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CONCURRENT RESOLUTION ON THE BUDGET FY 2000

REPORT

OF THE

COMMITTEE ON THE BUDGET UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 20

together with

ADDITIONAL AND MINORITY VIEWS

Setting forth the congressional budget for the United States Government for fiscal years 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, and 2009

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I. THE CONCURRENT RESOLUTION ON THE BUDGET: FISCAL YEAR 2000

The Committee-reported Concurrent Budget Resolution for Fiscal Year 2000 represents a fiscal blueprint for the first decade of the new 21st century. The latter quarter of the 20th century was one marked by federal fiscal imbalances. The fiscal deficits of the recent past are now expected to turn into surpluses. This heretofore unexperienced outlook provides Congress and the President with a unique opportunity to structure a fiscal policy that addresses the challenges that lie ahead—both domestic and internationally.

The Committee-reported resolution was constructed following these basic principles:

Preserve and protect the social security trust fund balances.

Maintain the fiscal discipline of the 1997 Bipartisan Balanced Budget Agreement.

Return to working Americans tax overpayments.

Produce non-social security surpluses to reflect the real possibility of unexpected contingencies and possible transition costs for long-term Medicare reform over the next decade or for additional debt reduction.

All federal spending under the Committee-reported resolution will increase from $1.7 trillion in 1999 to over $1.9 trillion in 2004. Federal revenues, post tax reductions, will increase from $1.9 trillion in 1999 to $2.1 trillion in 2004. The budget, excluding social security, will maintain balance throughout the projection period, and approximately $132 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 or contingency funding.

1. PRESERVE AND PROTECT SOCIAL SECURITY TRUST FUND BALANCES

The Committee-reported resolution protects social security trust fund balances estimated to total $1.8 trillion over the next decade. It 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 $1.9 trillion by the end of the decade.

A budget resolution is not statutory law. Advisory levels on debt held by the public are included in the reported resolution. But it is assumed that separate and apart from the budget resolution, a statute will be enacted to enforce these advisory levels.

As estimated by the Congressional Budget Office (CBO), the President's budget for 2000 would expend 21 percent of the social security surpluses over the next five years for programs unrelated to social security. Debt held by the public would decline under the President's budget proposal from $3.6 trillion at the end of 1999 to $2.3 trillion at the end of the decade. Compared to the President's budget proposal, the Committee-reported resolution would retire $464 billion more debt held by the public.

2. MAINTAIN THE FISCAL DISCIPLINE OF THE 1997 BIPARTISAN BUDGET AGREEMENT

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. Those "caps" have contributed to the balanced budget today. The reported resolution abides by the $536 billion in BA and $571 billion in outlay limitations for 2000.

The Congress would be required to set priorities for spending programs within these caps. Final decisions on how these priorities will be determined rest with the Committee on Appropriations and ultimately the Congress and President. The reported resolution, for illustrative purposes only, has assumed that spending within the caps can be achieved while at the same time increasing funding for national security, elementary and secondary education, fully funding the Violent Crime Trust Fund programs, funding the President's request for the Census, fully funding highway and mass transit programs under TEA–21 enacted last year, increasing funding for veterans discretionary health programs, and doubling the President's request for NIH funding.

Within these spending limits the Chairman's Mark 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 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 would adopt, in part, the President's proposals for discretionary spending reductions, reductions in lower priority spending programs, adoption of mandatory savings and possible user fees available to the Appropriations Committee to offset spending.

The Committee-reported resolution assumes that the discipline of the spending caps will be maintained in part by a thorough review by the Congress of the nearly $102 billion in 1999 appropriations for programs that had not been authorized.

The Committee-reported resolution assumes that the discipline of the spending caps will be maintained by the Committees of the Congress by implementing real solutions to long-standing problems identified in the Comptroller General's January 1999 "High Risk" report to Congress. The GAO since 1990 has identified high risk government programs and operations because of their vulnerabilities to waste, fraud, abuse, and mismanagement.

The Committee-reported resolution assumes that the discipline of the spending caps will be maintained by the Committees of the Congress beginning to actively engage in oversight and implementation of the "Government Performance and Results Act of 1993" that was designed specifically to identify low performance and ineffective government spending programs.

The Committee-reported resolution assumes the repeal of the depression era and arcane Davis Bacon Act and Service Contract Act, creating savings that will provide the Congress with monies to spend on higher federal priorities such as education and health care programs. The resolution assumes the President's proposed FSIS fees providing additional resources under the caps, and the President's proposed $200 million spectrum lease fee for broadcasters.

The resolution assumes a reduction in funding for political appointees now on the federal payroll. The resolution assumes that some programs will remain unchanged from their 1999 funding levels and that others that were one-time funded in 1999—such as various transportation projects funded outside the TEA–21 legislation of last year—will not continue to be funded, saving nearly $352 million alone in 2000 and $3.4 billion over the next decade. The resolution assumes that the Committee on Appropriations working in consort with the Banking Committee will privatize Ginnie Mae and create resources of nearly $2.8 billion to remain within the discretionary caps.

While the Committee-reported resolution assumes many of the proposals in the President's budget, comparing the resolution to the President's budget is nonetheless difficult. Appropriation levels for discretionary programs in the resolution would not exceed the current cap, while CBO has estimated that the President's request exceeds the statutory cap for budget authority by $22 billion. Of this excess, $17 billion arises from proposed "offsets" in the President's budget that cannot, even under current Administration scorekeeping, be counted against the discretionary caps.

Therefore, in function-by-function comparisons of the Committee-reported resolution to the President's budget, the President's budget appears to allocate more resources in 2000 than the resolution's suggestions. In truth, however, the President's budget could not deliver those funding levels because the sum total of the President's proposed levels would not be possible under current law. If enacted exactly as proposed in the appropriation bills, the President's appropriation levels would require sequesters across the board to reduce them to the cap levels. The reported resolution hews to the caps without changing current budget rules, and because of this, necessarily but misleading appears to be less than the President's levels on a functional basis.

The Committee-reported resolution assumes that discretionary spending will increase after 2002 through 2009 by a rate of growth slightly half the rate of inflation projected for that time period.

The Committee-reported resolution does not assume any of the President's proposals for reduction in Medicare spending. It does not assume increases in tobacco taxes to fund discretionary spending. The resolution assumes an increase in mandatory spending of $6.0 billion over the period 2000–2004 for agriculture income support. Finally, the resolution assumes that the current authority for the federal government to recoup monies from last fall's State-Tobacco Industry settlement will be overturned.

The resolution assumes that, within the funds made available to federal agencies, the historic pay parity between federal civilian and military employees will be maintained.

4. RETURN TO WORKING AMERICANS PROJECTED TAX OVERPAYMENTS

While maintaining the current discipline of the Budget Act that has fostered the balanced budget of today, the Committee-reported resolution assumes that overpayment of taxes not needed to fund the general government should be returned to them 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 resolution would instruct a reduction in federal taxes not to exceed a net $142 billion over the next five years, and $778 billion over the next ten years. Tax reductions over and above these levels would have to be offset by the tax writing Committee in order to maintain fiscal balance.

The Committee-reported resolution includes a reserve fund in 2000 for an on-budget surplus. The reserve fund allows the Chairman of the Budget Committee to adjust revenue, deficit, and debt levels in the resolution if CBO revises its forecast later this summer to show an on-budget surplus for 2000. This revision would also revise reconciliation instructions to the tax writing committees to permit additional tax reductions in 2000 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 such as ten years. Therefore, the Committee-reported resolution, showing caution, assumes that not all of the projected on-budget surplus after 2000 would necessarily be allocated to tax reductions or spending. It is estimated, at this time, that nearly $133 billion in on-budget surpluses could result if the resolution were fully implemented. These additional funds, if estimates prove accurate, would further retire debt held by the public or could be made available to assist funding of any transition costs to implement reforms in the Medicare programs that would significantly extend the solvency of that program through a reserve fund mechanism adopted by the Committee. Alternatively, the on-budget surplus projected by the resolution could be needed for funding unexpected disasters and emergencies over this period.

The on-budget surplus and social security administrative expenses

The on-budget surplus levels in section 101(4) of the budget resolution are $3.1 billion lower in every year as a result of a scorekeeping convention dealing with Social Security administrative expenses. This is identical to the manner in which Social Security administrative expenses have been treated in every concurrent resolution on the budget since 1990.

Section 13301 of the Omnibus Budget Reconciliation Act of 1990 provided that the receipts and disbursements of the Social Security trust funds are to be excluded from budget totals. The $3.1 billion in Social Security administrative expenses are an outlay from the Social Security trust fund and are considered off-budget.

Under section 250(c)(4) of the Balanced Budget and Emergency Deficit Control Act of 1985, Social Security administrative expenses are considered discretionary spending for the purposes of the spending limits. The Office of Management and Budget (OMB) has determined that for scorekeeping purposes only, Social Security administrative expenses are considered discretionary spending. As a result, the Congressional Budget Office and the Budget Committees score Social Security administrative expenses as on-budget discretionary spending for Budget Act scorekeeping purposes only. In order to conform with OMB's treatment of the discretionary spending limits, the budget resolution lowers the on-budget surplus by $3.1 billion and increases the Social Security surplus by the same amount.

In its annual reports and updates to Congress on the budget, both OMB and CBO treat Social Security administrative expenses as off-budget.

