since it is within the roughly $622 billion discretionary request for FY2001 that international affairs requirements must compete.

Table 3. International Affairs Budget As a % of Total Discretionary Budget Authority and Total Federal Budget Authority

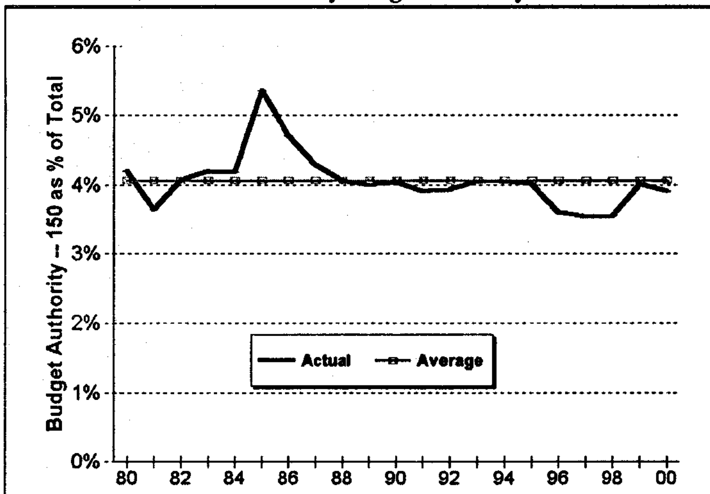
Fiscal Year	Function 150 %-Discretionary BA	Function 150 %-Total BA
1980	4.208%	1.921%
1981	3.638%	1.647%
1982	4.072%	1.763%
1983	4.204%	1.841%
1984	4.186%	1.884%
1985	5.356%	2.339%
1986	4.713%	2.000%
1987	4.291%	1.820%
1988	4.064%	1.656%
1989	3.997%	1.550%
1990	4.032%	1.557%
1991	3.904%	1.538%
1992	3.933%	1.426%
1993	4.040%	1.437%
1994	4.049%	1.364%
1995	4.016%	1.310%
1996	3.606%	1.146%
1997	3.539%	1.105%
1998	3.555%	1.122%
1999	4.015%	1.318%
2000 (est)	3.903%	1.239%

Budget Authority excludes International Monetary Fund in selected years.
FY1999 excludes pending supplemental appropriation requests.
Source: Office of Management and Budget and CRS calculations.

Although the patterns are similar to those for budget authority dollar trends, the degree of sharp growth and decline are muted somewhat when measuring International Affairs discretionary BA as a % of total budget authority. One of the most notable trends is the substantial continuity in the amount of the budget authority devoted to international affairs, especially during the eight year period, FY1988 to FY1995. Although dollar amounts for foreign affairs may have risen somewhat in FY1991 and fallen through the next four years, Function 150's proportion of total discretionary budget authority deviated only slightly from a sustained level of 4% annually. In short, even though the foreign policy budget fell steadily in the early- to mid-1990s, it declined at roughly the same pace as the total for all other programs funded through discretionary spending. But in FY1996, this 4% share of total discretionary budget authority that had been sustained for eight years ended, and Function 150's proportion fell to 3.61%. In FY1997 and FY1998 it fell further to about 3.55% of discretionary BA. What this meant was that at a time when Congress and the President had reduced total discretionary budget authority, resources for foreign policy programs declined even faster than other Federal programs.

With the approval of higher amounts for Function 150 in FY1999, including embassy security, Central America hurricane relief, and Kosovo humanitarian aid supplementals, the foreign policy share of total discretionary budget authority rose once again to over 4%, the highest level since FY1995. Estimates for FY2000 suggest that international affairs will represent a slightly lower amount – 3.9% – of total Federal discretionary funds. Currently, Function 150's share of total U.S. government discretionary budget authority is about 3.9% less than the 4.06% annual average level since FY1980.

Figure 4. International Affairs Budget as a % of Total Federal Discretionary Budget Authority

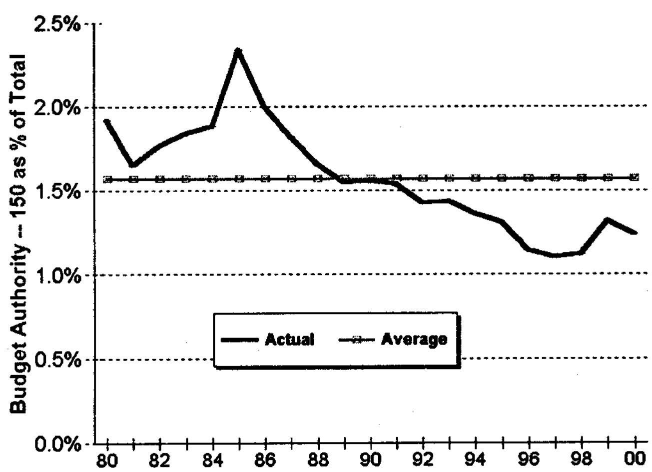


Excludes IMF & FY2000 supplemental request. Source: OMB and CRS calculations.

International Affairs as a percent of total Federal budget authority reflects a similar pattern as discretionary BA between FY1980 and FY2000. But as the non-discretionary portion of the Federal budget has grown considerably relative to discretionary spending, Function 150, like other discretionary categories has fallen steadily over the past 15 years. International Affairs, which had fluctuated between 1.65% and 2.34% of total Federal budget authority through FY1985, has declined in nearly each year since through FY1997. Foreign policy spending grew slightly in

FY1998 and FY1999 relative to the total budget, but is projected to fall in FY2000 to 1.24%. Except for FY1996-98, this is the lowest point over the past 21 years and is about one-fifth below the average annual percentage (1.571%) represented by Function 150 as a share of total Federal budget authority.

Figure 5. International Affairs Budget as a % of Total Federal Budget Authority



Excludes IMF & FY2000 supplemental requests. Source: OMB and CRS calculations.

International Development and Security Assistance

Function 150 is divided into five broad categories of subfunctions. Subfunctions 151 and 152 include development aid and security assistance programs, respectively, and are commonly referred to as the "foreign aid" budget.

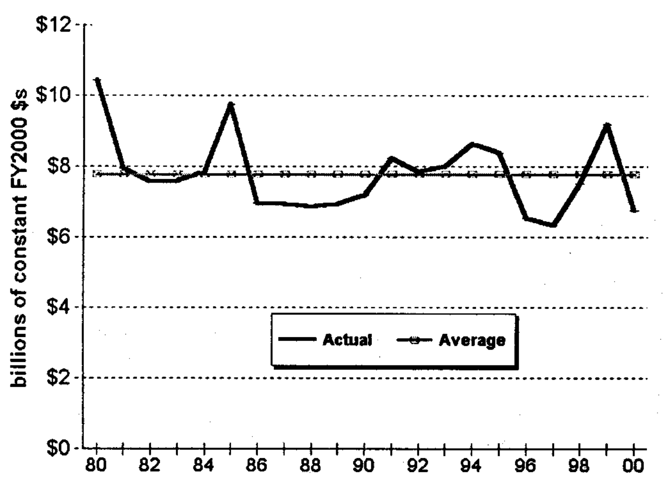
Table 4. International Development and Security Assistance Subfunctions 151 and 152
Discretionary Budget Authority
($s billions)

Fiscal Year	Intl Development Subfunction 151		Intl Security Subfunction 152		"Foreign Aid" Subfunctions 151 & 152	
	$s current	$s constant	$s current	$s constant	$s current	$s constant
1980	5.624	10.425	5.066	10.033	10.690	20.458
1981	4.420	7.948	5.068	9.114	9.488	17.062
1982	4.474	7.558	6.863	11.594	11.337	19.152
1983	4.711	7.598	8.142	13.132	12.853	20.730
1984	5.069	7.855	8.943	13.858	14.012	21.713
1985	6.496	9.755	13.730	20.618	20.226	30.373
1986	4.760	6.954	9.543	13.942	14.303	20.896
1987	4.902	6.936	8.213	11.621	13.115	18.557
1988	5.022	6.853	8.598	11.733	13.620	18.586
1989	5.296	6.943	7.666	10.050	12.962	16.993
1990	5.696	7.203	8.393	10.614	14.089	17.817
1991	6.778	8.234	9.061	11.007	15.839	19.241
1992	6.655	7.847	6.682	7.879	13.337	15.726
1993	6.992	8.010	5.491	6.290	12.483	14.300
1994	7.699	8.629	4.531	5.078	12.230	13.707
1995	7.761	8.388	4.626	5.065	12.387	13.453
1996	6.084	6.531	5.038	5.408	11.122	11.939
1997	6.005	6.332	5.159	5.440	11.164	11.772
1998	7.225	7.532	5.372	5.600	12.597	13.132
1999	8.975	9.194	5.869	6.012	14.844	15.206
2000 est	6.769	6.769	7.600	7.600	14.369	14.369

FY2000 excludes supplemental requests.
Source: Office of Management and Budget and CRS calculations.

For development assistance, there have been several periods of decline and growth since 1980. The highest point of spending in real terms occurred in FY1980, followed closely by FY1985 when the United States provided large amounts of emergency food relief for famine-stricken Africa and paid some overdue contributions to multilateral development banks. Development assistance budget levels rose more gradually in the early-to-mid 1990s, prompted mainly by the opening of aid programs in Eastern Europe and the former Soviet Union. Development assistance experienced one of the sharpest annual cuts during the past two decades in FY1996 when spending fell, in real terms, by 22% from the previous year, and continued to drop slightly in FY1997. Congress reversed this pattern during the next two years when development aid grew annually, in real terms, by 19% and 22%, respectively. Amounts for FY1999 were boosted by large supplementals especially for Central American hurricane relief and Kosovo humanitarian aid. Development aid spending in FY2000 is estimated at $6.8 billion, slightly higher than the FY1996/97 low points of the past 20 years. Pending supplementals for poor country debt relief, a counternarcotics initiative in Colombia, and economic aid for the Balkans, if enacted, would bring the subfunction 151 total back to about $8 billion. Overall, development aid discretionary budget authority at present, excluding the pending supplementals, is 13% less than the subfunction annual average of $7.785 billion since FY1980.

Figure 6. International Development Assistance

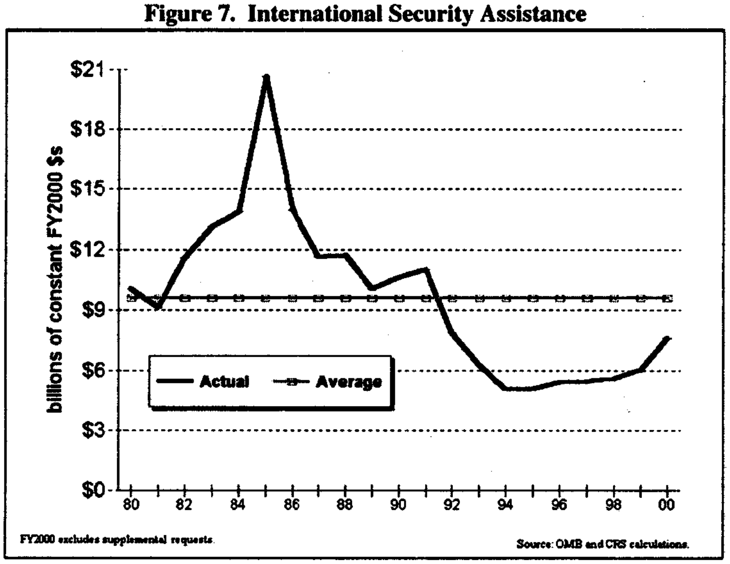


FY2000 excludes supplemental requests.

Source: OMB and CRS calculations.

Security assistance accounts have experienced even wider budgetary swings over the past two decades, but in general, funding levels have fallen significantly since the mid-1980s. Following implementation of the Camp David accords in 1979, security aid resources grew steadily during the early-to-mid 1980s when the United States significantly increased assistance to Central America, Pakistan, and military base access countries, including the Philippines, Spain, and Portugal. The winding down of Cold War-related conflicts has contributed significantly to the reduction in security assistance budgets, which by FY1994 had largely been reduced to continuing support for Israel and Egypt, plus relatively small sums for other security activities. Unlike development aid, which dropped significantly in FY1996/97, funding for security assistance increased in each of those years, and continued to rise in FY1998 and FY1999. Security aid rose sharply again in FY2000, largely due to congressional approval of a $1.8 billion package in support of the Wye River/Middle East peace

Figure 7. International Security Assistance

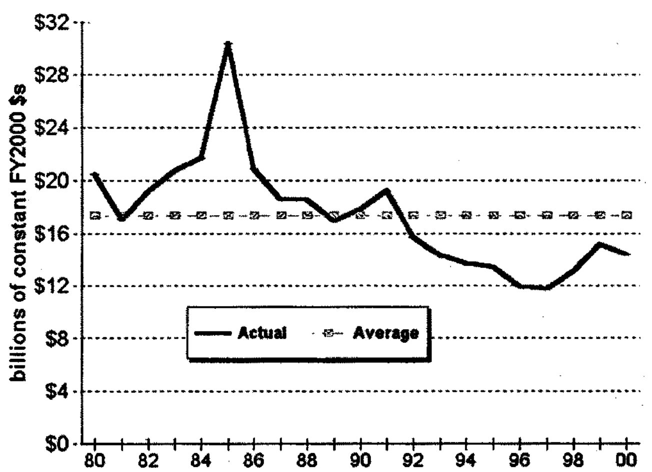


accord providing supplemental assistance to Israel, Jordan, and the Palestinians. The FY2000 estimate of $7.6 billion is the largest funding level, in real terms, for security assistance since FY1992, but remains 21% less, in real terms, than the average annual amount of $9.6 billion over the past two decades.[3]

The combined "foreign aid" budget authority trends — subfunctions 151 and 152 — are generally the same as those for development and security assistance: steady growth during the early 1980s with a spike in FY1985; declining levels in the late 1980s; a further steady downward pattern since the end of the Cold War and Persian Gulf conflict; a sharp drop in FY1996 followed by a corresponding rise in FY1998 and another increase in FY1999, which resulted in the highest foreign aid level, in real terms, since FY1992. The current estimate of $14.37 billion is also higher than any year, except last year, since FY1992, but lower than any time prior to FY 1992. It is about 17% less than the average annual amount ($17.39 billion) over this period.

[3] Credit reform budget process changes probably have had a greater impact in the security aid part of the Function 150 budget than anywhere else. If it were possible to adjust pre-1992 levels to conform to current budget scoring methods, the decline in security aid would not be as severe as these figures indicate. The cuts, however, would still be sizable.

Figure 8. Foreign Aid (subfunctions 151 & 152)



FY2000 excludes supplemental requests.

Source: OMB and CRS calculations.

Conduct of Foreign Affairs and Foreign Information and Exchanges

Funding allocations for the other two international affairs subfunctions — Conduct of Foreign Affairs and Foreign Information and Exchanges — present a substantially different long-term perspective, although like the others, they have experienced cuts in the FY1996/97 period and increases more recently. Further, the Conduct of Foreign Affairs sub-account received for FY1999 the largest single year increase — 52% above FY1998 — for any year during the past two decades.

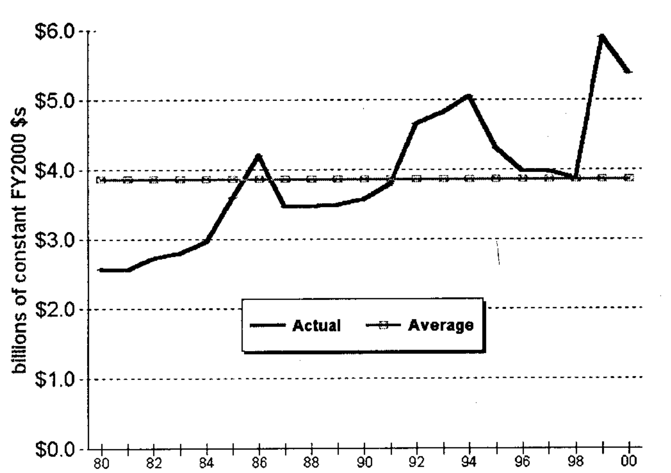
Table 5. Conduct of Foreign Affairs & Foreign Information/Exchanges
Subfunctions 153 and 154
Discretionary Budget Authority
($s billions)

Fiscal Year	Conduct of Foreign Affairs Subfunction 153		Foreign Info & Exchanges Subfunction 154	
	$s current	$s constant	$s current	$s constant
1980	1.295	2.565	0.518	1.026
1981	1.423	2.559	0.555	0.998
1982	1.609	2.718	0.587	0.992
1983	1.739	2.805	0.688	1.110
1984	1.911	2.961	0.808	1.252
1985	2.394	3.595	0.950	1.427
1986	2.874	4.199	0.970	1.417
1987	2.455	3.474	1.031	1.459
1988	2.545	3.473	1.056	1.441
1989	2.667	3.496	1.126	1.476
1990	2.827	3.575	1.317	1.665
1991	3.129	3.801	1.243	1.510
1992	3.950	4.658	1.303	1.536
1993	4.208	4.821	1.248	1.430
1994	4.505	5.049	1.496	1.677
1995	3.934	4.307	1.421	1.556
1996	3.708	3.980	1.131	1.214
1997	3.765	3.970	1.119	1.180
1998	3.715	3.873	1.224	1.276
1999	5.758	5.899	1.210	1.240
2000 (est)	5.378	5.378	.666	.666

Source: Office of Management and Budget and CRS calculations.

Due to the consolidation of U.S. foreign policy agencies beginning in FY2000, it is no longer possible to present a long-term consistent budget analysis of subfunctions 153 and 154 beyond FY1999. Funding for the U.S. Information Agency (USIA), an independent agency until this fiscal year, had previously been grouped in subfunction 154 along with other foreign information and exchange programs. USIA merged with the State Department on October 1, 1999, and beginning in FY2000,USIA administrative expenses are combined with the State Department as part of subfunction 153. Education and exchange programs, previously managed by USIA, remain part the subfunction 154 budget, together with international broadcasting programs and several small research foundations. Budget data for FY2000 are included in tables and graphics set out below, but the analysis of spending trends ends with FY1999.

Figure 9. Conduct of Foreign Affairs



Source: OMB and CRS calculations.
FY2000 excludes supplemental requests, but includes former USIA salaries and expenses.

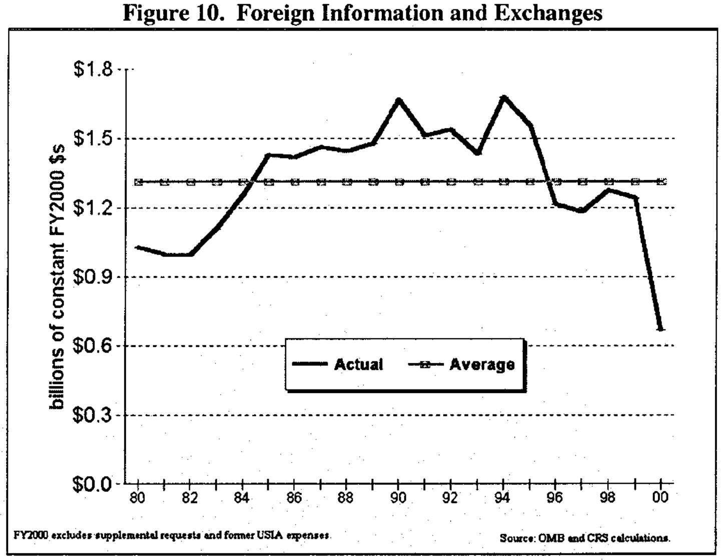
For the Conduct of Foreign Affairs, a category that is largely made up of State Department operational costs and assessed contributions to the U.N., other international organizations, and peacekeeping, the general trend has been steady growth between FY1980 and FY1994, with sharper increases occurring in the mid-1980s when the U.S. implemented a diplomatic security initiative, and the early 1990s when U.N. peacekeeping payments grew. Budget authority fell from $5 billion in FY1994 to $4.2 billion in FY1995, to about $3.9 billion the next two years, and to $3.8 billion in FY1998. Following the August 1998 bombings at U.S. embassies in Kenya and Tanzania, the Administration proposed and Congress approved a $1.5 billion new embassy security initiative for FY1999. This, combined with a $475 million appropriation to clear a portion of U.S. arrears at the United Nations,[4] pushed subfunction 153 resources for FY1999 to $5.9 billion, the highest amount in either

[4] Although Congress appropriated $100 million in FY1998, $475 in FY1999, and $351 million in FY2000 for U.N. arrears, the funds did not become available until passage in late November 1999 of legislation authorizing the payments (H.R. 3427, as enacted by reference in P.L. 106-113, the Consolidated Appropriations Act for FY2000.

nominal or real terms over the past two decades. The FY2000 level is down to $5.38 billion, an amount that is actually lower, compared with FY1999, since former-USIA administrative costs are now incorporated into subfunction 153. Unlike other areas of Function 150, funding for the Conduct of Foreign Affairs in FY1999 (the most current year for which consistent comparisons with the past two decades can be made) is 53% higher, in real terms, than the average annual level of $3.86 billion over the past 21 years.

Over the long-term, add-ons for enhancing diplomatic security, establishing new embassies and consulates in the former Soviet Union, and paying higher peacekeeping bills, have all been major reasons for the upward spending trend in subfunction 153. But an additional factor is the comparatively large proportion of State Department personnel costs met in this spending element as compared to the foreign aid accounts. Salaries and other expenses usually have cost-of-living increases built in so that at a minimum, they keep pace with inflation. Foreign aid accounts, on the other hand, include a much smaller proportion of personnel costs relative to total spending.

Figure 10. Foreign Information and Exchanges



Foreign Information and Exchanges, a category that includes USIA operations, its exchange programs, international broadcasting, and the National Endowment for Democracy, received $1.24 billion for FY1999, a level 5.3% less than the annual average amount of $1.31 billion during the past two decades. Similar to State Department funding levels, discretionary budget authority for information and exchange programs rose steadily, in real terms, during the 1980s. Downsizing and consolidation of U.S. international broadcasting operations, cuts in exchange programs, and reductions for USIA salaries and expenses have been the main areas reduced since FY1995. The FY2000 budget falls to $666 million because of the transfer of former-USIA administrative expenses from subfunction 154 to subfunction 153.

State Department and International Organizations/Peacekeeping

Administration of Foreign Affairs and International Organizations and Peacekeeping represent the major components of subfunction 153. Administration of Foreign Affairs includes a number of accounts funding salary and operational expenses of the State Department. Discretionary budget authority increased sharply in the mid-1980s with implementation of a diplomatic security initiative. Funding rose again in the early 1990s, largely due to increased diplomatic costs during the Persian Gulf War and for the construction of a new U.S. embassy in Moscow. Levels declined through FY1998, remaining relatively stable at about $2.67 billion for the three year period, FY1996-1998, and slightly below the $2.79 billion 21-year annual average. As noted above, the significant increase for FY1999 — by over 50% — is the result of a $1.5 billion add-on for diplomatic security upgrades in the wake of the embassy bombings in Africa.

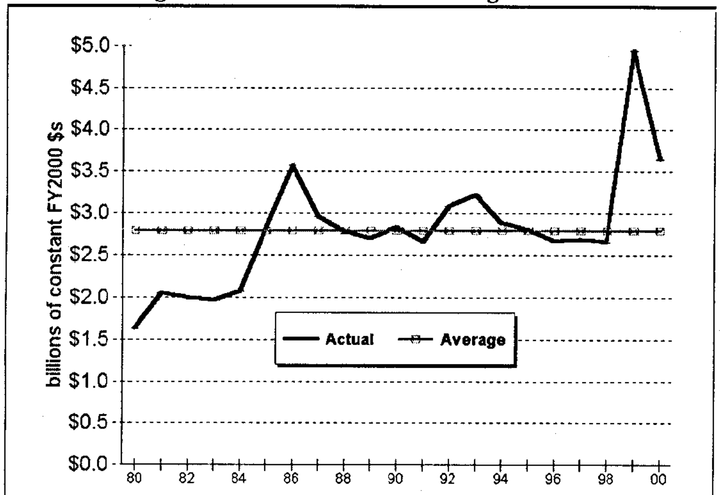
Table 6. State Department & International Organizations/Peacekeeping
Discretionary Budget Authority
($s billions)

Fiscal Year	"State Department" Admin of Foreign Affairs		Intl Organizations & Peacekeeping	
	$s current	**$s constant**	**$s current**	**$s constant**
1980	0.822	1.628	0.507	1.004
1981	1.138	2.046	0.466	0.838
1982	1.181	1.995	0.466	0.787
1983	1.219	1.966	0.527	0.850
1984	1.335	2.069	0.596	0.924
1985	1.877	2.819	0.559	0.839
1986	2.446	3.574	0.477	0.697
1987	2.089	2.956	0.420	0.594
1988	2.036	2.778	0.515	0.703
1989	2.058	2.698	0.521	0.683
1990	2.242	2.835	0.702	0.888
1991	2.190	2.660	0.910	1.105
1992	2.614	3.082	1.035	1.220
1993	2.808	3.217	1.379	1.580
1994	2.575	2.886	1.938	2.172
1995	2.563	2.806	1.397	1.530
1996	2.482	2.664	1.254	1.346
1997	2.553	2.692	1.244	1.312
1998	2.550	2.658	1.212	1.264
1999	4.823	4.941	1.628	1.668
2000 (est)	3.648	3.648	1.623	1.623

Sources: Senate Appropriations Committee, Department of State, and CRS calculations.

The FY2000 amount of $3.65 billion continues the multi-year embassy security initiative, but at reduced amounts compared with the previous year. FY2000 also represents the first year that former-USIA salaries and expenses are included in the Administration of Foreign Affairs appropriation account. The current funding level is 31% higher than the annual average over the past two decades, although it includes these additional former-USIA costs.

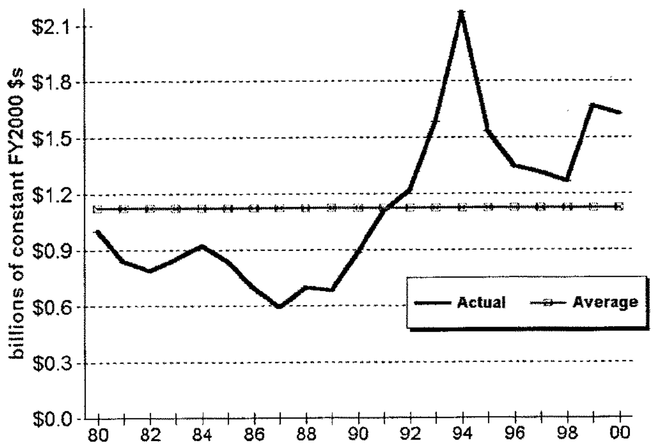
Figure 11. Administration of Foreign Affairs



Source: Senate Appropriations Committee, Department of State, and and CRS calculations.

The category of International Organizations and Peacekeeping (also referred to in appropriation acts as International Organizations and Conferences) includes both U.S. assessed contributions to the U.N. and a broad range of international agencies, as well as United States assessed payments to U.N. peacekeeping operations. For roughly the first ten-year period of the past two decades, U.S. assessed contributions declined steadily, in real terms. Beginning in 1990, however, at a time the U.N. launched an unprecedented number of new peacekeeping operations, discretionary budget authority rose dramatically over a six year period. In real terms, from $697 million in FY1989, U.S. assessed contributions grew to $2.172 billion in FY1994 when Congress agreed to a large peacekeeping supplemental appropriation. With fewer new U.N. operations initiated and increasing budget pressures in the United States, U.S. payments fell significantly the next four years. Following congressional approval of $475 million and $351 million in back dues owed the United Nations for FY1999 and FY2000, respectively, amounts for the past two years have grown significantly. FY1999/2000 funding are, with the exception of FY1994, the highest in real terms over the past two decades, and 46% more than the annual average amount of U.S. assessed contributions to international organizations and conferences ($1.125 billion)

Figure 12. International Organizations & Peacekeeping



Source. Senate Appropriations Committee, Department of State, and CRS calculations.

USIA and Exchange Programs

USIA, which was consolidated within the State Department on October 1, 1999, had maintained a relatively stable budget level through FY1995. USIA salaries and expenses appropriations (excluding VOA and other broadcasting costs), in real terms, averaged between $500 and $600 million annually. During the 1990s, spending patterns fall into two distinct periods. Between 1990 and 1995, funding remained more constant than the previous decade, averaging about $525 million per year. Appropriations have declined since 1995 to an average of about $463 million, in real terms. The current estimate of $465 million represents the lowest level, when calculated using constant dollars, since 1983, and is 12% below the $518 million annual average for the entire 17 year period.

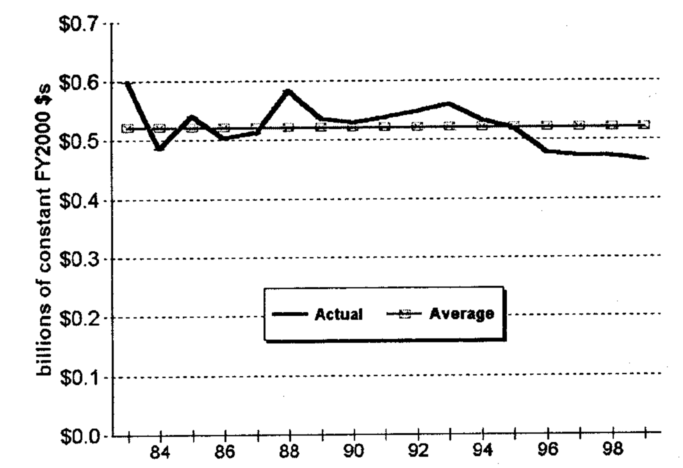
Table 7. USIA and Exchange Programs
Discretionary Budget Authority
($s billions)

Fiscal Year	USIA Salaries & Expenses		Educational & Cultural Exchanges	
	$s current	$s constant	$s current	$s constant
1983	0.371	0.598	0.084	0.135
1984	0.313	0.485	0.100	0.155
1985	0.360	0.541	0.140	0.210
1986	0.345	0.504	0.134	0.196
1987	0.362	0.512	0.145	0.205
1988	0.427	0.583	0.150	0.205
1989	0.409	0.536	0.150	0.197
1990	0.418	0.529	0.154	0.195
1991	0.442	0.537	0.163	0.198
1992	0.464	0.547	0.194	0.229
1993	0.489	0.560	0.242	0.277
1994	0.476	0.534	0.241	0.270
1995	0.475	0.520	0.233	0.255
1996	0.445	0.478	0.200	0.215
1997	0.448	0.472	0.185	0.195
1998	0.453	0.472	0.198	0.206
1999	0.454	0.465	0.201	0.206
2000 (est)	NA	NA	0.204	0.204

Source: Senate Appropriations Committee, OMB, State Department, and CRS calculations.

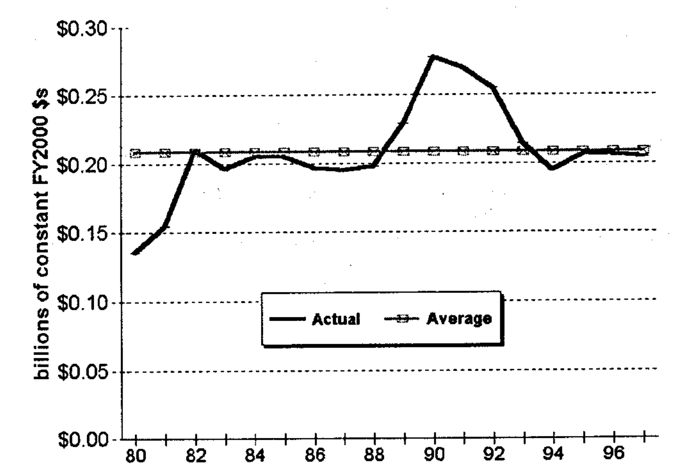
Educational and cultural exchange budgets, with the exception of a brief surge in the mid-1990s, have maintained relatively stable levels of funding since 1983. After eight years during the late 1980s and early 1990s of appropriations around $200 million per year (in constant terms), Congress increased spending for exchange programs during the period, FY1992-1995, to an annual average of about $250 million, Like other foreign policy programs, however, funds for USIA exchanges fell in FY1996 by nearly one-sixth, in real terms, and have remained at approximately $200 million since. The current funding estimate of $201 million is slightly less (3%) than the 17 year annual average of $207 million.

Figure 13. USIA Salaries and Expenses



Source: OMB, Senate Appropriations Committee, Department of State, and CRS calculations.

Figure 14. Educational & Cultural Exchanges



Source: OMB, Senate Appropriations Committee, Department of State, and CRS calculations.

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

February 25, 2000

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

The Honorable Frank R. Lautenberg
Ranking Minority Member
Committee on the Budget
U.S. Senate
Washington, D.C. 20510

Dear Senators Domenici and Lautenberg:

Pursuant to Section 301(d) of the Congressional Budget Act, I want to thank you for giving me the opportunity to provide the Budget Committee with the views and estimates regarding the President's Fiscal Year 2001 budget as it affects programs under the jurisdiction of the Committee on Governmental Affairs.

Federal government management initiatives

As you know, the Governmental Affairs Committee is charged with studying the efficiency, economy, and effectiveness of all agencies and departments of the government. Unfortunately, it is clear that the American public increasingly finds the government ineffective, wasteful, and unresponsive. For too long, funding of federal programs has continued to increase without any accountability for results. In an effort to address the waste, fraud, and abuse in government, this Committee has proposed and Congress has enacted a statutory framework to instill a more performance-based approach to the management and accountability of the federal government and to solve many of the management problems that plague federal operations and programs. It is time to reward those areas of the federal government that are working and hold accountable those that aren't.

The statutory framework aimed at bringing about this level of accountability includes the Government Performance and Results Act; financial management statutes, such as the Chief Financial Officers Act; and information resources management statutes, such as the Clinger-Cohen Act. The framework also includes the Federal Managers' Financial Integrity Act, debt collection and credit reform legislation, and the Inspector General Act. These laws require agencies to plan responsibly, set goals for success, and measure their performance. The

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 2

American people deserve to know the results they are getting for their tax dollars.

In many cases, programs continue to operate without knowledge of what results they are achieving. In some, however, measurable results are evident. Where possible, the Committee urges the Committee on the Budget to allocate resources to those programs and functions of the federal government that have demonstrated results and to hold those which haven't demonstrated results accountable.

Further, there has been too little progress in solving the major management challenges that seem to persist at most agencies. Year after year GAO and agency inspectors general report on the same, seemingly intractable management problems. GAO's high risk list has lengthened each Congress, and ten of the problems on the original 1990 high risk list are still on that list today. After looking at FY '99 performance plans prepared by agencies pursuant to the requirement under GPRA, GAO has determined that there are specific goals to solve less than half of the major management problems identified by GAO and agency IGs, although OMB ostensibly requires agencies to set such goals.

Performance Management Objectives

The Office of Management and Budget issued its first set of "Priority Management Objectives" as part of the initial FY '99 government-wide performance plan submitted under the Government Performance and Results Act. At that time, OMB developed specific performance measures/commitments for each of the 11 government-wide and 11 agency-specific PMOs for FY '99. Yet, the President's budget outlining his PMOs for FY '01 does not include any goals or milestones for addressing the government's most serious management problems.

The Administration deserves credit for continuing the PMOs. However, the usefulness and effectiveness of the PMOs could be enhanced. OMB should (1) establish specific and measurable performance commitments to address these problems and (2) hold responsible officials accountable for follow-through. I urge the Committee on the Budget to insist that OMB take these simple steps to make progress in addressing many of these intractable management problems.

Federal employee pay

The President recommends a 3.7 percent increase for federal civilian pay for FY '01, consistent with his recommended pay increase for the military. This follows the increase in civilian pay in FY '00 of 4.8 percent, which was 0.4 percent over the President's recommendation for FY'00.

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 3

Annual adjustments for civilian personnel are governed by the Federal Employees Pay Comparability Act (FEPCA), section 529 of P.L. 101-509. If the FEPCA formula was followed, the pay adjustment necessary to close the pay gap between the federal and private sector would be more than 16 percent. Because of deficit reduction goals and other efforts to control spending, FEPCA has never been fully implemented. Committee members note that the President's budget stipulates that the proposed 3.7 percent adjustment represents an increase greater than the recent wage growth in the private sector. Clearly Congress must strive to meet the dual goals of attracting and keeping a qualified workforce and maintaining budget discipline.

The President requests that action be taken to reverse last year's change in pay dates for many civilian and military personnel. The FY '00 budget contained a provision directing that pay checks for affected personnel that were originally scheduled to be sent out the last week in September be delayed until the first week in October. This move shifted approximately $4.3 billion in payroll costs into FY '01 as a means to meet FY '00 budget limits. While shifting the payroll dates into the next fiscal year may improve the budget numbers for FY '00, the savings achieved are illusory in the long term and this practice does not promote sound budget policy.

Federal employee health benefits

The Federal Employees Health Benefits Program was established in 1960 and is the nation's largest employer-sponsored health benefits program, providing more than $18 billion in health care benefits to almost nine million federal employees, annuitants and their families.

The President's budget notes his intention to allow federal employees to pay their annual health insurance premiums out of pre-tax income. The budget points out that this benefit is available to most employees in the private sector and State and municipal governments. The Committee recognizes that Postal Service employees already benefit from this favorable tax treatment, as do Judicial Branch employees as of January 1, 2000. In addition, the budget indicates that the Administration will propose legislation that will help control the future growth rate of FEHBP premiums by leveraging the purchasing power of the federal government by carving out dental benefits as a stand-alone plan.

The Committee has been concerned about the rising costs of health care and the recent increases in the FEHBP. This year, rates increased at an average of 9.3 percent, following a 10.2 percent increase in 1999, and an 8.5 percent increase in 1998. The Committee encourages the Office of Personnel Management, which administers the program, to act prudently in assuring

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 4

that premium increases will be kept at a minimum while assuring quality health care to all plan participants.

One area of interest with the program centers on efforts taken by OPM in reducing and preventing medical errors. According to the Institute of Medicine, as many as 98,000 Americans die each year as a result of medical errors. The Committee is working with OPM to develop strategies to improve health care quality and patient safety through the prevention of medical errors affecting FEHBP enrollees.

Federal employee retirement

The bipartisan accord struck in the Balanced Budget Act of 1997 mandated increased retirement contributions on the part of agencies and employees. These increased pension contributions were scored as general revenue receipts and contributed to reducing the deficit by almost $4.8 billion.

As part of the agreement, employees in both the Civil Service Retirement System and the Federal Employees Retirement System will pay an additional 0.5 percent contribution for their defined benefit retirement coverage. These increased employee contributions are being phased in over a three year period and the first of these phased-in increases took place on January 1, 1999. When fully implemented, employees covered by the CSRS will contribute a total of 7.5 percent of salary and employees participating in FERS will pay 1.3 percent. These increases are scheduled to remain in effect until the end of calendar year 2002.

The President's budget proposes to sunset these increases, and return to the pre-1999 contribution levels, effective January 1, 2001. The Administration estimates the cost of this rollback to be approximately $1.2 billion.

The Committee recognizes the financial contribution made by federal and postal employees and retirees in past efforts at deficit reduction. Significantly, the Senate Budget Resolution over the past two years has not contained any assumptions targeting federal retirement programs for reductions. The 1997 accord was a carefully negotiated agreement and the federal retirement component was the product of several years' efforts. Further, the 1997 agreement was adopted at a time when the current budget surpluses had not be anticipated. Accordingly, consideration of this proposal must be done in the context of evaluating the cost to the federal government and the impact its adoption might have on the overall budget that Congress enacts.

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 5

Another initiative highlighted in the President's budget is a proposal to allow newly hired federal employees to participate immediately in, and to roll over private sector accounts into, the Thrift Savings Plan. The TSP is a critical component of federal employee retirement benefits and is particularly important for those employees covered by the FERS. The Administration proposal is consistent with H.R. 208, a bill which is currently pending before the Committee. The Congressional Budget Office estimates H.R. 208 would increase discretionary spending by $35 million through FY '04. Members of the Committee look forward to reviewing H.R. 208.

One additional critical issue affecting federal retirement that the Committee is addressing is the correction of the erroneous enrollment coverage of federal employees who have been placed, through no fault of their own, in the wrong retirement system. The Senate approved S. 1232 last session and is working with the House to strike an agreement to correct this situation. There are considerable differences in the cost estimates for the House and Senate bills. The CBO estimates that S. 1232 would decrease discretionary spending by $42 million through FY '04 while increasing direct spending by $42 million over the same period. In contrast, CBO estimates H.R. 416 would increase discretionary spending by $346 million and reduce direct spending by $113 million over the same period.

Additional federal personnel initiatives

The Administration's budget also includes several other legislative initiatives affecting federal personnel. The President indicated his intent to pursue legislation enacting a long-term care insurance program for federal and postal personnel. Currently pending before the Committee are three legislative measures and the Committee has been working with bill supporters in an effort to develop a comprehensive package. The Committee anticipates that premiums will be funded by the enrollees for this program.

Further, the Administration has sought a new grant of authority to implement system-wide buy-out legislation. Buyouts have been used by the Executive Branch in efforts to reduce the size of the federal workforce. However, the General Accounting Office, in a report to the Committee, pointed out that the Administration's management of this downsizing tool lacked adequate strategic planning. It is important that strategic planning be a component of any buyout legislation that may be considered.

Budget process reforms - biennial budgeting and appropriating

The Committee is encouraged that the President's budget endorses a key budget process reform initiative - the biennial budget. Last year, the Committee reported S. 92, a bill establishing a biennial budget and appropriations process, and the Committee is working closely

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 6

with the Budget Committee to secure its adoption during the second session of the 106th Congress. S. 92 directs that Congress spend the first session of each Congress planning the budget and enacting appropriations bills, with the second session devoted to authorizations and oversight.

Biennial budgeting and appropriating would improve budget planning in both the Executive and Legislative Branches. For agencies, a two-year budget would provide greater predictability and planning certainty for program administrators and beneficiaries. For legislators, a biennial budget and appropriations cycle would permit the authorizing committees more time to devote to oversight activities.

Our current process requires Congress to spend an extraordinary amount of time planning on how to spend the taxpayers' money. A biennial budget and appropriations process would allow Congress greater time to devote to ensuring that those taxpayer dollars are wisely spent.

Census Bureau funding

President Clinton requested $542 million in FY '01 funding for the Department of Commerce's Census Bureau. This funding request includes approximately $421 million for Census 2000.

Following last year's Supreme Court ruling which reaffirmed the Bureau's legal responsibility to enumerate the population for the nation's apportionment count, the Bureau developed a new operational strategy calling for a two-count census: one for apportionment, and another for all other activities. Concerns have been expressed that this strategy will negatively impact the operational feasibility of an accurate population count. Members of the Committee urge the Bureau to successfully manage its operations in order to count every American and present accurate data to the President by December 31, 2000.