Committee-Reported Resolution Aggregates

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2005	2006	2007	2008	2009	2000–
Discretionary: [1]													
Defense:													
BA	271.8	290.0	304.8	309.3	319.4	328.1	329.3	330.5	331.8	333.1	334.3	1,551.5	3,210.5
OT	269.8	275.8	287.1	292.8	304.7	314.4	317.6	316.0	314.6	318.0	318.9	1,474.8	3,060.0
Nondefense:													
BA	266.4	246.3	236.6	241.1	252.4	255.7	255.7	255.7	255.2	255.1	255.3	1,232.0	2,509.1
OT	297.4	295.2	283.9	274.2	288.0	289.2	290.4	290.1	289.3	289.0	289.0	1,430.5	2,878.2
Subtotal:													
BA	538.2	536.3	541.3	550.4	571.8	583.8	585.0	586.2	587.0	588.2	589.6	2,783.5	5,719.6
OT	567.3	570.9	571.0	567.0	592.7	603.6	608.0	606.1	603.9	607.0	607.9	2,905.3	5,938.2
Mandatory:													
OT	900.5	946.5	996.2	1,040.8	1,113.6	1,176.8	1,254.3	1,311.2	1,390.5	1,482.5	1,576.6	5,274.0	12,289.4
Net interest:													
OT	229.4	217.9	207.4	196.8	186.9	176.9	165.6	153.9	142.2	129.0	115.7	985.9	1,692.3
Total outlays:													
OT	1,697.2	1,735.4	1,774.7	1,804.6	1,893.2	1.957.3	2,027.9	2,071.2	2,136.5	2,218.8	2,300.2	9,165.2	19,919.0
Revenues	1,814.6	1,870.0	1,923.0	1,961.5	2,058.3	2,134.8	2,225.1	2,283.3	2,363.9	2,459.9	2,549.8	9,947.6	21,829.7
Unified surplus	110.4	134.6	148.3	156.8	165.1	177.5	197.2	212.1	227.4	241.1	249.6	782.4	1,909.8
On-budget [1]	−16.1	−2.9	3.3	3.5	3.6	6.6	13.6	18.7	23.8	29.0	32.1	14.0	131.2
Off-budget	126.5	137.6	144.9	153.4	161.6	171.0	183.6	193.6	203.6	212.1	217.5	768.4	1,778.6
SBC Baseline:													
Unified surplus	110.5	119.6	140.1	188.9	209.2	254.0	293.6	361.4	411.8	451.0	498.4	911.8	2,928.1
On-budget	−16.0	−17.9	−4.9	35.5	47.7	83.0	110.0	168.1	208.2	238.9	280.9	143.4	1,149.5
Off-budget	126.5	137.6	144.9	153.4	161.6	171.0	183.6	193.3	203.6	212.1	217.5	768.4	1,778.6
Discretionary		−14.7	−15.4	−22.0	9.8	24.1	27.3	28.6	29.1	30.1	31.3	−18.3	128.0
Mandatory:													
BBA extensions					−0.9	−2.6	−2.9	−3.0	−3.1	−3.3	−3.5	−3.5	−19.4
Agriculture			0.7	1.4	1.5	1.6	0.8					5.2	6.0
Net interest		−0.3	−0.9	−0.5	1.4	4.3	8.6	14.5	22.7	32.5	43.8	4.0	126.1
Tax cuts (net)			−7.4	−53.1	−32.3	−49.2	−62.6	−109.3	−135.8	−150.7	−177.2	−142.0	−777.6
Tax cuts (gross)	−0.1	−13.1	−16.0	−55.4	−39.2	−53.2	−66.4	−113.1	−139.5	−154.4	−181.0	−177.0	−831.4
Total change	−0.1	15.0	8.2	−32.1	−44.1	−76.5	−96.4	−149.4	−184.4	−209.9	−248.7	−129.4	−1,018.3
Resolution Total:													
Unifired surplus	110.4	134.6	148.3	156.8	165.1	177.5	197.2	212.1	227.4	241.1	249.6	782.4	1,909.8
On-budget [2]	−16.1	−2.9	3.3	3.5	3.6	6.6	13.6	18.7	23.8	29.0	32.1	14.0	131.2
On-budget	126.5	137.6	144.9	153.4	161.6	171.0	183.6	193.3	203.6	212.1	217.5	768.4	1,778.6

[1] For 1999, discretionary spending excludes one-time emergency spending and other adjustments.

[2] The on-budget surplus in the text of the Budget Resolution is $3.1 billion lower every year as a result of a scorekeepng convention dealing with Social Security administrative expenses.

II. A Budget Resolution: What Is It?

A budget resolution is a fiscal blueprint, a guide, a road map, that the Congress develops to direct the course of federal tax and spending legislation. It is a set of aggregate spending and revenue numbers covering the twenty broad functional areas of the government, over a long-term fiscal horizon. It is less than substantive law, but is much more than a sense of the Congress resolution. It is a tool for Congress. A budget resolution does not require the President's signature and does not become law.

Nevertheless, a budget resolution can require congressional action leading to changes in substantive law that require Presidential approval. Conversely, substantive law can affect the construction of a budget resolution. For example, substantive law changes enacted in 1997 specify parameters that must be followed in the 2000 Budget Resolution. The resolution is enforceable on Congress and it penalizes committees that violate its guidelines. A budget resolution is not a line-item detail document, but conversely, line-item *assumptions* are often required to construct the resolutions' aggregate numbers.

The concurrent resolution on the budget for 2000

Title III of the Congressional Budget Act of 1974 requires the Congress to complete action on a concurrent resolution on or before April 15 of each calendar year for the fiscal year that begins on October 1. Unlike recent past budget resolutions, last year's Senate-passed 1999 Budget Resolution and this year's 2000 budget, represent a continuum in carrying out the Bipartisan Budget Agreement (B.B.A.) announced by President Clinton and the Congressional leadership on May 7, 1997.

The enacted Balanced Budget Act of 1997 extended discretionary spending limits and pay-as-you-go procedures through 2002. These procedures were first enacted in the 1990 Budget Enforcement Act. As the Congress considers and adopts the 2000 Budget Resolution and subsequent spending bills, fiscal guideposts for discretionary spending have already been established for the Administration and Congress. Revisions to those guideposts would require, in most instances, changes to substantive law, and therefore, agreed-on changes to the historic agreement reached in 1997.

The President's 2000 Budget submitted to Congress in February, as reestimated by the Congressional Budget Office, was found to have violated the B.B.A. by proposing to spend $33 billion over the agreed-on spending caps in 2000, and nearly $75 billion more than was agreed to over the 2000–2002 period. Law binds the Senate Budget Committee, however, not to report a budget resolution that exceeds the spending limits established in statute. If the resolution exceeded the spending limits, it would be out of order in the Senate and only with a supermajority vote could the resolution even be considered.

A brief on the federal budget

The federal budget is: (1) a plan for how the federal government disburses and allocates taxpayers dollars among various competing public functions, (2) a plan for how the federal government collects revenues, (3) a plan for how the federal government will finance any deficit spending by borrowing from the public, and (4) a tool for formulating macro fiscal policy.

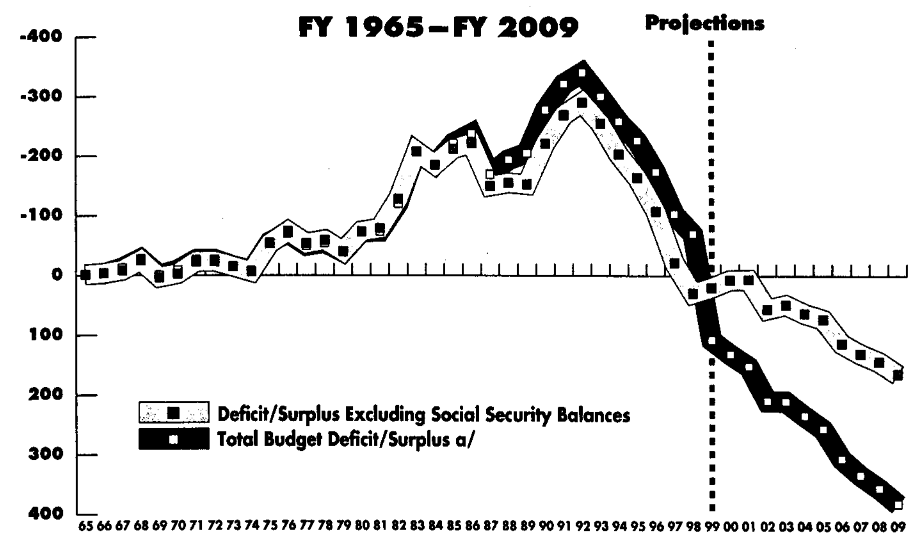
Chart 1 that follows presents the history and the current CBO baseline projection of the federal deficit through early in the next century. After reaching a peak of $290 billion in 1992 (4.7 percent of GDP), the unified budget deficit declined to reach a surplus in 1998 of $69 billion. For 1999 CBO now projects a growing surplus to $111 billion. If current laws and policies are left unchanged (discretionary spending caps remain in effect and grow at inflation after their authorization expires) and real economic growth averages 2.2 percent annually, the unified budget surplus is projected to grow to $133 billion in 2000 (1.5 percent of GDP) and nearly $383 billion by 2009 (2.8 percent of GDP). Such a period of sustained budget surpluses is unprecedented in the U.S.'s economic history.

The on-budget deficit excludes spending and revenues of the two Social Security trust funds and the transactions of the Postal Service. This is referred to as the "rest of government." Measured this way, the rest of government remains in slight deficit through 2000—$30 billion in 1998 (−0.4 percent of GDP), declining to a $5 billion deficit in 2000 before beginning to register a surplus in 2001.

Annual "off-budget surpluses"—the social security program—grow over the next decade. In 1999 these surpluses are expected to reach $127 billion and increase annually whereby 2009 the annual surplus in social security will total $218 billion. Over the next ten years the cumulative surpluses in social security will reach nearly $1.8 trillion. In the past, when the rest of government was not in balance, these social security surpluses helped to fund general government operations. Today, with projections that the rest of government will be in surplus, the social security annual surpluses will directly retire debt held by the public under current law.

Chart 1.

Total Budget Deficit/Surplus and Deficit/Surplus Excluding Social Security Balances

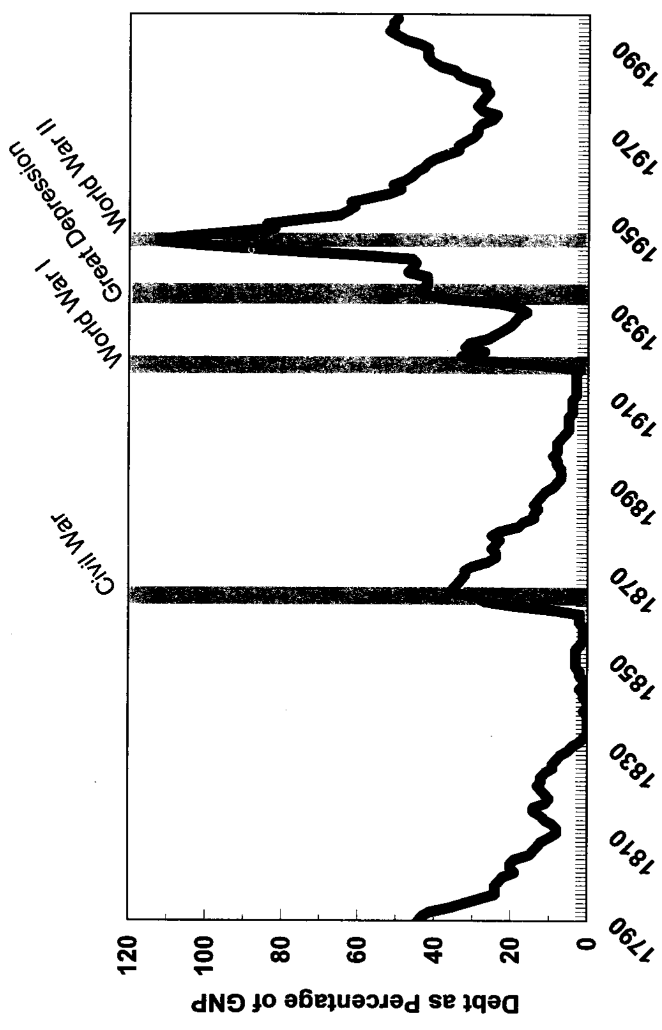


Source: CBO, Economic and Budget Outlook: FY 2000 - 2009, January 1999
a/ Total unified Federal Budget Deficit with discretionary caps through 2002, inflation thereafter.

Debt held by the public is expected to decline from $3.6 trillion at the end of this year to $1.2 trillion by the end of the decade under the assumption that all the social security surpluses retire debt as well as any rest of government surpluses that develop. Assuming no changes in policies, debt held by the public will decline to 8.6 percent of GDP in 2009, an unprecedented and level. Historically, it has been estimated that the US debt to GDP ratio has averaged 18 percent since the beginning of the republic, excluding the periods of war and the Great Depression.

Chart 2.