General Services Administration real property management

Included in last year's Administration budget proposals was a stated management objective for the General Services Administration to improve its management of the federal government's real property assets. This year's budget lacks this important policy objective. The General Services Administration's Public Buildings Service provides work space for approximately one million Federal employees nationwide, and controls forty percent of the Government's owned and leased office space. The Federal government is changing-- in some cases agencies are downsizing and require less space, while other customer agencies are expanding and require increased space. The Committee urges the Administration to continue to

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 7

pursue the goal of devising policy recommendations for the better management of the government's real property.

Managing information technology

As part of the Committee's continuing interest in government-wide information management issues, and in response to concerns about how the federal government was managing information technology, the Committee developed what was enacted as the Clinger-Cohen Act of 1996. The bill (Public Law 104-106, Divisions D and E) mandates that, among other things, executive agencies and departments implement processes for information technology capital planning and investment control. The Committee continues to be focused on ensuring that the government effectively and efficiently acquires and manages its information resources through the tools it has been afforded and is pleased the Administration's Fiscal Year '01 information management priorities reflect the Clinger-Cohen Act mandates.

Funding for critical infrastructure protection

On January 7, 2000, the Administration released its National Plan for Information Systems Protection – a program aimed at securing federal and private networks from cyber attacks by 2003. In the 105th Congress, the Committee conducted a number of hearings on this issue and, at the end of the last session of Congress, Senator Lieberman and I introduced S. 1993, the Government Information Security Act.

The Administration has suggested that in order to fully implement the plan increased resources are required. As a result, the Administration has requested that Congress approve a $90 million increase over last year's funding for computer security-- a 16 percent increase over the more than $1 billion previously allocated. While approximately $621 million will be earmarked for Federal research and development efforts, the remaining funds are expected to be used for computer system protection, intrusion detection monitoring, risk assessment, and education and training.

At first glance, the suggested allocation of these resources seems to underline and highlight critical concerns which need to be addressed in order to combat cyberterrorism. However, a number of the proposals-- such as those dealing with training security personnel, research and development funding, and a Federal Intrusion Detection Network-- need to be studied further to determine if these are appropriate solutions. The Committee believes that an in-depth review of overall computer security spending should be conducted in order to determine the necessary level of spending for this important management function. To that end, the Committee has begun conducting oversight in this area.

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 25, 2000
Page 8

Conclusion

Members of this Committee look forward to working with the Members of the Committee on the Budget in efforts to craft a fair and fiscally-sound budget measure that addresses the government's major management challenges, thereby helping to strengthen the trust of the American people in their government.

Sincerely,

Fred Thompson
Chairman

cc: The Honorable Joseph I. Lieberman
Ranking Minority Member

FT:dgb

United States Senate
COMMITTEE ON
GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

February 29, 2000

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Senator Domenici:

In my capacity as the Ranking Minority Member of the Senate Subcommittee on International Security, Proliferation, and Federal Services on the Committee on Governmental Affairs, with jurisdiction over programs affecting the federal civil service, I am pleased to provide you with my views regarding the President's fiscal year 2001 budget.

The President's budget proposal underscores the interest in one of the federal government's most valuable assets: its employees. Federal and postal employees have contributed so much to the successes enjoyed by the government. However, these same employees, along with federal annuitants, have seen their benefits eroded through deficit reduction legislation. It is critical that federal workers are provided with competitive compensation and benefits in order to continue to recruit and retain employees. Without the necessary tools to remain competitive with the private sector, the federal government will be unable to attract a qualified workforce. The President's budget offers several proposals to assist the federal government in this effort.

The President's budget proposes to restore federal employee retirement deductions to pre-1999 levels (7 percent for employees covered by the Civil Service Retirement System (CSRS) and 0.8 percent for employees covered by the Federal Employees Retirement System (FERS). The temporary higher retirement contributions required of federal employees was agreed to by the Administration and Congress as part of the Balanced Budget Act of 1997, which was enacted as a means to eliminate the budget deficit. The nation's federal employees were called upon to make their contribution to the balanced budget effort by increasing CSRS and FERS employee deductions by 0.25 percent in January 1999, by an additional 0.15 percent in January 2000, and by 0.10 percent more in January 2001, for a total increase of 0.50 percent The higher employee deduction rates are to be in effect through December 2002.

The Honorable Pete V. Domenici
February 29, 2000
Page 2

Given projected budget surpluses over the next 10 years, the President's budget proposal would return the employee retirement contribution rates to the normal level in January 2001, two years earlier than when that action would have occurred under the Balanced Budget Act. It is important to note that through the end of 2000, federal employees will have contributed an extra $446 million toward eliminating the budget deficit. Since conditions requiring increased employee deductions no longer exist, the budget proposal would simply be an earlier reversion to the provisions of permanent law because the goals were met ahead of schedule. Without adopting the President's proposal, federal employees will be taxed an additional $1.2 billion, even though the deficit has already been eliminated. It is wrong to ask federal employees to sacrifice more than is necessary. I support ending these temporary increases at the end of 2000, and I would oppose efforts to make them permanent.

The budget proposal would reverse action taken last year in the Fiscal Year 2000 Omnibus Appropriations bill to delay into fiscal year 2001 the last fiscal year 2000 paycheck of many civilian employees and military personnel. This delay in pay shifted $4.3 billion into FY01 as a means to meet FY00 budget limits. I support restoring the normal pay dates so that salaries originally paid in the last week of September would occur on the appropriate day rather than during the first week in October.

Finally, I support the President's budget proposal to give federal employees a 3.7 percent pay increase in 2001, the same proposed raise for military personnel. Although this recommended pay raise is greater than the recent wage growth experienced in the private sector, I am mindful that the Federal Employees Pay Comparability Act (FEPCA) has never been fully implemented, and the 3.7 percent raise is less than what would be conferred under FEPCA.

Thank you for providing me with this opportunity to relay my views to you. If I may be of further assistance to you and the Committee on the Budget, please do not hesitate to let me know.

Aloha pumehana,

Daniel K. Akaka

DANIEL K. AKAKA
Ranking Member, Subcommittee on
International Security, Proliferation, and
Federal Services

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510–6275

March 2, 2000

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Frank R. Lautenberg
Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Pete and Frank:

Thank you for your recent letter requesting my views pursuant to Section 301(d) of the Congressional Budget Act. As you know, the Committee on the Judiciary has jurisdiction over the Department of Justice, the Judicial Branch, and other Administration of Justice programs, as well as matters relating to the U.S. Patent and Trademark Office. After consultation with members of the Committee, I have prepared the following comments regarding the budget of the Department of Justice and the Patent and Trademark Office.

As I noted last year, the fiscal discipline exhibited by Congress in the past several years, culminating with the historic 1997 balanced budget agreement, has helped maintain and ensure a robust economy not just for now, but for the next generation as well. Maintaining a truly balanced federal budget will, of course, require us to make tough choices about spending priorities. Such changes must be executed in a fashion to ensure that each dollar is spent in a productive fashion. No department should be exempt from careful scrutiny as we strive to allocate properly these funds in a realistic and responsible manner.

Exercising fiscal responsibility also requires us to carry out the core functions of government. As I am certain you agree, the administration of justice, including the protection of the public from the threats of crime, terrorism and violence, and the enforcement of our laws, are core functions of government, ranking in importance just behind national defense. Indeed, as we begin the new millennium, these threats are becoming more sophisticated and dangerous, making vigilance more important than before. I look forward to working with you to develop a budget resolution that reflects the importance of this category of spending.

March 2, 2000
Page 2

With these thoughts in mind, I am pleased to provide you with the views and estimates of the Committee on the Judiciary for the FY 2001 budget. The recommendations of this letter enjoy the support of a majority of Judiciary Committee members.

Violent Crime Reduction Trust Fund Extension

The views and estimates reflected in this letter include a recommendation that the budget reflect a reauthorization of the Violent Crime Reduction Trust Fund ("VCRTF" or "Trust Fund"). Since its creation in the 1994 crime law, the VCRTF has provided billions of dollars of assistance to state and local governments for the fight against crime. Additionally, significant federal law enforcement functions are funded in part from the Trust Fund.

Authority for the Trust Fund is presently scheduled to expire after FY 2000. Without an extension, vital state and local law enforcement assistance, as well as important federal law enforcement activities, will be put in jeopardy. According to Congressional Budget Office staff, if the VCRTF were extended in its current form, it would include budget authority and outlays through FY 2005 as follows:

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
			(Dollars in Billions)		
BA	$6.025	$6.169	$6.316	$6.458	$6.616
Outlays	$5.718	$6.020	$6.161	$6.303	$6.452

I urge you to protect the vital programs funded by the VCRTF by including an extension of the Trust Fund in the budget resolution.

State and Local Law Enforcement Assistance

For the second consecutive year, I am very concerned with proposals in the President's budget concerning assistance to state and local law enforcement. State and local law enforcement assistance programs, funded largely through the Office of Justice Programs (OJP) and its constituent offices, are a major component of the Department of Justice budget.

As in past years, however, the President's budget request includes questionable programmatic and funding recommendations which, if adopted by the Congress, could put at risk programs vital to the partnership between the federal government and state and local governments to combat crime. The President proposes cutting important programs of proven effectiveness. The recent gains of state and local law enforcement in the fight against violent crime are fragile, and we ought not risk present tentative successes with unwise budget cuts and adoption of untested programs.

Violent Offender Incarceration and Truth in Sentencing Incentive Grant Program: Foremost among my concerns is the President's proposal to drastically reduce funding for the Violent Offender and Truth-in-Sentencing Incentive Grant program ("VOI/TIS grants"). The VOI/TIS grants program has, by any measure, been a tremendous success, making our streets safer by providing critical money to States for prison construction. The VOI/TIS program was adopted in the 1994 crime law and significantly strengthened by Congress in 1996. The approximately $700 million that has been appropriated each year since FY 1996 for the VOI/TIS program has had a significant impact on crime rates. Unfortunately, the President requests only $75 million for VOI/TIS in FY 2001.

By encouraging states to adopt truth-in-sentencing laws, which require violent criminals to serve at least 85 percent of their sentences, the VOI/TIS grant program has helped reverse the dramatic reductions in average prison sentence lengths. Crime rates only started to fall after lax incarceration trends began to be reversed this decade through the adoption of state truth-in-sentencing laws. Indeed, the Justice Department reported last year, that partly because of this federal assistance, 70 percent of prison admissions in 1997 were in states requiring criminals to serve at least 85 percent of their sentence.

The increase in prison construction has directly reduced violent crime. For example, according to the FBI, 1998 had the lowest violent crime rate since 1985. The 1998 violent crime rate was 7 percent lower that the 1997 rate, 21 percent lower than the 1994 rate, and 15 percent lower the 1989 rate. Specifically, 1998 experienced the lowest national murder rate since 1967 -- 6 murders per 100,000 inhabitants. This represents a 7 percent decline from 1997. Forcible rape declined 3.2 percent in 1998. Robbery declined 10.4 percent. Aggravated assault declined 4.8 percent. *No program has contributed more to these declines in crime than the Violent Offender and Truth-in-Sentencing Incentive Grant program.*

Because of its importance to our efforts to fight crime, I urge the continued funding for this program in the FY 2000 budget.

Local Law Enforcement Block Grants: The President again proposes zero funding for the Local Law Enforcement Block Grant program (LLEBG), which provides assistance on a formula basis to local law enforcement agencies. The LLEBG has made it possible for local police and sheriffs departments to acquire efficiency-enhancing technology and equipment. Eliminating this program, which was funded at $523 million in FY 1999 and $497 million in FY 2000, represents a severe blow to federal efforts to assist local communities in the war against crime. Those funds should be restored to the LLEBG.

Byrne Grant Program: I am also concerned that the President proposes reductions in the Byrne Grant program. This highly successful and popular program provides needed assistance to state and local law enforcement for a wide variety of programs and services such as purchasing capital equipment. The President's budget proposes to cut funding for the Byrne formula grant program by $100 million, from $500 million appropriated last year to $400 million.

Juvenile Crime and Accountability Programs: I am disappointed that the President again requests no funding for the Juvenile Incentive Block Grant. This program provides valuable grants to States for a variety of law enforcement purposes, including graduated sanctions, drug testing, and juvenile detention and incarceration.

Juvenile crime continues to be among the greatest criminal justice challenges faced in America. Juveniles account for nearly one-fifth of all criminal arrests in the United States. In 1997, juveniles age 15 to 19, who were only 7 percent of the population, committed 22.2 percent of all crimes, 21.4 percent of violent crimes, and 32 percent of property crimes. In 1998, juveniles accounted for 18 percent of all criminal arrests and 16.6 percent of all violent crime arrests. Even with recent reductions in juvenile crime, there is a strong potential for significant increases in juvenile crime as the children of the "baby boom generation" mature into the prime age for criminal activity.

Last year, the Juvenile Incentive Block Grant received $237 million. *This is the only federal money dedicated to juvenile law enforcement and accountability programs.* By contrast, the federal government spends billions of dollars in prevention funds for at-risk youth. There should be a balanced approach to juvenile crime with resources dedicated to prevention <u>and</u> accountability. Inexplicably, the President requests no money for the Juvenile Incentive Block Grant, and as a result, adopts an unbalanced approach to juvenile crime.

State Criminal Alien Incarceration Grants: I am relieved that the President's proposed budget proposes increases in the important State Criminal Alien Assistance Program (SCAAP), which reimburses States and units of local government for costs incurred in incarcerating illegal aliens who commit crimes in this country. These reimbursements fulfill a fundamental federal responsibility to at least partially indemnify states for the costs of illegal immigration, and should be funded at an adequate level. The President requests $600 in the (SCAAP) program, which received $420 million in appropriations for FY 2000.

Criminal Technology Grants: Crime technology spending is critical to making significant reductions in the crime rates in our communities. Indeed, technology is the future of police work, because it is necessary to solve more crimes rapidly and to pursue increasingly sophisticated, mobile criminals. Millions of dollars have already been invested in national systems, such as the Integrated Automated Fingerprint Identification System and the National Criminal Information Center 2000, which require state participation in order to be effective.

Additionally, state and local governments are at a crucial juncture in the development and integration of their criminal justice technology. The Crime Identification Technology Act (CITA) (P.L. 105-251) provides for system integration, permitting all components of criminal justice to share information and communicate more effectively on a real-time basis. There is also a tremendous need to integrate the patchwork of Federal programs that fund only specific areas of anti-crime technology. If the current system of disparate funding streams is continued, resources will be squandered.

Last year, pursuant to CITA, Congress appropriated $130 million, to assist state and local justice systems updating and integrating their anti-crime technology systems. CITA annually authorizes to states $250 million for crime technology. This funding enables vital state and local participation in our national information and identification systems. While the President recommends $199 million for CITA, those funds are earmarked for the President's priorities, rather than, as authorized by CITA, for local and state anti-crime technology assistance. I strongly recommend full funding for CITA, which I believe is essential to support state and local enforcement, and to capitalize on our national investment in anti-crime technology systems. Further, it would be my hope that such appropriation would be made without significant earmarks for the Administration's projects.

Drug Abuse

Overall, the Administration is requesting $19.2 billion for FY 2001 for drug control funding, which amounts to an increase of $1.7 billion over the FY 2000 enacted level. Included in this funding is $318 million in FY 2001 for support of international counterdrug efforts in Columbia and the Andean region. In addition to this amount, the Administration has requested $954 million in FY 2000 for the Columbia and Andean region efforts, for a total of $1.6 billion over FY 2000-20001. While I support the belated increase in resources to address the burgeoning cocaine production problem in Colombia, I am deeply concerned about what appears to be a lack of a coherent strategy behind the Administration's proposal. First, I am concerned that such a strategy makes no clear distinction between counter-insurgency and counter-narcotics approaches. While Colombia, with its overlapping criminal-political crisis, admittedly presents a difficult national security challenge, the Administration's proposal fails to appreciate the distinctly different characteristics of the counter-narcotics and counter-insurgency threats. Second, and related to the previous point, is my concern that there may be insufficient focus on the law enforcement elements of an expanded Colombia counter-narcotics program. Finally, the Colombia program does not give sufficient emphasis to a regional approach. I do not think it is in our long-term interests to shift the problem away from Colombia back to Peru and Bolivia, where our efforts have had substantial success in eradication in recent years.

Aside from the Administration's Columbia proposal, there appears to be further neglect of our efforts to interdict drugs in transit to the United States. In particular, a recent GAO report revealed that since 1992, the Department of Defense's (DOD) role in supporting international drug control efforts has decreased significantly. According to the report, between 1992 and 1999, the number of DOD flight hours devoted to detecting and monitoring illegal drug shipments declined from about 46,000 to 15,000 (a 68 % decline), and the number of ship days declined from about 4,800 to 1,800 (a 62% decline). As you well know, DOD is the lead federal agency for discovering and monitoring maritime and aerial shipments of illegal drugs, and its counterdrug activities are integrated with the activities of other agencies, such as the Coast Guard, Customs Service, and the Drug Enforcement Administration. It therefore comes as a surprise that the Administration only requested a 2.4% increase in funding for DOD support in the drug control effort. We must work to reverse this trend and to provide our law enforcement agencies with the information and intelligence they need to prevent drugs from penetrating our borders.

I am also disturbed that the President's budget provides no funds for policing initiatives to combat methamphetamine production and trafficking or to enhance local efforts in drug "hot spots." In FY 2000, $35 million was provided through the COPS program to address the methamphetamine trafficking and abuse problem that has plagued west coast and mid-western states for the last several years and to reimburse the Drug Enforcement Administration (DEA) for costs incurred by or on behalf of the DEA in connection with the removal of hazardous substances or pollutants associated with the illegal manufacture of methamphetamine. According to a new report prepared by the Community Epidemiology Work Group, a division of the National Institute on Drug Abuse (NIDA), in 1999, some cities that had been overwhelmed with methamphetamine related crime and production throughout the 1990's had lately seen a decrease in methamphetamine use indicators. The reasons given for these decreases included national and community prevention programs, as well as additional resources for discovering and seizing clandestine laboratories. Although this news is encouraging, not all cities experienced the same positive results, and indeed, many cities have seen recent increases in methamphetamine indicators. It is imperative to the continued success of our efforts to prevent the scourge of methamphetamine from spreading that we continue to fund such local efforts.

It is also extremely important that funds be made available to pay for the costs associated with cleaning-up clandestine methamphetamine laboratories. The overwhelming majority of the States do not have the resources or expertise necessary to clean-up properly the hazardous substances and pollutants left behind by methamphetamine laboratory operators. The DEA had included in its budget request $21 million for methamphetamine laboratory clean-up, but inexplicably this request was not included in the Administration's budget request. It is critical that this lack of funding be addressed.

Turning to the Administration's demand reduction proposals, while I certainly support additional funding to support prevention and treatment efforts, I remain concerned that the Administration is continuing a trend of shifting its domestic focus and resources to treatment and prevention programs, the effectiveness of which is uncertain. For instance, the President proposes $215 million in funding, of which $171.9 million is new funding, for treatment and drug testing of inmates. Included in this increase is $60 million in new funding for an Offender Re-entry Program that would provide surveillance, sanctions, and support services (including treatment) to increase protection in communities whose populations include large numbers of former inmates. It would also fund "re-entry courts" where ex-inmates would appear regularly before judges for review of their progress toward successful re-entry. The President also proposes an additional $10 million, for a total of $50 million, to continue to expand the Drug Courts program, which provides alternatives to incarceration for certain non-violent drug offenders, including specialized treatment and supervision.

While treating inmates and drug-testing probationers, parolees, and those on supervised release holds out the hope of reducing drug-driven crime, appropriate punishment for failure to remain drug free must be an integral part of the treatment and rehabilitation program. Research has shown that abstinence is most effectively achieved through treatment that includes as a component appropriate punitive sanctions, such as revocation of probation or supervised release, for failure to remain abstinent. Without the certainty of such sanctions being imposed, the rate of relapse undoubtedly will be higher and the benefits that flow from coercive abstinence will be diminished.

Counterterrorism

Attorney General Janet Reno has indicated that increased funds for counterterrorism is one of her highest priorities. We would like to reiterate that this is a top priority. The Justice Department's FY 2001 budget includes a $119.6 million increase in funds for counterterrorism. In light of the fact that the Nunn-Lugar-Domenici Domestic Preparedness Training Program is set to be formally transferred to the Office of Justice Programs on October 1, 2000, thereby expanding the role of the Justice Department in preparedness training, we believe that increased funding is necessary to cover costs associated with this and other Justice Department counterterrorism programs. Specifically, we recommend that funds, over and above those provided in the Administration's budget, be dedicated to increase pre-incident training, such as the State and Local Antiterrorism Training Program (SLATT) for state and local law enforcement to train them on how to investigate, and hopefully prevent, terrorist activities. In addition, we recommend expanded training at the Center for Domestic Preparedness (CDP) at Fort McClellan, Alabama which is expected to train 2,000 first responders in 2001. The Center serves as a training facility for first responders to domestic terrorist acts. The Center will serve as a training facility for all relevant federally supported training efforts that target state and local law enforcement, firefighters, emergency medical personnel, emergency communications personnel, and other key agencies. We believe this facility offers the best opportunity for training to assist local officials in responding to a domestic terrorist act.

Cybercrime Initiatives

Recent cyber-attacks on both government and private industry computer operations have highlighted the need for Congress to act to make the Internet more secure. To that end, the budget resolution should include adequate resources for both existing initiatives in this area, such as the National Information Infrastructure Protection Center ("NIIPC") and the Department of

Justice's Computer Crime and Intellectual Property Section, and funding for legislative initiatives the committee intends to pursue this year. Such initiatives include: assistance to the FBI Technical Support Center for training state and local law enforcement in investigating and prosecuting computer crimes, and money for a national media campaign to educate American computer users about existing rights, laws, and regulations relating to the dissemination of personal information.

2002 Winter Olympics

Bureau of Justice Assistance: Security planning for the 2002 Winter Olympic Games in Salt Lake City has been completed. I am requesting $5.432 million for FY 2001 for the implementation of the comprehensive security plan. These funds will be in addition to assistance provided under other agencies' statutory authorities, funds contributed by the State of Utah, and in the Olympic budget. The funds requested from DOJ/BJA are for the support of 2500 police officers, including uniforms and equipment, lodging for officers temporarily stationed in the Olympic area, training, and an incident tracking system.

Federal Communications Commission: The Salt Lake Organizing Committee's plan calls for a single, combined FCC Field Operations Team to support three functions: security (including counterterrorism), emergency preparedness (including management of the emergency alert systems and support of FEMA), and telecommunications (ensuring that heavy concentrations of radio signals does not interfere with the communications capability for Olympic functions as well as detecting unauthorized satellite uplinks and unlicenced transmissions). To carry out this function, $925,000 is requested for the FCC/Compliance and Information Bureau for fiscal year 2001; $130,000 is requested for fiscal year 2002.

National Oceanographic and Atmospheric Administration: Congress previously approved a four-year plan and has appropriated funds in the budget of the National Oceanographic and Atmospheric Administration for the past three years for the Cooperative Institute for Regional Prediction (CIRP). Located at the University of Utah, CIRP will provide research and technical support for weather prediction during the Olympic and Paralympic Games. This is the final request for assistance in the amount of $590,000.

Olympic Games: Please note that the Games will begin early in 2002. Funds for implementing security, communications, and weather support cannot be deferred beyond FY 2001. Preparation for the Games is entering its final phase. Systems must be in place, tested, and evaluated prior to the end of FY 2001.

Utah Communication Agency Network

Also a priority this year is funding for the Utah Communication Agency Network (UCAN). UCAN is a 800 Mhz mobile and portable radio system for the benefit and use of local, state and federal public safety agencies, UCAN's radio system will be implemented in an eight county area along the Wasatch Front. The system will link 21 public safety dispatch offices in nine counties with radio, data and 911 access. UCAN's radio and microwave infrastructure will support the 2002 Winter Games by ensuring that all public safety entities have a common communications network. The requested appropriation is $7.5 million.

Counterterrorism Research & Development, National Institute of Justice (NIJ)

The budget should also provide an additional $5 million to continue research, development, testing and evaluation of intelligent mobility systems and biological sensors. Robotic bio-sensor interventions in hostile environments to detect and designate threats can add to the safety procedures for follow-on law enforcement insertions. For intelligent mobility systems, I am urging NIJ to coordinate with the Office of the Secretary of Defense, Man-Portable Robotic Systems, in the interest of economy and the avoidance of duplication of effort.

Additionally, we request $15 million for a National Readiness Center for Chemical and Biological Terrorism. A multidisciplinary research effort by scientists from the University of Utah and Georgetown University, the center would continue the development on an innovative portable device for detecting and identifying chemical and biological agents released into the atmosphere and on the computer modeling of the atmospheric effects of such agents on populations, weather, land, and water resources. The benefits of this project include the rapid identification of agents for the proper treatment of individuals exposed to such agents.

Violence Against Women Act Programs

Congress has consistently supported funding for the majority of initiatives contained in the 1994 Violence Against Women Act. This year, the Judiciary Committee is working on legislation to reauthorize most of the programs contained in the original act for a five year period with adjusted funding levels. I believe that this legislation will continue programs with a 'rack record of effectiveness, but we are currently evaluating the utility of continuing to allocate large amounts of funding for research, as set forth in the President's budget, in areas in which millions have already been spent. The President's budget also seeks a specific $35 million allocation for legal assistance, and we are working toward the authorization of such a program as well as the expansion of the program for shelters to allow for additional temporary housing alternatives for battered women.

Radiation Exposure Compensation Act Funding

I was pleased to work with Senator Domenici and others last year as the Senate passed important legislation that amended the Radiation Exposure Compensation Act. The "Radiation Exposure Compensation Act Amendments of 1999" compensates additional individuals who were harmed by the mining of radioactive materials or fallout from nuclear arms testing.

Preliminary Congressional Budget Office estimates the cost at one billion dollars over time. Additional budget authority will be required to fund this amount. Authorization for this important legislation will be a priority this year of the Senate Committee on the Judiciary, and I look forward to working with you to ensure adequate funding of the Radiation Exposure Compensation Program.

Antitrust Division and Federal Trade Commission Funding

Recognizing the increasingly numerous and complex merger proposals confronting the Department of Justice and the Federal Trade Commission, as well as the explosive growth of high technology industries, both in the United States and abroad, a reasonable expansion of the Department's Antitrust Division and the Commission's Bureau of Competition is appropriate. For FY 2001, the President has requested a total budget of $134 million for the Antitrust Division, a 22 percent increase over FY 2000 levels, and a budget of $165 million for the Commission, a 30 percent increase over FY 2000 levels. At this point, a sufficient justification has not been made for such unprecedented increases.

The President proposes a three-tier fee increase for merger filings under Hart-Scott-Rodino to support the proposed budget increases for the Antitrust Division and the Commission. I believe that such increases are not unjustified and unnecessary. In addition, given that the majority of the funds raised from merger filing fees allocated to the Commission will be used for non-merger enforcement activities, they would place an unfair burden on the business community. Indeed, I have introduced bipartisan legislation to reform the filing requirements of the Hart-Scott-Rodino Act, that balances the business communities' regulatory burdens with modest filing fee increases. This legislation would address much of the Commission's and the Antitrust Division's resource needs by better focusing their antitrust enforcement activities on those mergers that truly deserve review.

The Federal Judicial System

The Committee on the Judiciary supports full funding of the judiciary's FY 2001 budget request. The judiciary has requested an appropriation of $4,421 million for FY 2001, a $462 million increase over FY 2000 enacted appropriations. These funds, when combined with non-appropriated funds (such as fees) will provide total obligations of $4,646 million, an 8.5% increase over FY 2000 obligations. The appropriation request would fully fund additional workload and inflationary cost increases for the Defender Services, Fees of Jurors, and Court Security accounts, which the judiciary considers to be mandatory expenses, and would provide for an increase to $75 in the hourly rate paid to private panel defense attorneys. The budget request relating to the Courts of Appeals, District and Bankruptcy Courts, and Probation/Pretrial Services Offices provides for inflationary cost increases and additional support staff to allow courts to better handle the anticipated growth in workload. The budget request also includes sufficient funds for a 3.7% COLA for judges and other employees in FY 2001.

March 2, 2000
Page 11

Failure to fully fund the judiciary's budget request will prevent the judiciary from obtaining badly needed resources it needs to handle its growing workload. Nationwide, the judiciary has seen a 19% increase in criminal filings between FY 1997 and FY 1999, while the funding provided to the judiciary resulted in a reduction of 3% in funded staff from FY 1998 to FY 2000. This discrepancy between increasing workload and funding has left the judiciary struggling to satisfy its important role in this country's law enforcement system.

This problem has become especially acute in the District Courts along the southwest border of the United States. There, policies initiated by the Administration and Congress have resulted in a dramatic increase in defendants being processed through the District Courts. Since 1995, the Southwest Border Initiative, a national strategy designed to interdict illegal aliens and narcotics, has resulted in thousands of additional law enforcement agents being assigned to the southwest border. There are plans to add even more agents over the next two years. The impact of this initiative on the judiciary has been significant. Over the past 6 years there has been a 125% increase in criminal cases filed in the five District Courts along the border (Southern District of California, District of Arizona, District of New Mexico, Western District of Texas, and the Southern District of Texas). During that same period, however, increases in the judiciary's budget have allowed for only a 30% increase in staff in those Districts. This lack of resources has put a tremendous strain on these District Courts, as well as on their Probation/Pretrial Services Offices.

Border Patrol

To increase our border security and combat illegal immigration and terrorism, it is essential that America raise the number of Border Patrol agents deployed on the northern and southern borders, increase the number of immigration inspectors at our ports of entry, and increase personnel devoted to combating alien smuggling.

The recent arrest of Ahmed Ressam, found with nitroglycerin and other potential bomb-making material while attempting to enter Port Angeles, Washington, and the rise in alien smuggling, shows that the appropriate time to act is now. The Kyl-Abraham amendment to the 1996 Illegal Immigration Reform and Immigrant Responsibility Act mandated a net increase of 1,000 new Border Patrol agents a year for FY 1997 through FY 2001. Unfortunately in only one of those years, FY 1999, did the President's budget ask for the funds necessary to hire the required agents. Moreover, although Congress appropriated the money, over the three-year period, the targeted level was not achieved because INS fell short of its recruitment efforts by a net of 594 agents.

The President's new budget falls short of the 1,000 new Border Patrol mandate by a total of 570 agents. The 430 new agents the President proposes for FY 2001 also does not make up for the 594 agents that INS fell short of in its recruitment efforts over the last three fiscal years.

Looking ahead, it's clear that the need for additional Border Patrol agents will certainly go beyond the coming fiscal year

We have seen in action the critical role that border security personnel play in protecting Americans from potential terrorist threats. Recent high profile alien and drug smuggling cases have also served as a further reminder of our border security system's important functions. These incidents have also focused renewed attention on the critical importance of maintaining adequate personnel resources at our borders to allow these functions to be performed effectively.

Despite continued efforts, alien smuggling remains a serious problem in America. Smugglers have responded to increases in the efforts of our Border Patrol by adopting more daring methods to smuggle individuals illegally into the United States. In many cases, these methods entail little or no concern for the safety of the individuals being smuggled. Moreover, these attempts increasingly involve organized criminal gangs.

The FY 2001 Immigration and Naturalization Service (INS) function should receive $100 million for the hiring, training and deployment of 1,000 additional Border Patrol agents. Although southern border states have received additional agents, skyrocketing illegal immigrant apprehension and drug seizure statistics on the southern border make clear the need for additional resources and personnel there. On the northern border, *300* Border Patrol agents patrol the entire 4,000 mile border. Approximately 9,000 agents total are committed to our nation's borders. A University of Texas study indicates over 16,000 agents are needed to effectively secure just *southern* border. Budgeting enough for 1,000 new Border Patrol agents in FY 2001 will help bring the Border Patrol closer to its hiring goal. We must also assume that patrol boats and other vehicles and technology needed to support the Border Patrol's mission will be funded next year and in the following four fiscal years. We must also assume that INS detention space will be adequate to provide the necessary deterrent to illegal entry.

I also recommend a doubling of INS personnel devoted to combating alien smuggling, including intelligence personnel. Additional operating expenses for undercover operations and to prosecute alien smugglers are needed as well. Finally, the budget resolution should assume a net increase of 535 inspectors for the Southwest land border and 375 inspectors for the Northern land border, in order to open all primary lanes on the Southwest and Northern borders during peak hours and enhance investigative resources; a net increase of 100 inspectors and canine enforcement officers for border patrol checkpoints and ports-of-entry, as well as 100 canines and 5 canine trainers; 100 canine enforcement vehicles to be used by the Immigration and Naturalization Service for inspection and enforcement at the land borders of the United States; a net increase of 40 intelligence analysts and additional resources to be distributed among border patrol sectors that have jurisdiction over major metropolitan drug or narcotics distribution and transportation centers for intensification of efforts against drug smuggling and money-laundering organizations; a net increase of 68 positions and additional resources to the Office of the Inspector General of the Department of Justice to enhance investigative resources for anticorruption efforts; and a net increase of over 900 INS Inspectors at land ports of entry -- 375 on the Northern border and 535 in the Southwest spread over FY 2002 through FY 2005.

This allocation of resources will help improve America's border security and facilitate the entry of those lawfully permitted to enter the United States.

Intellectual Property Rights (IPR) Center

The President's budget requests $612,000 and 8 positions for a joint Intellectual Property Rights (IPR) Center to be co-led by the FBI and the U.S. Customs Service. I supported the creation of this multi-agency enforcement center in last year's budget, which took a very important first step in creating a mechanism for coordinated enforcement of intellectual property rights in the United States. I support the President's budget request to fund this center this year as a down-payment, and I will continue to be vigilent in seeking to ensure that adequate funding is continued in the years to come. I is my hope that by doing so we will continue to move forward to ensure effective and efficient IPR enforcement and protection against the theft of American technology and intellectual property.

Patent and Trademark Office

Technology and innovation are the driving force behind our economy. The President's budget request acknowledges that "[i]n the last 50 years, developments in science and technology have generated at least half of the nation's productivity growth, creating millions of high-skill, high-wage jobs and leading to advances in the economy, national security, the environment, transportation, and medical care." Yet while the President's budget purports to promote science and technology through increased taxpayer funding, it penalizes private sector investment in innovation by siphoning off roughly one-third of the total inventor-derived user-fees paid to the Patent and Trademark Office (PTO) for technology-related services.

As you know, I have long opposed the diversion of patent fees as a debilitative tax on innovation. In my view, such a tax flies in the face of the Constitution's patent clause and its vision of government as a promoter, rather than an inhibitor, of innovation. I was pleased to work closely with you to sunset the patent surcharge fee in FY 1998, which for several years had been the source of the patent fee revenue subject to diversion and recission. Last year I was encouraged that the President's budget for the first time did not include fee diversion or recission as a means of funding unrelated spending. At the same time, I expressed concern that the proposed withholding of authorization for the PTO to spend a portion of the fee revenues until FY 2001 would prove to be little more than a accounting gimmick that would result in the creation of what is, essentially, a patent fee trust fund.

The President's latest budget submission validates this concern. In short, the budget proposes making available to the PTO the outstanding $255 million in fees withheld from prior years ($229 million from FY 2000 and $26 million from FY 1999), while at the same time withholding $368 million in FY 2001 patent fee revenue. This is a classic example of the right hand taking what the left hand gives, resulting in a net increase of $113 million in total fees withheld. And under the President's budget, this practice would continue into the foreseeable future. Thus, under the proposed budget, the $368 million withheld in FY 2001 would be made available for obligation in FY 2002, but would be fully offset by the withholding of $481 million of current fee revenues. In FY 2003, this $481 million in FY 2002 fee withholdings would be again made available to the PTO, but would again be offset by the withholding of $595 million in current fee revenues. Fee withholdings would increase to $712 in FY 2004 and $832 in FY 2000. It is no small coincidence that the $115 million average net increase in fees withheld each year mirrors the amount of patent fees that were being diverted from the patent fee surcharge fund prior to its sunset in 1998.

While this practice may amount to little more than a clever accounting gimmick, the statutory withholding of fees paid for services undermines the integrity of the PTO's fee-funded agency model and restricts the PTO's ability to provide service to its customers and to promote American innovation and competitiveness. As we begin a new millennium in which technology and innovation will drive our nation's prosperity as never before, the PTO faces a host of significant challenges. Current patent pendency averages 25 months. Patent filings are up by nearly 15 percent compared to last year, and trademark registrations are up by more than 40 percent. New and complex fields of innovation, such as patentable business methods, biotechnology, and DNA sequencing can be expected to continue driving this growth and taxing the resources of the PTO into the foreseeable future. Consider, for example that business method patent applications alone increased by 250 percent last year. In this new area of patent law, which has such important implications for electronic commerce and the future of the Internet, the PTO must create a quality prior art database (basically from scratch) and hire and train new examiners in the state of the art. If they cannot, the integrity of patents issued will be compromised and the growth of electronic commerce will be stifled. The dedication of PTO resources to meeting these challenges is an investment in our nation's economy and our status as the world's leader in technology and innovation.

The President's budget would strictly inhibit the PTO's ability to meet these challenges. First, the withholding of fee revenue would result in a projected average pendency of more than 31 months by 2005. In other words, the President's budget would cost American inventors an average of six months of patent life and result in unnecessary delays in bringing important new products and new technologies to market for American consumers. Moreover, the PTO would be forced to scale back dramatically its plans to hire new patent and trademark examiners to meet its growing workload and ensure quality patents in new and complex areas. Similarly, the PTO would be forced to scale back its electronic filing initiative by about 50 percent – an initiative that is key to making access to intellectual property protection easy and cost-efficient for American inventors. In short, this clever accounting gimmick will compromise the PTO's ability to meet its customers needs and the challenges of new technology, and it will have a very real detrimental effect on American technology innovation and our future economic prosperity.

As I understand it, what makes this practice possible is the fact that, in past years, the Budget Committee has delineated a portion of the PTO's fee revenue as income subject to the discretionary authority of the Committees on Appropriations – an artifact of the patent fee surcharge created by the Omnibus Budget Reconciliation Act of 1990 (OBRA '90), which expired on September 30, 1998. OBRA '90 segregated a portion of fees that were subject to the appropriation discretion and the remainder of the PTO fee income was appropriated to the agency on a dollar-for-dollar basis.

With the lapse the patent fee surcharge, the Judiciary Committee fashioned a modified fee system in which there was no longer a "surcharge" component to patent fees. We set the level of the fees to recover the cost of processing applications and intended that all of the fee revenue would be appropriated to the PTO on a dollar-for-dollar basis, as was done for the majority of fee income under OBRA '90. We did not intend that there should any discretion to withhold any portion of the fee revenues.

Accordingly, I recommend that in the upcoming budget all fee revenue of the PTO be classified in a manner that requires that it be appropriated to the PTO on a dollar-for-dollar basis. Thus, none of the fee revenues should be considered as discretionary expenditures for the purposes of the appropriations process. If we fail to take this important step to protect the integrity of these user-derived fees when we have a multibillion dollar projected surplus, I fear we never will. I have appreciated working with you and your support on this particular issue in the past. If legislation is necessary to ensure the result I am recommending here, I am pleased to work with you in that regard.

Thank you again for contacting me on this matter, and for your consideration of these views. I look forward to working closely with you on this matter and other issues.

Sincerely,

Orrin Hatch

Orrin G. Hatch
Chairman

United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510–6275

March 3, 2000

Honorable Pete V. Domenici, Chairman
Honorable Frank R. Lautenberg, Ranking Member
U.S. Senate
Committee on the Budget
Washington, D.C. 20510-6100

Dear Pete and Frank,

Thank you for your letter of January 28, 2000 requesting the minority views and estimates from the Committee on the Judiciary for your consideration as you prepare the Fiscal Year 2001 budget resolution.

Combating Violence Against Women

The Violence Against Women Act ("VAWA") was passed as part of the 1994 Violent Crime Control and Law Enforcement Act of 1994. The law has done a great deal to help support organizations and law enforcement agencies, reduce the incidence of domestic violence and help abused women and their children get back on their feet. We strongly support the President's request of $220 million for VAWA for FY 2001, and, in particular, $32 million for Civil Legal Assistance and $25 million for the Rural Domestic Violence and Child Victimization Enforcement grant program.

Improving Community Law Enforcement

The Community Oriented Policing Services ("COPS") Program has been a resounding success -- putting more than 100,000 new law enforcement officers on the street. The Administration has proposed $650 million in FY 2001 to keep the COPS program on course to fund an additional 50,000 law enforcement officers by the end of 2005 to help maintain communities and reduce crime. Within this request is $25 million to continue the Bulletproof Vests Partnership Grant Program – another successful Department of Justice program to provide life-saving body armor for our nation's state and local law enforcement officers.

In addition, the Administration proposes $350 million to help State and local law enforcement agencies tap into new technologies that will allow them to fight crime more effectively, including funding for the Crime Identification Technology Act of 1998. We believe these program have been vital steps towards reducing crime and take us further down that path of safer cities and towns. We strongly endorse this request.

Enforcing Firearms Laws

Since 1992, federal and state prosecutions of firearms violations have increased 22 percent, however, more needs to be done to prevent children and criminals from obtaining guns. The President's budget request seeks an increase of $215.9 million to continue vigorously pursuing those who violate our nation's firearms laws and to provide state and local law enforcement with the resources to solve gun crimes. This funding increase includes hiring 1,000 community prosecutors in High Gun Violence Areas and more than 110 federal attorneys across the nation to prosecute and investigate firearms offenders, violent felons who possess guns, and armed drug traffickers. Enforcing our firearms laws should be a bipartisan issue.

Combating Cybercrime

Technology has ushered in a new age filled with unlimited potential for commerce and communications. But the Internet age has also ushered in new challenges for federal, state and local law enforcement officials. These challenges were clearly evident as our nation's law enforcement officials investigate the recent cyber hacker attacks. Congress and the Administration need to work together to meet these new challenges while preserving the benefits of our new era.

President Clinton has proposed $37 million in additional funding in his FY 2001 Department of Justice budget to combat cybercrime. The President's request includes $6 million to develop regional computer forensic labs, $11 million to hire 100 more FBI experts on computer-related crimes and $8 million for U.S. Attorneys to prosecute cybercrime. This budget request gives state and local law enforcement agencies the tools they need to combat computer crime and maintain consumer confidence in electronic commerce. In light of recent cyber terrorist attacks, we must step up our computer crime fighting efforts.

Curbing Drug Trafficking and Abuse

Drug use and abuse is a contributing factor to spousal and child abuse, property and violent crime, the spread of AIDS, workplace and motor vehicle accidents, and absenteeism in the workforce. The Administration's budget proposal dedicates $1.7 billion in FY 2001 to control the flow and cut down on the demand of illegal drugs. This request includes $75 million in new funding to implement comprehensive drug testing policies in criminal justice populations. This program deserves strong bipartisan support.

Protecting Civil Rights

The Administration has demonstrated a continuing dedication to the protection of civil rights with the request of $107.8 million for FY 2001, an increase of 19 percent above the 2000 enacted level and a 41 percent increase over the 1999 enacted level. This funding will allow the Department of Justice Civil Rights Division to add positions to prosecute hate crimes, deter the victimization of migrant workers, combat police misconduct, fight housing discrimination, eliminate discrimination against persons with disabilities, and protect fundamental opportunities. We share the Administration's dedication to the protection of civil rights and lend our support to this request.