Federal Public Debt-to-GNP Ratio

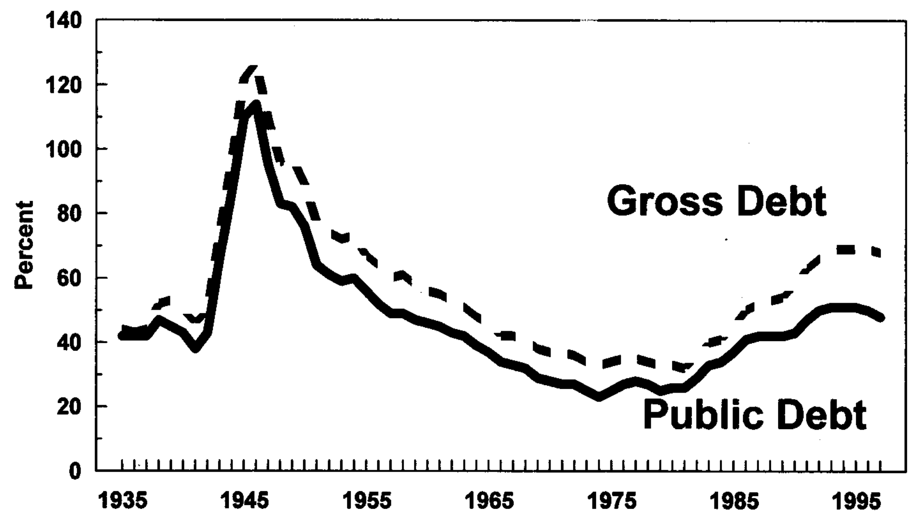


Source: Congressional Budget Office, The Economic and Budget Outlook: Update, August 1998

Chart 3.

Federal Debt

(as a share of GDP)



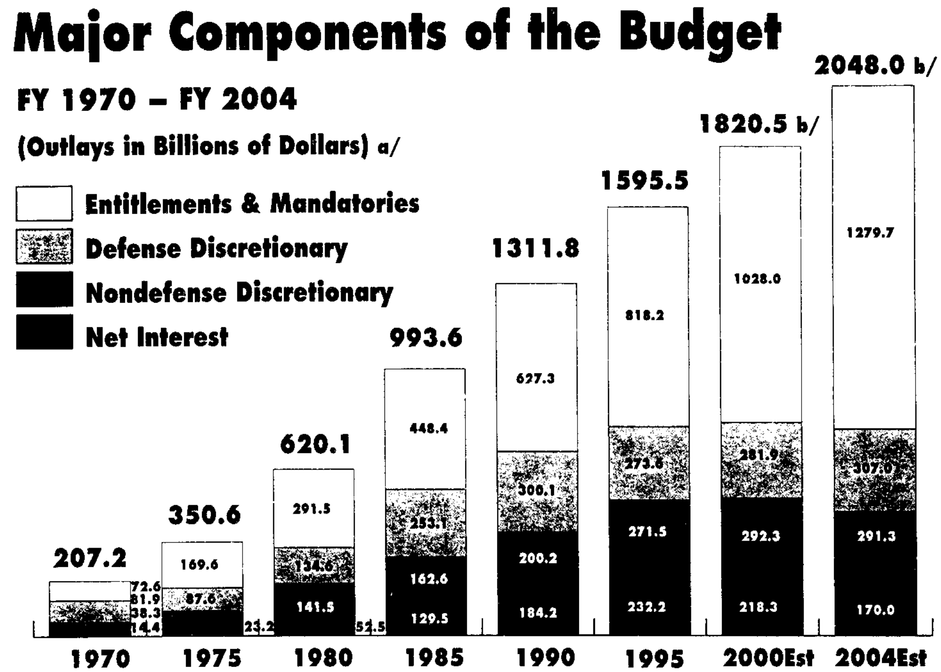
Source: Office of Management and Budget, Historical Tables, FY 1999
Congressional Budget Office, Monthly Budget Review, November 1998

The federal budget consists of more than 1,060 spending accounts that fund an estimated 113,000 programs, projects, and activities. The federal budget and a Congressional budget resolution collapse these accounts into twenty budget functions.

A further simplification of federal spending is depicted in Chart 4. This chart categorizes all federal spending (outlays) into four major components: (1) entitlements and mandatories, (2) defense discretionary, (3) nondefense discretionary, and (4) net interest on our public debt. Offsetting receipts are excluded from this chart. Offsetting receipts are represented in the federal accounts as negative budget authority and outlays and are credited to separate receipt accounts. In 1999 offsetting receipts will total nearly $78 billion, consisting primarily of intergovernmental receipts from agencies contributions for federal workers' retirement, and Medicare premium payments.

Clearly federal spending has increased dramatically over the last twenty years and, left unchanged, will continue to grow into the future. Entitlement and mandatory programs which represented 35 percent of all federal spending in 1970 will exceed 57 percent in 1999. Including current net interest payments on previous federal borrowing, the percentage of the federal budget today that is either an entitlement or a mandatory payment reaches nearly 72 percent.

Chart 4.



Source: CBO, The Economic & Budget Outlook: Fiscal Years 2000 - 2009, January 1999.
a/ Total on- plus off-budget expenditures for the four major categories, excluding offsetting receipts.
b/ Total spending, excluding offsetting receipts, assumes the CBO January 1999 baseline and compliance with discretionary cap.

Discretionary appropriated accounts that represented 25 percent of total spending in 1970 have grown to about 33 percent in 1999. Between 1981 and 1998, all discretionary spending, both defense and nondefense, in constant dollars (adjusted for inflation) has increased less than 0.2 percent annually. Over this period, where there has been growth in nondefense spending after accounting for inflation, that growth has been targeted in a few specific areas: programs related to federal crime fighting activities have increased 112 percent; more than a 50 percent increase for space and science programs; and a 122 percent increase for housing programs. Other nondefense spending has seen significant reductions: energy programs down 67 percent; international affairs down 22 percent; commerce programs down 57 percent; and transportation funding flat.

Annual discretionary defense spending—in constant dollars—has declined a total of 17 percent since 1983. Annual discretionary nondefense spending, however, in constant dollars has increased 4 percent since 1983. In 1999, nondefense discretionary spending, even after adjusting for inflation, increased over the previous year nearly 4.1 percent. This level of increase—resulting from declaring certain spending as an emergency outside the statutory caps—had not been experienced since 1992 when it increased 5.4 percent.

Total entitlement and mandatory spending growth is shown in Chart 5. It is estimated that in 2000, 73 percent of all mandatory spending will fall into three programs: (1) social security, (2) Medicare, and (3) Medicaid. Spending for mandatory programs as a whole has more than doubled during the past decade, rising faster than both nominal growth in the economy and the rate of inflation.

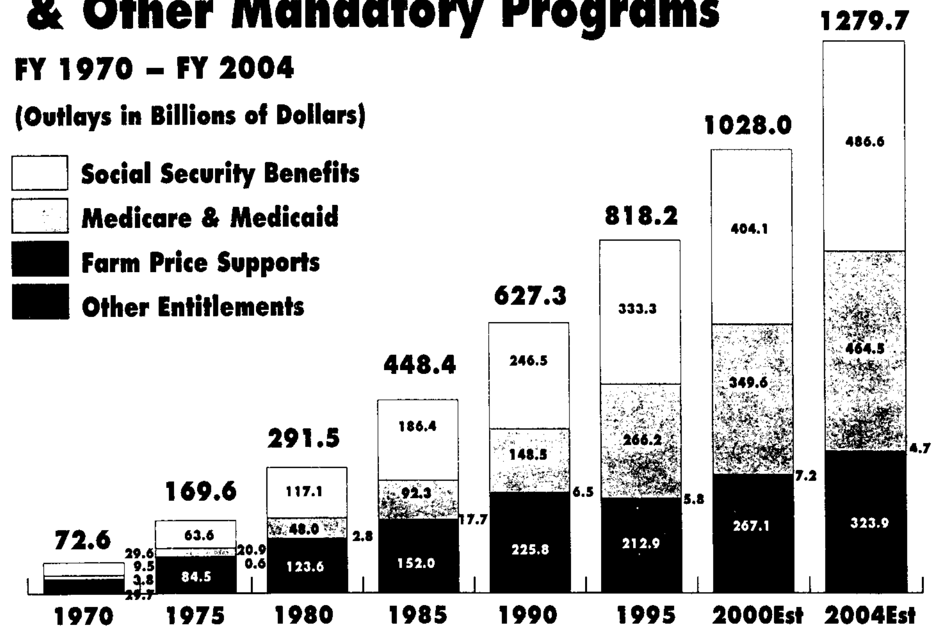
These programs are expected to continue to grow in the future, but growth in caseload will account for only about one-fifth of the growth. Automatic increases in benefits will account for more than one-third of growth and nearly 40 percent of the growth comes from increased utilization of medical services.

Chart 5.

Major Components of the Entitlements & Other Mandatory Programs

FY 1970 – FY 2004

(Outlays in Billions of Dollars)



Source: CBO, The Economic & Budget Outlook: Fiscal Years 2000 - 2009, January 1999.

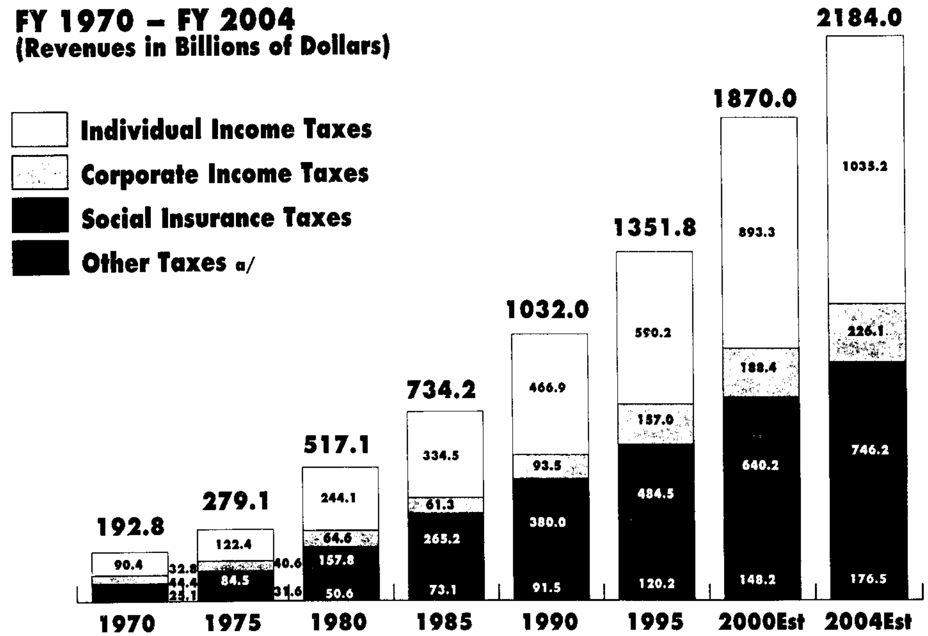
Finally, total federal revenues in 1999 will reach over $1.8 trillion. Social insurance taxes contributed 35 percent of total revenues, up from 25 percent less than a quarter of a century ago. The share of revenues collected from the individual income tax has remained steady at close to 45 percent over the years, while the proportion of revenues from corporate and excise taxes have declined from 25 percent in 1970 to 15 percent today.

Measured as a share of the total economy, federal revenues have grown steadily to where today it is estimated that in 1999, federal revenues will top 20.7 percent of GDP. Not since 1944, at the peak of WW II, have federal revenues constituted such a take on the national economy. In 1944, federal revenues represented 20.9 percent of GDP.