Investigating Mergers and Antitrust Matters

The Administration's budget proposal includes $8 million in new funding for 69 positions to keep pace with burgeoning corporate mergers and $5 million in new funding for 44 positions to enforce civil antitrust non-merger matters. We strongly support this request to review and investigate the increasing number of mergers and to reduce unfair competition.

Funding Our Federal Judiciary

Our Federal judiciary is the envy of the world because of its independence and integrity. Despite a heavy workload and continued high vacancies, our Federal judiciary is providing justice to all our citizens. The president's budget request recognizes the vital role of the Federal judiciary and its professionalism by including sufficient funds for a 3.7 percent Cost-Of-Living-Adjustment for judges and other judicial employees in FY 2001. We fully support this request.

We are also pleased that for the first time in four years, the Administration has included funds in the General Service Administration's budget to continue the Federal courthouse construction program. These are critically-needed courthouse projects which will replace or renovate the nation's aging courts, relieve over-crowded courts and provide modern technology and security. We support full funding of the Judiciary's courthouse construction program.

Thank you for your careful consideration of these issues. We look forward to working with you on the Fiscal Year 2001 Budget Resolution.

Sincerely,

PATRICK LEAHY
Ranking Member

http://www.senate.gov/~labor

United States Senate

COMMITTEE ON HEALTH, EDUCATION, LABOR, AND PENSIONS

WASHINGTON, DC 20510–6300

March 1, 2000

Hon. Pete V. Domenici
Chairman
Senate Committee on the Budget
621 Dirksen
Washington, D.C. 20510

Hon. Frank R. Lautenberg
Ranking Minority Member
Senate Committee on the Budget
634 Dirksen
Washington, D.C. 20510

Dear Pete and Frank:

Thank you for seeking the views and estimates of the Senate Committee on Health, Education, Labor and Pensions. I appreciated the opportunity to work with you during the last Congress on the Balanced Budget Act Amendments of 1997 and the Higher Education Act Amendments of 1998. I look forward to working closely with you to see that the next budget resolution reflects the needs of the Nation, particularly in the area of education.

The Committee on Health, Education, Labor and Pensions has jurisdiction over programs that make a difference in the lives of all Americans. This past Congress we established a record of unparalleled accomplishment by passing and moving to enactment nearly 30 laws. We have continued this work during the 106th Congress and have reviewed and strengthened major programs under our jurisdiction-- eliminating redundancy where we found it, consolidating and simplifying programs, offering flexibility in exchange for increased accountability, and improving the delivery of services.

Last year we began to examine one the most important questions facing the Congress. We conducted more than 25 hearings to listen to Governors, educators, parents, and students tell us about the steps state and local jurisdictions are taking to ensure that their children receive the education they deserve. They talked about their experiences with Federal education programs and they asked us to give them increased flexibility in exchange for increased accountability. The Committee is currently considering a bill which embodies these principles.

As we look to the future, in an era of projected budget surpluses, I continue to believe that the 106th Congress will be remembered for the commitment we make to education and to health care. I believe that there is no greater responsibility, and indeed no greater challenge, than ensuring that all our children, including children with special needs, are assured access to a high quality education. I continue believe that access to higher education holds the key to economic growth. Failure to invest adequately in these programs is not only short-sighted but will shackle the future economic growth upon which the projected budget surplus depends.

Last year I supported the proposal that you made to increase funding for education by $40 billion over five years. The need for this investment is greater now than ever. These investments, to be effective however, must be made wisely. We must commit ourselves to the principle that new funding should be targeted toward proven programs and that no unauthorized elementary and secondary education programs should be funded until the Federal Government fully meets its obligation to fund IDEA. As a result, I believe that any increase in funding for education should be used to fund IDEA and to increase grant aid for disadvantaged students seeking to attend college. I look forward to working with you to ensure that additional funds are made available for these programs when you craft the budget resolution.

Sincerely,

Jim

James M. Jeffords
Chairman

JMJ:sg
Attachment

Views And Estimates of the
Committee on Health, Education, Labor and Pensions
Fiscal Year 2001

I. Legislative and Oversight Activities

A. Elementary and Secondary Education

Each year more than 46 million children attend 87,000 public schools in America. These children deserve nothing but our best effort to ensure that they have access to the highest quality education that this nation can provide. The Federal government, through the Elementary and Secondary Education Act, provides compensatory funding to districts with a high concentration of disadvantaged students, supports teacher training and professional development, and supports research, innovation and reform, among other important activities.

The vast majority of funding for public education is provided by state and local governments. In fact, Washington contributes only 7 % of all funding for elementary and secondary education. As a result, we must balance the natural impulse to tell local communities how to reform their schools with a clear understanding of the appropriate Federal role. We must learn to listen carefully to what local teachers, parents, and school board members are telling us about their needs. No one knows more or cares more about the educational achievement of students than do their parents, teachers, and local community leaders.

In some instances, as in the case of Ed Flex, our contribution may simply be to remove Federally imposed barriers to state and local education reform. In other instances, as was the case with IDEA, our role may be to enact laws to ensure that our most vulnerable students receive the education to which they are entitled. In other instances, our role may be to identify examples of successful programs and to support and encourage efforts by local communities to provide their children with a world class education.

Last year we began to examine one the most important questions facing the Congress. We conducted more than 25 hearings to listen to Governors, educators, parents, and students tell us about the steps state and local jurisdictions are taking to ensure that their children receive the education they deserve. They talked about their experiences with Federal education programs and they asked us to give them increased flexibility in exchange for increased accountability. The Committee is currently considering a bill which embodies these principles.

B. Early Childhood Learning

If children are to enter schools ready to learn, more must be done to assist parents and care givers to integrate early childhood learning into the everyday lives of our youngest citizens. In the first five years of life, the brain either makes the connections it needs for learning or it atrophies, making later efforts at remediation in learning, behavior, and thinking difficult, at best. The experiences and stimulation that parents and care givers provide to a child are the foundations upon which all future learning is built. The brain's greatest and most critical growth spurt is between birth and ten years of age.

Quality early learning programs can increase literacy rates, secondary school graduation rates, employment rates, and college enrollment rates for children who have participated in voluntary early learning programs. At the same time, participation in early learning activities and programs can decrease the incidence of teen pregnancy, welfare dependency, and juvenile delinquency. Several longitudinal studies show that for every dollar invested in high quality early learning programs the Federal government saves five dollars by reducing the number of children and families who participate in federal government programs such as special education, welfare, and juvenile justice.

Senator Stevens and I are currently developing a proposal that would provide funds to local communities to empower them to support and create early learning opportunities for their children. The program is estimated to cost $8.5 billion over five years and will be used for program development, parent education, and provider training.

C. Administration of Student Financial Assistance

The Office of Student Financial Assistance is tasked with administration of all of the student aid programs, including the Stafford and Ford Loan Programs, the Pell Grant Program and the campus-based aid programs. This year the office is expected to process more than 15 million financial aid applications.

The administration of these programs has long been a concern of this committee. The Department of Education has created separate computer systems to administer each of these programs. These systems are incompatible with each other and, despite the expenditure of tens of millions of dollars, little progress has been made to integrate these stovepipe systems. As a result the aid programs continue to make the Government Accounting Office's list of "high risk" programs.

In 1997, problems with the administration of the systems began to impact directly upon students and borrowers. As a result of a catastrophic failure by one of its contractors, the Department of Education was forced to stop accepting applications to its Direct Loan Consolidation Program. The committee responded by passing the Emergency Student Loan Consolidation Loan Act which allowed private lenders to step into the breach.

In addition, questions have been raised about rapidly escalating administrative costs at the Department of Education. A witness at an oversight hearing testified that administrative costs at the Department have risen by an astounding 213% over the past eight years. We are looking closely at this budget and the contracting practices of the Department.

In response to these issues, the committee authorized the creation, within the Department of Education, of the Federal government's first performance-based organization. The organization will be run by a manager with extensive management experience in both information technologies and financial services. This manager and his senior management team will be reimbursed primarily on the basis of their ability to perform in accordance with an annual and five-year performance plan. In order to improve efficiencies and secure cost savings, the management team has been empowered with personnel and procurement flexibilities. We are working closely with the newly appointed Chief Operating Officer with the expectation that we will obtain significant cost savings that may be returned to students in the form of benefits and improve service to students and their families.

D. Market-Based Mechanisms for Student Loans

Every five years, the Congress wrestles with the desire to balance the objectives of reducing the interest rate paid by students in the student loan program, preserving access to student loans, and reducing the costs of the program to the Federal government. Several analysts have recommended using market-based mechanisms to establish lender returns and/or student loan interest rates. The Higher Education Act Amendments established a study group, led by the Department of Education and the General Accounting Office, charged with reviewing various mechanisms and reporting to Congress on the feasibility of using one or more market-based mechanisms. We are working with the Congressional Budget Office on a similar study that was requested by the Budget Committee.

Market-based mechanisms, while attractive at first blush, quickly reveal themselves to be far more complicated to design and implement than is generally appreciated. Student loan programs are designed primarily to offer a social benefit- that is, to offer loans, at reasonable rates, to students without respect to credit history, educational program, loan size, geographic location, or potential as a consumer of future credit products. Market-based mechanisms, if they are to be implemented, must be carefully designed to ensure that all students continue to have access to student loans without regard to any particular characteristics of the student or their program of education. The committee will monitor the efforts of the study group closely and looks forward to reviewing their recommendations.

E. Workforce Preparation

An educated and skilled workforce is the foundation for a thriving economy. In addition to investing in elementary and secondary education, it is also essential that we make a significant investment in adult education, vocational education, and job training.

The most recent National Adult Literacy Survey found that a total of forty-four million adults, almost twenty-five percent of the adult population in the United States, were at the lowest literacy level. The lowest literacy level means that forty-four million adults demonstrated difficulty in the reading and writing skills essential for carrying out daily routines. It is important that Congress be a partner in the adult education system established under the Workforce Investment Act of 1998 by providing the necessary resources for adults to become employable, productive, and responsible citizens.

A skilled and well trained workforce is essential to meet the demands of our global economy. Vocational education and job training programs provide students of all ages with the tools needed to succeed in an ever evolving economic environment. The Vocational Education Act and the Workforce Investment Act are important components of a successful workforce development system.

F. The Department of Labor and the Results Act

The Department of Labor has made some progress in developing its overall performance plan in accordance with the Government Performance Review Act. Nonetheless, it is difficult to make a thorough evaluation of the plan because DOL does not include sufficient information on an agency-by-agency basis and is struggling to identify cross-cutting goals, objectives and overlapping programs both within and outside of itself.

The Department of Labor, along with the Environmental Protection Agency and the Department of Health and Human Services, is one of the largest enforcement agencies in the Federal government. As an enforcement agency, DOL does a poor job of keeping enforcement data for all its programs in a single, centralized repository. The Department measures literally thousands of enforcement items but it can be difficult for the public, and for the department's stakeholders in Congress, to obtain that information easily.

I believe it is vital that the department compile an enforcement data base for use by Congress and the public. This data base will enable us to better understand the extent to which the law is being enforced and whether or not enforcement actions are being taken in an equitable and systematic fashion. In connection with this comment the Occupational Safety and Health Administration has compiled a respectable amount of enforcement information on its web site. I encourage all other agencies to follow this example but continue to expect the Department will take action to centralize this information in a single, centralized repository that is available to the public.

G. Child Care

Today, there are more than 12 million children under the age of five--- including half of all infants under one year of age---who spend at least part of their day being cared for by someone other than their parents. There are millions more school-aged children under the age of twelve who are in some form of child care at the beginning and end of the school day as well as during school holidays and vacations. And more six to twelve year olds who are latchkey kids---returning home from school to no supervision because parents are working and there are few, if any, available alternatives.

The Child Care and Development Block Grant (CCDBG) Act is the foundation of the federal Government's efforts to assist low-income working families meet the expense of child care. Without the subsidies provided under the CCDBG, many families would be unable to continue to work due to the high cost of child care. This program also is the primary source of funding for child care resource and referral services in every state; services that provide the critical link between parents and child care providers. States have been forced to make the difficult choice between setting the subsidy rates so low that parents are forced into using the cheapest care available, often placing their children at risk, or providing adequate subsidies to fewer families. By increasing the Child Care and Development Block Grant Act from $1 billion a year to $2 billion a year, states will be able to serve more low-income families and provide more adequate subsidies for those families.

There are several other child care related issues that are of significant concern to me. First, there is a need to create and expand programs to meet the needs of school-aged children during the non-school hours. More than twenty-four million children between the ages of five and fourteen require care while their parents work. Several million children spend all or part of their non-school hours home alone or taking care of younger children. Second, there is a need to increase the government's investment in the training and education of child care providers. Professional development is key to efforts to improve the quality of child care in this country. The majority of America's child care is rated "fair," and only one in ten children is place in child care determined to be excellent. For younger children, the quality of child care can be a critical factor in the child's development and ability to learn later in life. I have developed a childcare bill which offers a comprehensive approach to these issues.

H. Older American Act

The committee recognizes the importance of programs that serve our Nation's elderly, especially as the number of aged Americans and those enjoying ever longer life-spans continues to increase. The Census Bureau projects that by 2030 the number of older Americans will almost double to 88 million. Their's is a rapidly changing world involving challenges that their predecessors never contemplated. The Older American Act remains the major vehicle for the delivery of a wide range of social and nutrition services for the nation's elders. The subcommittee on Aging has conducted seven hearings on the reauthorization of this vital piece of legislation. The Committee is committed to reauthorization of the Older American's Act during the 106th Congress.

The committee proposal for reauthorization contains a new family care giver initiative to provide supportive services such as respite care to the spouse and adult children and grandchildren who are caring for their elders. There is wide bi-partisan, bi-cameral support for this assistance to family care givers. Estimates of the economic value of family care giving range from $50 to $97 billion annually. It is my hope that the budget resolution will contain sufficient room to fund this program at a level of $125 million, subject to the Act's reauthorization.

The Older Americans Act nutrition programs are funded by three major line items--congregated and home delivered meals in the OAA budget and "nutrition program for the elderly" in the Agriculture budget. While the OAA FY 2000 appropriations included substantial increases for home delivered meals, the USDA funding has not increased in a number of years. The Administration budget recommends a $9 million increase in this USDA component to meals on wheels and in senior centers. I believe that this increase should be included within the budget and will seek these funds during the appropriations process.

I. Low Income Home Energy Assistance Program

In 1998, the Committee reauthorized the Low Income Home Energy Assistance Program (LIHEAP) for five years. As you know this program is critical to low-income individuals and families providing aid to heat homes in the winter and cool them in the summer. At present, the Department of Health and Human Services estimates that only 15 percent of the 29 million eligible households are being served by LIHEAP.

As the recent spike in fuel prices combined with cold temperatures in the Northeast has so aptly demonstrated, LIHEAP often is the only safety net families have from being forced to chose between heating their homes and putting food on the table. Some of my constituents have even been forced to chose between heating their homes and purchasing needed medications.

The $300 million in emergency funds set aside by the Congress to address crises such as the one we are now experiencing has all been released by the President, the first time since 1994. The combined effects of high fuel prices and cold temperatures is so serious that the President has requested additional emergency funds in his supplemental appropriations request as well as additional funds for the Weatherization Assistance Program.

We will be examining this program over the course of this year to better understand the true nature of the demand for funding. While additional emergency funds are needed right now, it is critical that Congress raise the level of regular funding for LIHEAP.

J. Prescription Drugs

As we all know too well, Medicare does not cover most prescription drugs. This is unacceptable. It does not make sense for Medicare to reimburse hospitals for surgery, but not provide coverage for the drugs that might prevent surgery. Prescription drugs should be covered under Medicare. We also know that the Medicare program needs to be modernized in order to avoid bankruptcy of the system. Reform of the Medicare program is an essential step, but it is a long-term solution that will likely take years to implement even if we pass a bill this year. We need to do something immediately to get prescription drugs to those who are hit the hardest by runaway drug costs – low-income Medicare beneficiaries.

I have introduced several bills that would serve as stopgap measures to provide prescriptions to low-income seniors at no cost or at a substantially discounted rate. One of these bills, the DrugGap Insurance for Seniors Act, S. 1725, would provide private health insurance for low-income Medicare recipients to cover prescription drugs. These new "DrugGap" prescription drug insurance plans will also be a low-cost way for all seniors to insure against skyrocketing drug costs even if they don't qualify for the low-income benefit. I have also introduced the Pharmaceutical Aid for Older Americans Act, S. 1942, which would provide federal aid to state pharmacy assistance programs. The federal funds would be used to assist States that want to provide prescription drugs, and to fund "medications management" programs at the state level to help seniors avoid dangerous drug interactions.

I will continue to place a very high priority on passage of these very important incremental, stop-gap measures, and will continue to explore other options to make sure that legislation granting access to needed prescription drugs is enacted this year. If we do nothing else this year, we must provide sufficient federal resources to make sure that our most vulnerable Medicare beneficiaries have access to the prescription drugs that they need to live longer, healthier lives.

II. Committee Response to President Clinton's Budget Proposal

Today we are at a crossroads. For the first time in more than 40 years, the Federal budget is projected to operate with a surplus for two consecutive years. This is an opportunity to renew, with vigor, our commitment to reforming and funding education programs that work. The budget proposed by the Administration is not targeted toward the challenges we face. We have not met the Federal obligation to fund 40% of the extra cost of educating disabled children. We have not met our goals for supporting the education of disadvantaged children through Title I. Despite the chronic under funding of these proven programs, the Administration has proposed 20 new and untested initiatives at a cost of nearly $3 billion. I believe that this money would be better invested in existing programs.

Let me be blunt. President Clinton's budget shortchanges our nation's real education needs. And too often, the Administration seems more interested in dreaming up new programs than in honoring old commitments. I recommend that increased investment in education be targeted toward fulfilling existing obligations and strengthening proven programs--IDEA and grants for postsecondary education.

A. Individuals with Disabilities Education Act

As you know, one of my first legislative tasks when I arrived in Congress in 1975, was to work on the first Federal legislation guaranteeing a free and appropriate education for disabled children. At that time, we made a pledge to parents and educators across the Nation that we would pay 40% of the costs incurred by state and local governments to fulfill these Federal requirements. Although Republicans have increased Federal funding for this program dramatically, the Federal Government has not fulfilled this promise. We are not even close. The President's proposal to increase funding for IDEA by a paltry 5.8% is unacceptable.

The Committee on Health, Education, Labor and Pensions held a hearing on education budget proposals that drove home the importance of fully funding this Federal obligation. Representative Albert Perry from the Vermont State Legislature and Allen Gilbert a school board member from Worcester, Vermont, told us unequivocally that the single most important thing we could do to help local school districts was to fulfill our pledge to fully fund IDEA. By their estimation, the shortfall in Vermont amounts to nearly $33 million. This amounts to nearly 4% of state expenditures for public education each year.

Fulfilling an old promise is not as exciting as raising new expectations with new programs. We won't get much press coverage for simply doing the right thing. But if we fulfill our obligation to fund IDEA, state and local agencies will be able to target their own resources toward their own very real needs. For some districts this may mean school construction or class-size reduction. In other districts the most pressing needs may include teacher training or music and art education. Simply funding IDEA may be the single most important thing we can do to improve education for ALL children.

B. **Higher Education**

In 1998 the Congress passed, and the President signed, the Higher Education Amendments of 1998. This legislation made college more affordable for more students. We lowered interest rates on student loans to the lowest levels in nearly seventeen years. If we take into account the new tax provisions allowing for the deductibility of the interest on student loans, deferments, and in-school subsidies, students may borrow at an effective rate of below 5 %. The authorization bill also increased the authorization level for the Pell Grant program–a grant program designed to ensure access for our neediest students.

I have long worked to ensure that students who seek to pursue their personal dream of a postsecondary education have the opportunity to do so. Seven years ago I worked to create the National Early Intervention Scholarship and Partnership Program which was last year reauthorized in the Higher Education Amendments as the GEAR-UP Program. In addition, I worked to strengthen the TRIO program which provides support to aspiring college students as well as those who are pursuing post-secondary education. I applaud the Administration's support for this effort and look forward to working to see that disadvantaged children understand that college is attainable if they will apply themselves academically. But knowing that financial aid resources are available will be of little help if the financial aid resources are inadequate.

The President has stated that with tax credits, more affordable student loans and larger Pell grants he could claim that "we have finally opened the doors to college to all Americans." We have made a great deal progress, and we have a great deal to be proud of, but our work is far from over. Millions of low-income students continue to believe that they cannot afford to go to college. The budget for student financial assistance proposed by the President does not reflect the aspirations of the Higher Education Amendments of 1998 and does not adequately reflect the challenges that these low and middle income students face. We can and must do better.

Increasing the participation of low income students by removing financial obstacles to postsecondary study was a bipartisan goal of the Higher Education Amendments of 1998. According to a recent report, Missed Opportunities: A New Look at Disadvantaged College Aspirants, "Low-income and minority groups have lower high school graduation rates and are less likely to take the necessary steps to achieve a bachelor's degree. Furthermore, those minority and low-income students who do reach college have lower rates of degree attainment." Recent data shows that there exists a gap of almost 30 percentage points between low-income and high-income students enrolling in college directly after graduation.

The Pell grant serves as the very cornerstone of our Federal investment in grant aid and has as its focus removing financial barriers to postsecondary attendance for our nation's neediest students. The Pell Grant program is the great equalizer -- making college a real possibility for students of lesser means. As both data and common sense tell us, the provision of grant assistance to low-income students makes a significant difference in terms of both access to and persistence in higher education.

If we are serious about access--and millions of students are counting upon us-- we must follow through on the commitment we made last Congress. I propose that we appropriate sufficient funds to increase the maximum Pell Grant by $400 this fiscal year to $3,700. This increase will expand participation in the Pell Grant Program to nearly four million students. It is a time tested program that is flexible, portable, and makes the dream of college a reality.

In addition, it is my hope that in conjunction with this substantial increase in the Pell Grant program, we will make additional increases in the Campus Based Programs: Federal Supplemental Educational Opportunity Grants program (SEOG), Federal Work-Study Program, and the Federal Perkins Loan Program. These programs, like the Pell Grant Program, provide critically important assistance to disadvantaged students pursing postsecondary study. The Administration's request does not meet these needs.

In closing, I also want to once again note my deep disappointment that the President's budget attempts to reopen the student loan provisions of the Higher Education Amendments of 1998 before the ink on the regulations is even dry. Last Congress, I made a concerted effort to work with my colleagues on both sides of the aisle to develop legislation that ensured the stability of both the Federal Family Education Loan Program and the Federal Direct Loan Program. We accomplished this goal-- students and institutions of higher education have access to low-cost loans through both programs. The Administration, however, wants to reopen this battle. I will oppose any effort to undermine the careful bipartisan agreement that was reached last Congress.

United States Senate

COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, DC 20510–6325

February 29, 2000

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
Committee on the Budget
Washington, D.C. 20510-6100

Dear Pete and Frank:

This is in response to your letter dated January 28, 2000, regarding the views and estimates of the Committee on Rules and Administration on the budget for Fiscal Year 2001.

We have reviewed the President's Budget with respect to the Legislative Branch accounts within the Committee's jurisdiction and believe that for the purposes of the budget resolution we do not anticipate any changes. These are the estimates of the Legislative Branch and are printed in the President's Budget without change.

At this time the Committee has no plans for new initiatives that would have significant budgetary impact.

Sincerely,

MITCH McCONNELL
CHAIRMAN

CHRISTOPHER J. DODD
RANKING MEMBER

United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510–6350

March 2, 2000

The Honorable Pete Domenici
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

The Honorable Frank Lautenberg
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Pete and Frank:

As Members of the Committee on Small Business, we are submitting the following views and estimates on the President's FY 2001 budget request for the Small Business Administration (SBA/Agency) and other matters under the Committee's jurisdiction in compliance with Section 301(d) of the Congressional Budget Act.

FY 2001 Budget Request Overview

The Administration's FY 2001 budget request for SBA calls for increased spending. The proposed budget seeks a total of $ 1.06 billion to fund Function 370 (general agency operations) and Function 450 (disaster loan program). Congress approved $827 million for SBA in FY 2000. The FY 2001 budget request for SBA would increase SBA spending by $235 million or 28% in one fiscal year. On the other hand, the WODI non-inflationary baseline for the SBA is $890 million, which includes funds for the Agency's salaries and expense, non-credit programs, business loan, Inspector General, surety bond and disaster loan accounts. We believe this amount is sufficient to allow the Agency to maintain its programs at optimum levels and avoid any unplanned staff reductions.

We are pleased that the President's budget request includes full funding for the HUBZone Program ($5 million), the Women's Business Center Program grants ($12 million), the Small Business Development Center Program ($88 million), and SBA's credit programs (7(a) Business Loan, 504 Development Company Loan, Microloan, and SBIC). In addition, we endorse the Administration's initiatives to expand its management assistance programs to Native Americans.

We are concerned that the Administration has failed over the past three years to dedicate adequate resources to meet the statutorily mandated procurement goals for small businesses. This failure has resulted in the failure of federal agencies to meet the 5% goals for women-owned small businesses, and it has severely handicapped the HUBZone program, which is designed to direct federal contracting dollars to the Nation's most distressed areas of poverty and unemployment.

During the past three years, Congress appropriated $24 million for SBA's Loan Modernization Program (LMS), which will provide SBA with the ability to manage credit risk, lender risk, and the cost of the 7(a), 504, and the Microloan programs. For FY 2001, SBA is requesting an additional $13 million. SBA has been unable to meet many of its self-imposed deadlines and goals and will begin to implement the first iteration of this new system in the future. The General Accounting Office has been monitoring SBA's efforts closely. We believe this SBA initiative needs additional attention, and the Committee intends to address the problems confronting the LMS when its marks up the 3-Year SBA re-authorization bill in March 2000.

Historical Overview

In 1995, the Committee sent you a bipartisan views and estimates letter on SBA's FY 1996 budget request. The Chairman and Ranking Minority Member called for the streamlining of the Agency and recommended that the Budget Committee adopt a ceiling of $586 million for Function 370 for FY 1996 and the following five fiscal years. This figure was a reduction of $120 million (17%) from the Function 370 level for FY 1995. At the same time, the CBO non-inflationary baseline for the Function 450 disaster program administrative expenses account was $78 million. Our 1995 recommendation was designed to produce six year savings of at least $720 million, with the understanding that SBA could contribute substantial budgetary savings as the Congress brought Federal outlays and revenues into balance, while continuing to serve the constituencies who rely on SBA's programs.

At the time of the 1995 views and estimates letter, the Committee believed that a thorough, top-to-bottom review of the SBA was necessary. The SBA needed to reevaluate the programs and activities in its purview to determine whether they were truly necessary programs and whether they are most appropriately handled at the Federal level.

Since 1995, the Committee on Small Business has originated numerous bills, which have been enacted into law. These bills made improvements to SBA's programs while contributing to reduced operating expenses and allowing SBA to collect significantly more user fees to offset amounts previously appropriated. It is our belief that additional savings over and above those accomplished over the past five years can be achieved as we debate the FY 2001 budget request.

While we remain vigilant in our support of the core mission Congress has given SBA, we believe SBA can achieve its mission much more efficiently, more effectively, and more economically than reflected in its current plans. Excessive costs necessitated by SBA's headquarters operation and unwieldy field office operation hampers the streamlining effort. The FY 2001 budget request, rather than proposing thoughtful and more efficient plans, adds significant funds to new programs. We are concerned, however, that new program initiatives shall continue hampering Agency staff from delivering the core SBA programs in an effective and efficient manner.

In FY 1996, SBA spent $605 million and carried 4,640 FTEs for disaster and non-disaster programs. The Agency was able to fund fully its key programs, such as the Women's Business Centers program, Small Business Development Centers program, 7(a) guaranteed business loan program and Small Business Investment Company (SBIC) program at their authorized levels.

The FY 2001 budget request includes 4,288 FTEs, 352 fewer than funded in FY 1996. However, the FY 2001 budget request includes a proliferation of new, expensive programs and the rapid expansion of other programs, at the same time that the Agency is struggling to provide adequate management and direction for its core programs that have historically made up the Agency's mission.

As Members of the Committee on Small Business, we have strongly supported efforts by SBA to turn to the private sector to take on more of the Agency's workload, which has shifted work away from hundreds of SBA staff who previously performed loan processing, servicing and liquidation functions under the 7(a) and 504 loans programs. The Agency has hired outside contractors to undertake new missions, such as the statutorily mandated annual examinations of the 7(a) Preferred Lenders. More recently, the SBA Inspector General and SBA's Office of Capital Access engaged the Farm Credit Administration to undertake examinations of the 14 Small Business Lending Companies (SBLCs), which are nonbank small business lenders that SBA licenses and regulates. SBA needs to be encouraged to continue these efforts to modernize and upgrade critical Agency functions.

The Committee's record of bipartisanship during the 104th, 105th, and 106th Congresses serves as ample evidence of our shared commitment to the important priorities of America's small businesses and entrepreneurs. We remain confident that the Committee can continue working with SBA to redirect and fine tune its priorities. It is our goal that SBA become increasingly more responsive to small business, more effective and efficient in its day-to-day operations, that it directs its resources to ensure that its core programs operate well, and that its LMS becomes fully operational before the introduction of new, unproven efforts.

We look forward to the opportunity to work with you to develop this portion of the Budget Resolution for FY 2001.

Sincerely,

Robert F. Bennett
Member

Christopher S. Bond
Chairman

Olympia J. Snowe
Member

Mike Enzi
Member

Spencer Abraham
Member

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

March 16, 2000

The Honorable Pete V. Domenici
Chairman
The Honorable Frank R. Lautenberg
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Pete and Frank:

Pursuant to section 301(d) of the Congressional Budget Act of 1974, I hereby submit, as Chairman of the Committee on Veterans' Affairs (hereafter, "Committee") the Committee's views and estimates on the proposed fiscal year 2001 (hereafter, "FY 01") budget request 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).

I. SUMMARY

We recommend that overall VA discretionary account appropriations be increased by $2 billion to $22.8 billion, of which increase $1.8 billion would be directed to VA's medical care account (increasing that appropriation to $20.7 billion). We do not recommend that any portion of anticipated Medical Care Cost Recovery Fund ("MCCF") receipts be remitted to Treasury. Thus, *if*, as VA projects, VA collects $958 million in MCCF receipts in fiscal year 2001 (a projected increase of $350 million), we anticipate that overall funding for VA medical care spending will increase by $2.15 billion, from $19.5 billion to $21.6 billion, in fiscal year 2001.

II. GENERAL COMMENTS

We note at the outset that the Nation's veterans have contributed significantly to the cause of fiscal restraint. On the mandatory account side, numerous money-saving measures, unanimously approved by the Committee's membership in both 1996 and 1997, were enacted into law as Title VIII of Public Law 105-33, the "Balanced Budget Act of 1997." Relative to baseline assumptions then in effect, these measures are resulting in savings of $2.783 billion in mandatory account outlays over fiscal years 1998 through 2002. In addition, the statutory bar on VA compensation for disabilities stemming from in-service tobacco use, approved as section 8202 of the "Transportation Equity Act for the 21st Century," Public Law 105-178, has resulted in net savings of $15.2 billion during fiscal years 1999 through 2003.

In addition to these mandatory account savings, the Balanced Budget Act froze veterans' programs discretionary spending outlays through fiscal year 2002. This freeze had required unacceptable cuts in the purchasing power of veterans' discretionary spending, particularly medical care spending, even after the collection of projected MCCF receipts -- *i.e.,* funds from insurance carriers and health plans as payment for medical services rendered for veterans' for non-service-connected ailments, and copayments from veterans.

We acknowledge -- and appreciate -- that the Budget Committee was extraordinarily helpful last year in assisting us, and the Appropriations Committee, in moderating this discretionary account freeze during fiscal year 2000. We acknowledge and appreciate, as well, that the Budget Committee's forbearance during the First Session of the 106th Congress made possible the Senate's approval, in S. 1402, of benefits programs improvements, particularly "Montgomery GI Bill" (MGIB) education benefits improvements, that, if enacted, will affect mandatory account spending. Unfortunately, these improvements have not yet been approved by the House of Representatives. We anticipate that, during the Second Session, our attention to issues affecting mandatory account spending will be focused chiefly on improving MGIB benefits, including securing House approval of S. 1402.

III. OVERVIEW OF THE ADMINISTRATION'S VA BUDGET PROPOSAL

The Administration proposes that the overall budget of the Department of Veterans Affairs (VA) from appropriated and non-appropriated sources be increased $1.7 billion (or 3.7%), from $45.9 billion to $47.6 billion. Slightly over one-half of VA spending -- $24.6 billion -- would pay for mandatory account entitlement benefits, *e.g.,* compensation and pension benefits, education and vocational rehabilitation benefits, etc.

The balance of the Administration's proposed FY 2001 budget for VA -- discretionary account spending -- would be increased by $1.5 billion (or 7%), from $21.5 billion to $23 billion.

A. Medical Care and Medical Research

The Administration proposes that VA Medical Care spending be increased by $1.355 billion (or 7.2%) from $19.5 billion ($18.9 billion in appropriations + $600 million in VA-retained MCCF receipts) to $20.9 billion ($20.3 billion in appropriations + $608 million in VA-retained MCCF receipts). Medical care collections, however, would *not* remain constant at $600 - $608 million. The Administration projects that MCCF receipts of $958 million in FY 2001, and proposes that one-half of the first $700 million in receipts, $350 million, be remitted to the Treasury. The same net result, of course, would be achieved by an increased appropriation of $1.05 billion and VA retention of all anticipated MCCF collections as authorized by current law.

The Administration proposes that VA's Medical Research appropriation be held constant at $321 million. We note that only 28% of VA's $1.1 billion medical research budget is derived from its Medical Research appropriation. The balance of VA Medical Research funding comes from private sector grants, Federal grants from, *e.g.,* National Institutes of Health, and funding from VA's medical care budget to account for medical therapies that have a research component.

B. Other Discretionary Spending

The Administration proposes that other VA discretionary account funding be increased $100 million (or 5%) from $2.0 billion to $2.1 billion. The principal beneficiary of this increase would be the Veterans Benefits Administration (VBA), the VA body that administers veterans' non-medical care benefits programs. VBA funding would increase $139 million (or 16%), from $860 million to $999 million. The principal beneficiary of this proposed funding increase would be VBA's Compensation and Pension Service. That organization's staffing levels would be increased by approximately 10% for the second straight year in order that, according to the Administration, the adjudication of claimants' applications for benefits might be facilitated.

The National Cemetery Administration (NCA) would also gain a significant (13%) increase under the Administration's proposal. Its budget would grow $13 million (or 13%) from $97 million to $110 million in order to, among other things, accommodate the opening of two new cemeteries in calendar year 2000, and to proceed with preliminary work in fiscal year 2001 in anticipation of construction of four additional cemeteries

C. Proposed Legislation

The Administration proposes two legislative measures that are directly relevant to this letter. It proposes, first, that $1.8 billion in mandatory account spending -- mainly, VA compensation and pension payments -- which had been scheduled for Friday, September 29, 2000, but which were, pursuant to section 9305 of the Balanced Budget Act of 1997, deferred to Monday, October 2, 2000, now revert back to September 29, 2000, as originally scheduled. And, as noted above, it proposes that VA remit to the Treasury one-half of the first $700 million in collected MCCF receipts.

IV. DISCUSSION

A. Medical Care

The Administration proposes that overall fiscal year 2001 medical care spending be increased by $1.355 billion (from $19.5 billion to $20.9 billion). But it also proposes that $350 million in anticipated MCCF receipts be remitted to Treasury. Thus, it proposes a net increase of $1.05 billion in medical care spending during fiscal year 2001.

Funding increases beyond the magnitude requested by the Administration are necessary *just to permit VA to absorb predictable, and uncontrollable, cost increases.* VA must, for example, grant cost-of-living adjustment pay increases to its 203,000+ employees, a non-discretionary obligation that will cost, VA says, $483 million in fiscal year 2001. In addition, VA will be required to pay an additional $300 million in other inflation-related cost increases in fiscal year 2001. VA reports that it will be required, further, to absorb the following additional uncontrollable cost increases in 2001: increased pharmaceutical costs (+ $213 million); increased prosthetic and sensory aids costs (+ $59 million); increased compliance costs (+ $40 million); increased costs in maintaining, as required by statute, capacity to treat spinal cord dysfunction, blindness, traumatic brain injury, amputations, and post traumatic stress disorder and mental illness (+ $4 million); increased costs to provide reproductive care services to women veterans (+ $2 million); and increased costs to provide prescription medications to patients in State veterans' homes (+ $4 million) as required by statute. These projected cost increases alone amount to $1.1 billion, $50 million more than the additional funding level the Administration requests. And these are not the only uncontrollable costs that VA will be *required to absorb* in fiscal year 2001.

In November, 1999, the Congress enacted landmark legislation, the "Veterans Millennium Health Care and Benefits Act of 1999," Public Law 106-117. This lengthy, comprehensive and, in ways, unprecedented legislation contains three provisions which we -- and, perhaps more significantly, the Congressional Budget Office (CBO) -- think will be more expensive than the Administration reckons. The Administration states that it will cost $19 million in fiscal year 2001 to comply with the Millennium Act's directive that nursing home care be furnished to enrolled veterans with service-connected disabilities rated at 70% or higher. The Congressional Budget Office (CBO), by contrast, states that it will cost VA $270 million in 2001 to comply with this provision of the Millennium Act */. *See* CBO letter dated December 29, 1999. The Administration estimates that it will cost $365 million in fiscal year 2001 to comply with the Millennium Act's directive that non-institutional alternatives to nursing home care be furnished to all enrolled veterans. CBO, by contrast, has advised the Committee that this provision will cost at least $400 million in 2001. Finally, the Administration estimates that it will cost VA $138 million in fiscal year 2001 to implement the Millennium Act provision relating to the provision of VA-paid emergency care to non-insured VA enrollees; CBO estimates that that provision will cost VA $250 million in 2001. *See* S. Rept. 106-122 at 47. These differences are not insignificant; in the aggregate, CBO estimates that these three provisions alone of the Millennium Act will require the expenditure of an additional $920 million in fiscal year 2001, not $522 million as estimated by the Administration.

Finally, we note -- as we did last yea. -- that VA *must* treat veterans who present with a relatively new, and previously unexpected, public health threat: hepatitis C. The Administration estimates -- conservatively, we think -- that this threat will require the expenditure of an additional $145 million in fiscal year 2001.

Taking into account the three clusters of additional costs outlined above -- salary, inflation and other uncontrollable costs; costs associated with the Millennium Act; and hepatitis C costs -- VA will need a funding "plus up" of $2.17 billion. And it will need this projected increase *just to fulfill these non-discretionary responsibilities*. Assuming that VA collects, and retains (as discussed further below) an additional $308 million in MCCF receipts in fiscal year 2001 as VA projects, VA will require an increase in its medical care appropriation of at least $1.85 billion *just to fulfill these non-discretionary responsibilities*. We request additional appropriated funding in this amount.

---

*/ The Committee is advised that VA may intend to delay implementation of section 101(a) of Public Law 106-117 until it promulgates implementing regulations or issues instructions to "the field." We here remind VA that this provision of the Millennium Act was effective on the date of enactment and that VA does not have discretion to delay implementation for budgetary or other reasons.

The foregoing is not to say that the Veterans Health Administration cannot, or should not, undertake additional responsibilities in fiscal year 2001. VA can -- and it must -- improve access and service in fiscal year 2001, it must reduce patient waiting times, and it must lead the Nation not only in identifying medical errors *but also in correcting them*. To meet these ends, VA must work smarter. In this vein, we note that VA projects that it can achieve $360 million in new management efficiencies in 2001. We will expect VA to achieve such efficiencies.

We note, however, that VA has announced that it will, in fiscal year 2001, de-emphasize its major efficiency-driven goals: its "30-20-10" goals of reducing per patient costs by 30%, while treating 20% more patients, and securing 10% of operating costs from non-appropriated revenue sources and instead place greater emphasis on access and service. We do not endorse the notion that VA should improve access and service *instead of finding new efficiencies*. It must do both.

B. Medical Research

In our view, VA's research budget has been frozen long enough. VA's proven contribution to veterans' -- and the Nation's -- well being warrants a minimal 10% increase to $350 million for fiscal year 2001. We urge approval of that funding level.

C. Medical Facility Construction

The Administration proposes major construction funding in the amount of $62 million in fiscal year 2001. It proposes one new project -- seismic corrections at the VA Medical Center in Palo Alto, CA -- and it requests authorization to proceed with a Murfreesboro, TN psychiatric patient privacy project for which has previously requested authorization and for which funds were appropriated last year. In addition, VA proposes to proceed now with four of the six new national cemetery projects identified in the "Veterans Millennium Health Care and Benefits Act of 1999."

We commend VA's restraint, but we think that $62 million falls short of VA's fiscal year 2001 major construction needs for fiscal year 2001. In our view, at least $100 million in major construction funding will be required in fiscal year 2001 to proceed with the above-requested projects and with long term care and six national cemetery projects that the Committee has, in the Millennium Act, already identified as critical. Thus, we recommend an additional $40 million for major construction. Even so, VA's major construction budget will fall well below historic levels -- as it should.

C. Other Discretionary Spending

We continue to be concerned -- highly so -- about the pace and quality of VBA's adjudication system. Accordingly, we support that office's request for another significant increase in funding -- $100 million -- in fiscal year 2001. We will expect this infusion of funds, following as it does a similar infusion last year, to yield tangible, measurable results in fiscal year 2001.

D. Proposed Legislation

The Administration's proposes that one-half of the first $700 million in MCCF receipts be remitted to the Treasury. Such a provision, if it were to be enacted, would reduce incentives for VA medical centers to pursue MCCF funds aggressively. By contrast, section 203 of the "Veterans Millennium Health Care and Benefits Act of 1999," enacted only three months ago, *increased* such incentives by permitting the collecting VA medical center to retain all collected funds. We continue to support the approach taken by the Millennium Act. We, therefore, do not support the turning back of MCCF funds to the Treasury.

As for the Administration's other legislative proposal -- its proposal that $1.8 billion in mandatory account spending which had been shifted to Monday, October 2, 2000, now be shifted back to September 29, 2000 -- we leave that judgment to the Budget Committee. The proposed modification would result in a minor theoretical benefit to veterans -- the receipt of benefits checks three days earlier. We believe, however, that that benefit would be *de minimus* insofar as individual VA beneficiaries are concerned. This proposal, then, would appear to be primarily of interest to budget "scorekeepers." We defer to the Budget Committee's wisdom on such matters.

E. Mandatory Account Spending

Last year, the Committee on Veterans Affairs, and the Senate, approved legislation (S. 1402) that would have, among other things, increased education benefits received by veterans and survivors by over 13%. Such an increase is necessary just to assure that today's veteran has an education assistance benefit which is equivalent, in terms of purchasing power, with that which was in effect in 1984, when the Montgomery GI Bill was enacted. *See* S. Rept. 106-114 at 7. We appreciated the Budget Committee's forbearance, and we recommend that the increased mandatory account costs associated with S. 1402 now be included in the fiscal year 2001 and out year baselines.

Sincerely,

Thanks, in advance, for your help!

Arlen Specter
Chairman

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

February 29, 2000

The Honorable Pete V. Domenici
Chairman
The Honorable Frank R. Lautenberg
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Pete and Frank,

As Ranking Member of the Committee on Veterans' Affairs, I am writing to submit minority views and estimates to the Committee on the Budget for the fiscal year 2001 (FY 01) budget for veterans' programs under the jurisdiction of the Committee on Veterans' Affairs.

I strongly support the President's budget request of $48 billion for the Department of Veterans Affairs (VA). It provides for an additional $1.5 billion in appropriated funds for discretionary programs over last year's enacted level. This increase will allow VA to continue to improve the types and quality of medical care and benefits delivery to our nation's veterans.

Medical Programs

The proposed budget for medical care represents a real commitment to veterans and to the health care system on which so many veterans rely. Modifications to eligibility restrictions enacted in 1996 have attracted veterans to the VA health care system in large numbers. To serve these new patients and to improve accessibility for all veterans, VA has widely used its authority to open community-based access points; and many of us in Congress have applauded VA's actions. The budget before us allows for an increase in the number of community-based outpatient clinics.

Ample funding is also provided for two new large-scale program enhancements -- emergency care coverage and long-term care services. Veterans and health care consumers in general have long sought both of these program expansions, and last year Congress made them real for veterans. The Administration has rightly responded with new budget authority to ensure that these new benefits will not come at the expense of existing veterans benefits.

Although substantial new resources are devoted to medical programs, the Administration has also begun the difficult process of assessing and realigning VA's capital assets. In fact, $10 million has been included for VA hospitals to review their assets, their patient bases, and their local health care markets. While many in the media and indeed even some in the Congress have

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 29, 2000
Page 2

spoken of the specific costs associated with maintaining VA's capital assets, the truth is that auditors have never conducted an actual audit of those assets. This information is absolutely critical, and I applaud the Administration's leadership in this area.

The Administration's budget includes a legislative proposal to reverse an important decision reached late year by enactment of the "Millennium Health and Benefits Act of 1999." That proposal would require VA to remit to the Treasury the first $350 million in cost recovery collections rather than supporting the enhancement of existing programs. In my view, these funds should be maintained in the VA account; these receipts would be better directed, in particular, to the medical care account, the research program, and grants for construction of State Extended Care Facilities.

Last year, Congress approved a modest $5 million increase to the VA research account which was not even sufficient to keep pace with inflation. I think we can all do better, as VA's research program has suffered from reduced funding that has hampered its ability to improve the quality of care provided to veterans, attract well-trained physicians, and advance medical treatments that can benefit the nation as a whole. In light of this, I believe that an additional $25 million above the Administration request should be provided, and could be redirected to Medical and Prosthetic Research within existing discretionary accounts.

A small portion of the redirected collections should also be allocated to increase grants for construction of state extended care facilities. State Veterans Homes play an enormous role in providing domiciliary and nursing home care to veterans. The priority list of pending state home construction grant applications contains many worthy projects, and an increase in this account is also warranted.

Finally, the remainder of the $350 million should be redirected to enhance the medical care account in order to improve the timeliness of service, which has reached a critical and disappointing crest.

It is worth noting that when collections are redirected back to VA, as the Congress has already determined, the Administration's budget very nearly reaches the recommendations of the four veterans service organizations -- AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars -- who jointly publish the so-called Independent Budget.

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 29, 2000
Page 3

Administration Request + Redirecting of Collections	Independent Budget Recommendation	Difference Between IB Recommendation & Administration Request
$1.705 billion	$1.916 billion	$211 million

In summary, I strongly support the Administration's budget. By redirecting collections from the Treasury to other programs and assuming that VA will reach their targets for collecting these funds, new resources totaling $1.705 billion above last year's funding will be available to medical and medical-related programs. This is a good budget for veterans.

Benefits

I applaud the President, as well, for his commitment to solving the staffing problems at the Veterans Benefits Administration (VBA), which administers benefits and adjudicates applications for benefits from veterans and their dependents. The VA budget request provides an increase of $139 million over last year. It proposes to increase VBA staffing by 287 FTEE in FY 01. About half of VA's workforce is, or will soon be, eligible to retire. Further, it takes approximately two years to train a new adjudicator. That is why it is critical that VBA acquire and train new staff at this time, in order to ensure an orderly transition for veterans awaiting determinations for benefits.

The VA budget request also proposes that $10.9 million be invested in the expansion of a pilot program to create a "Virtual Processing Environment" for disability claims. VA claims processing is very paper intensive and inefficient. Significant time savings could be captured if VA were to leverage the electronic storage and transfer of information -- such as medical records from VA medical centers or service records from the Department of Defense -- that is more and more being kept electronically. Other exciting electronic innovations include VA's computer-based "Training and Performance Support System" (TPSS). TPSS will provide an expedited, solid, and uniform training system for the new and current VBA workforce nationwide that is intended to yield better quality decisions.

As the Budget Committee is well aware, with your concurrence the Senate has already passed enhancements to the Montgomery GI Bill in S. 1402 that would cost $297 million in the first year and $1.4 billion over 5 years. These enhancements are not reflected in the President's budget request. As the military struggles with its efforts to enlist sufficient quality recruits, the

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
February 29, 2000
Page 4

MGIB becomes an even more important recruiting tool. Also, it is one of the most effective means of ensuring a successful transition from military to civilian life. Data from the College Board shows that the tuition at four-year public colleges has increased by 53 percent, and the current level of MGIB only pays for 54 percent of tuition at a public college. Therefore, I am asking you to continue to allow room for these increases in mandatory spending, if we are successful in getting S. 1402 to pass the House of Representatives.

Cemeteries

As you know, America's veterans are aging, with WWII veterans dying at a rate of over 1,000 per day. This rate is sadly predicted to increase in the coming years, peaking in 2008. Recognizing this, Congress passed legislation (H.R. 2116) during the last session that authorized VA to construct six additional national cemeteries and required VA to properly maintain existing cemeteries. The VA's budget request of $110 million -- $13 million above FY 00 funding -- includes advanced planning funds to begin the work on four cemeteries next year and to provide staffing to renovate current cemeteries and man the two new cemeteries that VA will be opening this year in Texas and Ohio. I fully support this pledge to honor our veterans.

Pete and Frank, your interest in working to improve the delivery of services to our nation's veterans is greatly appreciated. Thank you for this opportunity to offer my views.

Sincerely,

Jay

John D. Rockefeller IV
Ranking Minority Member

thank you both, Pete and Frank.

Jay

United States Senate
COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510–6450
http://indian.senate.gov

February 29, 2000

The Honorable Pete V. Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

The Honorable Frank R. Lautenberg
Ranking Minority Member
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Chairman Domenici and Senator Lautenberg:

We write in response to your request for the views and estimates of the Committee on Indian Affairs on the President's Fiscal Year 2001 budget request for Indian programs. On February 7, 2000, the President submitted his FY2001 budget request to the Congress totaling $1.84 trillion, dedicating one-third of all funds to domestic, discretionary spending.

On February 23, 2000, the Committee held an oversight hearing on the President's budget request for Indian programs to receive testimony from the Bureau of Indian Affairs (BIA), the Indian Health Service (IHS), and other federal agencies as well as from various Indian tribal organizations.

I. FEDERAL SPENDING TRENDS 1975-2001

As it did in previous years, the Committee called upon the Library of Congress' Congressional Research Service (CRS) to prepare an analysis of the federal spending trends in programs and services for or affecting American Indians and Alaska Natives (AI/AN), and a comparative analysis for spending patterns for other Americans.

Pending submission of the FY2001 analysis, attached to this letter is a copy of the analysis prepared for Committee consideration for FY2000 funding, *Congressional Research Analysis: Federal Spending Trends on Indian Programs FY1975-2000*, for your consideration.

Since FY1993, government-wide funding for Native American programs has grown markedly. In FY1993, budget authority totaled $ 5.28 billion. This figure grew to $ 7.8 billion in FY1999, and $ 8.2 billion in FY2000. For FY2001, the request totals $ 9.38 billion, a $ 1.178 billion increase over FY2000 enacted levels.

II. PROFILE OF INDIAN COUNTRY IN BRIEF

In General. There are currently 561 Indian tribal governments recognized by the United States, with some 40% of tribes located in the State of Alaska. The *1990 Decennial Census of the United States* reports that there are 2.2 million AI/AN, with half residing on Indian reservations. Most AI/AN reside in rural communities, sometimes hundreds of miles from the nearest urban area. As compared to all other groups of American citizens, AI/AN rank at or near the bottom of nearly every social and economic indicator.

America's Native communities suffer the highest rates of unemployment and poverty, live in substandard housing, have poor health, receive an inadequate education, and contend with disintegrating or non-existent social systems, all of which together erode both the quality and dignity of life in these communities.

Education. The educational attainment for native youth is also deficient compared with other groups in the U.S. with native youth achieving fewer high school and college degrees. A significant and aggravating factor in educational performance is the continued inability of the federal government to ensure adequate, safe and clean educational facilities conducive to learning by AI/AN youth. As of 1999, there is a nearly $1 billion backlog in unmet needs for school facilities in native communities.

Housing. Census information reveals that 18% of all reservation households are "severely crowded" as compared with 2% for non-natives, with some 90,000 Indian families homeless or under-housed. One of every five Indian houses lacks complete plumbing facilities. Reliance on federal financing for housing is made greater by the difficulties AI/AN have in accessing private sector capital and mortgage lending in particular.

Employment and Income. Hobbled by the near-complete absence of a private sector, nearly one in three AI/AN, or 30%, live in poverty. In the U.S. today, the unemployment rate is 4.5%, whereas in native communities the unemployment rate hovers near 50% — nearly twice that of the national unemployment rate in the Great Depression of the 1930's. The earning capacity of AI/AN also lags behind that of other Americans: for every $100 earned by the average American family, an Indian family earns $62. Similarly, the average *per capita* income for Indians residing on reservations is $4,478.

Health Status. Perhaps most striking are the health statistics involving AI/AN. Tuberculosis, diabetes, alcoholism, Fetal Alcohol Syndrome (FAS) and increasingly, AIDS, plague America's native communities at rates far and above the rates for other Americans.

As of 1999, there is a $740 million backlog in unmet needs for health facilities, contributing to the degenerating health of native communities.

There are at least two rationales for ongoing federal commitments to allocate resources to AI/AN programs and services. The first is a fundamental desire by the U.S. to address the compelling and often Third World conditions found in many native communities. Resources are often allocated to alleviate dire conditions and address the basic human needs of AI/AN across the country. In many parts of native America, economic and social conditions resemble the emergency states associated with natural disasters which require federal intervention.

The second rationale for an ongoing and significant commitment of federal resource commitment is the unique legal and political relationship between the U.S. and Indian tribes nationwide. This government-to-government relationship is a well-settled principle of federal Indian law which is expressed in treaties, executive agreements and orders, statutes, courses of dealing, and hundreds of federal court decisions. There are also moral components to the relationship and the mutual obligations of the parties. The relationship is most easily understood by reference to the cession of millions of acres of land by tribes in return for peace, appropriations, and other benefits to be provided by the United States.

III. FUNDING PRIORITIES AND SUCCESSFUL PROGRAMS

In 1997 constant dollars, and if enacted, the President's FY2001 budget request for Indian-related programs marks a shift in the historical funding disparities between the Indian and non-Indian populations. For FY2001, a total of $9.4 billion, an increase of $ 1.2 billion, is proposed for Indian programs across many federal agencies and departments.

Given the continuing need for a significant commitment federal resource commitment, the Committee supports the overall budget request for Indian-related programs, and in some instances urges that it be increased. In no instance does the Committee suggest that the budget request should be decreased. Historically, most federal funds allocated for native communities have tended to result in an expanded and unresponsive federal bureaucracy rather than any direct benefits to native people. In recent years, Congress has implemented tribal recommendations to the Congress regarding the need for greater local autonomy and flexibility in spending decisions.

The Tribal Priority Allocations (TPA) mechanism has proven successful in affording the tribes the ability to set spending priorities for governmental services and, if faced with changing needs, to reallocate TPA funds accordingly.

The TPA mechanism enables Indian tribal governments to flexibly respond to local concerns and to provide governmental services such as child welfare and elder care programs, forestry, agriculture and range management, fire protection, adult vocational education training, and a host of others to their members and others residing on Indian lands.

By focusing the bulk of the BIA resources on TPA, the request continues the trend to direct greater amounts of resources to priorities identified by tribal governments for the provision of services to their members. Tribal governments, closest to tribal members, are most acutely aware of their needs and how best to address them.

Similarly, beginning with the *Indian Self Determination and Education Assistance Act of 1975*, as amended, (Pub. L. 93-638) there has been a gradual shift away from the federal administration of Indian programs to one in which tribal governments assume the responsibilities of the U.S. for the provision of services and programs to tribal members. Through "638 contracts" and self governance compacts tribes have acquired administrative capacity and delivered higher quality services than were previously made available. The Committee strongly supports the continued funding and expansion of tribal contracting and compacting under the 1975 act and urges that sufficient funds be provided to ensure the continued success of the program.

IV. COMMITTEE RECOMMENDATIONS

A. Department of Interior

1. Bureau of Indian Affairs (BIA)

a. Operation of Indian Programs (OIP). In FY2001, the President proposes $ 2.2 billion to fund the BIA, an increase of $ 332 million over the FY2000 enacted level. For TPA, the request includes $761.2 million, a proposed net increase of $ 60.4 million over the FY2000 enacted level. As part of the trend toward increased tribal contracting, as of FY1999, some 65% of all TPA funds are subject to either contracts or compacts pursuant to the provisions of the *Indian Self Determination and Education Assistance Act*, Pub. L. 93-638.

Key items for which increases are requested include $ 9 million for Contract Support Costs; $ 16.1 million for the Housing Improvement Program (HIP); $ 5 million for BIA road maintenance; $ 13.8 million for BIA Trust Management Improvements; $ 1.3 million for tribal courts; and $ 1 million for adult care facilities repair.

Under the request, Contract Support Costs for BIA programs are projected to be funded at 88% of need, a 2% increase over FY2000 levels. These funds are critical incentives to tribal contracting and compacting and, until full contract support costs are provided, the level and quality of services provided under these contracts and compacts will suffer.

b. Law Enforcement Activity. Safe and crime-free environments are central to any effort to attract capital and employment opportunities to strengthen tribal economies. Pursuant to the ongoing joint *Department of Justice - Department of Interior Law Enforcement Initiative* the FY2001 request continues the commitment to fighting violent crime in Indian communities by including an $ 18.9 million increase over FY2000 enacted levels for BIA Law Enforcement.

The increase would be used for additional law enforcement personnel, police vehicles, communications equipment, and staff detention services.

As it has urged be done in other program areas, the Committee is encouraged by the degree of inter-agency coordination for law enforcement evidenced by the law enforcement initiative.

c. Education Activity. The provision of quality education to native communities is a top priority for this Committee.

The requested funds for BIA education programs total $913.5 million, an increase of $212 million over the FY2000 request.

The request for School Operations within the BIA is $506.6 million, an increase of nearly $40 million over FY2000. This increase includes $6.8 million for the Family and Child Education Program and $8.2 million for a new therapeutic residential treatment pilot program.

In Other Recurring Programs, the request includes $333 million for Indian School Equalization Formula (ISEP) funds, an increase of $16.8 million over FY2000. The request includes $38.2 million for Tribally Controlled Colleges, a $2.8 million increase over FY2000.

For Facilities Operations and Maintenance, the request includes $55.6 million for facilities operations, with no funding requested for the maintenance account. In addition, $171.2 million is requested for Facilities Improvement and Repairs, a $103.4 million increase over FY2000 for the backlog of health and safety deficiencies at BIA-funded elementary and secondary schools.

In the TPA account, $52 million is included, which is an increase of $1.8 million over FY2000. The bulk of these funds, $30.6 million, is for Scholarships. The request also includes $17 million for the Johnson-O'Malley program, and $1.1 million for supplemental grants for Tribally Controlled Colleges. The request does include a decrease in funds for Adult Education activities. The requested amount is $2.46 million, which is $133,000 less than FY2000.

The FY2001 request includes funds for education-related programs in the Special Programs account. The request includes $14.2 million for secondary school funding, an increase of $300,000, and $1.3 million for Special Higher Education Scholarships, level funding as compared to the FY2000 request.

For years, this Committee has expressed grave concerns over the growing backlog in Indian school facilities of nearly $ 1 billion. The Committee lauds the $ 300.5 million request for facilities construction, an increase of $ 167.3 million over FY2000. There is a nearly $1 billion backlog in Indian school facilities. The request includes $126.1 million with the majority of those funds dedicated to replace 6 schools: Tuba City Boarding School and Second Mesa Day

School (AZ); Zia Day School, Wingate Elementary School and Baca Consolidated Community School (N.M.); and Lummi Tribal School (WA). Up to $30 million of this amount is available for the tribal component of the proposed School Bond Modernization Initiative.

Similarly, the Committee commends the Administration for its pursuit of alternative school facilities financing mechanisms such as the *Indian School Construction Bonding Initiative* under which zero-interest bonds would be issued to cover such financing costs. While the Committee fully supports the request with regard to facilities construction, it also encourages the BIA, in consultation with the tribes, to pursue and develop novel approaches to this growing problem.

With an acute shortage of qualified Indian teachers, the Committee commends the President's *American Indian Teachers Corps* proposal to train and place Indian teachers to teach in schools on Indian lands or in public schools with substantial Indian student populations.

d. Agriculture and Related Activities. Though enacted in 1993, regulations to implement the 1993 *American Indian Agricultural Resources Management Act* have yet to be promulgated. In the FY1999 Omnibus Appropriations Act, the Committee directed the Bureau to report on the type and degree of its activities on Indian agriculture including the level of inter-agency coordination on agriculture matters.

Due to past budget restrictions, the Committee is concerned that the Bureau's capacity to assist tribes in dealing with irrigation, soils, and other matters affecting Indian agriculture has been severely hobbled. At the same time, the Committee is actively pursuing the enactment of legislation to address the problem of land fractionation which continues to hobble efforts to reform trust management practices and serves as a prime inhibitor to agricultural and other value-added activities on Indian lands.

2. Office of Special Trustee for American Indians (OSTAI)

Beginning in 1997 through several oversight and legislative hearings, the Committee has grown concerned with the pace and direction of planned trust management reforms of the Department of Interior and its Bureaus. Since FY1998, $ 185.5 million has been appropriated by Congress to the Department of Interior for purposes of trust management reforms.

It is readily apparent that state-of-the-art computer and accounting systems are needed if Indian trust management practices are to be reformed. However, the Committee lacks confidence in the integrity of the Trust Asset and Accounting Management System (TAAMS) and its capabilities as the centerpiece of the planned reform efforts. The General Accounting Office has characterized the TAAMS systems as "high risk", and, unless fundamentally altered, could result in the expenditure of millions of dollars on a failed system.

The request includes $ 58.4 million for the Office of the Special Trustee for American Indians, a decrease of $ 6.9 million from FY2000 levels. The majority of funds are presumably dedicated, as they were in FY2000, to developing and implementing the Trust Management Improvement Project to improve computer, accounting, and other trust management systems.

The Committee supports the FY2001 request inasmuch as it includes $ 35 million for trust management improvements in the BIA itself including real estate services to improve property management services, the performance of cadastral surveys, real estate appraisals, the hiring of additional probate staff, and funding for land titles and records. These functions are necessary to the ultimate success of any trust reform efforts and resources are needed to accomplish them.

The Committee strongly supports the proposed expansion, to a total of $ 12.5 million, of the Indian Land Consolidation Pilot program which has been implemented with success on a limited number of Indian reservations.

B. Department of Health and Human Services

1. Indian Health Service (IHS)

The President's budget request for the Department of Health and Human Services (DHHS) is $427.5 billion, an increase of $ 32.6 billion over FY2000 enacted levels. Percentage allocations within the DHHS are: Medicare - 51.9%; Medicaid - 29.6%; Discretionary Programs - 10.8%; Temporary Assistance to Needy Families - 3.8%; and Children's Programs - 3.4%.

a. Health Services. The proposed request for the Indian Health Service (IHS) is $2.62 billion, an increase of $229 million over the FY1999 enacted levels. For *Indian Health Services*, the request totals $2.4 billion, an increase of $195 million over FY2000 enacted levels.

The request includes $1.76 billion for clinical services, a $136.8 million increase over the FY2000 enacted level which includes an increase of $78.7 million for Hospitals and Health Clinics; $8.2 million for Dental Services; $6.2 million for Mental Health Services; $2.8 million for Alcohol and Substance Abuse; and $ 40.9 million for Contract Health Services.

For preventive health services, the request is $ 103 million, an increase of $ 11 million over FY2000 levels. For other services, the request is $ 398.5 million, an increase of $ 48.5 million over FY2000 levels, including increases in urban health ($3 million), Indian Health Professions ($ 2.3 million), direct operations ($ 3.1 million), and contract support ($40 million).

b. Contract Support Costs. The Committee is cognizant of the need to provide more contract support costs (CSC) to fund the existing queue of tribal contractors, and as an incentive to transitioning other tribes and tribal organizations to provide health and other services to their members under the *Indian Self Determination and Education Assistance Act of 1975*.

In the 105th Congress, this and other Committees devoted significant time and resources to addressing the issue of chronic shortfalls in CSC funds for tribal contractors and compactors under the *Indian Self Determination and Education Assistance Act of 1975*, as amended. For FY2000 the request includes an increase of $ 40 million, but still falls far short of the actual demand for such funds. The IHS estimates that a total additional need of $102 million in CSC funds are needed in FY2001. The requested amount would leave a shortfall of some $63 million.

c. Health Facilities. Though the FY2001 budget request for health facilities is $349 million, an increase of $32.8 million over the FY2000 enacted level, there remains nearly a $1 billion backlog for health care facilities in Indian country. Of this amount, increases are sought for maintenance and improvement ($ 1.9 million), sanitation facilities ($ 4.5 million), design and construction ($ 14.8 million), and facility and environmental health support ($13.5 million).

Facilities construction funds are requested for the hospital at Ft. Defiance, AZ, the Parker Health Center, AZ, and the Winnebago Hospital, NE. In addition, funds are requested for the design of the Pawnee Health Center and the Ft. Defiance staff quarters. As the health care status and access to health care of AI/AN continue to be major matters of concern, the Committee encourages the DHHS and the IHS to consider alternative approaches to financing Indian health facilities such as co-financing, joint ventures, and bonding initiatives similar to the school bonding initiative proposed by the Bureau of Indian Affairs.

d. Other DHHS Programs. As the *Personal Responsibility and Welfare Reform Act* continues to be implemented, the Committee continues to be concerned that native communities are ill-equipped to make the transition from welfare to work. Authority for the Temporary Assistance for Needy Families (TANF) program as well as potential program changes may need to be changed to make welfare to work a success in native communities.

The request includes $510 million for community services block grants, a decrease of $ 17.7 million from FY2000 levels. This program provides block grants to states and Indian tribes for services and activities that reduce poverty, including employment and education services.

The request also includes $ 175 million for the Indian Head Start program, an increase of $ 30 million over FY2000. In addition, $ 23 million is requested to fund the Older Americans Act, Title VI program, an increase of $35 million over FY2000 enacted levels which will be used largely for nutrition services.

Universally acknowledged as a successful tool in assisting tribes and native communities develop and implement economic, environmental and cultural initiatives, the Administration for Native Americans (ANA) program is slated to receive $44 million in FY2001, a $ 9 million increase over FY2000. The Committee supports other items in the request including a $ 3 million expansion for tribal epidemiology centers, and a $ 4.7 million increase for the Community Health Representative program.

C. Department of Justice

The FY2001 request for Indian-related programs at the Department of Justice is $173 .3 million, including funding as part of the joint *Department of Interior - Department of Justice Law Enforcement Initiative* in Indian Country. The language of the request indicates that the bulk of funds dedicated to tribal law enforcement would be administered primarily through grants to tribes through the Bureau of Justice Assistance (BJA).

Given the alarming increase in the rate of violent crime on Indian lands reflected in the Department of Justice / Office of Justice Programs report entitled "American Indians and Crime" (February, 1999), the Committee is fully supportive of the requested funds dedicated to law enforcement in Indian country.

The Committee is supportive of new initiatives of the Department including $ 4.6 million in new funding for 31 victim / witness coordinators within the Federal Bureau of Investigation and evidence and forensic examinations; $ 4.6 million in new funding for additional U.S. Attorney positions to investigate and prosecute crimes in Indian country; $18 million in new funding for drug testing, treatment, and diversion programs; $ 8 million in new funding for Youth Mental Health and Behavior Problems; and $ 6 million for sexual assault nurse examiner units.

The request also includes $ 6 million for tribal criminal and civil legal assistance; $34 million for the construction of detention facilities in Indian country; $ 2 million in new funding for tribal criminal justice statistics collection; $ 45 million for grants to tribes to hire additional law enforcement officers; $ 5 million for an Indian Country Forensics Laboratory; and $ 932,000 to establish permanently the Office of Tribal Justice within the Department.

D. Department of Housing and Urban Development

The President's request for the Department of Housing and Urban Development (HUD) is $ 32 billion, an increase of $2.5 billion over FY2000 enacted levels. The request includes increases in welfare to work vouchers (+ $183 million); Community Development Block Grants (+ $119 million); Economic Development Initiative/Community Empowerment Fund (+$76 million); America's Private Investment Companies (+$17 million); and HOME Investment Grants (+$50 million).

Information provided to the Committee suggests that the level of need is $972 million, leaving a funding gap of some $342 million for FY2000. It is doubtful that the differential can be satisfied either with tribal resources or by tribes availing themselves of the private capital markets. Nonetheless, the Committee is pleased that funds requested for the *Native American Housing Assistance and Self-Determination Act (NAHASDA)* block grant total $650 million, an increase of $30 million over FY 2000 levels.

There are two set-asides in the NAHASDA budget. First, $5 million is requested for the Title VI Indian Federal Guarantee program to help provide loan guarantees to tribes or individuals who cannot borrow from private sources without a loan guarantee. The Indian Homeownership Intermediary program requests $5 million to create a national financial intermediary to facilitate mortgage lending in Indian country. The Indian Housing Loan Guarantee Fund requests $6 million which will support $72 million in home loans.

Though long overdue, the Committee supports the $ 5 million requested set-aside within the Treasury Department's Community Development Financial Institution (CDFI) program for training and technical assistance aimed at eliminating barriers to capital access in Native communities.

The Committee continues to encourage the coordination and consolidation of intra-agency and inter-agency resource targeting for Indian programs, especially for those programs and services dedicated to business and community development. In this regard, the Committee commends the Administration for its proposal to establish a Native American Development Access Center, and the continuing program to implement one-stop mortgage centers on Indian lands to disseminate mortgage and related housing information.

Specific Indian items in the HUD request that the Committee supports include Community Development Block Grants ($69 million); Native American Development Access Center ($2 million); Drug Elimination Grants ($345 million); Indian Housing Block Grants ($650 million); Title VI Indian Federal Guarantee ($5 million); Indian Homeownership Intermediary ($5 million); Section 184 Indian Housing Loan Guarantee Fund ($6 million); and the Tribal College and University Program ($5 million).

Specific items within HUD targeted for increase include welfare to work vouchers (+$144 million); Community Development Block Grants (+$25 million); regional empowerment zone initiatives (+$50 million); America's Private Investment Companies (+$37 million); and HOME Investment Grants (+$20 million).

E. Department of Commerce

The President requested a total of $5.4 billion for the Department of Commerce, which is an increase of $ 1.3 billion over the FY 2000 enacted level. The request includes $54 million for promoting Native American economic development and provides resources to build on the New Markets Initiative (NMI).

The bulk of funding for the NMI ($49 million for FY2001, an increase of $46 million over FY2000) will concentrate on infrastructure development, planning, and capital access projects for Native communities. The Department's Economic Development Administration (EDA) is to administer the program and give priority to projects that attract outside capital to Indian country. The remaining $5 million will be administered by the International Trade

Administration (ITA) to encourage Native American-owned firms to export goods and services internationally.

The request also includes $4.5 million in new funding to create Small Business Development Centers in Native communities and to work with the existing Tribal Business Information Centers (TBICs).

Though the Committee fully supports the requested amounts for this initiative, it remains unconvinced that tribes have full and equitable access to the many business and community development programs and services within the department such as the Economic Development Administration (EDA), the International Trade Administration (ITA), the Export Promotion Administration, and National Telecommunications and Information Administration (NTIA).

F. Department of Agriculture

The President requested a total of $64.9 billion for the Department of Agriculture which includes funding for Indian tribes and tribal organization. Funding is divided into 2 categories: "Native American Specific Programs", and "Other Programs" that may benefit Native Americans. The overall funding for Native American Specific Programs is $148.4 million, an increase of $40.2 million over FY2000 enacted levels. The overall funding request for Other Programs is $636.0 million, an increase of $50.2 million over FY2000 enacted levels.

Indian Specific Funding. The following are items in the Specific Program category: Native American Endowment Fund, $7.1 million (+ $2.5 million); Extension Indian Reservations Program, $5.0 million (+ $3.3 million); FSA's Indian Land Acquisition Loans, $2.01 million (+ $1 million); and Food Distribution on Indian Reservation, $76.5 million (+1.5 million).

Rural Development. The availability of a solid physical infrastructure is often a decisive factor in the decision of outside investors and Indian entrepreneurs to engage in business activities on native lands. The Rural Community Advancement Program (RCAP) funds key rural sewer and water facilities and has had a significant impact on many native communities. The request includes funds for the RCAP program, and up to FY2000 tribes were eligible for 5% of these funds. The Committee believes that given the needs for infrastructure development on Indian lands, the 5% level should be seen as a floor for Indian eligibility for RCAP funds.

For purposes of rural development the Specific Programs account totals $48.7 million, including an earmark of $29.7 million for Water and Waste Disposal Direct Loans and Grants, an increase of $17.7 million; new earmarks for Community Facility Loans and Grants of $8 million; Rural Business Enterprise Grants of $6 million; Rural Business Opportunity Grants of $1 million; and a request for Intermediary Re-lending Program Loans of $4 million.

The Rural Development -- Other Programs request totals $139.8 million, an increase of $34.2 million over FY2000, $17.9 million in Business, Industry and Enterprise loans and grants,

$31.1 million in Single Family Housing loans, $25.6 million in Multi-Family Housing, and $16.4 million in Telecommunications and Tele-medicine loans and grants.

Empowerment Zones (EZ). The request includes wage provisions and tax credits to expand the EZ concept for a proposed third round of 10 new empowerment zones in 2001. The total cost of this initiative is estimated to be $4.4 billion.

Natural Resources Conservation Service. The request includes $ 3 million for Conservation Technical Assistance and $16.0 million for the Environmental Quality Incentives Program (EQIP).

Food and Nutrition Service. The request includes $231.4 million for the Food Stamp Program; $176.6 million for the Child Nutrition Program; $1.8 million for the Nutrition Program for the Elderly; and $66.3 million for the Women, Infants and Children Program.

Tribal Colleges. For Tribal Colleges Institution Equity Grants, the request includes $1.552 million, level funding with FY2000, and also includes $4.5 million for extension services and capacity building at Tribal Colleges. Research and Development Grants to Indian Higher Education Institutions for economic analysis have been zeroed out for FY2001.

Foreign Agricultural Service. The request includes $25,000 for the Intertribal Agricultural Service to research export opportunities for Indian producers.

In an attempt to broaden the scope of programs serving native communities, in 1998 the Committee directed the Department of Agriculture to file a report detailing those programs and services which currently serve native communities. Filed in early February, 1999, this report notes existing programs serving native communities as well as other initiatives that could benefit native communities. The Committee has reviewed the report and encourages the Department to develop and implement a "blueprint" for increasing the availability of its programs to its Indian constituents and for enhancing the effectiveness of departmental services in native communities. The Committee is particularly interested in the Department's efforts to encourage the development and export of native agricultural goods.

g. Department of Labor

The President's FY2001 budget request for the Department of Labor totals $39.7 billion, which includes a 2-year continuation of the ***Welfare to Work*** program which allocated $30 million to Indian tribes in FY1998-2000. In addition, the Administration proposed a $10 million set-aside under the Fathers Work / Families Win program for Indian and Native American Workforce Agencies. The Committee supports the request for Indian programs.

h. Department of Transportation

The Committee notes that there are an estimated $4 billion in unmet needs for Indian roads and bridges, and is fully supportive of the $275 million requested for the Indian Reservation Roads (IRR) program, as well as $74 million from highway receipts accounts. This represents an increase of $117 million over FY2000 enacted levels.

The request also includes a $ 1 million set-aside for Native American construction skills training as part of a larger $10 million construction skills program for minorities. The Department will also administer $ 5 million for tribes for the Job Access program to help welfare recipients travel to employment opportunities and related services.

i. Environmental Protection Agency

The need to build tribal capacity to develop and implement tribal environmental programs is great. The Committee supports the President's request for FY2001 for programs that serve Indian country within the Environmental Protection Agency (EPA) which totals $188 million and includes increased funding for the Tribal General Assistance Capacity Building Grants at $53 million, a $10 million increase over FY2000, and a $ 12 million increase in Tribal Wastewater Treatment Project funding.

In addition, the physical infrastructure needs in native communities with regard to potable water and wastewater treatment are also great. The Committee therefore supports the $15 million request for drinking water and wastewater infrastructure needs of Alaska Native villages.

V. COMMITTEE CONCLUSIONS

The Committee on Indian Affairs, in its February 29, 2000, business meeting favorably adopted the foregoing letter of recommendations on the budget views and estimates.

We appreciate the opportunity to provide this information on the President's FY2001 budget request for Indian-related programs to the Committee on the Budget and very much look forward to working with you in the coming year.

Sincerely,

Ben Nighthorse Campbell
Chairman

Daniel K. Inouye
Vice Chairman

Congressional Research Service • Library of Congress • Washington, D.C. 20540

Memorandum

March 1, 2000

TO : Senate Committee on Indian Affairs
Attention: Paul Moorehead

FROM : Roger Walke
Specialist in American Indian Policy
Domestic Social Policy Division

SUBJECT : Indian-Related Federal Spending Trends, FY1975-FY2001[1]

This memorandum responds to your request that the Congressional Research Service (CRS) update its analysis of Indian-related budget authority to include fiscal years 1975-2001. The Committee originally published its own analysis, done by committee staff with CRS assistance, as a "Special Feature" in its *Budget Views and Estimates* for fiscal year 1989.[2] The Committee subsequently published the CRS analyses in the appendices of its *Budget Views and Estimates* for fiscal years 1991-1993.[3] The Committee has also included the CRS analyses in its materials printed in the Senate Budget Committee reports on the concurrent budget resolutions for fiscal years 1995-2000.[4]

The memorandum summarizes trends in major Indian-related areas of the federal budget over the period FY1975-FY2001. "Indian-related" refers to programs provided for American Indian and Alaska Native tribes and their members because of their political status as Indians, not because of their racial classification or simply because they are citizens. The budget items selected in this memorandum have usually accounted for two-thirds to three-quarters or more of total annual Indian-related federal spending (as such spending is calculated by the Office of Management and Budget). For FY1997-FY2001, however, these items account for less than two-thirds of "governmentwide Native American program funding" as estimated in the *Budget of the United States Government, Fiscal Year 2001* ("Budget," p. 132, Table 7-3).

---

[1] Andorra Bruno, Analyst in American National Government, assisted in gathering data for FY1975-FY1995. Garrine Laney, Analyst in American National Government, and Megan Perry, Intern, assisted in gathering the data for FY1975-FY1991.

[2] S.Prt. 100-116.

[3] S.Prt. 101-89, S.Prt. 102-32, and S.Prt. 102-91, respectively.

[4] S.Rept. 103-238, S.Rept. 104-82, S.Rept. 104-271, S.Rept. 105-27, S.Rept. 105-170, and S.Rept. 106-27, respectively.

The Indian-related spending 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 and 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-FY2001, using current dollars. **Table 2** covers the same period using constant, or inflation-adjusted, 1997 dollars. **Tables 3 and 4** present the same current- and constant-dollar data for the period FY1982-FY2001.

The analysis presented here 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 compares trends in major programs affecting the nation's Indian population (particularly those programs targeting Indians in federally recognized tribes) with trends in broadly similar aggregates of programs affecting the entire U.S. population. Because it is comparing large-scale trends, the memorandum does not analyze characteristics of programs or of populations served.

The discussion that follows is organized in three parts: methodology and sources; budget trends in education, health, housing, and economic development and employment training; and overall trends.

Methodology and Sources

The Indian-related budget items chosen for this analysis are the Bureau of Indian Affairs (BIA), the Office of Special Trustee for American Indians, and some BIA 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, chiefly constructing new housing, in the Department of Housing and Urban Development (HUD);[5] and the Indian and Native American Employment and Training

[5]HUD's Indian Housing Development program, which funded *new* Indian housing, was consolidated in FY1998, along with most other HUD programs for Indian housing, into a new Native American Housing Block Grant (NAHBG) Program, created by the Native American Housing Assistance and Self-Determination Act of 1996 (P.L. 104-330, 25 U.S.C. 4101 *et seq.*). Under the NAHBG program, recipients (tribes and tribally-designated housing entities) may spend block grants to provide and maintain low-income housing according to their own plans and needs. In 1998 a HUD Office of Native American Programs (ONAP) officer broadly estimated that tribes and housing entities would spend in FY1998 about $200 million, or one-third of NAHBG funds, on *new* housing development. ONAP is awaiting tribal data and is not yet able to provide actual or estimated spending figures on new housing development for FY1998-2000. To maintain the time-series for this memorandum, we used the one-third proportion in estimating Indian Housing Development spending

(continued...)

Program (INAP)[6] in the Department of Labor. According to figures from the Office of Management and Budget, these agencies accounted for about 68% of total estimated Indian-related spending governmentwide in the period FY1988-FY1999.

The Office of the Special Trustee for American Indians (OST) was created by the American Indian Trust Fund Management Reform Act of 1994 (P.L. 103-412, 25 U.S.C. 4001 *et seq.*) to manage Indian trust funds and to oversee and coordinate the general management of Indian trust assets. These duties and services were previously provided by the BIA. To maintain a consistent time-series in this memorandum for BIA programs, we have combined OST spending with total BIA spending. OST was first listed with separate appropriations for FY1996. Included in OST spending are appropriations for the Indian land consolidation pilot project, which began in FY2000. (For the amounts of OST spending added to BIA spending, see the notes to the appendix tables.)

For the BIA program categories chosen for the analysis — education, economic development, natural resources, and tribal (formerly "Indian") services — the memorandum 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 (instead they are used as subcategories within the BIA's new general categories). While the BIA applied this restructured presentation to its FY1993 budget, it did not do so for earlier years. Hence, the time-series data for BIA component programs are internally consistent for FY1975-FY1992 and for FY1993-FY2001 but may not be consistent between the two time periods. In addition, for FY1999 and later years the BIA has moved some programs between different budget categories.

In this memo we re-grouped FY1993-FY2001 data for the relevant BIA programs into the general categories of education, economic development, natural resources, and Indian services.[7] We have maintained consistency in assigning BIA programs to these general categories. We stress that re-grouping data for the BIA components for FY1993-FY2001 means that the figures for the categories for these years are estimates and that they are not necessarily consistent with earlier years. Hence computations and statistics for these BIA categories for the periods FY1975-FY2001 and FY1982-FY2001 are also estimates.

(...continued)
for FY1999-2001. As ONAP data become available for FY1998-2000, these estimate may need to be revised.

[6]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 memorandum uses CETA Indian program spending for the period FY1975-FY1983 and INAP spending for FY1984 to the present.

[7]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-FY2001 time series may be skewed, either up or down.

Spending is measured in this memorandum 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 spending data have been available as "use of budget authority," and we include data for both outlays and budget authority in measuring federal spending on housing in general. (Annual outlay and budget authority figures may diverge from each other more in housing, with its multi-year spending patterns, than in other budget areas.)

To adjust for inflation, current-dollar figures were changed into constant dollars. The base year for the constant dollars was 1997, and the inflation index used to compute constant dollars from current-dollar figures was the Chain-Type Price Index for Gross Domestic Product (GDP). The Chain-Type Price Index was introduced in 1995 by the Bureau of Economic Analysis of the Department of Commerce to measure real GDP, essentially replacing the Implicit Price Deflator. We use the Chain-Type Price Index 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-FY2001 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-FY2001 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, or annual change, shows how much the spending on a budget item changes for every year that passes. (The slope is also known technically as the "coefficient of X" or the "regression coefficient.") *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 the 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 another agency's annual change while taking relative budget size into account. We stress that the change ratio is *not* a measure of rate of change over time and should not be so cited.

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 FY2001 budget estimates, by agency and by budget function[8] 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 Census Bureau's *Statistical Abstract of the United States: 1999* (Table 2, p. 8); "Monthly Estimates of the United States Population" (Internet release date: Dec. 23, 1999); and "Annual Projections of the Total Resident Population as of July 1" (Internet release date [revised date]: February 14, 2000). We used the figures for total U.S. population, including Armed Forces abroad, for 1975-1998, and the figures for resident population for 1999-2001. Indian population estimates and projections, based on that agency's service population, are as of November 1998 and came from the Indian Health Service.

Historical figures for the Chain-Type Price Index for GDP were obtained from the *Economic Report of the President* (February 2000); projections for 2000-2001 came from the U.S. Congressional Budget Office's *The Budget and Economic Outlook: Fiscal Years 2001-2010* (January 2000).

Education

Education data from **Table 1** show that Indian education spending appears to have been growing from FY1975 to FY2001. The annual change for BIA education,[9] for instance, shows an increase of $15.6 million per year, for a positive change ratio of 4.23. 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 constant-dollar data show that BIA education has grown by only $2.3 million a year, for an actual change ratio of 0.47, during the period FY1975-FY2001. This pattern — an increase in current dollars but a much smaller increase, or a 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 $26.1 billion in constant 1997 dollars during FY1975-FY2001 and has grown at a rate of $563.2 million a year (2.16 change ratio), with little annual variation (r^2 of .793). In contrast, Office of Indian Education (OIE) programs in the Department of Education, which averaged $95.8 million a year in constant dollars, fell $2.5 million a year over the same time period (-2.57 change ratio). The r^2 figure for the OIE in the Education Department (.633) suggests that OIE spending has fallen somewhat consistently over the time period.

---

[8]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.

[9]Excludes BIA construction for education. As noted above, the time series for BIA education is not internally consistent because of BIA budget restructuring for FY1993-FY2001. In addition, FY1991 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.