Chart 6.

Major Components of Federal Revenues

FY 1970 – FY 2004
(Revenues in Billions of Dollars)



Source: CBO, The Economic & Budget Outlook: Fiscal Years 2000 - 2009, January 1999.
a/ Includes excise taxes, estate and gift taxes, customs duties, and miscellaneous receipts.

III. ECONOMICS

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 1999 and 2000, 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 current economic expansion is now the longest on record during times of peace. Notwithstanding its age, the economy shows no signs of slowing—real GDP grew almost 4 percent last year while the unemployment rate fell to its lowest level since 1970. Furthermore, inflation remains tame at only 1.6 percent, despite three years of more than 3 percent growth. This favorable price backdrop has been helped by recent productivity gains which have helped to offset real wage increases and kept unit labor cost rises in check.

The economy's performance is even more impressive in light of the severe emerging market strains that followed Thailand's devaluation in July 1997. These strains prompted a sharp deterioration in the global growth outlook and a concomitant decline in commodity prices. Yet, while US manufacturers/exporters and commodity producers have suffered greatly, the rest of the economy has boomed due to strength in consumer spending and business investment. In a perverse sense, the crisis seems to have been a net positive for the US economy up to this point, in large part due to so-called "safe-haven flows" into US assets—as foreign money flooded into US Treasury bonds, long-term interest rates declined precipitously, which ignited the interest rate sensitive sectors of the US economy.

Of course, many factors have contributed to the robust growth of the last several years. The Federal Reserve deserves an enormous amount of credit—by pursuing a policy of price stability, they have enhanced households' and businesses' decision-making process and have contributed to the sharp decline in long-term interest rates. Fiscal policy has also been supportive of this latter trend. Due to improving federal government finances, net national savings has roughly doubled since the early 1990s. The Federal Reserve's Humphrey-Hawkins report notes that prudent fiscal policies have allowed the central bank to keep interest rates lower than would otherwise have been possible.

Looking ahead, most economists believe that growth will slow in coming months, in deference to growing signs of strains, particularly in the labor markets. However, it is unclear if this slowdown will result naturally from an easing of consumer demand (perhaps linked to a fall in the equity market) or whether it will result from Federal Reserve tightening.

Comparison of CBO economics versus the administration's

CBO's and OMB's economic forecasts are extremely similar overall and are well within the range of error on these forecasts. OMB is slightly more optimistic on inflation and interest rates. CBO is slightly more optimistic on income shares.

Growth. CBO and OMB have nearly identical assumptions about nominal and real GDP growth. Both expect real GDP growth to average 2.2 percent over the five year budget window, slightly under their estimates of the economy's long-run, sustainable growth rate. Since the economy is now operating above potential, a mild, near-term slowdown is needed to bring the economy back to potential from 2004–2009.

The two shops do differ slightly in the timing of their slower growth periods. CBO looks for the slowdown to be more concentrated in 2000 (when growth slows to 1.7 percent), while OMB spreads the slowdown over 2000 and 2001 (with 2.0 percent real growth in both years).

Inflation. CBO and OMB have identical assumptions for the GDP price index from 2001–2004. However, CBO looks for CPI growth to average 0.3 percent higher than OMB over the five-year budget window. CBO believes that recent CPI growth has been held down by temporary factors (like lower import prices and slow growth in medical care costs), which are likely to ebb in the near future. OMB does not believe that these special factors will ebb as quickly or completely as CBO.

Income Shares. Income shares depict the breakdown of national income between wages & salaries, benefits, corporate profits, proprietors' income, rental income and net interest. They are expressed as a share of GDP. Wages and salaries and corporate profits are taxed at a higher effective rate—the higher they are compared with the other income categories, the higher the projected revenue stream.

Both CBO and OMB look for the combined share of wages & salaries and corporate profits to decline over the budget window, as the economy slows from its recent torrid growth pace. CBO envisions a lesser slowdown than OMB, however.

Implications of fourth quarter growth for the economic assumptions

Since CBO and OMB compiled their economic forecasts at the start of the year, they were not able to incorporate the recent pick-up in economic growth that became evident as fourth quarter data were released.

The CBO Director was asked at a Congressional hearing how recent data might affect CBO's 1999 economic assumptions. He noted that while 1999 real GDP is likely to be stronger than CBO forecast, inflation looks to be coming in under expectations. As such, nominal GDP (which has greatest budget impact) might not be appreciably different from their original forecast. He also noted that while lower inflation would tend to reduce some outlays, the recent rise in interest rates would point to somewhat higher net interest costs than anticipated. As such, the Director suggested recent economic data was a "mixed bag" for budget purposes.

Sensitivity to economic changes

Of course, the budget is highly sensitive to major changes in the economic outlook, as recent experience has shown. As such, CBO devoted a chapter of its winter report to examining how different economic outlooks could affect their budget forecasts. They looked at three scenarios: (1) continued strong growth, with no slowdown over the budget window, (2) a boom/bust cycle and (3) an immediate recession due to financial turmoil.

ILLUSTRATIVE ECONOMIC SCENARIOS AND RESULTING FEDERAL SURPLUSES

[In billions of dollars]

	1999	2000	2001	2002	2003	2004
January CBO Baseline	107	131	151	209	209	234
Continued Strong Growth	115	170	220	290	290	305
Boom/Bust Cycle	120	135	85	125	150	215
Immediate Recession	85	75	105	195	235	265

Source: CBO, January 1999.

In the optimistic case, the 2004 surplus would be $305 billion, compared to the current $234 billion estimate. The boom/bust scenario would halve the 2001 surplus, but would leave the 2004 surplus only slightly below its current projection. Interestingly, the immediate recession scenario would halve the 2000 surplus estimate, but would leave the 2004 surplus slightly higher than currently projected since the economy would be in a recovery phase at that point.

CBO also examined the impact of changing the trend growth rate of the tax base. They found that the 2004 surplus would likely be between $140 billion and $330 billion in the pessimistic and optimistic tax base growth scenarios.

As such, CBO's sensitivity analysis shows that yearly surplus estimates are quite vulnerable to a major change in economic outlook. However, they also show that the projection of continued surpluses from 2004–2009 is robust even assuming a near-term recession.

Long-term outlook

CBO has updated its long-term budget estimates to reflect the improvement in the near-term fiscal position. While its measure of the US' fiscal imbalance halved, the long-term fiscal outlook is still unsustainable without entitlement reform.

In CBO's model, the large surpluses of 1999–2009 lead to the elimination of publicly held debt by 2012, with the US actually building up net assets that total 12 of GDP by 2020. Yet, as the demographic backdrop worsens, the US begins to issue debt again soon after 2030. By 2060, the debt to GDP ratio is almost 130 percent and fiscal meltdown follows. This highlights the need for programmatic reform of US entitlement programs.

The Administration tells a different story. Its current services baseline indicates that the US fiscal outlook is sustainable as is, assuming surpluses are saved. However, this stems from two questionable assumptions. (1) They assume that discretionary spending is frozen in real terms for the next 70 years. This would pull discretionary spending down from just under 7 percent of GDP to less than 3 percent by 2070. Most do not find this credible in light of the US' growing population and the need to replace aging defense and other infrastructure. (2) OMB does not have any economic feedbacks in their model, which means that rising deficits do not boost interest rates and slow the economy. OMB does point out that the fiscal outlook deteriorates markedly if the two above assumptions are relaxed.

The impact of OMB's optimistic assumptions can be seen explicitly in its debt forecasts. Under its current services baseline, OMB predicts that the US will have net assets of nearly 40 percent by 2050. In contrast, both CBO and GAO expect the US net debt to exceed 50 percent of GDP in the same year.

ECONOMIC PROJECTIONS COMPARISON

[Level in billions of dollars]

	Calendar Years						
	1998	1999	2000	2001	2002	2003	2004
Nominal GDP:							
Administration [1]	8,497	8,833	9,200	9,582	10,004	10,456	10,931
CBO [1]	8,499	8,846	9,182	9,581	10,015	10,476	10,960
PERCENT CHANGE (YEAR TO YEAR)							
Nominal GDP Growth:							
Administration	4.8	4.0	4.1	4.2	4.4	4.5	4.5
CBO	4.8	4.1	3.8	4.3	4.5	4.6	4.6
Blue Chip [1]	4.9	4.5	4.0	4.5	4.7	4.6	4.8
Real GDP Growth:							
Administration	3.7	2.4	2.0	2.0	2.2	2.4	2.4
CBO	3.7	2.3	1.7	2.2	2.4	2.4	2.4
Blue Chip	3.9	3.3	2.2	2.3	2.5	2.5	2.6
Consumer Price Index:							
Administration	1.6	2.2	2.3	2.3	2.3	2.3	2.3
CBO	1.6	2.5	2.6	2.6	2.6	2.6	2.6
Blue Chip	1.6	1.9	2.3	2.5	2.5	2.5	2.5
GDP Price Index:							
Administration	1.0	1.5	2.1	2.1	2.1	2.1	2.1
CBO	1.0	1.7	2.0	2.1	2.1	2.1	2.1
Blue Chip	1.0	1.3	1.8	2.2	2.2	2.1	2.2
ANNUAL RATE							
Unemployment:							
Administration	4.6	4.8	5.0	5.3	5.3	5.3	5.3
CBO	4.5	4.6	5.1	5.4	5.6	5.7	5.7
Blue Chip	4.5	4.4	4.6	5.0	5.1	5.1	5.1
Three-Month T-Bill:							
Administration	4.8	4.2	4.3	4.3	4.4	4.4	4.4
CBO	4.8	4.5	4.5	4.5	4.5	4.5	4.5
Blue Chip	4.8	4.5	4.6	4.8	4.7	4.6	4.7
Ten-Year T-Note:							
Administration	5.3	4.9	5.0	5.2	5.3	5.4	5.4
CBO	5.3	5.1	5.3	5.4	5.4	5.4	5.4
Blue Chip	5.2	5.0	5.2	5.4	5.5	5.4	5.5
Share of GDP: Corporate Profits (Book Profits) + Wages and Salaries:							
Administration	57.3	57.4	57.2	57.1	56.8	56.7	56.7
CBO	57.3	57.4	57.1	57.2	57.0	57.0	57.0

[1] Administration is from President's FY 2000 Budget. CBO is from CBO's "Economic and Budget Outlook: Fiscal Years 2000–2009." Blue Chip Economic Indicators, March 1999.

III. Spending and Revenues

BASELINE ASSUMPTIONS

The "baseline" is the starting point required to construct any budget resolution. Alternative baselines can be constructed. The baseline described in this markup book has been developed by the

Committee Majority Staff with the assistance of the Congressional Budget Office (CBO) and is called the " SBC Baseline".

The SBC baseline is calculated in the general manner prescribed by the BEA, except that discretionary appropriated accounts are "frozen" at the 1999 enacted level and include no increase for inflation. This is the same as CBO's updated February WODI (without discretionary inflation) baseline, with several adjustments. For discretionary spending, the baseline has been adjusted downward to exclude funding that is outside the caps, pursuant to Section 251 of the Balanced Budget and Emergency Deficit Control Act and Section 314 of the Congressional Budget Act. These adjustments include:

Emergency appropriations;

Continuing disability reviews (CDRs);

An increase in the U.S. quota as part of the IMF Eleventh General Review of Quotas (U.S. Quota);

An increase in the maximum amount available to the Secretary of the Treasury, pursuant to section 17 of the Bretton Woods Agreement Act, as amended (New Arrangements to Borrow);

Arrearages for international organizations, peacekeeping, and multilateral development banks;

Adoption assistance; and

An IRS initiative to improve EITC compliance.