Table 4 compares budget trends in constant dollars during the period FY1982-FY2001. The Department of Education has averaged $27.6 billion during that period, with an increase of $732.7 million a year (2.66 change ratio). BIA education increased $12.9 million a year (2.80 change ratio) in FY1982-FY2001, faster than the Education Department as a whole, while the Office of Indian Education in the Education Department fell $1.6 million a year (-1.85 change ratio).

Graphs 1-3 illustrate the trends in education in constant dollars for FY1975-FY2001. **Graph 1** shows the generally upward, but fluctuating, trend for the Department of Education budget. **Graph 2** shows a long downward trend and then a recovery for BIA education, while **Graph 3** illustrates that the OIE in the Department of Education had a long-term downward trend, followed by a leveling-off, a sharp fall in FY1996, and a strengthening increase since then.

Health

Federal health outlays, as measured by the health budget function, averaged $76.5 billion in constant 1997 dollars during FY1975-FY2001, increasing at a rate of $4.9 billion a year, for a change ratio of 6.39 (see **Table 2**). Expenditures of the Department of Health and Human Services (HHS) — excluding Social Security payments and Social Security Administration administrative costs (but including other HHS non-health spending) — averaged $212.3 billion in the same time period, increasing at $12.1 billion a year (5.70 change ratio). Indian Health Service appropriations, in constant dollars, also increased during FY1975-FY2001, but at a lower rate than those of HHS or the health budget function. IHS's annual increase was $60 million, a change ratio of 3.93, on an average level of $1.5 billion.

Spending on the health budget function during FY1982-FY2001, shown in **Table 4**, was at an average level of $89.7 billion in constant dollars during the period, with an annual increase of $6.6 billion (7.38 change ratio). HHS outlays averaged $248.8 billion in FY1982-FY2001, increasing $14.7 billion annually (5.90 change ratio). IHS spending during the same period had a lower gain than these two measures, showing a change ratio of 4.53, based on annual increases of $76.5 million and an average spending level of nearly $1.7 billion per year.

Graphs 4-6 depict the trends in the HHS, health function, and IHS budgets for the years FY1975-FY2001, in constant dollars. They show that the increase over time was more consistent for HHS (r^2 of .955) than for the federal health budget function (r^2 of .894) or the IHS (r^2 of .897).

Housing[10]

Federal housing expenditure trends differ for outlays and budget authority during FY1978-FY2001. Outlays have generally risen, on either side of a sudden jump in FY1985, while budget authority fell from FY1978 before roughly leveling off after the FY1985 surge.

---

[10]The time period for housing data is shortened from FY1975-FY2001 to FY1978-FY2001 because of missing data for Indian housing development in FY1975 and FY1977.

The trend in new 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 outlays for the Department of Housing and Urban Development (HUD) averaged $25.5 billion in constant dollars from FY1978 to FY2001 and increased at an annual rate of $433.1 million, for a positive change ratio of 1.70. Outlays for the federal housing assistance subfunction increased even faster, rising $869.9 million a year on an average level of $20.4 billion, for a positive change ratio of 4.27. Budget authority for HUD, however, fell $1.6 billion a year in constant dollars, for a negative -5.11 change ratio on average spending of $31.2 billion. Budget authority in constant dollars for the housing assistance subfunction showed the same pattern, falling $1.2 billion a year on average spending of $24.1 billion for a negative change ratio of -5.04. The Indian housing development program, as measured by annual budget authority for new construction, decreased in constant dollars at an annual rate of $48.9 million on average spending of $474.4 million, for a negative change ratio of -10.30, 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 development program. **Graph 10** combines HUD and housing assistance subfunction outlays with Indian housing development budget authority.[11]

Housing trends during FY1982-FY2001 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-FY2001, falling at an annual rate of $19.5 million (-6.53 change ratio) on an average level of $299 million. Overall HUD outlays in constant dollars, on the other hand, rose more slowly than in FY1978-FY2001, increasing only $336.4 million a year (1.26 change ratio) on an average level of $26.6 billion. Housing assistance subfunction outlays in constant dollars grew faster than HUD spending — a change ratio of 3.18 based on increases of $717.6 million a year with an average level of $22.5 billion — but still lagged behind the rate for FY1978-FY2001. Budget authority trends for HUD and the housing assistance subfunction, in constant dollars, were more positive in the FY1982-FY2001 period than in the longer FY1978-FY2001 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.) During FY1982-FY2001, HUD's budget authority in constant dollars declined $291 million a year on average spending of $24.5 billion, a negative change ratio of -1.19, while housing assistance subfunction budget authority, in constant dollars, fell less rapidly than in FY1978-FY2001, going down $33.5 million a year on average spending of $18.5 billion, for a change ratio of -0.18.

Economic Development and Employment and Training

Economic development spending, in constant dollars, has declined during the period FY1975-FY2001 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

---

[11]Budget authority data for HUD and the housing assistance subfunction were not included in Graph 10 because they caused scaling problems in the graph.

economic development program[12] 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 faster. **Table 2** shows that the U.S. community and regional development function has declined at an annual rate of $288.3 million, for a change ratio of -2.45, while averaging $11.75 billion a year in spending during this period. ANA expenditures, with an average level of $46.3 million, have decreased by $1.7 million a year, for a negative change ratio of -3.57. The BIA economic development program has fallen most rapidly, declining by $4 million a year — a negative change ratio of -4.79 — on an average spending level of $82.6 million. **Graphs 11-13**, and the respective r^2s for the community and regional development function (.277), BIA economic development (.660), and ANA (.613), all show that the decline during FY1975-FY2001 has been more consistent for the Indian-related programs.

Economic development spending during the FY1982-FY2001 period, measured in constant dollars, continued to decline for Indian and national economic development, as shown in **Table 4**, although not as steeply as in the longer period. The federal community and regional development function rose during this period by $29.7 million a year (a change ratio of 0.30) on average spending of $9.8 billion. ANA spending fell by a negative change ratio of -0.73 ($0.3 million a year) on an average spending level of $37.5 million. BIA economic development went down the fastest, being reduced by a change ratio of -2.72 ($1.7 million a year) on average spending of $62.6 million. The downward trends during this period were inconsistent for all the economic development measures.

Employment and training expenditures, in constant dollars, also declined during FY1975-FY2001 for both general U.S. programs and Indian-related programs, as can be seen in **Table 2**. The federal training and employment subfunction fell at an annual rate of $393.6 million, producing a negative change ratio of -4.10 on average spending of $9.6 billion. The U.S. Department of Labor fell at a slower rate, its larger annual decrease (-$725.6 million) generating a smaller change ratio (-1.84) 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, -7.91, based on an annual decrease of $10.1 million and average spending of $127.4 million.[13] **Graphs 14-16** depict these declines in employment and training expenditures.

The FY1982-FY2001 period saw an increase in spending in constant dollars for the training and employment subfunction and a lessening of the rates of decline for the Labor Department and INAP, as **Table 4** shows. The Labor Department's negative change ratio shrank to -1.00 because its annual decrease in constant dollars was only $360.5 million on average spending of $36 billion. The training and employment subfunction showed a positive change ratio of 0.08, based on an annual increase of $5.6 million and average spending of $7.1 billion, both in constant dollars. INAP fell at a far higher rate than the Labor Department or the training and employment subfunction during FY1982-FY2001,

[12]As noted above, the time series for BIA economic development is not internally consistent because of BIA budget restructuring for FY1993-FY2001.

[13]As noted above, the time series used here includes CETA Indian programs for FY1975-FY1983 and the INAP proper for FY1984-FY2001.

losing $2.9 million in constant dollars annually in spending for a negative change ratio of -3.97, based on average spending of $71.9 million.

Overall Budget Areas

This section compares trends over the time period for the total BIA and OST budgets, overall Indian-program spending,[14] and the federal non-defense budget[15] as a whole, using both current and constant dollars. For the BIA and OST, **Table 1** and **Graph 17** indicate an increase in spending in current dollars during FY1975-FY2001, with spending going up by $49.1 million a year (change ratio of 3.76) with an average spending level of $1.3 billion. **Table 2** and **Graph 18**, however, show that in constant dollars the increase in the BIA-OST budget was actually only $2.2 million a year (0.13 change ratio), on an average spending level of $1.7 billion. A steady increase (r^2 of .887) in current dollars becomes, when corrected for inflation, a slight and very uneven increase (r^2 of .007) in constant dollars. As **Graph 18** shows, the unevenness results from a lengthy decline (in constant dollars) followed by an uneven rise. In all previous versions of this memorandum, BIA-OST spending in constant dollars showed a decline over the period since FY1975; it is the large BIA increase proposed for FY2001 – depicted in Graph 18 – that lifts the spending trend for the full time period above a negative trend.

Overall federal non-defense spending for FY1975-FY2001, however, differs from the pattern for Indian-related spending. Federal spending as a whole in current dollars went up during the period FY1975-FY2001, at a rate of $42 billion a year (5.87 change ratio) with an average level of $715.4 billion (see **Table 1**). In constant dollars, federal spending still went up, at a rate of $25 billion (2.86 change ratio) on an average level of $872.7 billion (see **Table 2**). **Graphs 19 and 20** illustrate these upward trends in current and constant dollars. As the graphs show, the upward trend in federal spending was very consistent, both in current (r^2 of .984) and constant dollars (r^2 of .960).

The overall Indian-related budget follows the same pattern as the BIA-OST budget. Current-dollar spending during the FY1975-FY2001 period, as shown in **Table 1**, went up at a rate of $120.8 million a year, a change ratio of 3.93, on an average spending level of $3.1 billion. Constant-dollar spending, however, is shown in **Table 2** to have gone up at a rate of only $15.2 million a year (0.39 change ratio) on an average spending level of $3.9 billion. The small size of the positive change ratio in constant dollars, and the inconsistency of the related trend (r^2 of .032), result from the same pattern as for the BIA-OST budget — a long fall followed by a recent uneven upward trend, capped by a large proposed increase for FY2001. **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 for 2000 and 2001) show that overall United States population increased at a rate of 2,383,232 people a year

---

[14]"Overall Indian-program spending" means here the six major Indian programs covered in this memorandum, not all Indian-related spending by the federal government.

[15]The federal non-defense budget used here excludes both national defense expenditures and net interest payments on the national debt.

(0.97 change ratio) during the period 1975-2001, with an average level of 246,172,778 people. The Indian population (as measured by the IHS service population) is much smaller, with an average level of 1,087,221, but it has grown much faster, increasing at an annual rate of 37,360 persons, for a change ratio of 3.44.

To get a measure of per-capita federal spending for each of the two groups, for each year in the FY1975-FY2001 period we divided the overall federal non-defense budget by the total U.S. population, and divided the overall Indian budget by the Indian population. **Graphs 23A and 23B** illustrate the resulting trends for current and constant dollars, respectively. They show 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 1975-2001 period, per-capita spending in constant dollars on the U.S. population as a whole consistently increased, whereas per-capita spending in constant dollars on Indians through major Indian-related programs began to fall after 1979, leveling out only after 1990. **Graphs 23C and 23D** display the two populations' growth trends over the 1975-2001 period.

Summary

The data show that Indian-related spending, corrected for inflation, went down for much of the FY1975-FY2001 period but now, on the strength of the increase proposed for FY2001, shows a slightly positive trend. Among the Indian-related budget items examined for this period, the IHS, the BIA-OST, and three BIA program areas (natural resources, tribal services [including the BIA's Housing Improvement Program], and education)[16] display growth in constant dollars, although only the IHS, with an annual change of 3.93, shows a robust upward trend.

Overall trends in federal Indian spending are not obvious if one looks only at current-dollar data. The tables and graphs show that, in constant dollars, overall Indian spending tended to go down for most of the FY1975-FY2001 period, while overall federal non-defense spending went up. The latter years of this period, after 1990, have seen an uneven upward trend in overall Indian spending in constant dollars, a trend that has now brought the annual change and change ratio for the entire FY1975-FY2001 period to positive numbers.

When one looks not only at overall Indian spending but also at its major components – BIA-OST, 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 programs except IHS and BIA have declined during the period FY1975-FY2001. Moreover, a comparison in constant dollars of overall Indian spending and its major components, 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.

---

[16] As noted above, the time series for BIA natural resources and tribal services is not internally consistent because of BIA budget restructuring for FY1993-FY2001.

If BIA-OST spending and overall Indian spending were both to grow in constant dollars at the same rates of annual change during the period FY2001-2006 as they did during FY1975-FY2001 ($2.2 million and $15.2 million, respectively, in constant dollars), as shown in **Graph 26**, then by FY2006 overall Indian-program spending in 1997 dollars would have grown from a proposed $5.05 billion in FY2001 to $5.12 billion in FY2006. BIA-OST spending in 1997 dollars would have grown from a proposed $2.167 billion in FY2001 to $2.179 billion in FY2006.

If you have any questions, or if I can be of further assistance, please call me at 707-8641.

Table 1. Trends in Selected Elements of the Federal Budget in Current Dollars, FY1975-FY2001[a]
(dollar figures in millions)

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consis-tency (r^2)
Education:				
U.S. Department of Education	$21,136.5	$1,112.6	5.26	0.958
Education function	$38,638.6	$1,680.9	4.35	0.910
Indian Education Office (U.S. Department of Education)	$70.3	$0.7	1.05	0.190
BIA education[b]	$370.0	$15.6	4.23	0.801
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	$183,173.0	$15,002.0	8.19	0.952
Health function	$66,698.1	$5,924.5	8.88	0.914
Indian Health Service	$1,275.0	$86.3	6.77	0.954
Housing:				
U.S. Dept. of Housing & Urban Development (outlays)[c]	$21,445.4	$955.1	4.45	0.836
U.S. Dept. of Housing & Urban Development (B.A.)[c]	$23,476.2	-$296.1	-1.26	0.077
Housing assistance subfunction (outlays)[c]	$17,755.8	$1,171.7	6.60	0.880
Housing assistance subfunction (B.A.)[c]	$18,167.8	-$182.9	-1.01	0.036
Indian Housing Development Program in HUD (B.A.)[c]	$326.1	-$22.0	-6.76	0.560
Economic Development and Training and Employment:				
Community and regional development function	$8,613.8	$120.8	1.40	0.169
Administration for Native Americans (HHS)	$33.1	$0.2	0.52	0.122
BIA economic development[b]	$57.5	-$0.6	-0.98	0.116
U.S. Department of Labor	$29,460.0	$531.3	1.80	0.337
Training and employment subfunction	$6,766.9	-$6.7	-0.10	0.001
Indian and Native Amer. Training & Employment (DOL)[d]	$81.9	-$3.5	-4.32	0.316
Natural Resources:				
U.S. Department of the Interior	$5,490.2	$208.1	3.79	0.951
Natural resources function	$16,401.1	$631.1	3.85	0.950
BIA natural resources[b]	$114.2	$3.7	3.20	0.588
Overall:				
BIA-OST Total	$1,306.9	$49.1	3.76	0.882
BIA tribal services[b]	$358.4	$21.3	5.94	0.940
Overall Indian budget	$3,075.9	$120.8	3.93	0.848
Federal non-defense budget[e]	$715,352.2	$41,969.8	5.87	0.984
Population:				
U.S. population	246,172,778	2,383,232	0.97	0.999
Indian population (IHS estimates)	1,087,221	37,360	3.44	0.990

[a] See **Appendix Table 1** for data used to calculate these figures.
[b] Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction..
[c] Covers only FY1978-FY2001. B.A. = budget authority.
[d] FY1975-FY1983: CETA Indian program. FY1984-FY2001: Indian and Native American Training and Employment Program.
[e] Excludes national defense outlays and net interest payments on national debt

Table 2. Trends in Selected Elements of the Federal Budget in Constant 1997 Dollars, FY1975-FY2001[a]
(constant dollars based on chain-type price index for GDP)
(dollar figures in millions)

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consis-tency (r^2)
Education:				
U.S. Department of Education	$26,131.7	$563.2	2.16	0.793
Education function	$49,093.1	$432.4	0.88	0.211
Indian Education Office (U.S. Department of Education)	$95.8	-$2.5	-2.57	0.633
BIA education[b]	$474.8	$2.3	0.47	0.037
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	$212,298.8	$12,098.8	5.70	0.955
Health function	$76,495.0	$4,890.2	6.39	0.894
Indian Health Service	$1,525.0	$60.0	3.93	0.897
Housing:				
U.S. Dept. of Housing & Urban Development (outlays)c	$25,516.7	$433.1	1.70	0.374
U.S. Dept. of Housing & Urban Development (B.A.)[c]	$31,170.6	-$1,592.2	-5.11	0.445
Housing assistance subfunction (outlays)[c]	$20,388.7	$869.9	4.27	0.687
Housing assistance subfunction (B.A.)[c]	$24,141.4	-$1,215.6	-5.04	0.356
Indian Housing Development Program in HUD (B.A.)[c]	$474.4	-$48.9	-10.30	0.594
Economic Development and Training and Employment:				
Community and regional development function	$11,750.2	-$288.3	-2.45	0.277
Administration for Native Americans (HHS)	$46.3	-$1.7	-3.57	0.613
BIA economic development[b]	$82.6	-$4.0	-4.79	0.660
U.S. Department of Labor	$39,504.3	-$725.6	-1.84	0.358
Training and employment subfunction	$9,601.2	-$393.6	-4.10	0.429
Indian and Native Amer. Training & Employment (DOL)[d]	$127.4	-$10.1	-7.91	0.460
Natural Resources:				
U.S. Department of the Interior	$7,024.6	$30.9	0.44	0.126
Natural resources function	$21,010.8	$86.6	0.41	0.108
BIA natural resources[b]	$145.2	$0.6	0.43	0.025
Overall:				
BIA-OST Total	$1,686.3	$2.2	0.13	0.007
BIA tribal services[b]	$438.4	$12.3	2.80	0.794
Overall Indian budget	$3,947.5	$15.2	0.39	0.032
Federal non-defense budget[e]	$872,738.6	$24,972.5	2.86	0.960

[a] See **Appendix Table 2** for data used to calculate these figures.
[b] Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction.
[c] Covers only FY1978-FY2001. B.A. = budget authority.
[d] FY1975-FY1983: CETA Indian program. FY1984-FY2001: Indian and Native American Training and Employment Program.
[e] Excludes national defense outlays and net interest payments on national debt.

Table 3. Trends in Selected Elements of the Federal Budget in Current Dollars, FY1982-FY2001[a1]
(dollar figures in millions)

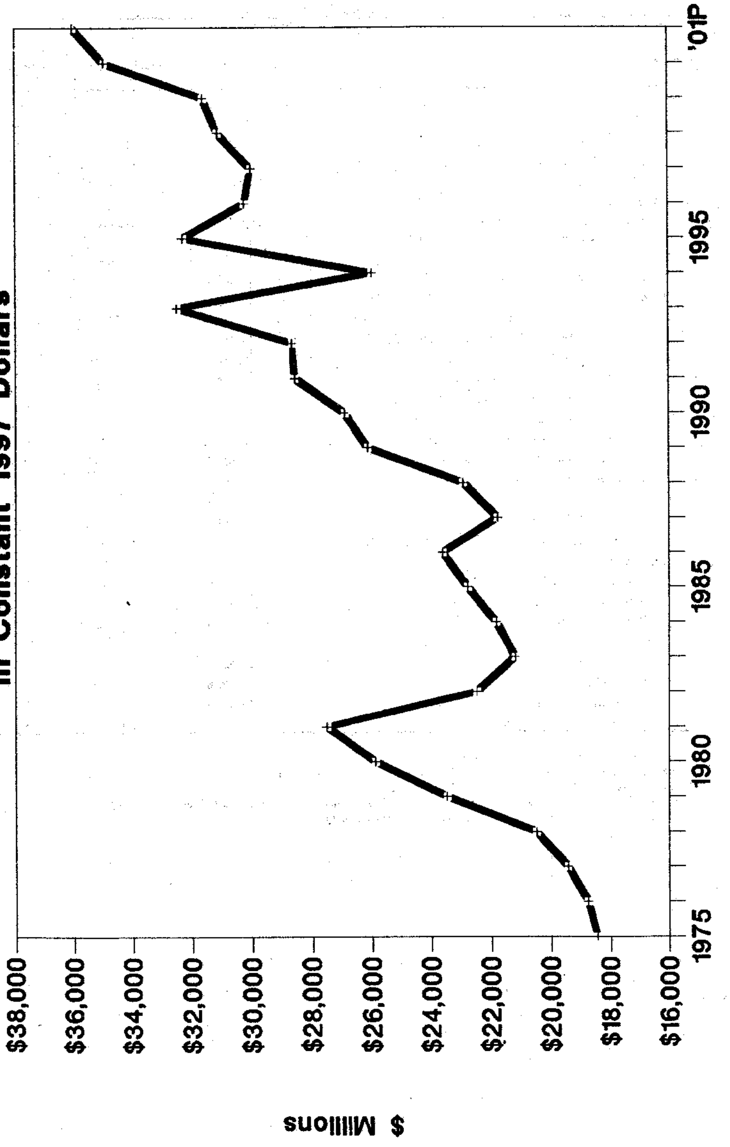
	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consis-tency (r^2)
Education:				
U.S. Department of Education	$24,658.0	$1,241.9	5.04	0.950
Education function	$43,236.1	$2,141.2	4.95	0.961
Indian Education Office (U.S. Department of Education)	$72.6	$0.6	0.83	0.078
BIA education[2b]	$411.1	$21.5	5.23	0.836
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	$228,325.9	$18,305.9	8.02	0.976
Health function	$83,291.6	$7,765.7	9.32	0.966
Indian Health Service	$1,535.5	$103.3	6.73	0.967
Housing:				
U.S. Dept. of Housing & Urban Development (outlays)[c3]	$23,510.3	$887.5	3.77	0.737
U.S. Dept. of Housing & Urban Development (B.A.)[c]	$21,211.1	$310.3	1.46	0.096
Housing assistance subfunction (outlays)[c]	$20,235.6	$1,121.2	5.54	0.798
Housing assistance subfunction (B.A.)[c]	$16,204.5	$402.0	2.48	0.188
Indian Housing Development Program in HUD (B.A.)[c]	$246.8	-$8.9	-3.62	0.380
Economic Development and Training and Employment:				
Community and regional development function	$8,582.4	$259.5	3.02	0.523
Administration for Native Americans (HHS)	$32.6	$0.6	1.87	0.743
BIA economic development[b]	$53.5	$0.0	-0.01	0.000
U.S. Department of Labor	$31,275.7	$504.0	1.61	0.168
Training and employment subfunction	$6,213.7	$166.6	2.68	0.808
Indian and Native Amer. Training & Employment (DOL)[4d]	$60.8	-$0.8	-1.29	0.498
Natural Resources:				
U.S. Department of the Interior	$6,169.6	$219.1	3.55	0.947
Natural resources function	$18,336.3	$720.6	3.93	0.960
BIA natural resources[b]	$132.9	$1.0	0.75	0.092
Overall:				
BIA-OST Total	$1,446.6	$61.8	4.27	0.886
BIA tribal services[b]	$422.9	$25.4	6.01	0.939
Overall Indian budget	$3,394.9	$156.6	4.61	0.910
Federal non-defense budget[e5]	$851,709.3	$46,437.7	5.45	0.983
Population:				
U.S. population	254,354,300	2,448,941	0.96	0.999
Indian population (IHS estimates)	1,216,296	37,550	3.09	0.983

[a] See **Appendix Table 1** for data used to calculate these figures.
[b] Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction.
[c] Covers only FY1978-FY2001. B.A. = budget authority.
[d] FY1975-FY1983: CETA Indian program. FY1984-FY2001: Indian and Native American Training and Employment Program.
[e] Excludes national defense outlays and net interest payments on national debt.

Table 4. Trends in Selected Elements of the Federal Budget in Constant 1997 Dollars, FY1982-FY2001[a]
(constant dollars based on chain-type price index for GDP)
(dollar figures in millions)

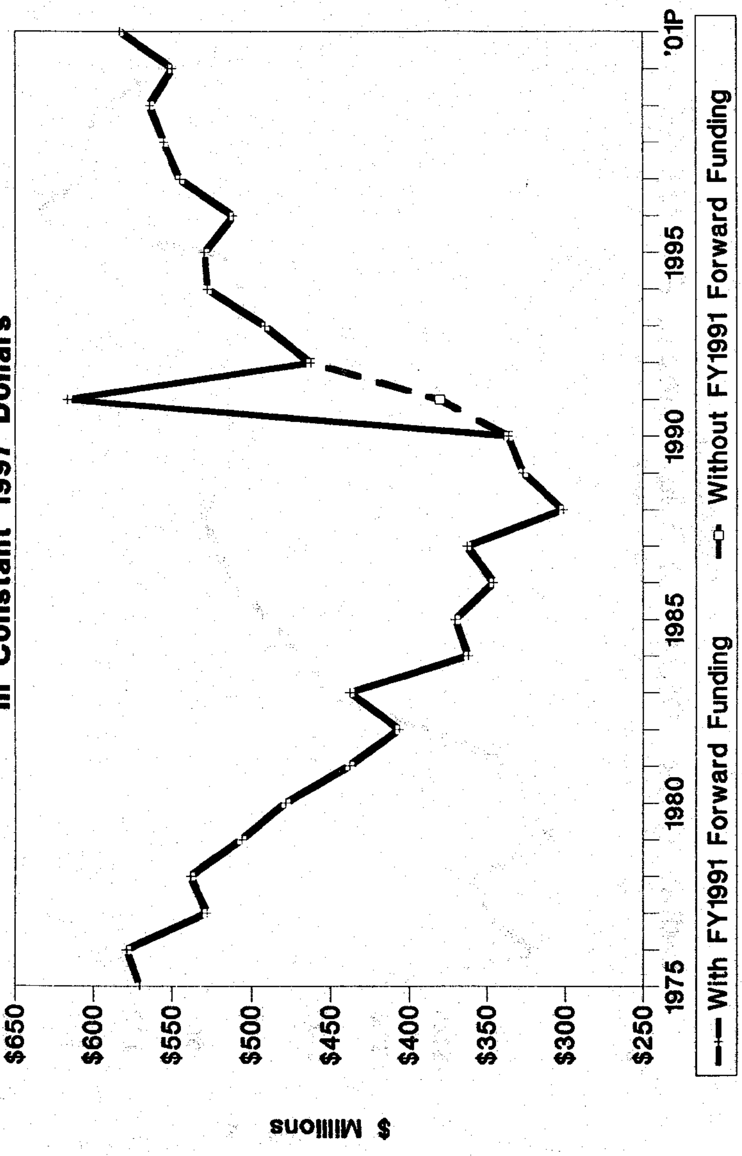
	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consis-tency (r^2)
Education:				
U.S. Department of Education	$27,575.8	$732.7	2.66	0.860
Education function	$48,404.3	$1,228.7	2.54	0.889
Indian Education Office (U.S. Department of Education)	$84.4	-$1.6	-1.85	0.330
BIA education[b]	$459.1	$12.9	2.80	0.582
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	$248,813.9	$14,680.2	5.90	0.975
Health function	$89,702.7	$6,620.7	7.38	0.963
Indian Health Service	$1,690.9	$76.5	4.53	0.939
Housing:				
U.S. Dept. of Housing & Urban Development (outlays)[c]	$26,598.7	$336.4	1.26	0.192
U.S. Dept. of Housing & Urban Development (B.A.)[c]	$24,489.0	-$291.0	-1.19	0.064
Housing assistance subfunction (outlays)[c]	$22,534.5	$717.6	3.18	0.490
Housing assistance subfunction (B.A.)[c]	$18,554.1	-$33.5	-0.18	0.001
Indian Housing Development Program in HUD (B.A.)[c]	$299.0	-$19.5	-6.53	0.572
Economic Development and Training and Employment:				
Community and regional development function	$9,789.9	$29.7	0.30	0.009
Administration for Native Americans (HHS)	$37.5	-$0.3	-0.73	0.325
BIA economic development[b]	$62.6	-$1.7	-2.72	0.376
U.S. Department of Labor	$36,031.1	-$360.5	-1.00	0.068
Training and employment subfunction	$7,101.0	$5.6	0.08	0.003
Indian and Native Amer. Training & Employment (DOL)[d]	$71.9	-$2.9	-3.97	0.818
Natural Resources:				
U.S. Department of the Interior	$6,992.0	$74.2	1.06	0.637
Natural resources function	$20,705.3	$304.7	1.47	0.790
BIA natural resources[b]	$153.9	-$2.5	-1.62	0.311
Overall:				
BIA-OST Total	$1,629.5	$29.0	1.78	0.585
BIA tribal services[b]	$469.6	$16.9	3.60	0.860
Overall Indian budget	$3,813.3	$81.4	2.13	0.697
Federal non-defense budget[e]	$949,377.7	$29,233.9	3.08	0.966

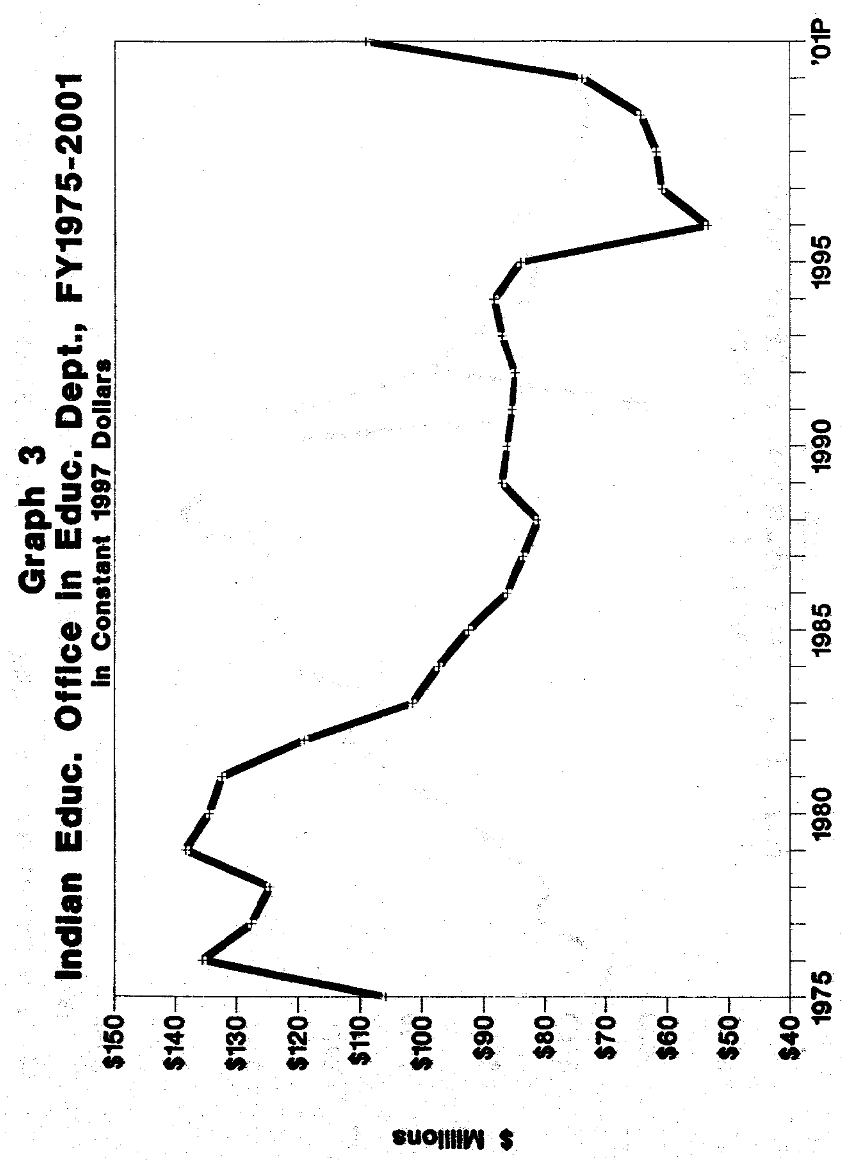
[a] See **Appendix Table 2** for data used to calculate these figures.
[b] Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction.
[c] Covers only FY1978-FY2001. B.A. = budget authority.
[d] FY1975-FY1983: CETA Indian program. FY1984-FY2001: Indian and Native American Training and Employment Program.
[e] Excludes national defense outlays and net interest payments on national debt.



Graph 1
U.S. Education Dept. Budget, FY1975-2001
In Constant 1997 Dollars

Graph 2
BIA Education Budget, FY1975-2001
In Constant 1997 Dollars

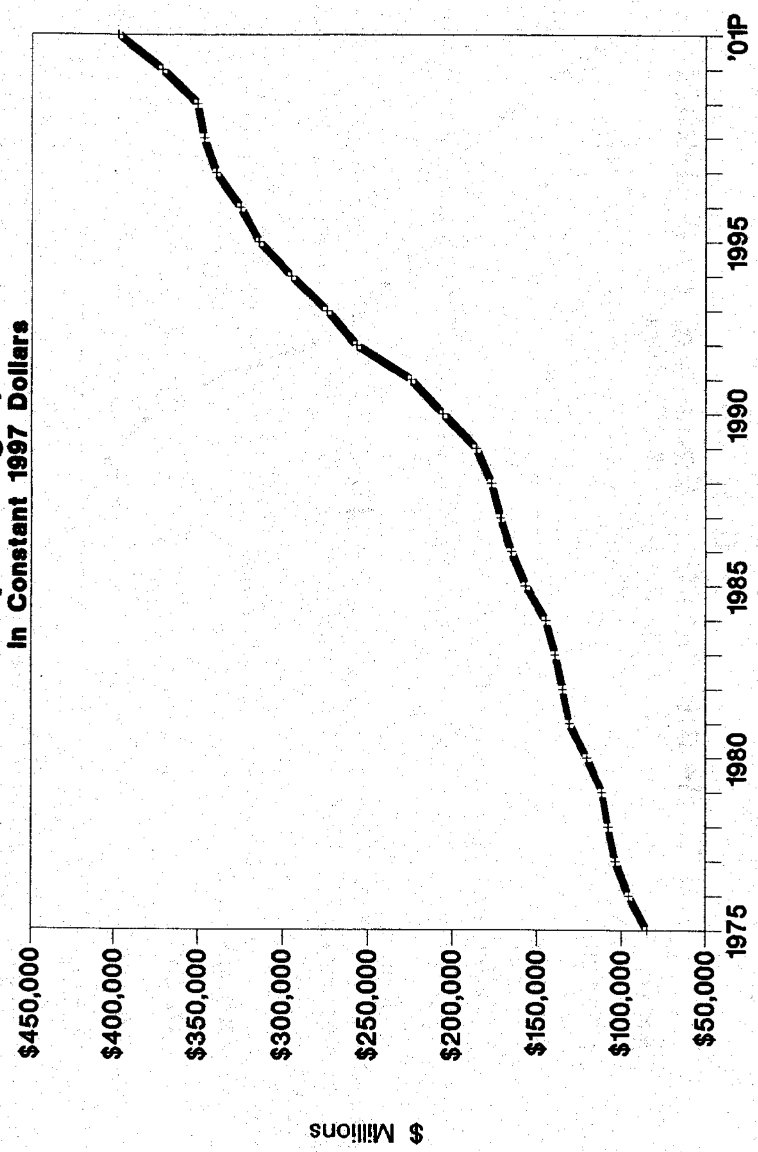



Graph 3
Indian Educ. Office in Educ. Dept., FY1975-2001
in Constant 1997 Dollars
$ Millions
$150
$140
$130
$120
$110
$100
$90
$80
$70
$60
$50
$40
1975
1980
1985
1990
1995
'01P

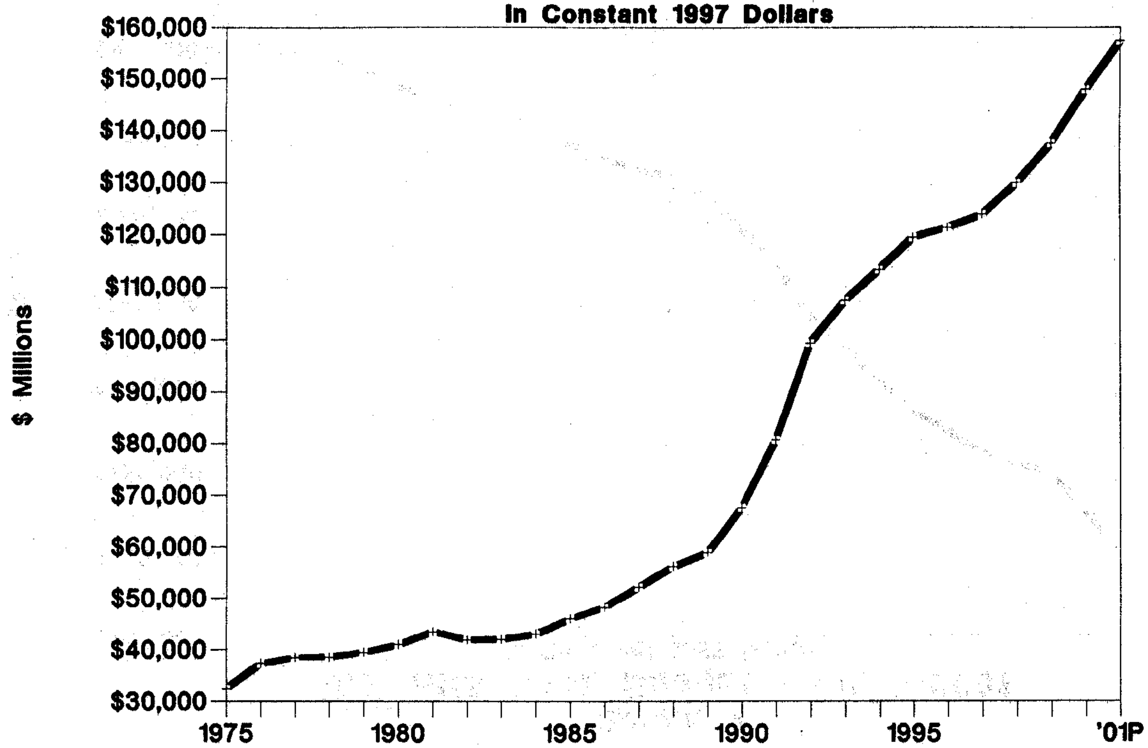
Graph 4

U.S. HHS Dept. Budget, FY1975-2001

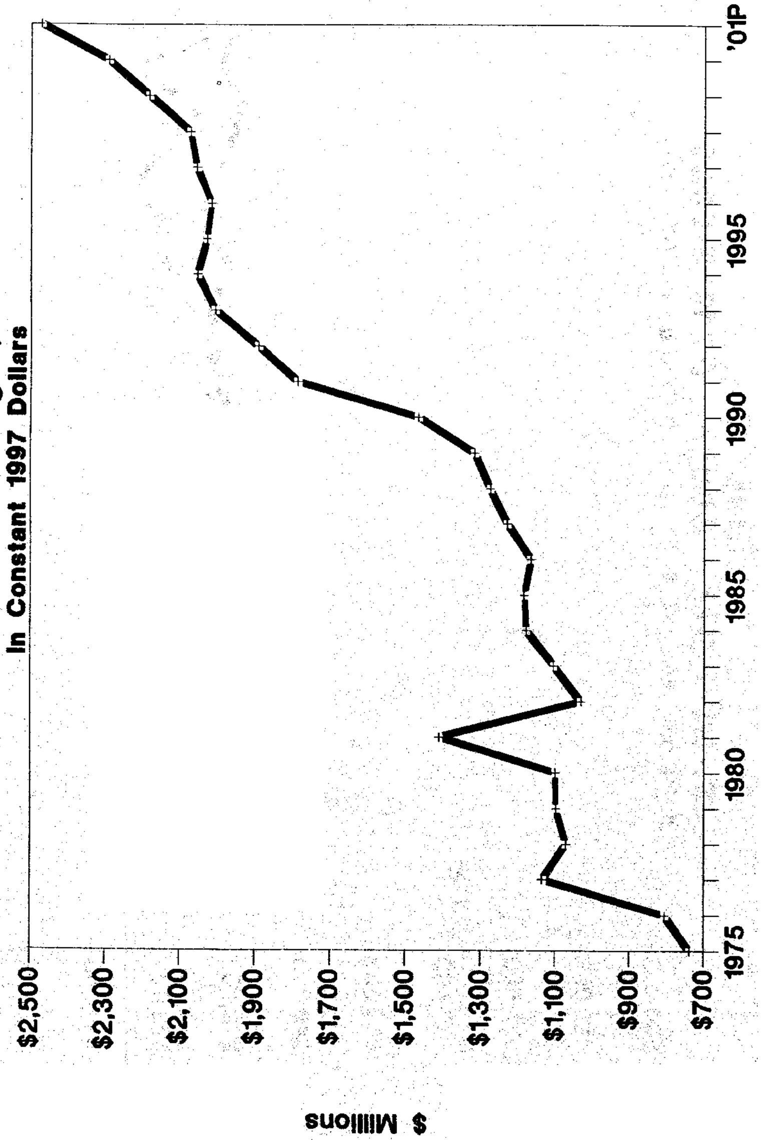
In Constant 1997 Dollars



Graph 5
U.S. Health Function Spending, FY1975-2001
In Constant 1997 Dollars



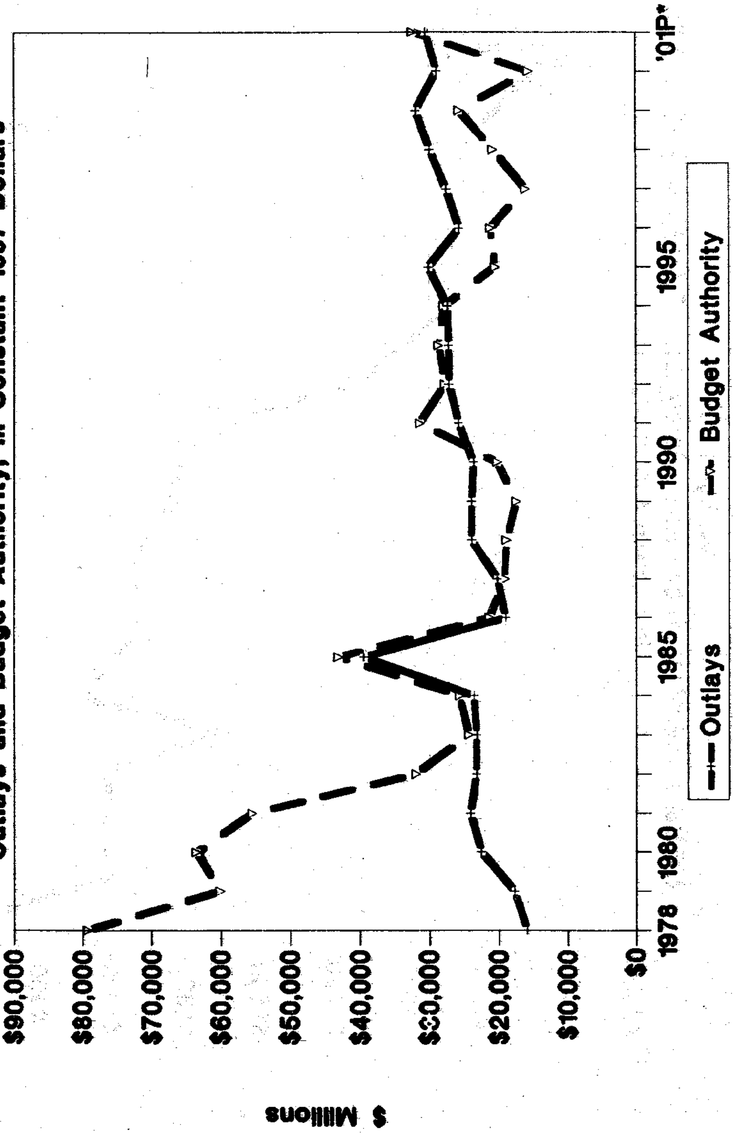
Graph 6
Indian Health Service Budget, FY1975-2001
In Constant 1997 Dollars



Graph 7

U.S. HUD Dept. Budget, FY1978-2001:

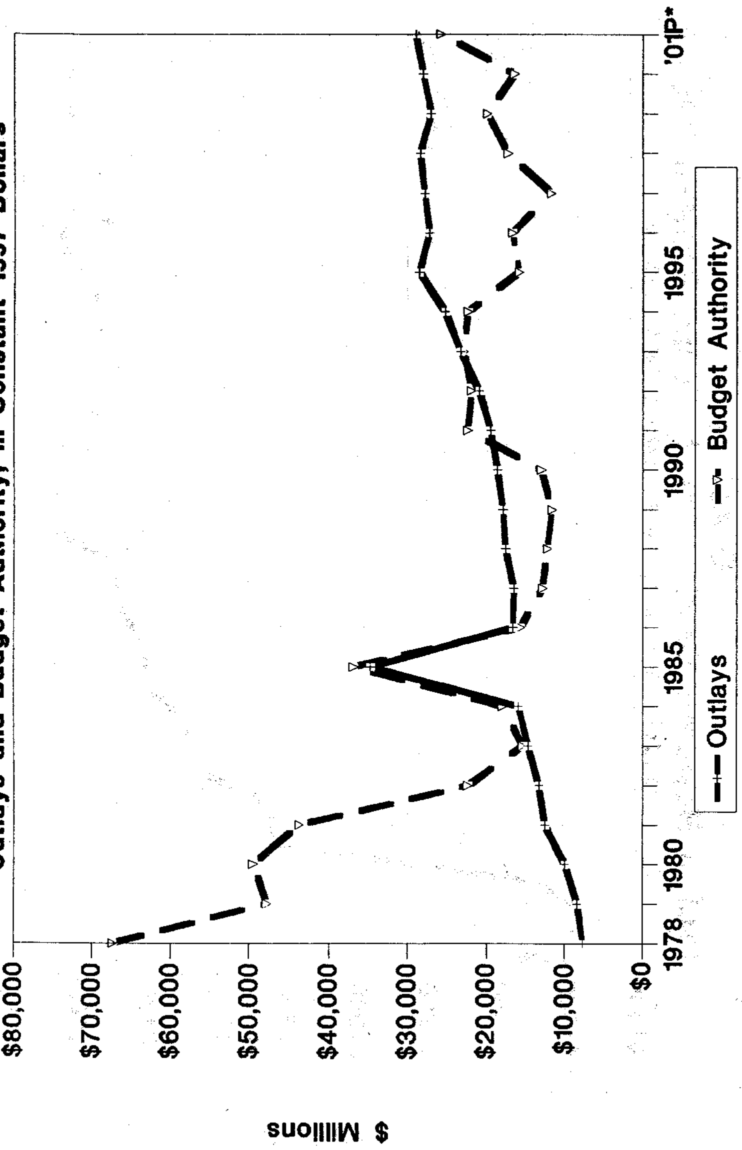
Outlays and Budget Authority, In Constant 1997 Dollars

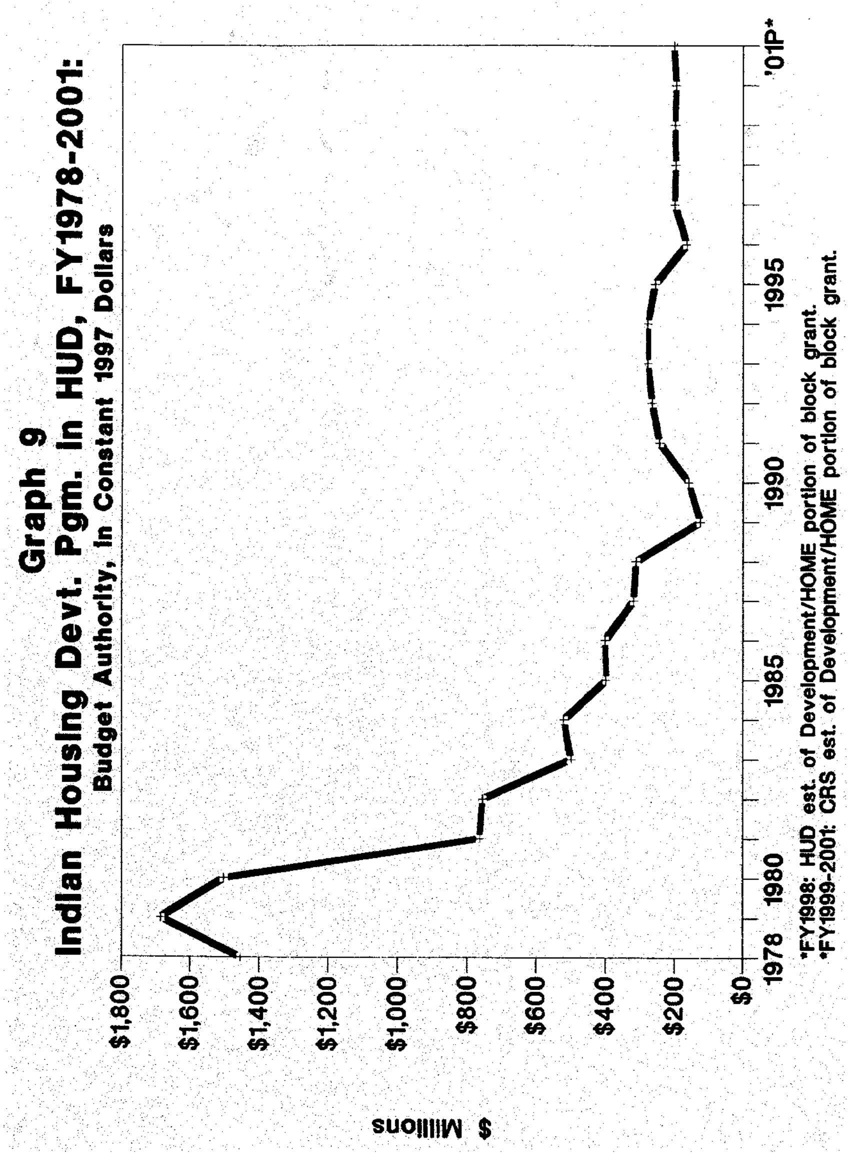


Graph 8

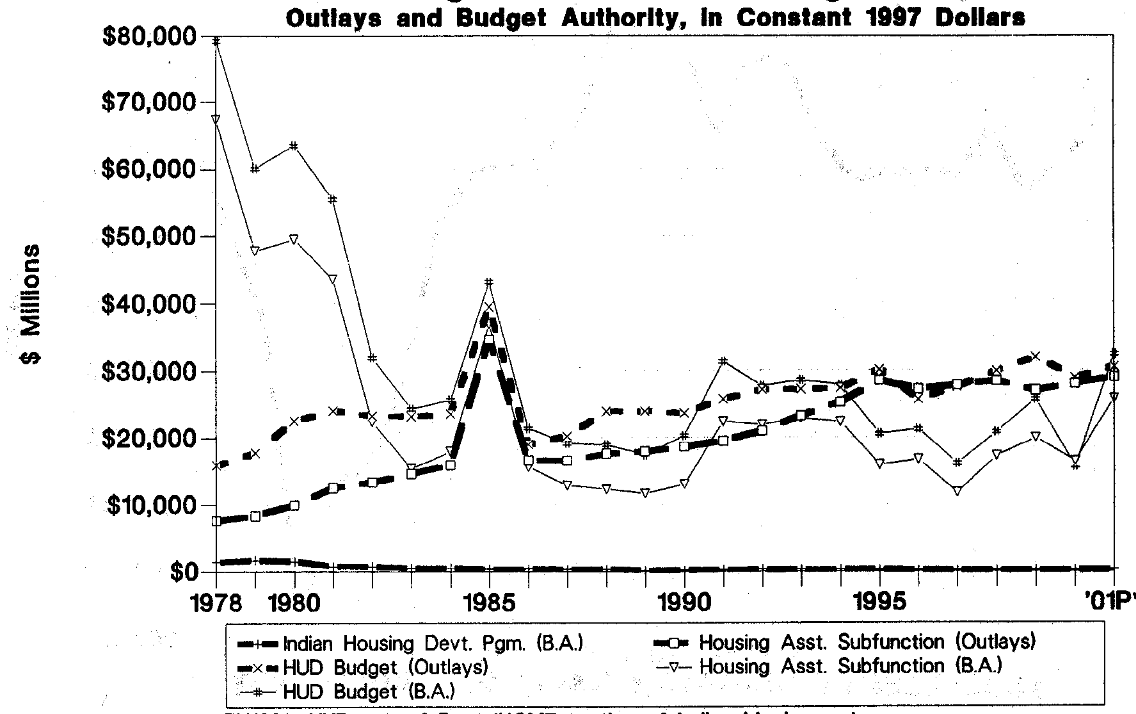
Housing Assistance Subfunction, FY1978-2001:

Outlays and Budget Authority, In Constant 1997 Dollars

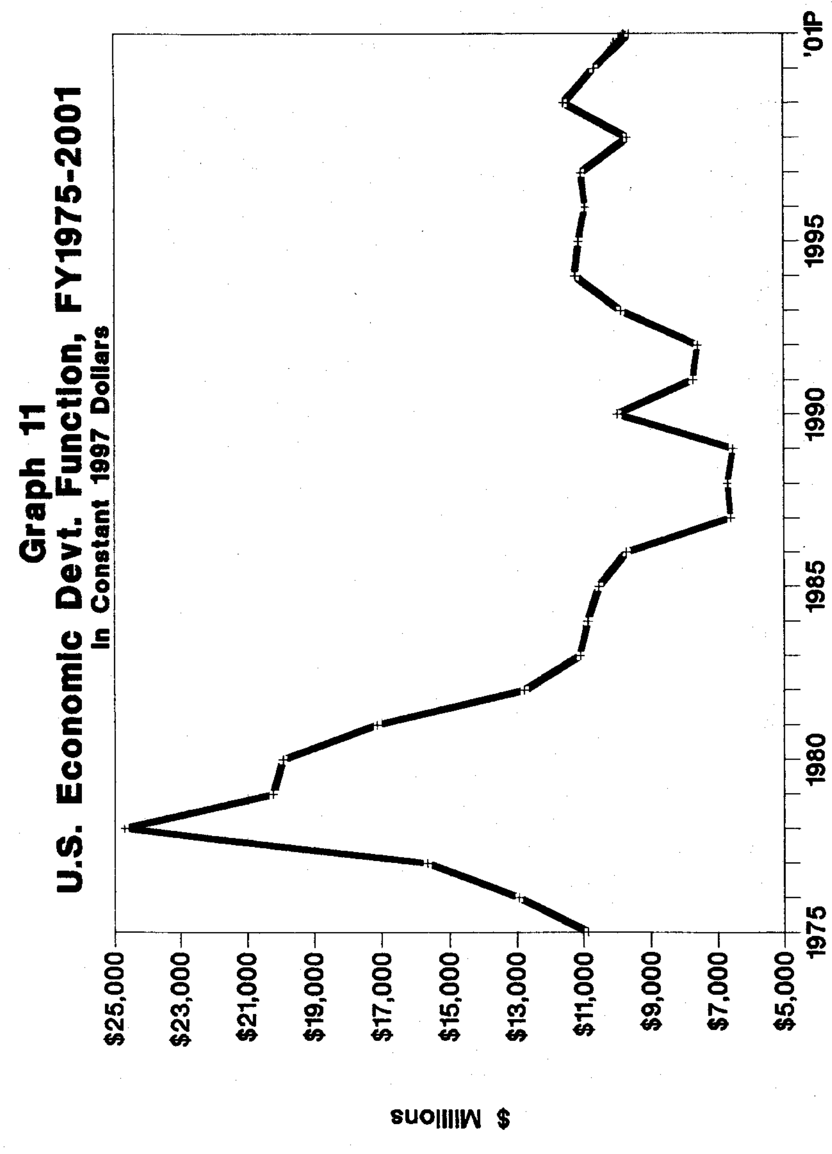



Graph 9
Indian Housing Devt. Pgm. in HUD, FY1978-2001:
Budget Authority, in Constant 1997 Dollars
$ Millions
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
1978
1980
1985
1990
1995
'01P*
*FY1998: HUD est. of Development/HOME portion of block grant.
*FY1999-2001: CRS est. of Development/HOME portion of block grant.

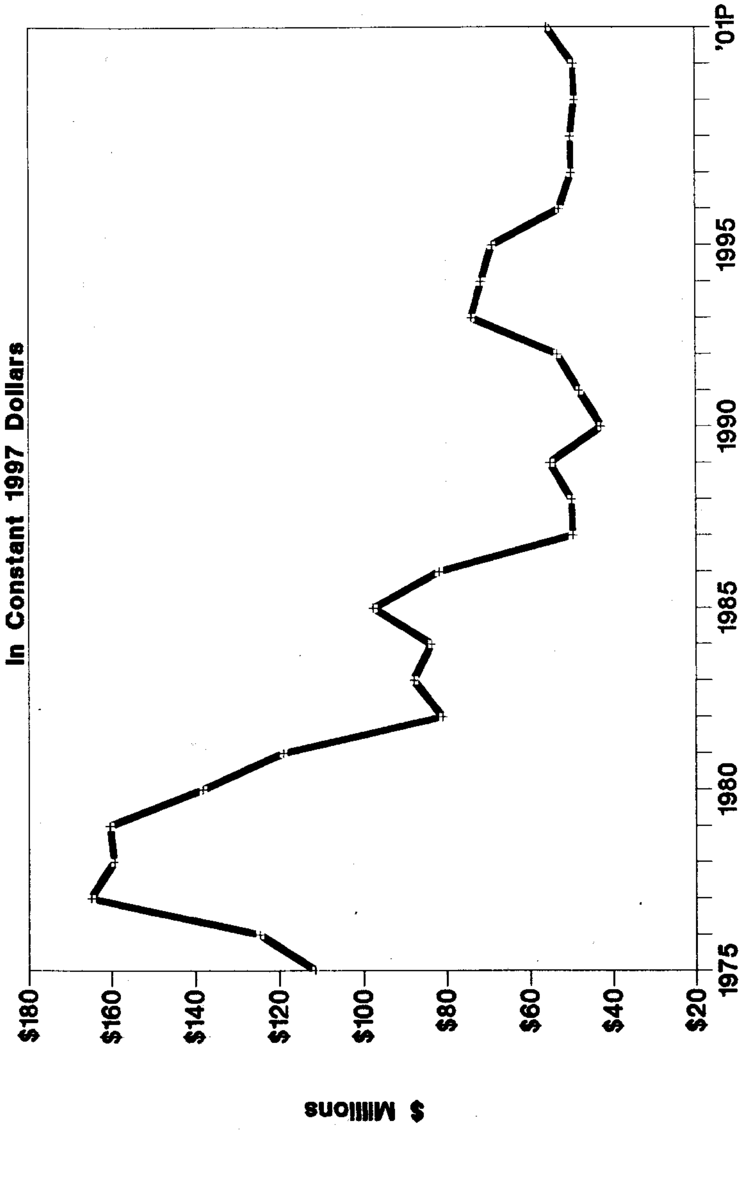
Graph 10
Indian Housing vs. HUD & Housing Asst., FY78-01
Outlays and Budget Authority, in Constant 1997 Dollars



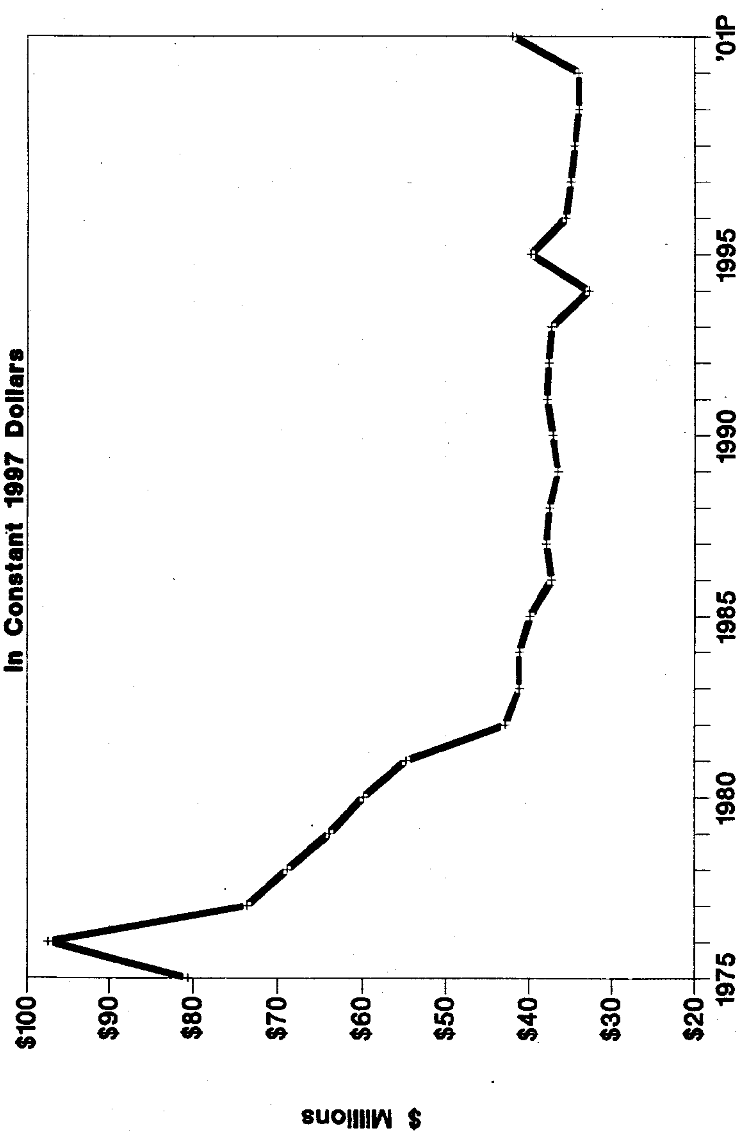
*FY1998: HUD est. of Devt./HOME portion of Indian block grant.
*FY1999-2001: CRS est. of Devt./HOME portion of Indian block grant.

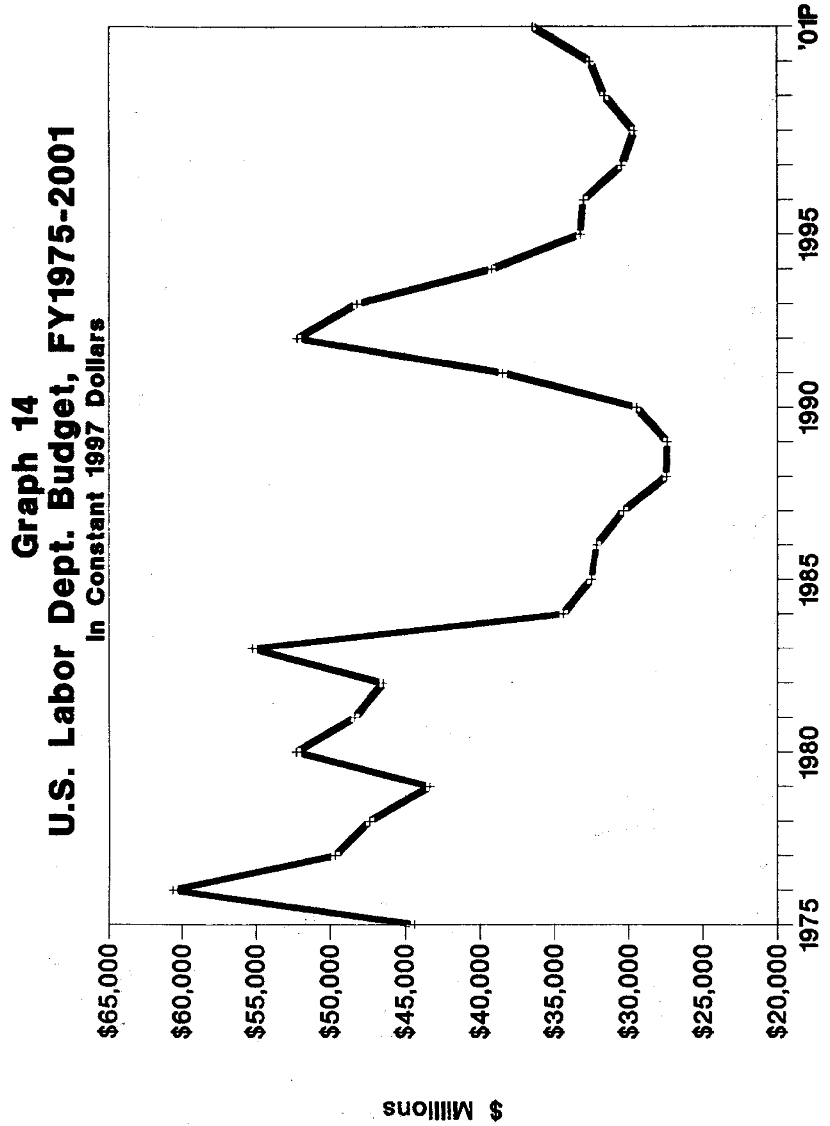

Graph 11
U.S. Economic Devt. Function, FY1975-2001
In Constant 1997 Dollars
$ Millions
$25,000
$23,000
$21,000
$19,000
$17,000
$15,000
$13,000
$11,000
$9,000
$7,000
$5,000
1975
1980
1985
1990
1995
'01P

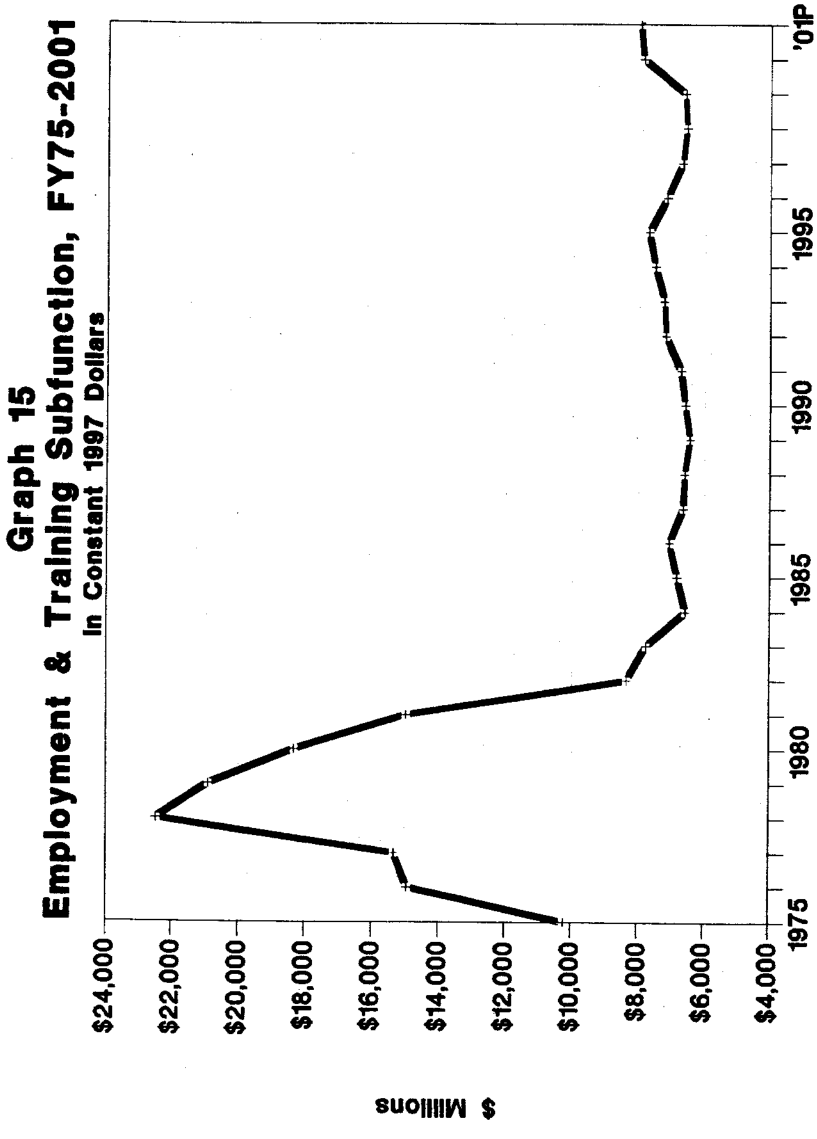
Graph 12
BIA Economic Development Budget, FY1975-2001
In Constant 1997 Dollars



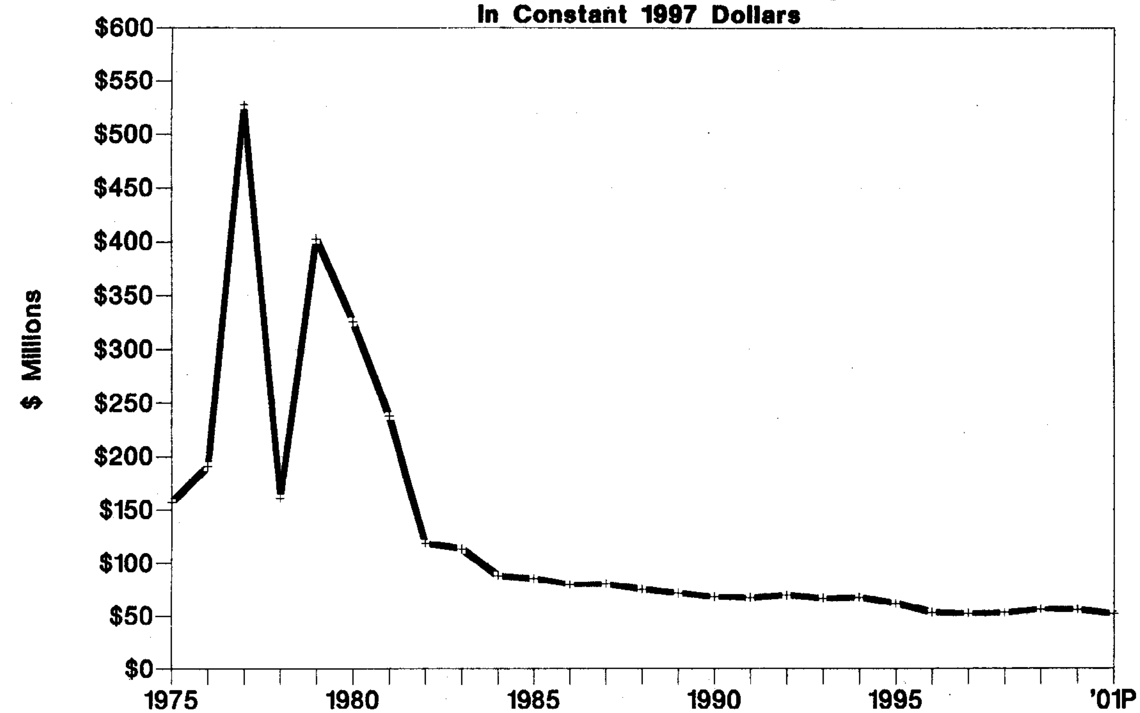
Graph 13
ANA Budget, FY1975-2001
In Constant 1997 Dollars




Graph 14
U.S. Labor Dept. Budget, FY1975-2001
In Constant 1997 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
1995
'01P

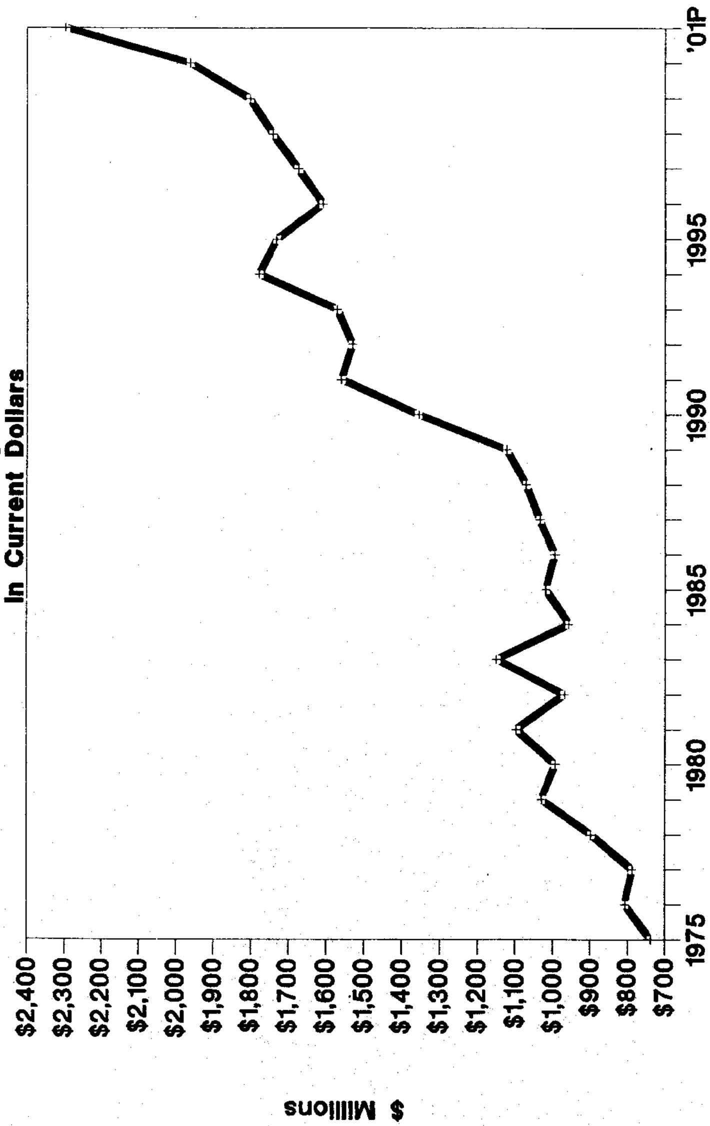

Graph 15
Employment & Training Subfunction, FY75-2001
In Constant 1997 Dollars
$24,000
$22,000
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$ Millions
1975
1980
1985
1990
1995
'01P

Graph 16
Indian Training & Employment Budget*, FY75-2001
In Constant 1997 Dollars



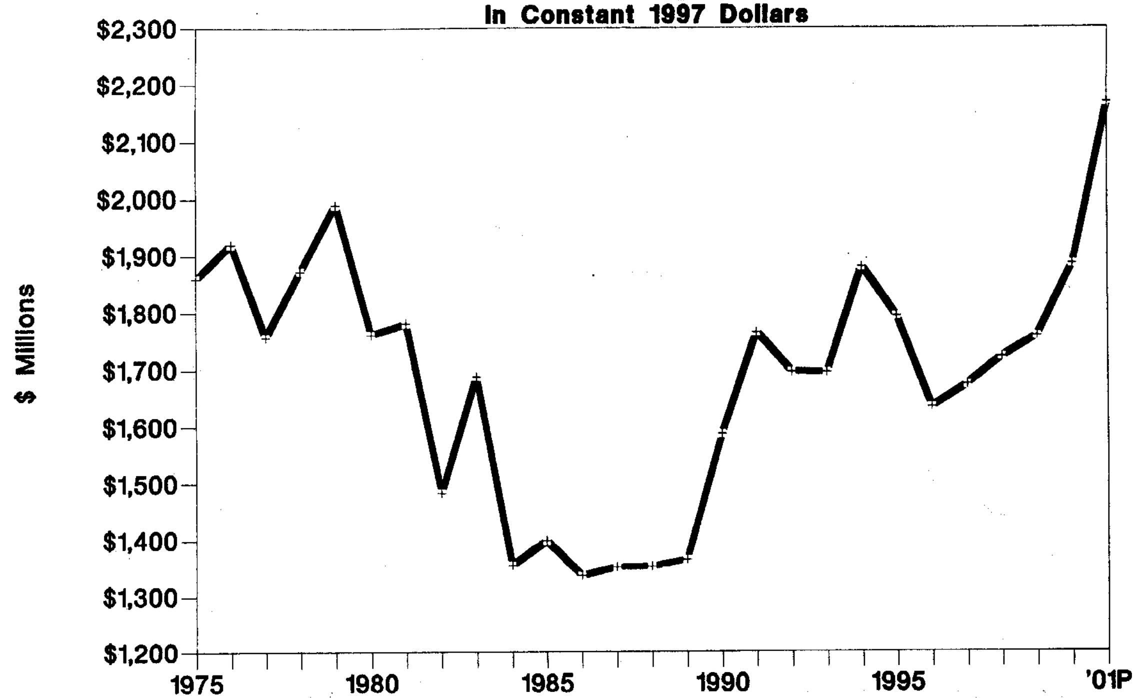
* FY1975-1983: CETA Indian programs. FY1984-2001: INAP.

Graph 17
BIA+OST Total Budget, FY1975-2001
In Current Dollars



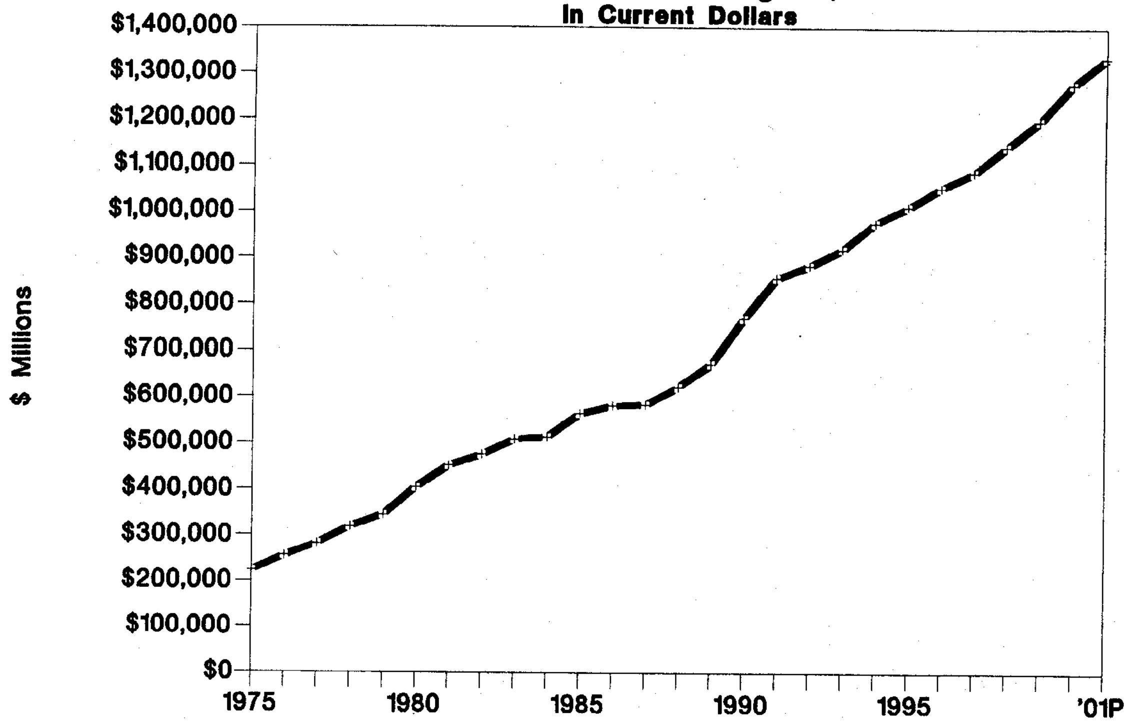
FY1991 includes Forward Funding for BIA Education ($208.9 million).
OST = Office of Special Trustee for American Indians

Graph 18
BIA+OST Total Budget, FY1975-2001
In Constant 1997 Dollars



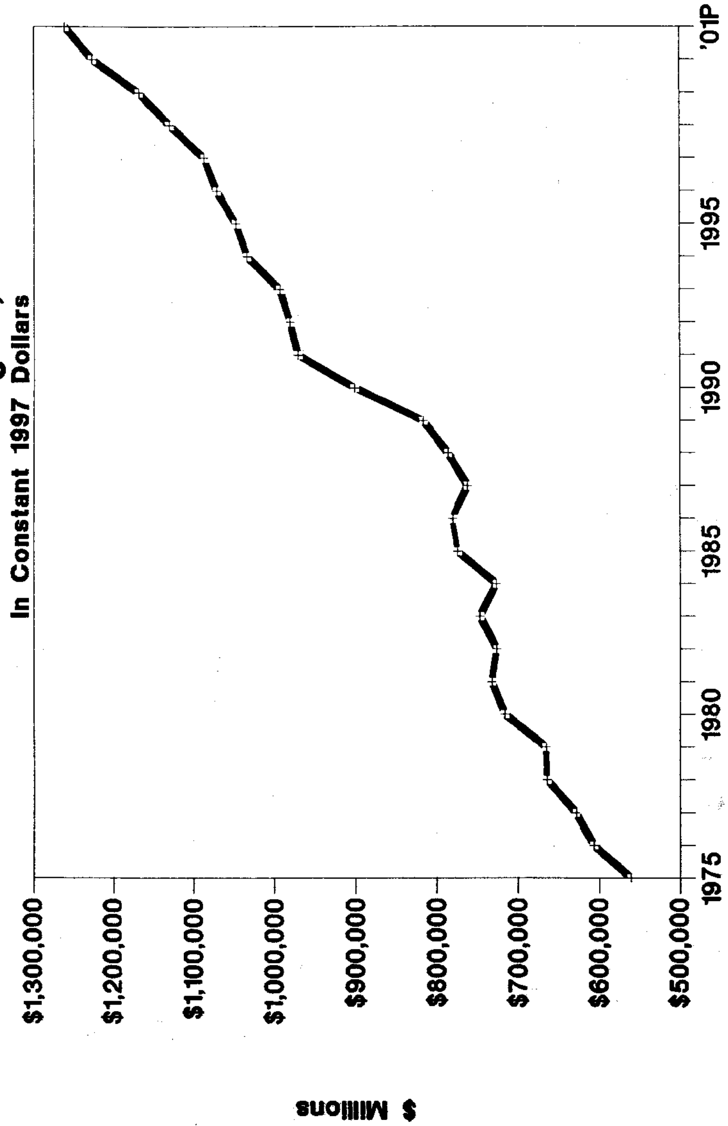
FY1991 includes Forward Funding for BIA Education
OST = Office of Special Trustee for American Indians