In addition, the baseline assumes that funding for the Highway, Mass Transit, and Violent Crime Trust Fund (VCRTF) categories will be at the statutory caps levels.

Estimates for direct spending, which is all spending authority provided by law other than appropriations acts, assume 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 cash deficits and interest rates and is rarely affected directly by Congressional action.

The SBC baseline is the same as the CBO February baseline for direct spending programs, except that the SBC baseline assumes the Federal government will not recover any amount from the states' settlement with the tobacco industry.

The SBC baseline assumes the CBO February baseline for both on- and off-budget revenues. The baseline takes into account that some provisions are scheduled to change or expire during the 2000–2009 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.)

CBO projects that revenues will grow faster than the overall economy in 1999, slightly slower than GDP over the 2000–2004 period, and at about the same rate as GDP for the 2005–2009 period. Revenues will reach a post-WWII high of 20.7 percent in 1999 and then fall gradually to flatten out at 20.2 percent of GDP for the projection period beyond 2002.

A. SPENDING BY FUNCTION

Function 050: National Defense

FUNCTION SUMMARY

Function 050, National Defense, totaled $270.7 billion in BA and $268.7 billion in outlays for 1999, excluding one-time emergencies enacted in the 105th Congress. This budget function includes funding for the Department of Defense (95 percent of function total), defense activities of the Department of Energy (5 percent), and small amounts expended by the Selective Service, the General Services Administration, the Departments of Transportation and Justice, and other federal agencies.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $290.0 billion in BA and $275.8 billion in outlays for 2000. This represents an increase of $18.1 billion in BA and $5.9 billion in outlays over the 1999 level, excluding emergency spending adopted in the fall of 1998. If 1999 emergency spending is included, spending would increase in 2000 by $9.9 billion in BA and $1.5 billion in outlays. The Committee-reported resolution is also an increase of $14.6 billion in BA and $6.7 billion in outlays over the amounts assumed by the Balanced Budget Act for 2000.

In hearings before the Senate Budget Committee, former Secretary of Defense James Schlesinger and the President of the Center for Strategic International Studies, Robert Zoellick, both pointed out the need for a dramatic increase in defense spending to support the national security policy now being pursued by President Clinton. Moreover, in additional hearings with Secretary of Defense Cohen and the Chairman of the Joint Chiefs of Staff, General Shelton, both agreed that substantial increases are required above the amounts previously approved for national defense and that important requirements identified by the Joint Chiefs of Staff are unaddressed by President Clinton's proposed defense budget.

The Committee-reported resolution assumes that the proposed spending for National Defense complies with the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law. Congress will be required to identify offsets to increase defense spending and make appropriate decisions on allocating discretionary spending among all programs in order to maintain the discipline of the 2000 spending cap.

The Committee-reported resolution does not hold hostage our National Security to securing reforms in social security.

The Committee-reported resolution assumes the following major program changes:

- Fully fund the $17.5 billion requested by the Joint Chiefs of Staff for the next five years. This additional spending would be devoted to restoring military readiness (training, repairs, spare parts, recruitment, retention, etc.) to acceptable military standards (such as the readiness levels of 1991 when U.S. Armed Forces fought successfully in Operation Desert Storm). This funding would also redress, at least in part, the modernization of currently aging U.S. weapons inventories and priority military construction and family housing programs.
- Fully fund major modifications to the 1986 reform of military pension benefits, known as "Redux," large across-the-board pay raises, additional pay raises for mid-career military personnel in specialties where retention is below military requirements, extensive re-enlistment and other bonuses, and an additional monthly supplement to all enlisted personnel who qualify for food stamps.
- Fully fund overseas military contingencies at $2.9 billion in 2000 and thereafter, rather than to declare "emergencies" for contingencies that are both foreseeable and foreseen.
- Approve modifications to existing DoD financial management programs and policies to redress the failure of the Defense Department, as noted by GAO,[1] to meet the goals of the Chief Financial Officers Act and, thereby, to produce auditable financial statements for each military service and major DoD component by the year 2000. The Committee's concerns regarding this important issue are stated at greater length at the end of the description of this budget function.
- For Department of Energy Defense Activities, fully fund the President's request for 2000 and the Department's legal agreements to perform various nuclear restoration and clean-up activities, such as those at Hanford, for 2000 and beyond.

Historically, CBO and OMB have differed in their scoring estimates of outlay rates; these differences distort comparisons of the President's budget with congressional action. These shortcomings result from both technical and fundamental accounting differences addressed below.

Mandatory program reductions assumed in the discretionary category

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

The need for DoD financial reforms

The Committee is concerned about the longstanding breakdown of discipline in financial management at the Department of Defense. Reports by the DoD Inspector General and General Accounting Office consistently show that DoD's financial accounts and inventories are vulnerable to theft and abuse. These vulnerabilities persist for two reasons: (1) internal controls are weak or nonexist-

[1] See High Risk Series: An Update, U.S. General Accounting Office, GAO/HR–99–1, January 1999, pp. 82–94, and Major Management Challenges and Program Risks: Department of Defense, U.S. General Accounting Office, GAO/OGC–99–5, January, 1999.

ent; and (2) financial transactions are not accurately recorded in the books of account—as they occur. While some progress has been made to improve the financial accounting systems within DoD, it remains a fact that DoD does not observe the age-old principles of separation of duties and double-entry bookkeeping, and attempts to make critical bookkeeping entries weeks, months, and even years after the fact. These unprofessional practices have produced billions of dollars of unreconciled financial mismatches, leaving the department's books of account inaccurate and unreliable.

The Committee believes that these deficiencies must be corrected.

Under the Government Management Reform Act (GMRA) of 1994, which expanded the Chief Financial Officers (CFO) Act of 1990, the DoD Inspector General is required to audit DoD's financial statements, and the General Accounting Office is required to audit the government's consolidated financial statements. This is done annually. Unfortunately, each year the DoD audit agencies issue a disclaimer of opinion. In layman's terms, this means they could not audit the books. And there is nothing on the drawing board to suggest that a "clean" audit opinion is feasible in the foreseeable future. DoD has lost control of the money at the transaction level. With no control at the transaction level, it is physically impossible to roll up all the numbers into a top-line financial statement that can stand up to audit scrutiny. The numbers do not add up. DoD resorts to "unsupported adjustments" and multi-billion dollar "plug" figures to force the books into balance. The IG and GAO reject these practices as unacceptable.

Even though DoD's efforts to prepare an auditable financial statement have been unsuccessful so far, the Committee believes that the annual CFO audits constitute a very authoritative and independent assessment of the department's financial management procedures. They function like a critical indicator or barometer. They help to pinpoint the underlying weaknesses in DoD's bookkeeping procedures. The Committee believes that DoD must move in a decisive way to correct these problems. So long as DoD continues to ignore them, the vast audit effort dedicated to the financial statements will continue to result in disclaimers of opinion—an overall indictment of DoD's financial management operations.

For these reasons, a plan that is designed to bring the Defense Department into compliance with the CFO and GMRA Acts would be supported by the Committee. These reforms would position DoD to prepare auditable financial statements within two years. The main ingredients of such a plan follow:

(1) *Double-entry Bookkeeping:* The preparation of reliable financial statements is literally impossible without double-entry bookkeeping. A standard accounting procedure in the western world for centuries, double-entry bookkeeping records both the debits and credits appropriate to each transaction. A cash purchase of an asset would add the value of that asset to the inventory balanced by the reduction in cash. If DoD did this for each transaction, the books would "balance," that is, debits would equal credits, the books would accurately reflect the cost of operations, and the taxpayers would be assured that something of value was actually received for the money spent. Under current law, the military services are sup-

posed to have "asset management systems" in place today that would provide an accurate and complete accounting for the quantity, cost and location of all inventory items. No such system is in existence, however. DoD must adopt a double-entry bookkeeping system in order to generate reliable financial statements.

(2) *Recording Transactions Promptly:* Financial transactions must be accurately recorded in the books of account—as they occur. Under current DoD policies, billions of dollars of transactions are not posted until long after the fact, if ever. In many cases, it takes DoD weeks, months, and even years to make necessary accounting entries. In other documented cases, DoD policies authorize the posting of transactions to the wrong accounts with the idea of avoiding negative liquidated obligations or correcting errors at "contract close-out" years later. Attempting to reconcile contracts with payment records years after-the-fact usually proves to be a futile and very costly task. As long as the department's books of account fail to accurately reflect obligations and expenditures, Congress can not be sure that DoD is spending the money as specified in law or that costs reflected in DoD's financial statements are accurate. DoD must record all transactions in the books of account immediately—as they occur.

(3) *Transaction-driven General Ledger:* To help ensure reliable financial management information, Congress passed the Federal Financial Management Improvement Act of 1996 (FFMIA). This law required all federal agencies to activate a Standard General Ledger at the transaction level that complied with accepted accounting standards. According to GAO, DoD's financial systems are non-compliant with the FFMIA requirements.[2]

Had DoD implemented the required Standard General Ledger chart of accounts, as other agencies have, practiced double-entry bookkeeping, and recorded transactions promptly and accurately, all transactions should naturally roll up through subsidiary accounts into general ledger accounts.

Moreover, if DoD accounting systems were up to accepted standards, auditors could verify the accuracy of the general ledger accounts by tracing the accumulation of costs back down to the original entries for each transaction. This, in turn, should provide a management accounting system that has integrity—one the taxpayers deserve and one that is necessary for completion of reliable financial statements. A transaction-driven general ledger would be a powerful management tool for evaluating DoD's financial performance. While DoD has general ledger accounts, they lack integrity because of massive gaps and the use of "plug" figures. Transactions are simply not recorded in the books of account in a timely and accurate manner. Given these continuing shortcomings, it is impossible to follow the audit trail back down to each original transaction. Until this problem is remedied, and DoD develops reliable controls and integrated financial management systems, DoD financial information will be unreliable and its financial statements will be unauditable.

[2] See GAO–AIMD–98–268, Financial Management: Federal Financial Management Improvement Act Results for Fiscal Year 1997, US General Accounting Office, September 1998, Washington, D.C.

(4) *Separation of Duties:* Organizational and functional independence must be achieved at each major step in the cycle of transactions. This key internal control helps to detect and prevent theft, inhibits collusive fraud and offers greater efficiencies in organizations that are large enough to accommodate specialized operations. For instance, if truly independent entities perform the separate functions of store-keeping or warehousing and accounting for stores transactions, fraud in either function could be discovered by comparing what the store keepers show as on hand to what accounting records show was purchased, used, and should be on hand. With adequate separation of duties, successful fraud would require collusion by not only the store-keepers and accountants but also by organizationally independent managers of those separate functional areas. IG and GAO reports repeatedly show that DoD does not consistently adhere to the age-old principle of real separation of duties—both organizationally and functionally.