Graph 19
Overall Federal Govt. Budget*, FY1975-2001
In Current Dollars



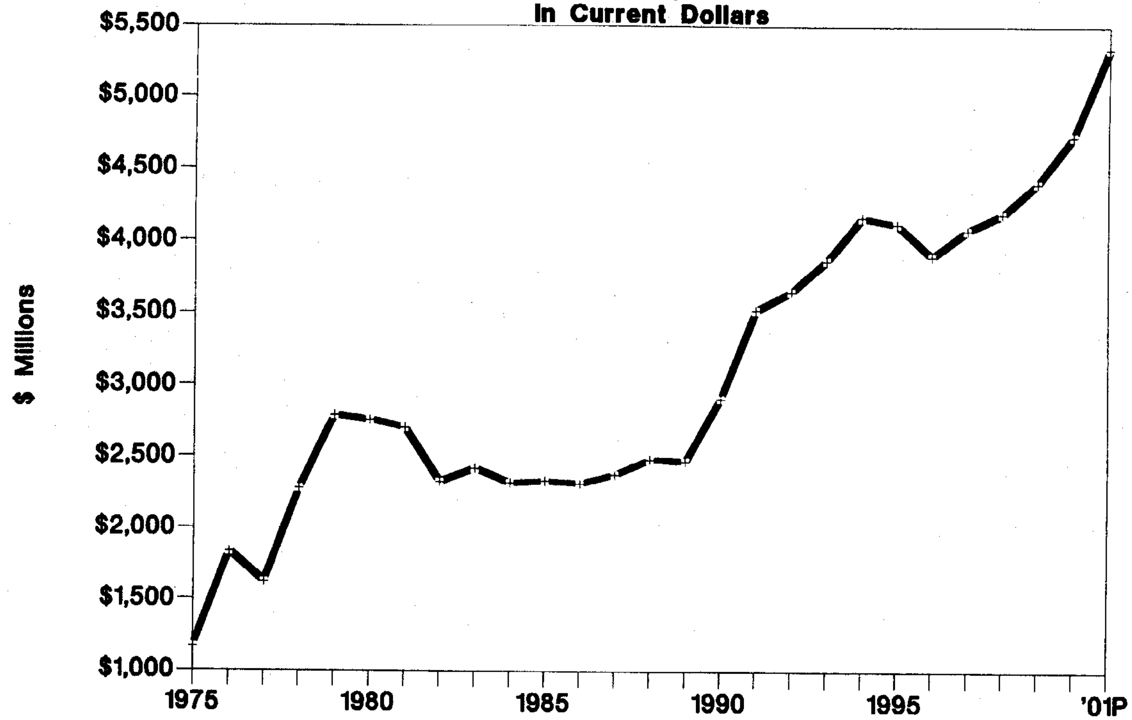
* Excluding Defense and Net Interest

Graph 20
Overall Federal Govt. Budget*, FY1975-2001
In Constant 1997 Dollars

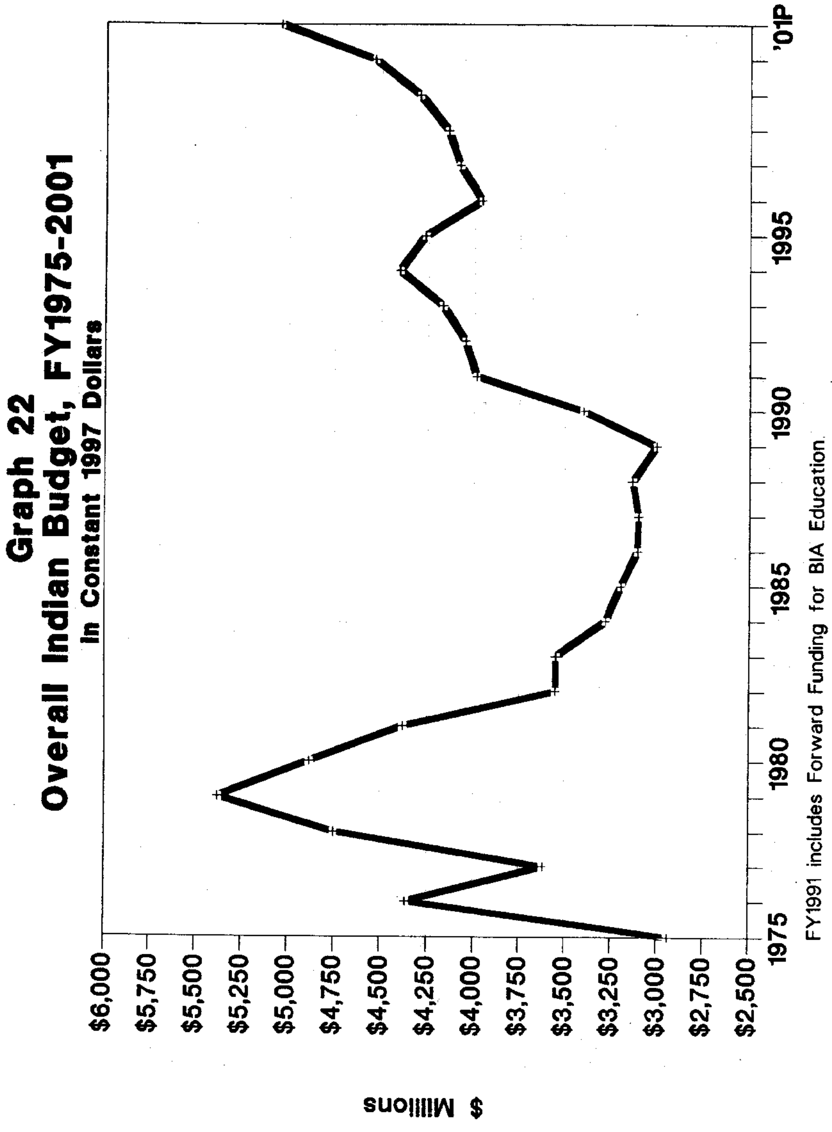


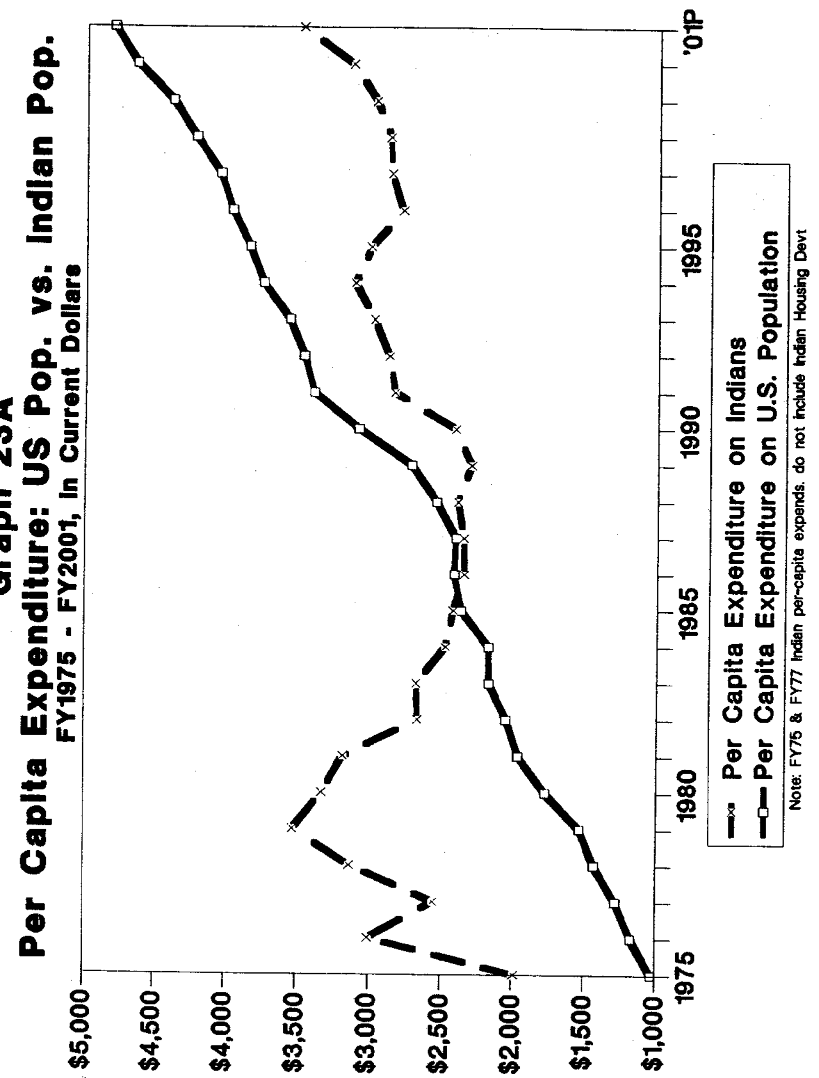
* Excluding Defense and Net Interest

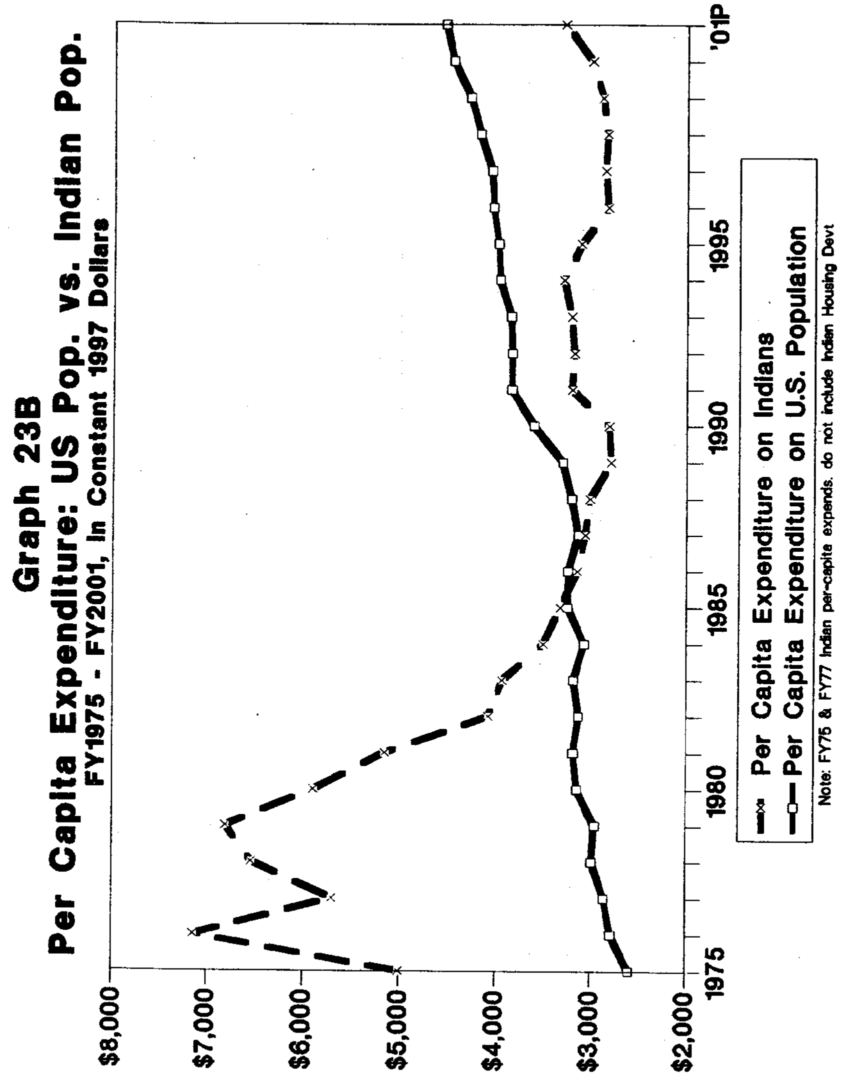
Graph 21
Overall Indian Budget, FY1975-2001
In Current Dollars



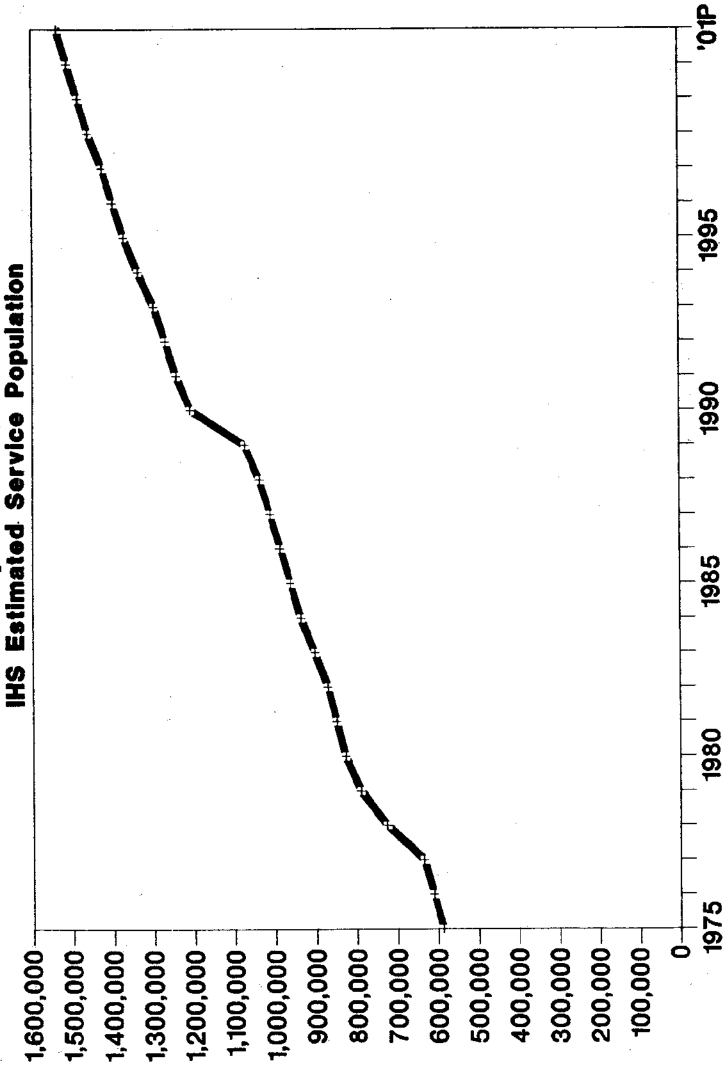
FY1991 includes Forward Funding for BIA Education ($208.9 million).


Graph 22
Overall Indian Budget, FY1975-2001
In Constant 1997 Dollars
$ Millions
$6,000
$5,750
$5,500
$5,250
$5,000
$4,750
$4,500
$4,250
$4,000
$3,750
$3,500
$3,250
$3,000
$2,750
$2,500
1975
1980
1985
1990
1995
'01P
FY1991 includes Forward Funding for BIA Education.


Graph 23A
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY2001, In Current Dollars
$5,000
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
1975
1980
1985
1990
1995
'01P
Per Capita Expenditure on Indians
Per Capita Expenditure on U.S. Population
Note: FY75 & FY77 Indian per-capita expends. do not include Indian Housing Devt

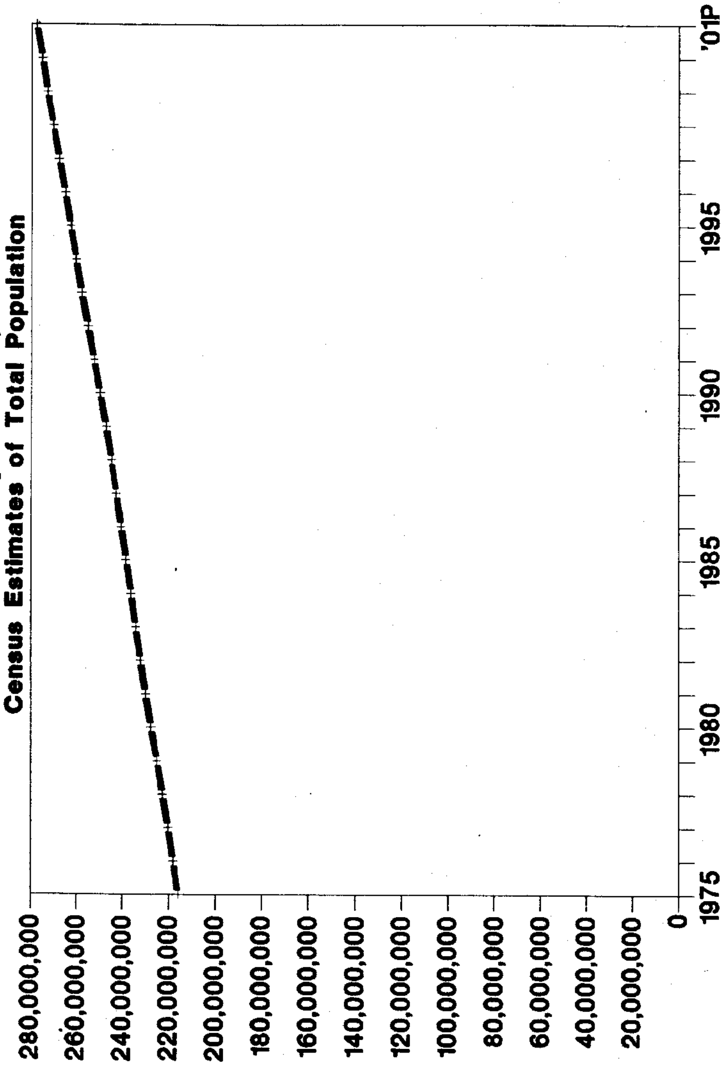

Graph 23B
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY2001, In Constant 1997 Dollars
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
1975
1980
1985
1990
1995
'01P
Per Capita Expenditure on Indians
Per Capita Expenditure on U.S. Population
Note: FY75 & FY77 Indian per-capita expends. do not include Indian Housing Devt

Graph 23C
Indian Population, 1975-2001
IHS Estimated Service Population



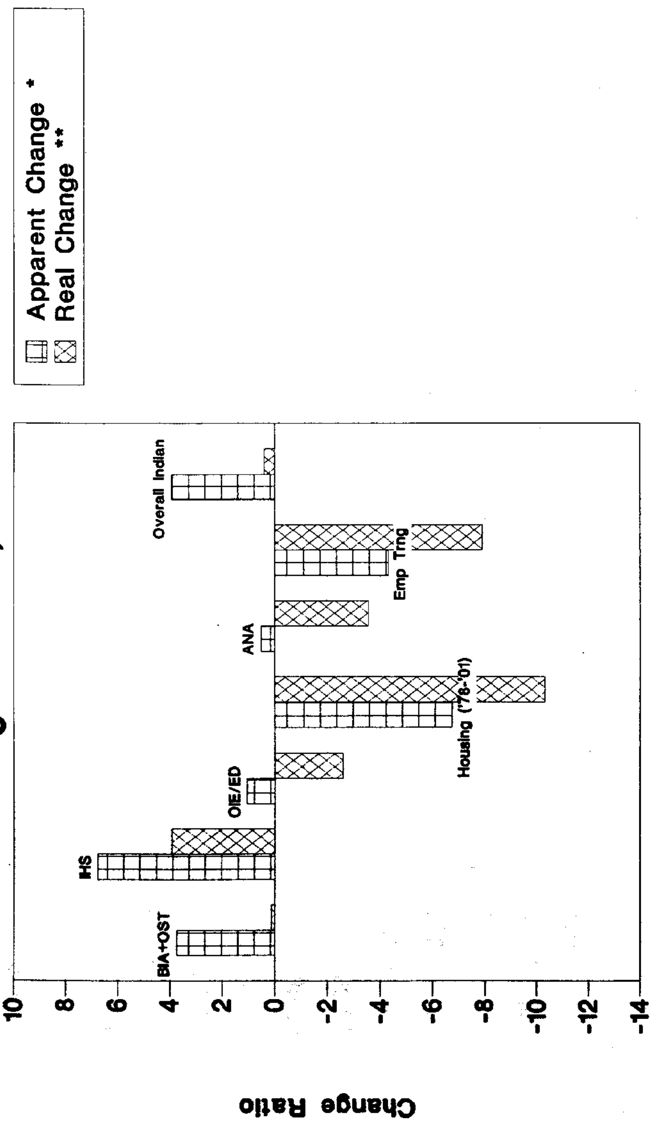
Source: Indian Health Service.

Graph 23D
United States Population, 1975-2001
Census Estimates of Total Population



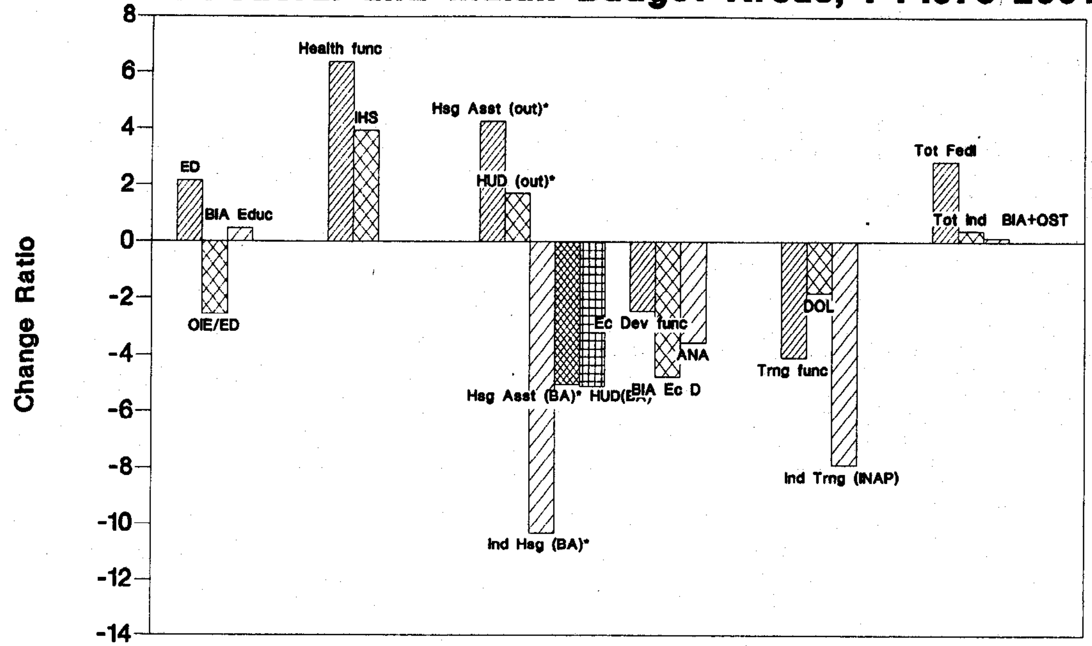
Source: Bureau of the Census.

Graph 24
Apparent Vs. Real Change Ratios
In Indian Budget Areas, FY1975-2001



Change Ratio = Ratio of Annual Change to Average Spending (see text).
* Change Ratio based on Current Dollars
** Change Ratio based on Constant 1997 Dollars

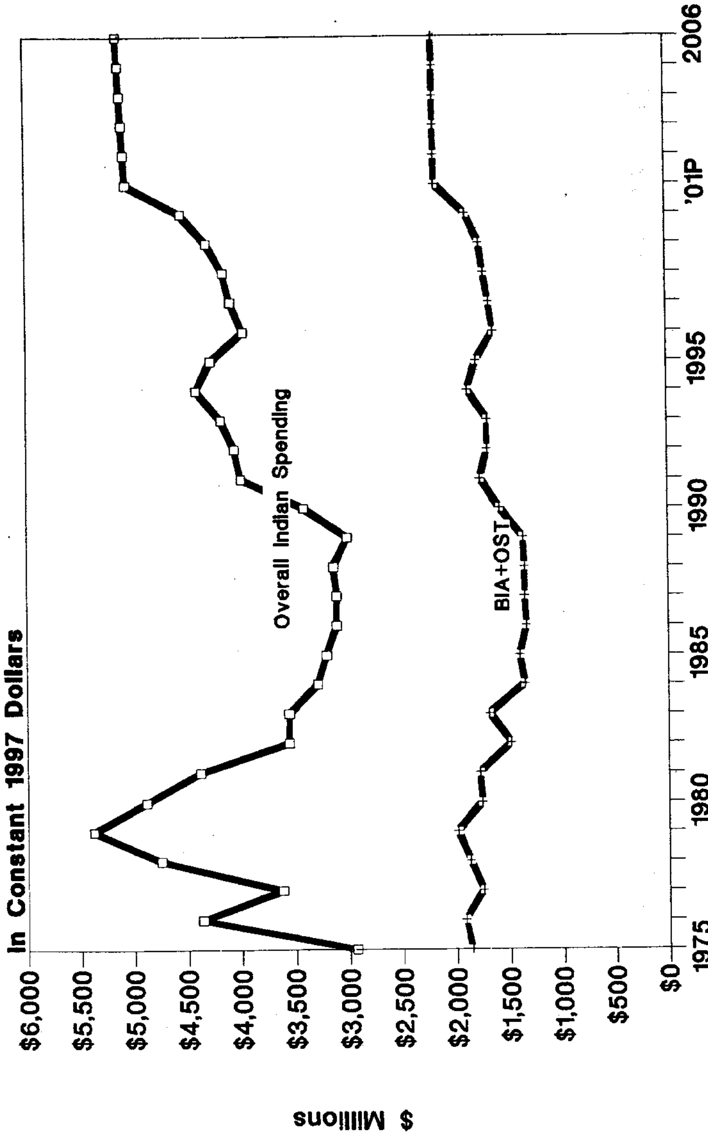
Graph 25
Comparison of Real** Change Ratios in Federal and Indian Budget Areas, FY1975-2001



Change Ratio = Ratio of Annual Change to Average Spending (see text).
** Based on Constant 1997 Dollars.
* All housing ratios based on FY1978-2001.

Graph 26: BIA+OST and Overall Indian Spending, Actual and Projected, FY1975-2006

In Constant 1997 Dollars



FY1975-2001 = Actual and FY2001 proposed.
FY2002-2006 = Projections based on FY1975-2001 annual change.

CRS-45

Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY1975-FY2001

[Dollar amounts in thousands, except per capita figures]

Fiscal Year	Bureau of Indian Affairs and OST[1] (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgm. in HUD (B.A., New Construction)	Admin. for Native Americans (Approps.)	Indian & Native American E&T 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	$1,251,970	$73,620	$136,099	$31,709	$58,193	$2,907,311
1991	$1,558,541	$1,577,569	$75,364	$216,083	$33,375	$59,624	$3,520,556
1992	$1,529,954	$1,705,954	$76,570	$239,797	$33,920	$63,000	$3,649,195
1993	$1,569,967	$1,858,630	$80,583	$257,610	$34,502	$61,871	$3,863,163
1994	$1,777,653	$1,943,070	$83,500	$263,000	$30,984	$63,895	$4,162,102
1995	$1,730,970	$1,960,074	$81,041	$248,006	$38,382	$59,787	$4,118,260
1996	$1,606,998	$1,983,963	$52,497	$163,000	$34,933	$52,502	$3,893,893
1997	$1,672,960	$2,057,000	$60,993	$200,000	$34,933	$52,502	$4,078,388
1998	$1,741,826	$2,098,712	$62,600	$200,000[2]	$34,869	$53,815	$4,191,822
1999	$1,803,407	$2,240,345	$66,000	$204,600[2]	$34,858	$57,815	$4,407,025
2000E	$1,964,077	$2,390,728	$77,000	$204,600[2]	$35,420	$58,436	$4,730,261
2001P	$2,296,085	$2,620,429	$115,500	$214,500	$44,420	$55,000	$5,345,934

Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY1975-FY2001 — continued
[Dollar amounts in thousands, except per capita figures]

Fiscal Year	BIA Education Program[3] (Approps.)	BIA Tribal Services Program[3,4] (Approps.)	BIA Economic Devt. Program[3,5] (Approps.)	BIA Natural Resources Program[3] (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	$7,331,000	$33,751,000	$7,512,000	N/A
1976	$243,590	$137,616	$52,441	$36,012	$7,897,000	$40,261,000	$7,026,000	$29,200,000
1977	$236,700	$159,118	$73,966	$45,536	$8,717,000	$46,493,000	$5,808,000	$33,818,000
1978	$258,203	$189,086	$76,422	$76,967	$9,828,000	$51,752,000	$7,650,000	$37,994,000
1979	$262,242	$205,198	$83,162	$75,338	$12,167,000	$57,820,000	$9,220,000	$31,142,000
1980	$270,033	$201,128	$77,971	$74,237	$14,612,000	$68,255,000	$12,735,000	$35,852,000
1981	$270,183	$227,249	$73,365	$85,711	$16,973,000	$80,821,000	$14,880,000	$34,220,000
1982	$265,606	$235,315	$52,884	$84,743	$14,707,000	$88,408,000	$15,232,000	$20,911,000
1983	$298,143	$277,865	$59,821	$119,241	$14,433,000	$95,008,000	$15,814,000	$16,561,000
1984	$255,754	$254,355	$59,009	$99,657	$15,424,000	$102,375,000	$16,663,000	$18,148,000
1985	$269,644	$241,807	$71,002	$124,101	$16,596,000	$114,271,000	$28,720,000	$31,398,000
1986	$257,299	$254,152	$60,810	$135,179	$17,577,000	$122,943,000	$14,139,000	$15,928,000
1987	$277,783	$275,367	$38,025	$144,428	$16,670,000	$131,414,000	$15,484,000	$14,657,000
1988	$238,434	$340,025	$39,543	$146,010	$18,145,000	$140,039,000	$18,938,000	$14,949,000
1989	$268,503	$315,973	$45,299	$181,696	$21,468,000	$152,699,000	$19,680,000	$14,347,000
1990	$287,384	$322,629	$36,496	$125,719	$22,972,000	$175,531,000	$20,167,000	$17,315,000
1991	$544,545	$364,060	$42,408	$139,694	$25,196,000	$198,110,000	$22,751,000	$27,634,000
1992	$416,859	$432,045	$48,072	$139,932	$25,832,000	$231,560,000	$24,470,000	$24,966,000
1993	$454,694	$454,705	$68,440	$137,662	$30,109,000	$253,835,000	$25,181,000	$26,468,000
1994	$498,675	$527,999	$67,614	$148,338	$24,557,000	$278,901,000	$25,845,000	$26,322,000
1995	$510,968	$538,285	$66,622	$150,321	$31,205,000	$303,081,000	$29,044,000	$19,800,000
1996	$502,483	$499,437	$51,862	$128,626	$29,727,000	$319,803,000	$25,236,000	$20,821,000
1997	$544,696	$524,312	$49,959	$127,648	$30,009,000	$339,535,000	$27,527,000	$16,091,000
1998	$561,532	$590,312	$50,756	$131,726	$31,498,000	$350,570,000	$30,227,000	$21,022,000
1999	$578,573	$621,977	$50,482	$126,704	$32,436,000	$359,701,000	$32,734,000	$26,344,000
2000E	$572,731	$665,285	$51,631	$134,045	$36,444,000	$387,339,000	$30,076,000	$16,290,000
2001P	$617,485	$721,854	$59,144	$131,981	$38,155,000	$421,395,000	$32,277,000	$34,249,000

Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY1975-FY2001 — continued
[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	$2,221,000	$17,610,000	$16,022,000	$12,930,000	$2,058,000	N/A	$4,322,000	$4,063,000
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
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	$8,532,000	$5,619,000
1991	$6,088,000	$33,954,000	$43,354,000	$71,183,000	$17,175,000	$19,721,000	$6,813,000	$5,934,000
1992	$6,539,000	$47,078,000	$45,248,000	$89,497,000	$18,904,000	$19,736,000	$6,841,000	$6,479,000
1993	$6,784,000	$44,651,000	$50,012,000	$99,415,000	$21,542,000	$21,170,000	$9,149,000	$6,700,000
1994	$6,900,000	$37,047,000	$46,307,000	$107,122,000	$23,884,000	$21,109,000	$10,625,000	$7,097,000
1995	$7,378,000	$32,092,000	$54,263,000	$115,418,000	$27,520,000	$15,322,000	$10,749,000	$7,430,000
1996	$6,725,000	$32,492,000	$52,001,000	$119,378,000	$26,754,000	$16,430,000	$10,745,000	$7,030,000
1997	$6,770,000	$30,458,000	$53,008,000	$123,843,000	$27,798,000	$11,746,000	$11,055,000	$6,681,000
1998	$7,274,000	$30,007,000	$54,954,000	$131,442,000	$28,741,000	$17,486,000	$9,776,000	$6,636,000
1999	$7,815,000	$32,461,000	$56,402,000	$141,079,000	$27,677,000	$20,402,000	$11,870,000	$6,781,000
2000E	$8,397,000	$33,986,000	$63,397,000	$154,227,000	$29,221,000	$17,134,000	$11,115,000	$8,214,000
2001P	$8,496,000	$38,604,000	$67,544,000	$166,686,000	$30,676,000	$27,269,000	$10,177,000	$8,450,000

Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY1975-FY2001 — continued

[Dollar amounts in thousands, except per capita figures]

Fiscal Year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget[6] (Outlays)	U.S. Total Population	Indian Population (IHS data)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure	Chain-Type Price Index for GDP (1996=100)	Chain-Type Price Index for GDP (1997=100)
1975	$7,346,000	$222,579,000	215,973,000	587,468	$1,031	$1,988	40.4	39.7
1976	$8,184,000	$255,446,000	218,035,000	611,296	$1,172	$3,004	42.8	42.1
1977	$10,032,000	$282,076,000	220,239,000	635,313	$1,281	$2,555	45.6	44.8
1978	$10,983,000	$318,793,000	222,585,000	726,551	$1,432	$3,135	48.7	47.9
1979	$12,135,000	$345,054,000	225,055,000	790,486	$1,533	$3,527	52.7	51.8
1980	$13,858,000	$404,414,000	227,726,000	828,609	$1,776	$3,327	57.4	56.5
1981	$13,568,000	$451,962,000	229,966,000	849,315	$1,965	$3,181	62.7	61.7
1982	$12,998,000	$475,402,000	232,188,000	871,167	$2,047	$2,668	66.5	65.4
1983	$12,672,000	$508,654,000	234,307,000	902,701	$2,171	$2,679	69.2	68.1
1984	$12,593,000	$513,338,000	236,348,000	936,942	$2,172	$2,474	71.8	70.6
1985	$13,357,000	$564,171,000	238,466,000	961,881	$2,366	$2,423	74.1	72.8
1986	$13,639,000	$581,038,000	240,651,000	986,551	$2,414	$2,345	75.7	74.4
1987	$13,363,000	$583,471,000	242,804,000	1,011,837	$2,403	$2,349	77.8	76.6
1988	$14,606,000	$622,290,000	245,021,000	1,038,121	$2,540	$2,391	80.5	79.1
1989	$16,182,000	$671,094,000	247,342,000	1,073,886	$2,713	$2,298	83.6	82.2
1990	$17,080,000	$769,487,000	249,948,000	1,207,236	$3,079	$2,408	86.8	85.4
1991	$18,559,000	$856,629,000	252,639,000	1,242,745	$3,391	$2,833	89.8	88.3
1992	$20,025,000	$883,961,000	255,374,000	1,269,352	$3,461	$2,875	91.7	90.2
1993	$20,239,000	$919,690,000	258,083,000	1,297,865	$3,564	$2,977	94.2	92.6
1994	$21,026,000	$977,303,000	260,599,000	1,337,548	$3,750	$3,112	96.1	94.6
1995	$21,915,000	$1,011,602,000	263,044,000	1,371,448	$3,846	$3,003	98.2	96.6
1996	$21,524,000	$1,053,729,000	265,463,000	1,398,801	$3,969	$2,784	100.0	98.4
1997	$21,227,000	$1,086,761,000	268,008,000	1,424,904	$4,055	$2,862	101.7	100.0
1998	$22,300,000	$1,143,002,000	270,561,000	1,459,691	$4,225	$2,872	102.9	101.2
1999	$23,968,000	$1,198,432,000	273,131,000	1,485,508	$4,388	$2,967	104.3	102.6
2000E	$24,479,000	$1,278,612,000	275,306,000	1,511,135	$4,644	$3,130	106.0	104.3
2001P	$24,973,000	$1,335,519,000	277,803,000	1,536,599	$4,807	$3,479	107.7	105.9

CRS-49

Appendix Table 2. Budget Data for Selected Elements in the Federal Budget, in Constant 1997 Dollars, FY1975-FY2000

[Dollar amounts in thousands, except per capita figures]

Fiscal Year	Bureau of Indian Affairs and OST[1] (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgm. in HUD (B.A., New Construction)	Admin. for Native Americans (Approps.)	Indian & Native Am. E&T in Labor Dept. (Approps.)	Overall Indian Budget
1975	$1,859,031	$738,094	$105,850	NA	$80,583	$156,894	$2,940,452
1976	$1,920,312	$805,405	$135,582	$1,214,787	$97,430	$190,578	$4,364,094
1977	$1,756,097	$1,135,378	$127,604	NA	$73,602	$527,537	$3,620,218
1978	$1,872,471	$1,070,552	$124,587	$1,453,567	$68,830	$160,937	$4,750,945
1979	$1,989,586	$1,098,123	$138,405	$1,686,873	$63,863	$402,635	$5,379,485
1980	$1,761,163	$1,099,804	$134,448	$1,501,961	$59,873	$325,643	$4,882,892
1981	$1,780,707	$1,409,983	$132,413	$764,355	$54,794	$238,007	$4,380,257
1982	$1,483,187	$1,033,501	$118,996	$755,534	$42,798	$118,360	$3,552,375
1983	$1,688,560	$1,105,611	$101,594	$500,150	$41,116	$113,591	$3,550,623
1984	$1,355,834	$1,178,586	$97,384	$521,184	$41,060	$88,128	$3,282,178
1985	$1,399,505	$1,183,681	$92,536	$398,403	$39,813	$85,451	$3,199,388
1986	$1,337,679	$1,165,022	$86,233	$402,368	$37,270	$80,026	$3,108,598
1987	$1,353,359	$1,228,631	$83,632	$319,973	$37,860	$80,299	$3,103,754
1988	$1,353,705	$1,274,626	$81,159	$313,092	$37,499	$75,446	$3,135,527
1989	$1,366,213	$1,316,364	$87,052	$124,945	$36,468	$71,775	$3,002,817
1990	$1,587,085	$1,465,630	$86,184	$159,325	$37,120	$68,124	$3,403,469
1991	$1,765,166	$1,786,716	$85,355	$244,730	$37,800	$67,529	$3,987,296
1992	$1,696,130	$1,891,246	$84,887	$265,843	$37,604	$69,843	$4,045,552
1993	$1,694,837	$2,006,460	$86,992	$278,100	$37,246	$66,792	$4,170,427
1994	$1,879,719	$2,054,634	$88,294	$278,100	$32,763	$67,564	$4,401,074
1995	$1,792,142	$2,029,342	$83,905	$256,770	$39,738	$61,900	$4,263,798
1996	$1,633,674	$2,016,897	$53,368	$165,706	$35,513	$53,374	$3,958,532
1997	$1,672,960	$2,057,000	$60,993	$200,000	$34,933	$52,502	$4,078,388
1998	$1,721,505	$2,074,228	$61,870	$197,667[2]	$34,462	$53,187	$4,142,919
1999	$1,757,423	$2,183,220	$64,317	$199,383[2]	$33,969	$56,341	$4,294,653
2000E	$1,883,854	$2,293,079	$73,855	$196,243[2]	$33,973	$56,049	$4,537,054
2001P	$2,167,620	$2,473,817	$109,038	$202,499[2]	$41,935	$51,923	$5,046,830

Appendix Table 2. Budget Data for Selected Elements in the Federal Budget, in Constant 1997 Dollars, FY1975-FY2000 — continued
[Dollar amounts in thousands, except per capita figures]

Fiscal Year	BIA Education Program[3] (Approps.)	BIA Tribal Services Program[3,4] (Approps.)	BIA Economic Devt. Program[3,5] (Approps.)	BIA Natural Resources Program[3] (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	$570,361	$248,555	$111,363	$78,913	$18,460,973	$84,991,991	$18,916,768	NA
1976	$578,854	$327,023	$124,618	$85,577	$18,765,989	$95,673,989	$16,696,194	$69,389,247
1977	$527,927	$354,891	$164,971	$101,562	$19,442,085	$103,696,323	$12,953,955	$75,426,456
1978	$538,550	$394,388	$159,398	$160,535	$20,498,861	$107,942,313	$15,956,073	$79,246,410
1979	$505,969	$395,909	$160,453	$145,357	$23,474,990	$111,557,814	$17,789,053	$60,085,324
1980	$478,333	$356,276	$138,117	$131,503	$25,883,532	$120,906,139	$22,558,636	$63,507,829
1981	$437,997	$368,396	$118,933	$138,947	$27,515,152	$131,019,979	$24,122,162	$55,474,489
1982	$405,977	$359,677	$80,833	$129,529	$22,479,531	$135,130,917	$23,281,989	$31,962,295
1983	$437,805	$408,028	$87,843	$175,098	$21,193,973	$139,513,409	$23,221,887	$24,318,811
1984	$362,116	$360,136	$83,550	$141,102	$21,838,494	$144,950,453	$23,592,766	$25,695,344
1985	$370,182	$331,966	$97,476	$170,373	$22,783,921	$156,877,648	$39,428,429	$43,104,938
1986	$345,672	$341,444	$81,696	$181,608	$23,614,085	$165,169,623	$18,995,252	$21,398,711
1987	$362,788	$359,633	$49,661	$188,625	$21,771,226	$171,628,305	$20,222,295	$19,142,223
1988	$301,258	$429,616	$49,962	$184,481	$22,925,935	$176,937,171	$23,927,878	$18,887,837
1989	$326,664	$384,416	$55,111	$221,053	$26,118,201	$185,775,255	$23,942,901	$17,454,715
1990	$336,429	$377,688	$42,724	$147,174	$26,892,371	$205,486,889	$23,608,674	$20,269,955
1991	$616,738	$412,326	$48,030	$158,214	$28,536,379	$224,374,583	$25,767,231	$31,297,598
1992	$462,136	$478,972	$53,293	$155,131	$28,637,744	$256,710,901	$27,127,810	$27,677,683
1993	$490,859	$490,871	$73,884	$148,611	$32,503,780	$274,024,276	$27,183,821	$28,573,186
1994	$527,307	$558,315	$71,496	$156,855	$25,966,971	$294,914,455	$27,328,923	$27,833,311
1995	$529,025	$557,308	$68,976	$155,633	$32,307,774	$313,791,776	$30,070,405	$20,499,725
1996	$510,824	$507,728	$52,723	$130,761	$30,220,468	$325,111,730	$25,654,918	$21,166,629
1997	$544,696	$524,312	$49,959	$127,648	$30,009,000	$339,535,000	$27,527,000	$16,091,000
1998	$554,981	$583,425	$50,164	$130,189	$31,130,534	$346,480,130	$29,874,361	$20,776,750
1999	$563,820	$606,118	$49,195	$123,473	$31,608,932	$350,529,176	$31,899,333	$25,672,268
2000E	$549,338	$638,111	$49,522	$128,570	$34,955,447	$371,518,159	$28,847,547	$15,624,636
2001P	$582,937	$681,466	$55,835	$124,597	$36,020,237	$397,818,055	$30,471,110	$32,332,777

Appendix Table 2. Budget Data for Selected Elements in the Federal Budget, in Constant 1997 Dollars, FY1975-FY2000 — continued
[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	$5,592,937	$44,345,618	$40,346,706	$32,560,411	$5,182,469	NA	$10,883,689	$10,231,473
1976	$5,781,645	$60,658,559	$44,936,667	$37,389,398	$5,938,484	$46,150,978	$12,932,065	$14,942,452
1977	$7,181,773	$49,667,980	$47,069,606	$38,589,761	$6,619,721	$63,853,097	$15,659,387	$15,338,215
1978	$8,080,239	$47,371,808	$55,710,681	$38,636,640	$7,669,344	$67,370,086	$24,697,498	$22,492,849
1979	$8,041,732	$43,332,358	$58,312,207	$39,541,090	$8,425,683	$47,810,492	$20,220,095	$20,901,173
1980	$7,921,650	$52,273,682	$56,406,332	$41,041,306	$9,976,461	$49,478,430	$19,931,666	$18,325,017
1981	$7,223,680	$48,343,213	$54,646,100	$43,552,823	$12,566,868	$43,651,711	$17,131,923	$14,980,706
1982	$6,028,372	$46,446,285	$41,313,609	$41,949,462	$13,355,963	$22,328,210	$12,758,322	$8,351,680
1983	$6,676,990	$55,219,163	$39,069,276	$42,057,548	$14,681,449	$15,415,668	$11,101,395	$7,775,382
1984	$6,998,682	$34,394,495	$39,048,484	$43,066,744	$15,956,939	$17,940,583	$10,864,028	$6,575,335
1985	$6,617,167	$32,535,319	$40,282,346	$46,048,342	$34,682,466	$36,901,001	$10,543,535	$6,825,841
1986	$6,428,480	$32,163,897	$41,089,878	$48,278,760	$16,636,128	$15,641,964	$9,717,283	$7,062,596
1987	$6,590,138	$30,368,705	$38,819,911	$52,197,395	$16,528,892	$12,882,506	$6,596,668	$6,639,767
1988	$6,498,103	$27,471,954	$40,353,183	$56,208,655	$17,570,022	$12,253,277	$6,688,889	$6,589,074
1989	$6,334,893	$27,433,357	$44,617,985	$58,871,798	$17,902,428	$11,640,532	$6,523,467	$6,438,304
1990	$6,778,114	$29,518,159	$45,638,877	$67,565,737	$18,602,937	$13,035,284	$9,988,060	$6,577,931
1991	$6,895,121	$38,455,477	$49,101,689	$80,620,140	$19,451,989	$22,335,527	$7,716,239	$6,720,705
1992	$7,249,234	$52,191,379	$50,162,614	$99,217,721	$20,957,259	$21,879,627	$7,584,036	$7,182,717
1993	$7,323,579	$48,202,407	$53,989,805	$107,322,172	$23,255,386	$22,853,798	$9,876,684	$7,232,898
1994	$7,296,172	$39,174,100	$48,965,775	$113,272,545	$25,255,330	$22,321,000	$11,235,048	$7,504,483
1995	$7,638,736	$33,226,120	$56,180,635	$119,496,831	$28,492,547	$15,863,474	$11,128,866	$7,692,574
1996	$6,836,635	$33,031,367	$52,864,217	$121,359,675	$27,198,116	$16,702,738	$10,923,367	$7,146,698
1997	$6,770,000	$30,458,000	$53,008,000	$123,843,000	$27,798,000	$11,746,000	$11,055,000	$6,681,000
1998	$7,189,139	$29,656,928	$54,312,888	$129,908,553	$28,405,698	$17,282,002	$9,661,950	$6,558,582
1999	$7,615,729	$31,633,294	$54,963,836	$137,481,702	$26,971,279	$19,881,780	$11,567,333	$6,608,095
2000E	$8,054,025	$32,597,844	$60,807,553	$147,927,606	$28,027,470	$16,434,163	$10,661,008	$7,878,500
2001P	$8,020,651	$36,444,116	$63,764,930	$157,359,960	$28,959,685	$25,743,306	$9,607,599	$7,977,225

Appendix Table 2. Budget Data for Selected Elements in the Federal Budget, in Constant 1997 Dollars, FY1975-FY2000 — continued
[Dollar amounts in thousands, except per capita figures]

Fiscal Year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget[6] (Outlays)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure				
1975	$18,498,746	$560,499,904	$2,595	$5,005				
1976	$19,448,000	$607,027,591	$2,784	$7,139				
1977	$22,375,014	$629,132,211	$2,857	$5,698				
1978	$22,907,915	$664,926,064	$2,987	$6,539				
1979	$23,413,249	$665,746,624	$2,958	$6,805				
1980	$24,547,905	$716,374,407	$3,146	$5,893				
1981	$21,995,262	$732,681,501	$3,186	$5,157				
1982	$19,867,338	$726,648,133	$3,130	$4,078				
1983	$18,608,053	$746,927,136	$3,188	$3,933				
1984	$17,830,145	$726,823,692	$3,075	$3,503				
1985	$18,337,240	$774,525,643	$3,248	$3,326				
1986	$18,323,520	$780,604,243	$3,244	$3,151				
1987	$17,452,243	$762,020,322	$3,138	$3,067				
1988	$18,454,461	$786,254,057	$3,209	$3,020				
1989	$19,687,196	$816,460,221	$3,301	$2,796				
1990	$19,994,850	$900,806,638	$3,604	$2,819				
1991	$21,019,473	$970,197,239	$3,840	$3,208				
1992	$22,200,016	$979,972,467	$3,837	$3,187				
1993	$21,848,749	$992,839,390	$3,847	$3,213				
1994	$22,233,234	$1,033,416,091	$3,966	$3,290				
1995	$22,689,468	$1,047,351,658	$3,982	$3,109				
1996	$21,881,298	$1,071,220,901	$4,035	$2,830				
1997	$21,227,000	$1,086,761,000	$4,055	$2,862				
1998	$22,039,841	$1,129,667,347	$4,175	$2,838				
1999	$23,356,853	$1,167,873,822	$4,276	$2,891				
2000E	$23,479,157	$1,226,387,160	$4,455	$3,002				
2001P	$23,575,767	$1,260,797,044	$4,538	$3,284				

SOURCES for Appendix Tables: *See* "Sources" section in text.

NOTES to Appendix Tables:

1. From FY1996 on, total includes appropriations for Office of the Special Trustee for American Indians (OST), which also includes the Indian land consolidation pilot program in FY2000-FY2001; see text for discussion. OST and land consolidation appropriations amounts, in thousands of dollars, are: FY1996, $18,586; FY1997, $34,120; FY1998, $38,557; FY1999, $56,979; FY2000, $95,025; and FY2001P, $95,129.

2. FY1998 = HUD estimate of "Development/HOME" portion of budget authority for Native American Housing Block Grant program. (Block grant recipients may spend more or less than HUD estimate.) FY1999-FY2001 = CRS estimates; see text for discussion.

3. Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA Education Program" excludes BIA education construction.

4. Includes Tribal Services (with Housing Improvement Program) and Navajo-Hopi Settlement programs.

5. Includes Road Maintenance program.

6. 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
HUD	Department of Housing and Urban Development
E&T	Employment and Training
GDP	Gross Domestic Product
OST	Office of the Special Trustee for American Indians

United States Senate

SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510-6475

February 10, 2000

The Honorable Pete Domenici
Chairman
Committee on the Budget
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Thank you for your letter dated January 28, 2000, requesting a "views and estimates" report on proposed Fiscal Year 2001 spending for programs and activities that fall within the jurisdiction of the Senate Select Committee on Intelligence. Consistent with prior years, we are not submitting a separate "views and estimates" report for intelligence spending for Fiscal Year 2001 because expenditures for intelligence are contained within other specified accounts, including those for the Departments of Defense, State, Treasury, Energy, and Justice.

Should you or any member of your staff have any questions, please contact Ken Johnson at (202) 224-1700.

Sincerely,

Richard Shelby

Richard C. Shelby
Chairman

Richard H. Bryan

Richard H. Bryan
Vice Chairman

cc: The Honorable Frank R. Lautenberg, Ranking Minority Member

VII. COMMITTEE VOTES

On March 28, 2000, Chairman Domenici presented a "Chairman's Mark" for the fiscal year 2001 budget resolution to the committee. The following roll call votes were taken during the Senate Budget Committee mark-up of the FY 2001 Budget Resolution.

March 29, 2000

(1) Abraham, Grams, Nickles and Frist amendment creating a 60 vote point of order on any budget resolution that sets forth an on-budget deficit.

Amendment accepted by voice vote

(2) Conrad (second degree to the Abraham amendment) creating a 60 vote point of order to requiring on-budget surpluses.

Amendment defeated by:

Yeas: 10	Nays: 12
Lautenberg	Domenici
Hollings	Grassley
Conrad	Nickles
Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(3) Grams and Abraham amendment to provide a look-back mechanism to protect Social Security.

Amendment accepted by:

Yeas: 12	Nays: 10
Domenici	Lautenberg
Grassley	Hollings
Nickles	Conrad
Gramm	Sarbanes
Bond	Boxer
Gorton	Murray
Gregg	Wyden
Snowe	Feingold
Abraham	Johnson
Frist	Durbin

Grams
Smith

(4) Murray Sense of the Senate amendment to increase function 500 to reduce class size as modified by the Gregg second degree amendment.
Amendment adopted by a voice vote.

(5) Gregg (second degree to the Murray education amendment) amendment making available funds in accordance with Educational Opportunities Act, S. 2.
Amendment adopted by:

Yeas: 12	Nays: 10
Domenici	Lautenberg
Grassley	Hollings
Nickles	Conrad
Gramm	Sarbanes
Bond	Boxer
Gorton	Murray
Gregg	Wyden
Snowe	Feingold
Abraham	Johnson
Frist	Durbin
Grams	
Smith	

(6) Conrad amendment increasing the amount of debt reduction by $75 billion over 5 years.
Amendment defeated by:

Yeas: 10	Nays: 12
Lautenberg	Domenici
Hollings	Grassley
Conrad	Nickles
Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(7) Boxer and Smith Sense of the Senate amendment to eliminate the growing international problem of tuberculosis.

Amendment adopted by a voice vote.

(8) Boxer Sense of the Senate that the resolution does not include revenues or receipts from drilling in the Arctic National Wildlife Refuge.
Amendment defeated by:

Yeas: 11	Nays: 11
Snowe	Domenici
Lautenberg	Grassley
Hollings	Nickles
Conrad	Gramm
Sarbanes	Bond
Boxer	Gorton
Murray	Gregg
Wyden	Abraham
Feingold	Frist
Johnson	Grams
Durbin	Smith

(9) Smith (second degree to the Boxer amendment) Sense of the Senate amendment on exporting oil from Arctic National Wildlife Refuge.
Amendment defeated by:

Yeas: 11	Nays: 11
Domenici	Snowe
Grassley	Lautenberg
Nickles	Hollings
Gramm	Conrad
Bond	Sarbanes
Gorton	Boxer
Gregg	Murray
Abraham	Wyden
Frist	Feingold
Grams	Johnson
Smith	Durbin

(10) Wyden amendment to create a $40 billion reconciliation instruction to increase Medicare spending for prescription drug coverage, reduce the tax reduction by $20 billion, and remove the requirement for Medicare reform to access the additional spending.
Amendment defeated by:

Yeas: 10	Nays: 12
Lautenberg	Domenici

Hollings	Grassley
Conrad	Nickles
Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(11) Snowe, Murray and Abraham Sense of the Senate to increase funding for child care and development block grant.
Amendment adopted by a voice vote.

(12) Snowe, Smith and Abraham Sense of the Senate that tax reconciliation legislation passed in fiscal year 2001 include tax relief for college education.
Amendment adopted by a voice vote.

(13) Snowe (as modified by Boxer) Sense of the Senate on increasing funding for the National Institutes of Health.
Amendment adopted by a voice vote.

(14) Durbin amendment with reconciliation instructions to reduce revenues by $483 billion for the period of fiscal years 2001-2005 with Domenici second degree.
Amendment accepted by voice vote.

(15) Domenici (second degree to the Durbin amendment) Sense of the Senate amendment on the impact of reducing wasteful spending and better than expected economic performance in surpluses.
Amendment adopted by:

Yeas: 12	Nays: 10
Domenici	Lautenberg
Grassley	Hollings
Nickles	Conrad
Gramm	Sarbanes
Bond	Boxer
Gorton	Murray
Gregg	Wyden
Snowe	Feingold
Abraham	Johnson
Frist	Durbin
Grams	

Smith

(16) Feingold Sense of the Senate amendment on moving to a biennial budget.
Amendment defeated by:

Yeas: 11	Nays: 11
Domenici	Bond
Grassley	Gregg
Nickles	Lautenberg
Gramm	Hollings
Gorton	Conrad
Snowe	Sarbanes
Abraham	Boxer
Frist	Murray
Grams	Wyden
Smith	Johnson
Feingold	Durbin

March 30, 2000

(17) Johnson and Snowe Sense of the Senate amendment on the inadequacy of the payments for skilled nursing care.
Amendment accepted by voice vote.

(18) Johnson, Murray and Abraham amendment creating a reserve fund for military retirees health care.
Amendment defeated by:

Yeas: 11	Nays: 11
Abraham	Domenici
Lautenberg	Grassley
Hollings	Nickles
Conrad	Gramm
Sarbanes	Bond
Boxer	Gorton
Murray	Gregg
Wyden	Snowe
Feingold	Frist
Johnson	Grams
Durbin	Smith

(19) Domenici (second degree to the Johnson amendment) Sense of the Senate amendment on military retirees health care.
Amendment defeated by:

Yeas: 11	Nays: 11
Domenici	Abraham
Grassley	Lautenberg
Nickles	Hollings
Gramm	Conrad
Bond	Sarbanes
Gorton	Boxer
Gregg	Murray
Snowe	Wyden
Frist	Feingold
Grams	Johnson
Smith	Durbin

(20) Johnson, Boxer and Sarbanes amendment creating a budget-neutral reserve fund for outer continental shelf receipts as modified by the Domenici second degree amendment.
Amendment adopted by voice vote:

(21) Domenici (second degree to the Johnson amendment) Sense of the Senate amendment on the CARA Programs.
Amendment adopted by:

Yeas: 13	Nays: 9
Domenici	Lautenberg
Grassley	Hollings
Nickles	Sarbanes
Gramm	Boxer
Bond	Murray
Gorton	Wyden
Gregg	Feingold
Snowe	Johnson
Abraham	Durbin
Frist	
Grams	
Smith	
Conrad	

(22) Johnson amendment increasing function 750 veterans for adequate medical care with a Domenici second degree.
Amendment adopted by a voice vote.

(23) Domenici (second degree to the Johnson amendment) Sense of the Senate amendment that the resolution assumes increased funding for veteran's medical care.
Amendment adopted by:

Yeas: 12	Nays: 10
Domenici	Lautenberg
Grassley	Hollings
Nickles	Conrad
Gramm	Sarbanes
Bond	Boxer
Gorton	Murray
Gregg	Wyden
Snowe	Feingold
Abraham	Johnson
Frist	Durbin
Grams	
Smith	

(24) Johnson Sense of the Senate on impact aid.
Amendment adopted by a voice vote.

(25) Johnson Sense of the Senate on funding for increased acreage under the Conservation Reserve Program and the Wetlands Reserve Program.
Amendment adopted by a voice vote.

(26) Gramm amendment increasing gasoline and diesel fuel taxes by $1.50 per gallon by July 1, 2000 and an additional $1.50 by 2005 as part of "a coordinated global program to accomplish the elimination of the internal combustion engine."
Amendment tabled by:

Yeas: 22	Nays: 0
Domenici	
Grassley	
Nickles	
Gramm	
Bond	
Gorton	
Gregg	
Snowe	
Abraham	
Frist	
Grams	
Smith	
Lautenberg	
Hollings	
Conrad	
Sarbanes	
Boxer	
Murray	

Wyden
Feingold
Johnson
Durbin

(27) Durbin (second degree to the Gramm amendment) amendment with reconciliation instructions to reduce revenues by $483 billion for the period of fiscal years 2001-2005.
Amendment tabled by:

Yeas: 21	Nays: 1
Domenici	Durbin
Grassley	
Nickles	
Gramm	
Bond	
Gorton	
Gregg	
Snowe	
Abraham	
Frist	
Grams	
Smith	
Lautenberg	
Hollings	
Conrad	
Sarbanes	
Boxer	
Murray	
Wyden	
Feingold	
Johnson	

(28) Feingold (as modified by Domenici) Sense of the Senate amendment on tax simplification.
Amendment adopted by a voice vote.

(29) Grassley, Conrad and Feingold Sense of the Senate amendment on antitrust enforcement by the Department of Justice and the Federal Trade Commission regarding agriculture mergers and anticompetitive activity.
Amendment adopted by a voice vote.

(30) Conrad and Grassley Sense of the Senate amendment regarding fair markets for American agricultural producers.
Amendment adopted by voice vote.

(31) Murray amendment increasing function 400 to maintain necessary funding for the Office of Pipeline Safety.
Amendment adopted by voice vote.

(32) Murray and Snowe Sense of the Senate amendment on women and social security reform.
Amendment adopted by voice vote.

(33) Murray Sense of the Senate amendment on reauthorizing the Violence Against Women Act of 1994.
Amendment adopted by voice vote.

(34) Grassley and Conrad Sense of the Senate on the use of the False Claims Act in combatting Medicare fraud.
Amendment adopted by voice vote.

(35) Feingold Sense of the Senate amendment on military readiness.
Amendment adopted by voice vote.

(36) Feingold Sense of the Senate amendment on the National Guard.
Amendment adopted by voice vote.

(37) Feingold Sense of the Senate amendment on compensation for the Chinese Embassy bombing in Belgrade.
Amendment adopted by voice vote.

(38) Grams Sense of the Senate on the legal right to Social Security benefits.
Amendment defeated by:

Yeas: 10	Nays: 12
Domenici	Nickles
Grassley	Bond
Gramm	Gregg
Gorton	Smith
Snowe	Lautenberg
Abraham	Conrad
Frist	Sarbanes
Grams	Boxer
Hollings	Murray
Feingold	Wyden
	Johnson
	Durbin

(39) Grams amendment to use the fiscal year 2000 surplus for debt reduction.
Amendment defeated by:

Yeas: 5	Nays: 17
Nickles	Domenici
Gramm	Grassley
Gregg	Bond
Frist	Gorton
Grams	Snowe
	Abraham
	Smith
	Lautenberg
	Hollings
	Conrad
	Sarbanes
	Boxer
	Murray
	Wyden
	Feingold
	Johnson
	Durbin

(40) Boxer Sense of the Senate amendment to support full funding for digital opportunities.
Amendment adopted by voice vote.

(41) Boxer Sense of the Senate amendment to ensure that the President's after school initiative is fully funded for fiscal year 2001.
Amendment defeated by:

Yeas: 11	Nays: 11
Snowe	Domenici
Lautenberg	Grassley
Hollings	Nickles
Conrad	Gramm
Sarbanes	Bond
Boxer	Gorton
Murray	Gregg
Wyden	Abraham
Feingold	Frist
Johnson	Grams
Durbin	Smith

(42) Durbin Sense of the Senate amendment on tax credits for small businesses that provide health insurance to low-income employees.
Amendment adopted by voice vote.

(43) Durbin Sense of the Senate amendment on immunization funding.

Amendment adopted by voice vote.

(44) Durbin, Boxer and Lautenberg Sense of the Senate amendment on providing adequate funding for enforcement of gun laws, as modified by Domenici second degree amendment.
Amendment adopted by voice vote.

(45) Domenici (second degree to the Durbin amendment) Sense of the Senate amendment on funding for the justice system.
Amendment adopted by:

Yeas: 12	Nays: 10
Domenici	Lautenberg
Grassley	Hollings
Nickles	Conrad
Gramm	Sarbanes
Bond	Boxer
Gorton	Murray
Gregg	Wyden
Snowe	Feingold
Abraham	Johnson
Frist	Durbin
Grams	
Smith	

(46) Smith, Snowe, Abraham and Feingold Sense of the Senate amendment on Pell Grant funding.
Amendment adopted by voice vote.

(47) Smith and Sarbanes Sense of the Senate amendment on providing adequate foreign affairs funding.
Amendment adopted by voice vote.

(48) Smith and Murray Sense of the Senate amendment on comprehensive public education reform.
Amendment adopted by voice vote.

(49) Feingold and Frist Sense of the Senate amendment on the HIV/AIDS crises.
Amendment adopted by voice vote.

(50) Snowe, Wyden and Smith amendment creating a reserve fund for prescription drugs coverage.
Amendment adopted by voice vote.

(51) Conrad Sense of the Senate on tribal colleges.

Amendment adopted by voice vote.

(52) Lautenberg amendment instituting 10 year budgeting.
Amendment defeated by:

Yeas: 10	Nays: 12
Lautenberg	Domenici
Hollings	Grassley
Conrad	Nickles
Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(53) Lautenberg Democratic substitute budget for fiscal year 2001.
Amendment defeated by:

Yeas: 10	Nays: 12
Lautenberg	Domenici
Hollings	Grassley
Conrad	Nickles
Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(54) Grassley and Feingold amendment creating a reserve fund to foster the health of children with disabilities and the employment and independence of their families.
Amendment adopted by voice vote.

(55) Final Passage

Measure Adopted by:

Yea: 12	Nay:10
Domenici	Lautenberg
Grassley	Hollings
Nickles	Conrad
Gramm	Sarbanes
Bond	Boxer
Gorton	Murray
Gregg	Wyden
Snowe	Feingold
Abraham	Johnson
Frist	Durbin
Grams	
Smith	

Amendments offered and withdrawn:

(1) Durbin Sense of the Senate amendment on the deductibility of health insurance costs of self employed individuals.

VIII. ADDITIONAL AND MINORITY VIEWS

Christopher S. Bond

ADDITIONAL VIEWS OF SENATOR BOND

It is important to emphasize that this budget resolution, which I supported, merely allows for the possibility that the Congress may consider a repeal or suspension of the Federal gasoline tax earmarked for the Highway Trust Fund. This is one of several options the Budget Committee proposes to the Finance Committee, which will make the final decision on which tax provisions to include in a reconciliation package. The resolution does not actually assume, in deriving the levels contained in it, that the gasoline tax will be repealed or suspended, either in whole or in part.

In my view, such a repeal or suspension would be a grave error. Although all Senators are aware of consumers' complaints about current high gasoline prices, we should also keep in mind that this is due primarily to factors other than the level of gas tax. The complete absence of a coherent Clinton Administration energy policy and the fluctuations that occur in world markets are far more significant in determining the price at the gas pump. Cutting the tax would merely reduce the revenues available for improving highway safety without producing real savings that would be passed on to the consumer. In fact, cutting the tax would generate costs rather than savings: costs found in deteriorating highway surfaces, more congestion, and unnecessary accidents and fatalities.

The budget resolution we reported also needs further clarification regarding the revenue aligned budget authority provision of the Transportation Equity Act of the 21st Century (TEA-21), which was signed into law in 1998. This provision, the Bond/Chafee provision, creates for the first time a real guarantee that the revenues collected and earmarked for the Highway Trust Fund will in fact be used for transportation purposes. The true substance of the guarantee resides not in the numerical levels authorized, but in the tie between revenues collected and spending established. If we collect a dollar of gas tax, that dollar must be credited to the Highway Trust Fund and contract authority increased by that dollar. This guarantees that highway users will get transportation benefits in return for the user fee that they pay through the gas tax.

Nothing in this budget resolution should in any way be construed as undoing the Bond/Chafee guarantee. References in this report that overall Function 400 (Transportation) levels will proceed at currently anticipated spending are not intended to break the tie between gas tax revenues collected and spending established under Bond/Chafee. I appreciate the assurances I have received from Chairman Domenici and the Budget Committee staff that they do not intend such an outcome. Instead, these numbers merely reflect that changes in the gas tax levels are simply one of several options available to the Finance Committee and are not actually assumed or incorporated into the numbers reported in this resolution.

Frank R Lautenberg

MINORITY VIEWS OF RANKING DEMOCRATIC MEMBER
SENATOR FRANK R. LAUTENBERG

Democrats believe that the budget should address the needs of ordinary Americans and prepare our nation for the future. It should strengthen Social Security and Medicare. Provide prescription drug coverage for our seniors. Invest in education, health care, defense and other compelling needs. Provide targeted tax cuts for the middle class. And, perhaps most importantly, it should maintain fiscal discipline, reduce our debt, and protect our nation's economic prosperity.

This budget resolution fails to meet these goals. It would use virtually the entire non-Social Security surplus for tax breaks that disproportionately benefit the wealthy. It would require deep, unrealistic cuts in domestic priorities, such as education and health care. It proposes far less debt reduction than the budgets developed by President Clinton and Senate Democrats. It fails to require congressional committees to produce legislation establishing a prescription drug benefit (though it does require the Finance Committee to produce legislation establishing tax breaks). Finally, by covering only five years, unlike the ten years included last year, the resolution hides its long-term costs and weakens fiscal discipline.

Let me address each of these points in turn.

The Congressional Budget Office (CBO) says that, over the next five years, the non-Social Security surplus will be $171 billion. This assumes that Congress freezes discretionary spending at current real levels. (Note that if Congress increases domestic spending at the same rate as in recent years, which has been higher than inflation, the actual surplus would be much smaller.)

The budget resolution calls for tax breaks of $150 billion over five years, at a minimum. But this reduction in future surpluses also would require the government to pay $18 billion more in interest payments. Thus, the real cost of the tax breaks is $168 billion – virtually the entire non-Social Security surplus of $171 billion.[1]

One might ask: if the tax breaks use virtually the entire non-Social Security surplus, how can the resolution also provide funding for any of the new initiatives it claims, such as increases in military spending, prescription drug coverage, agriculture risk management reform, payments to counties, nuclear waste disposal activities, and various other claims of increases in discretionary programs?

---

[1]In fact, the resolution includes a reserve fund that could allow the actual cost of the tax breaks to exceed $200 billion if the Congressional Budget Office (CBO) adjusts its budget projections later this year.

The real answer is: it cannot. There is no way to fit all this new spending in the roughly $3 billion remaining of the non-Social Security surplus.

The majority seeks to sidestep this problem by assuming huge, unspecified cuts in domestic programs. The resolution calls for a 6.5 percent cut in nondefense discretionary programs over the next five years. The cut would be 8.2 percent by the fifth year. In fact, since the resolution claims to protect some specific programs, the cuts in other areas could be well over ten percent.

Cuts of this magnitude are completely unrealistic and will never happen. If they ever were proposed in a serious, specific way, most Americans, including Republicans and Democrats, would strongly oppose them.

This is not the first time that Republicans have assumed deep, unspecified cuts in a budget resolution. Last year's resolution included similarly unrealistic assumptions. Not surprisingly, by the end of the year, the Republican Congress had approved appropriations bills spending about $35 billion more than it assumed earlier. No doubt something similar will happen this year.

Unfortunately, the Republican budget relies on these unrealistic cuts for its various increases in mandatory spending, such as the aid to farmers, drugs, and other entitlements. The cost of those increases, $62 billion, would be locked in up front. The savings, however, would not. When Congress later fails to make the assumed cuts in appropriations bills, funds for these new entitlements will come from Social Security.

One might think that assumptions of deep, unrealistic cuts in discretionary spending would allow the Republicans to claim significantly more debt reduction than the budgets proposed by Democrats. However, even if one assumes that the GOP spending cuts actually materialize, which is extremely unlikely, the Republican budget *still* would reduce much less debt than President Clinton and Senate Democrats.

The Republican plan would use non-Social Security surpluses to reduce only $19 billion of debt over five years, according to initial staff estimates. By contrast, the President's budget would reduce $90 billion of debt over the same period – nearly five times as much.

This difference in debt reduction helps show just how extreme the GOP tax breaks really are.

Throughout the markup, Republicans claimed that their budget contains over $1 trillion of debt reduction. However, this figure is based almost entirely on Social Security surpluses. These surpluses are "off-budget" and both parties have committed to protecting them. Yet when it comes to the portion of the budget that remains subject to congressional discretion, Republicans have refused to devote significant resources for debt reduction. In so doing, they have rejected repeated calls by Federal Reserve

Chairman Alan Greenspan to make debt reduction our "first priority."

My next concern about the budget resolution is that it fails to require congressional committees to produce legislation establishing a prescription drug benefit. This is in marked contrast with its treatment of tax breaks, which the resolution's reconciliation instructions require the Finance Committee to produce.

I am very pleased that Democrats, led by Senator Wyden, were able to join with two Republicans, Senators Snowe and Smith, to strengthen the reserve fund originally included in the legislation by Chairman Domenici. The Chairman's mark reserved only $20 billion for prescription drugs, and contained restrictions that effectively undermined its stated goal. Fortunately, we were able to increase the total to $40 billion, and eliminate problematic language in the Chairman's proposal that could have forced deep Medicare cuts targeted at beneficiaries.

Still, the resolution's commitment to prescription drugs remains far less strong than its commitment to tax breaks. And that is a concern, given resistance from the Republican leadership to a meaningful, universal benefit. When the budget resolution reaches the Senate floor, I hope we can take steps to ensure that a prescription drug bill will actually be reported by the appropriate committee, and that it is not subject to unreasonable delays before the full Senate acts.

My final concern about the budget resolution is that it covers only five years, not the ten included in last year's resolution. This has the effect of hiding the long-term cost of its tax breaks. It also weakens the budget resolution as a means of enforcing long-term fiscal discipline, since points of order would not be available against tax breaks that explode in cost after five years.

During markup, it was suggested that the budget resolution should cover only five years because CBO produces only five-year estimates. This simply is not true. In fact, since last year, CBO has been producing ten-year projections. There thus no longer is a good excuse to restrict the budget resolution to only five years.

Considering that we are facing huge new liabilities when the baby boomers retire, we need to think long-term. And we need to take all long-term costs into account when establishing and enforcing fiscal policy.

During the markup, I offered an alternative budget that covered ten years, and that reflected Democratic priorities. Our alternative would have reduced $330 billion in debt over ten years, while providing almost $300 billion in targeted tax cuts. Unlike the GOP plan, it proposed realistic levels of discretionary spending, including President Clinton's full requests for education and defense spending. It also reserved funding for important initiatives, such as health coverage for the uninsured. Unfortunately, our alternative was defeated on a party-line vote.

In conclusion, the Republican budget fails to prepare for our future, or to address the needs of ordinary Americans today. It allocates virtually the entire non-Social Security surplus for tax breaks. It would require drastic, unrealistic cuts in domestic programs like education and health care. It fails to make debt reduction a priority. It fails to ensure prompt action to provide prescription drugs to seniors. And it fails to maintain fiscal discipline for the long term.

For all these reasons, I joined with all Democrats on the Budget Committee in opposing this resolution. And I look forward to working with colleagues on both sides of the aisle in an effort to improve the resolution before its approval in the Senate.

March 31, 2000

Fritz Hollings

MINORITY VIEWS OF SENATOR HOLLINGS

By the time the Senate Budget Committee sat down to markup this year's budget resolution on March 27, the national debt had already grown $75.525 billion since the start of the fiscal year, according to the Bureau of the Public Debt. Seven years ago, Congress charted a clear course toward eliminating budget deficits and restoring order to our nation's finances. The plan was working. Deficits started to shrink, interest rates dropped, unemployment reached record lows, and our economy boomed. However, the job is far from finished. The continued growth of our debt indicates that Congress still has not balanced the budget.

Unfortunately, it appears that the White House and members of Congress from both sides of the aisle have abandoned the effort to balance the budget. I am even more troubled by the fact that Washington has concocted this so-called 'surplus' to deceive the public about the true state of our nation's finances and ignores the fact that the federal government continues to spend more money than it collects.

The root of the problem, of course, is Washington's insistence on masking the deficit's true size by spending Social Security, Medicare, military and civilian retirement, and other trust funds on the government's daily operations. Under corporate law, it is a felony to pay off the company debt with the pension fund. But in Washington people pay down the public debt with trust funds, call it a surplus, and expect to receive the `Good Government' award.

Washington politicians have created two debts -- the public debt and the private debt -- so they can say that we paid down the public debt and have a surplus. Of course, these politicians do not mention that the government debt is increased by the same amount as the public debt because our Government is public and the law treats the debt without separation. It is like someone using their MasterCard to pay down their Visa debt. Instead of paying down his total debt, all he has done is shifted debt from one part of his budget to another.

Committee Republicans are playing a clever shell game in this year's budget resolution. Ninety-nine percent of the supposed $1.1 trillion allotted for debt reduction in the Chairman's mark comes from Social Security surpluses. Dr. Dan Crippen, the Director of the Congressional Budget Office, describes this process as `taking from one pocket and putting it in the other.' So instead of reducing the national debt, the Chairman's mark will actually increase the national debt by $421 billion and leave the Social Security trust fund high and dry.

I am not against spending money on good programs and giving Americans a tax cut, but reducing the debt should be our top priority. In fact, I propose today to give Americans a $357 billion tax cut by decreasing the national debt and the ruinous interest we pay on it. This year alone, interest on the national debt will total almost $1 billion a day. With that wasted money, I could save Social Security and Medicare, give the Republicans George W. Bush's tax cut and fund all the programs outlined in President Clinton's State of the Union Address.

I propose staying the course by using last year's budget this year and returning us to the path of a truly balanced budget. By maintaining the 1999 budget plan, my plan would allow us to achieve a truly balanced budget by 2006 by applying the surpluses to the debt and not for tax cuts or spending increases. Under my plan, beginning in 2006, the debt would actually decrease for the first time in decades -- then, I would keep my word and jump off the Capitol dome.

Ask anyone in my state how to define a balanced budget, and they will tell you very simply, `spending no more than one earns.' According to this simple and correct definition, this year's budget is nowhere near balanced. Take away Social Security and other trust funds and you see that spending exceeds revenues last year by $127.4 billion. So in fact, although everyone is crying `surplus!,' the national debt actually increased $127.4 billion last year, sending interest costs even higher.

The only way to protect Social Security and prevent politicians from using the trust fund as a slush fund is to restore truth in budgeting. The only way to achieve a truly balanced budget is if we return to the course we started in 1993. Unfortunately, neither the President's budget nor the Chairman's mark accomplishes this.

ERNEST F. HOLLINGS.

Kent Conrad

MINORITY VIEWS OF SENATOR KENT CONRAD
FY 2001 BUDGET RESOLUTION

I opposed the Republican budget resolution for FY 2001 because it contains the wrong priorities for our nation. This budget resolution is a repeat of last year's failed fiscal policies: unrealistic discretionary spending cuts that help to fund large tax breaks which, if enacted, would threaten the current economic expansion. Those are the wrong priorities for our nation and they should be rejected.

Our nation is currently enjoying the longest expansion in its history. This economic prosperity has been painstakingly built over the last seven years with tough fiscal choices. Through comprehensive deficit reduction packages in 1993 and 1997, we have put our nation's fiscal house in order. In 1993, a Democratic Congress passed a historic deficit reduction plan designed to bring spiraling budget deficits under control. That plan worked. Seven years later, the federal budget is balanced without counting Social Security trust fund surpluses. I have strongly supported that policy since coming to the Senate, and offered an amendment during the markup of the budget resolution to ensure that the entire Social Security trust fund surplus is saved for Social Security, not for new spending or tax cuts.

Not only did the 1993 deficit reduction plan succeed in reducing the deficit, it allowed the Federal Reserve to pursue an accommodative monetary policy. Fiscal restraint and monetary policy created a virtuous cycle in the US economy. Real GDP growth in the fourth quarter of 1999 was a stunning 7.3 percent. Over the last two years the federal government has paid off over $140 billion of publicly-held debt, and that debt is projected to decline dramatically over the next decade. Federal spending as a share of the economy is at its lowest level since 1966 and the unemployment and inflation rates are at their lowest levels in over 30 years.

The challenge before us now is to focus on long-term fiscal challenges and to pay down our national debt. I believe paying off our national debt must be the top priority in terms of our nation's fiscal policy. Nearly every economist who has testified before the Senate Budget and Finance Committees has stated that our nation's budget surpluses should be used to pay down the debt. Reducing the debt will lower federal payments for interest on the debt and will help to foster more productive investments in the economy.

Congress must also take action to strengthen and protect Social Security and Medicare for future generations. I offered an amendment during the markup to reserve one-third of on-budget surpluses over the next ten years for Medicare. I was also pleased to support an amendment that was adopted during the Budget Committee's deliberations that provided $40 billion for prescription drug coverage for seniors and that contained incentives for Congress to take action within three years to reform and protect Medicare for future generations.

In terms of our nation's budget priorities, Congress has an important decision to make. Should we give away the surpluses in tax cuts for the wealthy? The Republican budget resolution dedicates 98 percent on available on-budget surpluses to tax cuts. Or, should we save the surpluses to buy down the Federal debt, extend the solvency of Medicare, and still provide room for targeted tax cuts and investments in education, defense, health care, agriculture, and other priorities? To me, the choice is clear. We must honor our commitment to the seniors of America.

Despite the misplaced priorities contained in the FY 2001 budget resolution, I must point out that the resolution does provide important resources for agriculture. Many of my colleagues know that we face a virtual depression in American agriculture. We need a significant increase in federal agricultural spending this year if we are to maintain a stable rural America and a cheap, quality food supply for this nation.

When we considered the 1996 Farm Bill, prices were high — many believed we had entered an era of permanently high prices. But quite the contrary is true. In fact, we've entered not an era high prices, but an era of low ones. We're now in the third year of an economic crisis in American agriculture.

Last year farmers received historically low prices for their commodities. Crop prices hit the lowest levels in 50 years. As a result, farm machinery manufacturers closed plants and laid off workers. Lenders reported severe financial stress in rural communities. No agricultural sector was immune from the troubled farm economy.

For the last two years, Congress and the Administration have enacted emergency relief packages in response to natural and economic disasters confronting America's agricultural producers. The 1996 "Freedom to Farm Act" removed the safety net that previously protected farmers when prices collapsed. As a result, the relief packages broke record levels of emergency farm spending and we are currently on course to enact a third relief package this year. I support necessary emergency packages, but strongly favor a strong safety net that renders emergency packages unnecessary.

Farm policy needs two main corrections — reform of the farm bill and implementation of an enhanced crop insurance system. I am pleased that last year's budget resolution included funding for crop insurance reform, which allowed the Senate to take bipartisan action on this legislation just a few weeks ago.

But another urgent need is reform of the farm bill. We must reform the farm bill with a counter cyclical policy that provides farm income stability, targets benefits to family farms, promotes environmental stewardship and conservation farming practices, ensures a stable and secure food supply, and provides the United States leverage at international trade negotiations.

I am also pleased that this year's Senate budget resolution included $8.5 billion in mandatory funding for the Senate Agriculture Committee, in addition to the funding provided last year for crop insurance.

I intend to work with my colleagues in the House and Senate in a bipartisan fashion to enact new farm bill policies that recognize global market realities, and make yearly emergency expenditures unnecessary.

Minority Views - SENATOR PATTY MURRAY

PIPELINE SAFETY ENHANCEMENT

Patty Murray

While I am disappointed at the overall resolution, I am pleased that it includes the necessary funding for an important safety measure: pipeline safety. My amendment on pipeline safety was adopted in a bi-partisan fashion. This amendment would insure the President's needed increases for the Office of Pipeline Safety (OPS) are maintained and reserves in Fiscal Years 2002 through 2005 the investments made for OPS that are in my reauthorization bill, S. 2004, the Pipeline Safety Act of 2000.

The resolution recognizes that pipeline safety is a major problem. OPS regulates over 2.2 million miles of pipeline, yet currently only has 49 inspectors. The safety record is unacceptable. Since 1986, there have been more than 5,700 pipeline accidents. These accidents caused 325 deaths and 1,700 injuries. These accident have also caused nearly $1 billion in environmental damage. We need to give OPS the tools and resources they need to improve their safety record. The adoption of my amendment is a significant step in our effort to make the transportation of hazardous materials more safe.

Patty Murray

Minority Views of Senator Patty Murray
Inadequate Focus on Education

I am concerned this budget jeopardies our ability to maintain critical education priorities. While the budget appears to set aside funding for education, this is an empty promise. The Function 500 level shows that proposed increase for education will be at the expense of other programs that are important for women and children. In addition, the increase for education would actually abandon our commitment to a number of important education priorities. Of the supposed "increase" for education, the majority set aside $2.2 billion for IDEA funding. While I support increasing IDEA funding, this budget leaves little available resources for other education priorities.

This budget will abandon our commitment to successful education programs and fail to move us forward on plans to improve our education system. For example, we have made a commitment over the past two years to hire additional teachers throughout the country to lower class size. Across the country, there are 1.7 million students learning in classrooms that are less crowded and than they were a year before. This budget will abandon that commitment. In addition, it fails to make funds available to modernize our schools and ensure we have a high quality teacher in every classroom.

I am disappointed my efforts to redirect the focus of this budget toward important education priorities was not accepted. It is unfortunate the majority makes tax cuts a higher priority than ensuring we have an adequate public education system which will prepare our students for the challenges they will face.

Tim Johnson

MINORITY VIEWS OF SENATOR TIM JOHNSON

I oppose the Republican Budget Resolution because it supports the wrong priorities.

1999 was an exceptional year in this country's modern economic history. We had a budget surplus for the second year in a row after almost three decades of operating in the red. The economy exceeded expectations and continued to expand -- unemployment remained low; wages continued to increase; welfare recipients declined; home ownership increased; and interest rates remained low. In 1999, Federal spending was the smallest share of the GDP since 1966, lower and middle-income Americans had a smaller tax burden than anytime in recent history, and we made additional progress paying down the debt. All of this good news has allowed the White House, the Congress, and the American people to begin debating how to use future surpluses which are projected for the foreseeable future.

As a Member of Congress who arrived in Washington when the annual federal budget deficit was over $220 billion and still growing, I am extremely pleased and a little amazed that we have gotten to where we are today. That said, I think it is extremely important that Congress proceed carefully in the coming years to ensure we make wise choices that will keep this country's budget running in the black for years to come.

Writing the FY 2001 budget is a critically important test of how we will handle existing and future surpluses to ensure long-term economic growth and stability. I believe we must maintain the fiscal discipline which has given us the strongest economy in memory.

Consistent with my views from last year, I believe that this year's budget resolution should follow four principles: first, we must save Social Security and Medicare; second, we should pay down the national debt; third, we should support targeted tax relief to low and middle-income Americans; and finally, we should identify and support critically needed discretionary priorities.

Unfortunately, the Republican Budget Resolution doesn't follow these principles, which I believe are critical to balancing the many pressing needs of this nation. First, the Republican Budget Resolution does nothing to preserve Medicare. Second, while I support targeted tax cuts, I cannot support the use of essentially all future on-budget surpluses for tax cuts at the expense of Medicare solvency and other critical discretionary investments such as veterans health care. Third, the Republican budget resolution reduces non-defense discretionary spending by $105 billion over the next five years below the amount needed to maintain funding at the current level. Finally, while the resolution increases funding for some programs and protects others from cuts, the bottom line is that discretionary programs such as head start, law enforcement, and many other critically important programs could be cut by more than 8% under the Republican Budget Resolution. I support establishing new, realistic discretionary caps and firmly believe that we can do a better job of balancing discretionary priorities than what is included in the Republican Budget Resolution.

Minority Views
U.S. Senator Richard J. Durbin

I strongly oppose the Republican budget resolution for FY 2001 because it contains the wrong priorities that, if enacted, would jeopardize our nation's continued prosperity. The Republican budget is nothing more than last year's budget with new numbers. It's filled with cute gimmicks that cloud drastic cuts in non-defense discretionary spending programs like Youth Opportunity Grants, Head Start, Community Development Block Grants, and Section Eight Housing. This budget will do exactly what last year's budget did: it will tie the hands of the appropriators, resulting in the use of even more budget gimmicks like forward funding and declaring items like the Census "emergency spending."

The Congressional Budget Office says that we will have a non-Social Security surplus of $171 billion over the next five years. The Republican Budget Resolution would cut taxes for the wealthy at a cost of $150 billion over five years (They forgot to include the $18 billion in interest payments, bringing their total tax cut to $168 billion). Do the math and there's not much left over for important initiatives like education, healthcare, agriculture, and prescription drug coverage.

Notably absent from the Senate Republican budget was the George W. Bush tax cut. Like the House GOP, the Senate Republicans ran away from their likely Republican presidential nominee's tax agenda. I even gave my twelve colleagues from the other side of the aisle a second chance to vote on the $1.2 trillion Bush tax cut, but they ran from that opportunity too. We'll wait and see if the other 43 Republicans decide to run away from Governor Bush's extreme agenda on the Senate floor.

The Republican budget is also a step backward for law enforcement and the fight against gun violence. While Republican leaders have been insisting that the Administration enforce the gun laws already on the books, current services for Justice programs (adjusted for inflation) are actually cut by $800 million in FY 2001 and $3.4 billion over five years.

A comparison between the Republican budget and the President's proposed level, reveals that the Republicans cut Justice programs by $2.4 billion in FY 2001 and $4.9 billion over five years.

At the proposed Republican level, Justice programs will be fighting to maintain their current services. The number of FBI agents would be cut by 900 below the President's level and the number of DEA personnel would be cut by 850 below the President's level. The proposed budget would also stop the implementation of the President's gun initiative to add 500 new federal ATF agents and inspectors to target violent gun criminals and illegal traffickers. There would also be insufficient funds for 1000 new federal, state and local prosecutors to take gun offenders off the streets.

I offered an amendment to adjust the levels of the budget resolution to include the President's gun enforcement initiative to add a total of 500 new federal ATF agents and inspectors and over 1000 new federal, state and local prosecutors. Rather than vote on my amendment, the Chairman offered a second degree substitute that failed to provide an overall budget increase to give law enforcement the additional personnel it needs to better enforce the federal gun laws. Criticisms of the Administration's enforcement record ring hollow, if Congress is unwilling to give those responsible for gun enforcement the resources they need to accomplish this goal.

The challenge before us now is to do our best to shift the FY 2001 Budget Resolution's priorities. We in the minority believe it's our job to take care of Social Security and Medicare, pay down our debt in a real and meaningful way, and provide America's working families with the necessary initiatives that lift them up, not bring them down. I hope we can work with our colleagues to make badly needed improvements on the Senate floor to make this first budget of the new millennium an achievement we all can be proud of.