Last year, the GAO uncovered a prime example of how DoD does not observe the separation of duties doctrine. The Defense Finance and Accounting Service (DFAS), which performs disbursing and accounting functions for the entire department, is authorized to routinely alter remit addresses on checks. A remit address is the address to which a check is sent. Allowing DFAS to alter remit addresses is a violation of the separation of duties principle that leaves the door open to fraud. The office that processes bills for payment should never be allowed to change a remit address on a check. Such changes should be made through an independent verification process. Remit addresses should be tightly controlled in a central registry and only altered at request of the vendor—in writing.

(5) *Accountability:* The DoD CFO and the Financial Managers (FM's) for each of the three military services have been granted the full spectrum of authority under the law. However, these four officials appear to have delegated much of their authority for payment and accounting to DFAS, which disburses over $22 billion a month and employs about 20,000 persons.

Despite the authority that has been passed down the chain of command to DFAS, this organization does not exist—at least in law. There is no specific provision in the U.S. Code granting such authority to DFAS. The Committee fears that the military services could use DFAS as a bureaucratic mechanism to deflect responsibility for ongoing financial mismanagement. DFAS can be blamed, but there is no accountability. In fact, there is nothing in law that requires personal financial accountability anywhere in DoD—from the top CFO down the lowest technician at DFAS. Even DoD disbursing officials have been exempted from the law that makes all other government disbursing officials "pecuniarily liable" for erroneous or fraudulent payments.

If no one at DoD is held accountable for the continuing pattern of financial mismanagement and "unclean" CFO audit opinions, then the department may never succeed in producing reliable financial statements.

The CFO and service FM's may delegate authority to DFAS but not personal responsibility. The service FM's must police those to whom they have delegated authority, but the final responsibility resides in their offices with them. They alone should be held accountable for the completion of reliable financial statements.

These goals should be achieved with the financial statement for 2000. The 1998 statements are under review at the present time. If the IG and GAO identify deficiencies that preclude the completion of a satisfactory financial statement for 1998 and 1999, then the FM's should be responsible for making the necessary adjustments and corrections.

The Committee fully supports actions in Congress to achieve these five financial management initiatives because they are specifically designed to bring the department into compliance with the CFO and FFMIA Acts and to lead to the preparation of reliable financial statements. In the months ahead, it is expected that these initiatives will be converted into a legislative reform package and introduced before consideration of the 2000 defense authorization bill or other appropriate legislation. The Committee intends to work closely with the Armed Services Committee and other appropriate committees of Congress to enact legislation that addresses in a meaningful manner the goals articulated here.

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

(In billions of dollars)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	270.7	288.8	303.6	308.2	318.3	327.2	328.4	329.6	330.9	332.2	333.5
Outlays	268.7	274.6	285.9	291.7	303.6	313.5	316.7	315.1	313.7	317.1	318.0
President's Budget:											
Budget Authority[1]	278.1	280.5	300.2	302.0	312.4	321.2	332.6	344.4	357.0	370.0	383.5
Outlays	273.1	283.3	285.0	293.7	303.8	313.8	326.1	335.7	346.5	362.1	374.7
SBC Baseline:											
Budget Authority	270.7	271.5	271.7	271.8	271.8	271.9	271.9	272.0	272.0	272.1	272.1
Outlays	268.7	274.6	270.4	271.6	271.1	271.1	273.4	270.9	268.6	271.0	271.0
Res. compared to:											
Presidents Budget:											
Budget Authority	−7.4	8.3	3.4	6.2	5.9	5.9	−4.2	−14.8	−26.1	−37.9	−50.1
Outlays	−4.4	−8.7	1.0	−2.0	−0.2	−0.3	−9.4	−20.6	−32.8	−45.0	−56.7
SBC Baseline:											
Budget Authority	....	17.3	31.9	36.4	46.5	55.3	56.4	57.6	58.8	60.1	61.3
Outlays	....	....	15.5	20.1	32.5	42.4	43.3	44.2	45.1	46.1	47.0

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 150: INTERNATIONAL AFFAIRS

FUNCTION SUMMARY

Function 150, International Affairs, totaled about $13.7 billion in BA and $14.4 billion in outlays for 1999, excluding emergencies and other one-time spending increases including contributions to the Internaitonal Moneterary Fund and arrears to international organizations. This function includes funding for 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, Export-Import Bank and other trade promotion activities, and refugee assistance.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $18.1 billion in BA and $18.5 billion in outlays for 2000, adjusted for arrearages. This represents a decrease of $0.9 billion in BA and $0.2 billion in outlays from the 1999 level excluding arrearages.

The Committee-reported resolution assumes payment of the arrearages to the United Nations. Section 314(b)(3) of the Budget Act provides an adjustment to increase the Appropriations Committee 302(a) allocation and the discretionary spending limits upon an appropriation for arrearages to the United Nations and other international organizations until 2000 in an amount not to exceed $1.884 billion. An adjustment of $410 million remains for further expenditure in 2000.

The President's Request for 2000 reduces funding levels for P.L. 480 Title II and Title III programs, the Overseas Private Investment Corporation (OPIC), and historical levels of foreign aid for Israel and Egypt. The Committee-report assumes these reduced funding levels.

The Committee-reported resolution assumes savings beginning in 2002 as a result of the Foreign Affairs Reform and Restructuring Act, which requires the consolidation of the functions of the Arms Control and Disarmament Agency (ACDA) and the US Information Agency (USIA) into the State Department. Consolidation will be completed prior to the start of fiscal year 2000.

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]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	13.7	12.5	12.7	12.0	13.6	14.5	14.7	14.8	14.9	15.0	15.0
Outlays	14.4	14.9	15.4	14.8	14.4	14.1	13.8	13.5	13.4	13.2	13.1
President's Budget:											
Budget Authority [1]	35.3	16.1	16.4	15.5	17.4	18.6	19.1	18.5	18.7	18.9	19.0
Outlays	15.2	16.7	17.5	17.8	17.4	17.6	17.7	17.5	17.3	17.1	17.0
SBC Baseline:											
Budget Authority	13.7	13.5	13.9	13.3	15.1	16.2	16.5	16.8	17.0	17.2	17.3
Outlays	14.4	15.1	15.9	15.7	15.5	15.5	15.4	15.3	15.3	15.2	15.3
Res. compared to											
President's Budget:											
Budget Authority	−21.6	−3.6	−3.7	−3.5	−3.9	−4.1	−4.4	−3.6	−3.8	−3.9	−4.0
Outlays	−0.8	−1.9	−2.1	−3.0	−3.0	−3.5	−3.9	−4.0	−4.0	−3.9	−3.9
SBC Baseline:											
Budget Authority	....	−0.9	−1.1	−1.4	−1.5	−1.7	−1.8	−1.9	−2.1	−2.2	−2.3
Outlays	....	−0.2	−0.6	−0.9	−1.2	−1.4	−1.6	−1.8	−1.9	−2.1	−2.2

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 250: GENERAL SCIENCE, SPACE AND TECHNOLOGY

FUNCTION SUMMARY

Function 250, General Science, Space & Technology, totaled $18.8 billion in BA and $18.2 billion in outlays for 1999. 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 would total $17.9 billion in BA and $18.2 billion in outlays for 2000. Over the next five years the Committee-reported resolution would provide nearly $90 billion for programs in this function. The 2000 assumption represents a decrease of $0.9 billion in BA and a freeze in outlays from the 1999 adjusted level.

The Committee-reported resolution assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

Since before the Second World War, the Department of Energy's (DOE) research complex as a whole has been the primary provider of the basic research upon which our larger pursuit of innovation has been based. This larger endeavor it produces has been, in turn, the basis of our nation's competitive edge and the vehicle for achieving our unrivaled standard of living.

A number of DOE science programs urgently await additional funding, such as the Spallation Neutron Source (SNS) which represents an integral and necessary next step in the Department of Energy's basic research and science endeavor. It is in support of this larger national endeavor that the Committee supports construction of the Spallation Neutron Source at Oak Ridge National Laboratory and encourages the appropriate committees to continue funding for this initiative.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Committee-reported resolution:											
Budget Authority	18.8	18.0	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
Outlays	18.2	18.2	17.9	17.9	17.8	17.8	17.8	17.8	17.8	17.8	17.8
President's Budget:											
Budget Authority [1]	18.8	19.3	19.5	19.4	19.4	19.4	19.4	19.4	19.4	19.4	19.4
Outlays	18.2	18.8	19.1	19.3	19.1	19.2	19.2	19.2	19.2	19.2	19.2
SBC Baseline:											
Budget Authority	18.8	18.9	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8	18.8
Outlays	18.2	18.6	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7	18.7
Res. compared to:											
President's Budget:											
Budget Authority	....	−1.3	−1.5	−1.5	−1.5	−1.5	−1.4	−1.4	−1.4	−1.4	−1.4
Outlays	....	−0.6	−1.2	−1.4	−1.4	−1.4	−1.4	−1.4	−1.4	−1.4	−1.4
SBC Baseline:											
Budget Authority	....	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9
Outlays	....	−0.4	−0.8	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9	−0.9

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 270: ENERGY

FUNCTION SUMMARY

Function 270, Energy, totaled about $1.1 billion in BA and $0.7 billion in outlays for 1999. 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 −$1.8 billion in BA and −$2.6 billion in outlays for 1999. Congress provided $3.0 billion in discretionary BA for 1999.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $1.8 billion in BA and $2.6 billion in outlays for 2000. Over the next five years, discretionary spending in this function will total $8.0 billion in BA and $9.3 billion in outlays. The resolution represents a decrease of $1.1 billion in BA and $0.6 billion in outlays from the 1999 level by assuming reductions proposed by the President, and other reforms. The Committee-reported resolution also assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes mandatory savings of $0.5 billion in BA and outlays over the ten-year period, 2000–2009, from asset sales assumed to occur at the end of 2001.

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]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Committee-reported resolution:											
Budget Authority	1.1	(*)	−1.4	−0.2	−0.1	−0.3	−0.4	−0.5	−0.5	−0.2	−0.1
Outlays	0.7	−0.7	−3.1	−1.1	−1.2	−1.4	−1.5	−1.5	−1.4	−1.1	−1.1
President's Budget:											
Budget Authority [1]	1.1	1.2	1.3	1.1	1.1	0.8	0.7	0.7	0.6	0.9	1.1
Outlays	0.7	0.1	−0.6	0.1	(*)	−0.2	−0.2	−0.2	−0.2	0.1	0.1
SBC Baseline:											
Budget Authority	1.1	1.2	1.1	1.0	1.0	0.8	0.7	0.6	0.6	0.9	1.0
Outlays	0.7	(−*)	−0.8	−0.1	−0.1	−0.3	−0.4	−0.4	−0.3	−0.1	(*)
Res. compared to:											
President's Budget:											
Budget Authority	....	−1.1	−2.8	−1.2	−1.2	−1.2	−1.2	−1.2	−1.2	−1.2	−1.2
Outlays	....	−0.8	−2.5	−1.2	−1.2	−1.2	−1.2	−1.2	−1.2	−1.2	−1.2
SBC Baseline:											
Budget Authority	....	−1.2	−2.5	−1.1	−1.1	−1.1	−1.1	−1.1	−1.1	−1.1	−1.1
Outlays	....	−0.6	−2.3	−1.0	−1.1	−1.1	−1.1	−1.1	−1.1	−1.1	−1.1

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

* DEPT SUPPLY?

Function 300: NATURAL RESOURCES

FUNCTION SUMMARY

Function 300, Natural Resources, totaled about $23.9 billion in BA and $23.3 billion in outlays for 1999, excluding emergency and other one-time spending items. 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 $20.7 billion in BA and $21.5 billion in outlays for 2000. Over the next five years, the resolution assumes an allocation of nearly $110 billion for programs in this function. For 2000, a decrease of $2.3 billion in BA and $0.9 billion in outlays from the 1999 level is assumed from spending restraints required to meet the discretionary caps. Congress will be required to set priorities for natural resource spending, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

The resolution accepts the President's proposed elimination of the Forest Incentives Program, reduction in the Army Corps of Engineers, and a portion of his proposed reductions within EPA. A number of Army Corps projects urgently await additional funding, such as the flood control project for the levee in Ft. Fairfield, Maine, which has experienced severe flooding over the last several years, during one of which water exceeded the 100-year flood plain. Completion of this project to protect the town from flood waters would enable it to embark on a redevelopment project.

Legislation reauthorizing EPA's Superfund has not yet been passed by the Congress. As the Senate Environment and Public Works Committee noted last year, "Superfund is a seriously flawed program that needs significant legislative improvement before any increase in funding is appropriate. Several peer-reviewed EPA studies have found Superfund sites, at best, represent a mid-range threat to human health and the environment as compared to other more pressing threats."

Given constraints on spending, the resolution recognizes the importance of maintaining and managing existing national parks and federal lands, of acquiring key inholdings and other priority lands that become available on a willing seller basis, and of responsibly investing in the public lands. The resolution assumes increased funding for Pacific Northwest salmon recovery that is efficiently and expeditiously directed to local communities and salmon restoration organizations.

The Bureau of Reclamation provides an important role in water management and delivery in seventeen Western states. The Bureau's ability to meet increasing construction needs has been limited by a declining budget during most of the this decade. In light of these declining budgets, the resolution assumes a modest increase in the Bureau's budget in 2000 to help address the current and future demands facing the Bureau.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes mandatory user fees and other offsets totalling $0.7 billion in BA and outlays in 2000 and $8 billion in BA and outlays over the ten-year period, 2000–2009, including the President's proposed sale of BLM surplus land.

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]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	23.9	21.5	21.2	20.7	22.5	22.5	22.5	22.6	22.7	22.7	23.0
Outlays	23.3	22.2	21.7	21.0	22.6	22.5	22.4	22.5	22.4	22.4	22.7
President's Budget:											
Budget Authority [1]	24.2	24.6	24.0	23.9	24.0	24.0	24.0	24.0	24.0	24.0	24.4
Outlays	23.4	24.1	24.2	24.0	24.1	24.0	23.9	23.9	23.8	23.8	24.1
SBC Baseline:											
Budget Authority	23.9	24.1	23.8	23.7	23.8	23.7	23.7	23.7	23.7	23.7	24.1
Outlays	23.3	23.8	23.9	23.7	23.9	23.8	23.6	23.6	23.5	23.4	23.8
Res. compared to:											
President's Budget:											
Budget Authority	−0.3	−3.1	−2.8	−3.1	−1.5	−1.5	−1.5	−1.4	−1.4	−1.3	−1.2
Outlays	−0.1	−1.8	−2.5	−3.0	−1.5	−1.5	−1.5	−1.4	−1.4	−1.4	−1.3
SBC Baseline											
Budget Authority	....	−2.6	−2.6	−3.0	−1.3	−1.2	−1.2	−1.2	−1.1	−1.1	−1.0
Outlays	....	−1.6	−2.2	−2.6	−1.3	−1.2	−1.2	−1.2	−1.1	−1.1	−1.0

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 350: AGRICULTURE

FUNCTION SUMMARY

Function 350, Agriculture, totaled about $16.8 billion in BA and $14.9 billion in outlays for 1999, excluding one-time emergency spending provided for natural disasters and export market losses. 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 a record $26 billion in 1986. This year, total outlays for the CCC are expected to be $17.2 billion, and FCIC outlays are expected to be $1.7 billion.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $3.9 billion in BA and $4.0 billion in outlays for 2000. Over the next five years, discretionary spending in this function would total $18.6 billion in BA and $18.7 billion in outlays. The resolution represents a decrease of $0.3 billion in BA and $0.2 billion in outlays from the 1999 level by assuming reductions proposed by the President. The Committee-reported resolution also assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes the President's proposals for mandatory savings of $0.1 billion in BA and outlays in 2000 and $1.8 billion in BA and outlays over the ten-year period, 2000–2009.

Mandatory PAYGO

The Committee-reported resolution recognizes that legislation may be enacted to help agricultural producers manage risk or to provide them with income assistance. For these purposes, the resolution provides for a mandatory spending allocation of $6.0 billion in this function for the 2000–2004 period upon the reporting of such legislation by the Committee on Agriculture, Nutrition, and Forestry. The resolution also provides that any mandatory spending increases for these purposes in 2000 must be offset by savings achieved in other mandatory programs, and that the on-budget deficit will not be increased. The Committee assumes that the $0.5 billion cost for 2000 will be offset by accelerating sale of Governor's Island.

Committee-reported resolution compared to the President's budget

As compared to the President's Budget over the five-year period from 2000 through 2004, the Committee-reported resolution provides a total of over $4.0 billion more in budget authority, and $3.5 billion more in outlays for mandatory programs under this function.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Committee-reported resolution:											
Budget Authority	16.6	14.8	13.5	11.3	12.0	12.1	10.6	10.6	10.7	10.8	10.9
Outlays	14.7	13.7	11.3	9.5	10.2	10.5	9.9	9.1	9.1	9.2	9.4
President's Budget:											
Budget Authority [1]	22.5	15.2	13.0	11.2	11.5	11.5	11.5	11.6	11.7	11.7	11.8
Outlays	20.4	13.6	11.4	9.5	9.8	10.0	10.1	10.1	10.1	10.1	10.2
SBC Baseline:											
Budget Authority	16.6	14.6	12.5	10.8	11.0	11.0	11.1	11.1	11.3	11.3	11.4
Outlays	14.7	13.3	10.9	9.0	9.3	9.5	9.6	9.6	9.7	9.7	9.8
Res. compared to:											
President's Budget:											
Budget Authority	−5.9	−0.8	0.5	0.5	0.5	0.6	−1.0	−1.0	−1.0	−1.0	−1.0
Outlays	−5.7	−0.4	−0.1	0.5	0.5	0.5	−0.2	−1.0	−1.0	−1.0	−1.0
SBC Baseline:											
Budget Authority	....	−0.3	1.0	1.0	1.0	1.1	−0.5	−0.5	−0.5	−0.5	−0.5
Outlays	....	−0.2	0.3	1.0	1.0	1.0	0.3	−0.5	−0.5	−0.5	−0.5

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 370: COMMERCE AND HOUSING CREDIT

FUNCTION SUMMARY

Function 370, Commerce and Housing Credit, totaled about $1.9 billion in BA and $0.8 billion in outlays for 1999. This 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 gross discretionary spending in this function would total $5.1 billion in BA and $5.2 billion in outlays for 2000. Over the next five years, the Committee-reported resolution assumes an allocation of over $11 billion for discretionary programs in this function. For 2000, the Committee-reported resolution represents an increase of $1.5 billion in BA and $2.1 billion in outlays from the 1999 level, due almost entirely to providing funding at the President's request level for conducting the decennial census in 2000. The Committee-reported resolution assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

One of the priorities the Committee would like for the appropriations committee to give special attention to is the initiatives of the Bureau of Economic Analysis (BEA) to improve national economic statistics. Given the Budget Committee's mission to set overall economic and budget policy for the Congress, it is crucial that the Congress have the best data available for enhancing our understanding of how the economy is working, but this goal is increasingly more difficult to achieve as the economy becomes more service oriented. BEA's National Accounts Enhancement program would address some of these data problems and would yield benefits to the federal government, the Federal Reserve, and the private sector in improved understanding of the economy.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes savings in mandatory programs of $1.3 billion in BA and outlays in 2000 and $8.5 billion in BA and outlays over the ten-year period, 2000–2009.

Mandatory PAYGO

The Committee-reported resolution assumes no significant mandatory increases or decreases in this function. However, the resolution does assume enactment of a provision in S. 576, the Financial Regulatory Relief and Economic Efficiency Act, that would repeal the requirement that the Savings Association Insurance Fund

(SAIF—which is the deposit insurance fund for savings and loan, or thrift, institutions) maintain a special reserve fund. CBO estimates that elimination of the reserve fund would cost less than $500,000 in any one year. Because the resolution assumes this repeal in the committee's allocation, no 302(a) point of order would apply against this provision when considered by the Senate.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	1.9	9.7	10.3	13.8	14.5	13.9	12.7	12.6	12.7	12.6	13.4
Outlays	0.8	4.3	5.4	9.5	10.9	10.4	9.4	9.1	8.9	8.5	8.8
President's Budget:											
Budget Authority [1]	2.0	10.9	11.5	14.9	15.6	15.0	13.8	13.8	14.0	13.9	13.7
Outlays	0.8	5.6	6.6	10.6	11.9	11.5	10.4	10.1	10.0	9.6	8.9
SBC Baseline:											
Budget Authority	1.9	9.8	12.0	15.9	16.7	15.9	14.7	14.7	14.7	14.7	14.5
Outlays	0.8	4.4	6.9	11.5	12.9	12.5	11.5	11.2	10.9	10.5	9.9
Res. compared to:											
President's Budget:											
Budget Authority	−*	−1.2	−1.2	−1.1	−1.1	−1.2	−1.1	−1.1	−1.3	−1.3	−0.3
Outlays	−*	−1.3	−1.2	−1.1	−1.0	−1.1	−1.0	−1.0	−1.1	−1.1	−0.1
SBC Baseline:											
Budget Authority	....	−0.2	−1.7	−2.1	−2.1	−2.1	−2.1	−2.1	−2.1	−2.1	−1.1
Outlays	....	−0.2	−1.4	−1.9	−2.0	−2.1	−2.1	−2.1	−2.1	−2.1	−1.1

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 400: TRANSPORTATION

FUNCTION SUMMARY

Function 400, Transportation, totaled $50.8 billion in BA and $43.8 billion in outlays for 1999, excluding one-time emergency spending provided for the Federal Aviation Administration and the Coast Guard. This function includes ground transportation programs, such as the federal-aid highway program, mass transit, and the National Rail Passenger Corporation (Amtrak); air transportation through the Federal Aviation Administration (FAA) airport improvement program, facilities and equipment program, 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.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $12.2 billion in BA and $43.4 billion in outlays for 2000. This represents a decrease of $1.8 billion in BA and an increase of $1.5 billion in outlays from the 1999 adjusted level.

The Committee-reported resolution does not make any changes to the obligation limits or programs under the recently enacted Transportation Equity Act for the 21st Century (TEA–21). The Committee-reported resolution does not assume the President's proposal to change the distribution of additional Highway Trust Fund revenues under TEA–21. The Committee-reported resolution assumes the elimination of 1999 highway demonstration projects and mass transit spending provided by the Appropriations Committee above TEA–21 enacted levels.

The Committee-reported resolution assumes funding for Child Passenger Protection Education Grants, authorized under Section 2003 of TEA–21.

The Committee-reported resolution assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap. As an example, the President's Budget proposed various reductions and fees that would offset discretionary spending.

Mandatory PAYGO

The Committee-reported resolution assumes that one provision of the 1997 Balanced Budget Act expiring after 2002 will be extended through 2009. This assumption would extend vessel tonnage fees, raising $49 million annually from 2003 through 2009.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Committee-reported resolution											
Budget Authority	50.8	51.3	51.1	51.5	52.5	52.6	52.6	52.6	52.7	52.7	52.7
Outlays	43.8	45.3	47.7	47.8	46.7	46.2	46.0	46.0	46.0	46.0	46.0
President's Budget:											
Budget Authority[1]	51.3	54.2	54.5	55.6	57.8	59.0	60.3	61.6	63.0	64.4	65.8
Outlays	44.0	48.1	50.4	50.7	52.7	53.8	55.0	56.4	57.8	59.3	60.7
SBC Baseline:											
Budget Authority	50.8	52.8	52.3	52.8	54.3	54.3	54.4	54.4	54.4	54.5	54.5
Outlays	43.8	46.4	48.7	48.8	48.7	48.3	48.1	48.1	48.1	48.1	48.1
Res. compared to:											
President's Budget:											
Budget Authority	−0.5	−2.9	−3.4	−4.0	−5.3	−6.5	−7.7	−9.0	−10.3	−11.7	−13.1
Outlays	−0.2	−2.7	−2.7	−3.0	−6.0	−7.6	−9.0	−10.4	−11.8	−13.2	−14.7
SBC Baseline:											
Budget Authority	....	−1.5	−1.2	−1.2	−1.8	−1.8	−1.8	−1.8	−1.8	−1.8	−1.8
Outlays	....	−1.0	−1.0	−1.0	−1.9	−2.1	−2.1	−2.1	−2.1	−2.1	−2.1

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT FUNCTION SUMMARY

Function 450, Community and Regional Development, totaled about $8.8 billion in BA and $11.7 billion in outlays for 1999, excluding emergency funding and other one-time appropriations. 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 in this function would total $5.3 billion in BA and $10.3 billion in outlays for 2000. This represents a decrease of $3.5 billion in BA and $1.4 billion in outlays from the 1999 level, due to the assumed reduction of low-priority federal programs. The resolution assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997, and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among community and regional development programs in order to maintain the discipline of the 2000 spending cap.

The resolution assumes additional funding for Indian school construction of $200 million above the President's budget request in 2000.

Mandatory used for Discretionary offsets

The Committee-reported resolution assumes mandatory savings by excluding certain repetitively flooded properties from the flood insurance program and eliminating the flood insurance subsidy for pre-FIRM structures. Over the next five years this policy, if enacted, would reduce outlays $2.6 billion.

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)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	8.8	5.3	2.7	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Outlays	11.3	10.3	7.5	4.7	3.0	2.1	1.2	0.9	0.8	0.7	0.7
President's Budget:											
Budget Authority [1]	10.2	11.9	9.1	9.1	9.2	9.2	9.2	9.2	9.2	9.2	9.2
Outlays	11.4	10.9	10.9	10.9	10.2	9.7	9.1	8.8	8.8	8.7	8.7
SBC Baseline:											
Budget Authority	8.8	8.7	8.7	8.6	8.8	8.7	8.7	8.7	8.7	8.7	8.7
Outlays	11.3	10.7	10.0	9.7	9.0	8.8	8.3	8.2	8.2	8.2	8.2
Res. compared to:											
President's Budget:											
Budget Authority	−1.4	−6.5	−6.4	−7.2	−7.2	−7.2	−7.2	−7.2	−7.2	−7.2	−7.2
Outlays	−0.1	−0.6	−3.4	−6.3	−7.3	−7.6	−7.9	−7.8	−8.0	−8.0	−8.0
SBC Baseline:											
Budget Authority	—	−3.4	−6.0	−6.7	−6.7	−6.7	−6.7	−6.7	−6.7	−6.7	−6.7
Outlays	—	−0.4	−2.5	−5.0	−6.0	−6.7	−7.1	−7.3	−7.4	−7.5	−7.5

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

FUNCTION SUMMARY

Function 500, Education, Training, Employment and Social Services, totaled about $61 billion in BA and $59.8 billion in outlays for 1999, excluding one-time emergency spending items. This function includes funding for elementary and secondary, vocational, 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 $52.2 billion in BA and $49.0 billion in outlays for 2000. Over the next five years, the Reported Resolution assumes over $271 billion is allocated to programs within this function. The 2000 level for this function represents an increase of $5.6 billion in BA and $3.0 billion in outlays from the 1999 level, due mainly to emergencies and advance appropriations. The Committee-reported resolution rejects the President's request for an additional advance appropriation of $1.9 billion for the Individuals with Disabilities Education Act (IDEA).

The Committee-reported resolution assumes net discretionary spending increases for elementary and secondary education of $3.3 billion in 2000, $28 billion over five years, and $82 billion over the next ten years relative to the President's request (Subfunction 501, table follows). For overall discretionary spending for the Department of Education, the Committee-reported resolution assumes a net increase of $2.4 billion in 2000, double the President's Budget and an increase of $31 billion over the next five years, five times the President's request for Department of Education programs.

The Committee-reported resolution assumes that increased funding for elementary and secondary education will be made available for programs within a newly reauthorized Elementary and Secondary Education Act which introduces greater flexibility in the delivery of hundreds of elementary and secondary education programs and places more funding and decisionmaking into the hands of states, localities, and families. Such legislation should help states and localities emphasize academic achievement and accountability. Congress is scheduled to act on such a reauthorization during this Congress. In addition, the budget resolution assumes that within the increase for subfunction 501, over the next five years an additional $2.5 billion will be dedicated to funding our federal commitment under IDEA.

The Committee-reported resolution assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes no mandatory savings in 2000 and $6.8 billion in BA and $6.6 billion in outlay savings over the ten-year period, 2000–2009. The Committee-reported resolution rejects all student loan program cuts proposed in the President's Budget.

Mandatory PAYGO

The Committee-reported resolution assumes no mandatory increases or decreases in this function for pay-as-you-go purposes.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Committee-reported resolution:											
Budget Authority	61.0	67.4	66.5	67.3	73.3	76.6	77.5	78.2	79.1	80.1	80.1
Outlays	59.8	64.3	65.4	66.0	68.5	72.5	75.9	77.2	78.1	79.1	79.1
President's Budget:											
Budget Authority [1]	60.5	67.4	69.3	68.9	70.5	70.8	71.6	72.5	73.4	74.3	75.3
Outlays	59.3	64.3	68.7	69.1	70.4	70.4	70.9	71.7	72.5	73.4	74.4
SBC Baseline:											
Budget Authority	61.0	66.3	66.5	66.3	67.8	68.1	68.9	69.7	70.6	71.6	72.6
Outlays	59.8	64.4	66.2	66.0	67.2	67.5	68.0	68.7	69.6	70.7	71.5
Resolution compared to:											
President's Budget:											
Budget Authority	0.5	—	−2.8	−1.6	2.8	5.8	5.9	5.7	5.7	5.8	4.8
Outlays	0.5	—	−3.3	−3.1	−1.9	2.1	5.0	5.5	5.6	5.7	5.6
SBC Baseline:											
Budget Authority	—	1.1	—	1.0	5.5	8.5	8.5	8.5	8.5	8.5	8.5
Outlays	—	−0.1	−0.8	—	1.4	5.0	7.9	8.5	8.5	8.5	8.5

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

COMPARISON OF COMMITTEE-REPORTED RESOLUTION WITH PRESIDENT'S BUDGET SUBFUNCTION 501

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Committee-reported resolution:											
Budget Authority	16.8	24.1	25.1	26.1	30.6	33.6	33.6	33.6	33.6	33.6	33.6
Outlays	17.8	20.5	23.5	25.1	26.6	30.2	33.0	33.5	33.6	33.6	33.6
President's Budget:											
Budget Authority [1]	16.8	20.8	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7	22.7
Outlays	17.8	20.0	21.9	22.7	22.8	22.8	22.7	22.6	22.6	22.6	22.6
Resolution compared to:											
President's Budget:											
Budget Authority	—	3.3	2.3	3.3	7.8	10.8	10.8	10.8	10.8	10.8	10.8
Outlays	—	0.5	1.6	2.5	3.8	7.4	10.3	10.9	11.0	11.0	11.0

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 550: HEALTH

FUNCTION SUMMARY

Function 550, Health, totaled about $147.3 billion in BA and $140.6 billion in outlays for 1999, excluding one-time emergency spending. This function covers all health spending except that for Medicare, military health, and veterans' health. The major programs 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 in this function would total $29.3 billion in BA and $28.7 billion in outlays for 2000. Over the next five years, the resolution assumes $139.7 billion in BA is allocated to programs in this function. The level of funding in 2000 represents a decrease of $0.6 billion in BA and an increase of $2.0 billion in outlays from the 1999 level. The Committee-reported resolution assumes a $0.6 billion increase in BA for the National Institutes of Health (NIH) in 2000. This increase is nearly double the increase provided for NIH in the President's budget.

Mandatory used for discretionary offsets

Beginning in 2001, the Committee-reported resolution assumes reforms in federal funding for administration of welfare programs, building upon the proposal in the President's budget to reduce administrative costs in the Medicaid program. The resolution assumes total savings of $4.9 billion in outlays over the period 2001–2004.

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]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	147.3	156.2	164.1	173.3	184.7	197.9	212.8	228.4	246.3	265.2	285.5
Outlays	140.6	153.0	162.4	173.7	185.3	198.5	212.6	228.3	245.5	264.4	284.9
President's Budget:											
Budget Authority [1]	147.5	157.7	166.8	176.3	188.4	202.0	217.5	233.6	252.3	271.8	292.9
Outlays	140.7	153.6	165.4	177.2	189.4	202.8	217.5	233.7	251.5	271.1	292.4
SBC Baseline:											
Budget Authority	147.3	156.6	165.9	175.3	186.8	200.3	215.5	231.4	249.7	268.8	289.4
Outlays	140.6	153.3	164.0	175.7	187.4	200.9	215.3	231.3	248.8	268.0	288.8
Res. compared to:											
President's Budget:											
Budget Authority	−0.2	−1.5	−2.7	−3.0	−3.8	−4.1	−4.6	−5.3	−6.0	−6.6	−7.4
Outlays	−0.1	−0.6	−3.0	−3.4	−4.1	−4.3	−4.8	−5.4	−6.0	−6.7	−7.4
SBC Baseline:											
Budget Authority	....	−0.4	−1.8	−2.0	−2.2	−2.4	−2.7	−3.0	−3.3	−3.6	−3.9
Outlays	....	−0.3	−1.6	−1.9	−2.1	−2.4	−2.7	−3.0	−3.3	−3.6	−3.9

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 570: MEDICARE

FUNCTION SUMMARY

Function 570, Medicare, totaled about $195.2 billion in BA and $194.6 billion in outlays for 1999.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $3.0 billion in BA and $3.0 billion in outlays for 2000. This represents an increase of $0.2 billion in outlays from the 1999 level. The Committee-reported resolution assumes funding at the baseline level.

Mandatory PAYGO

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

The Committee notes that the Medicare policy changes in the Balanced Budget Act have produced budget savings in excess of those estimated at the time of its enactment in some areas. While the Committee recognizes the value of these savings to Medicare solvency, the Committee is concerned about effect of these policy changes' on Medicare beneficiaries' access to services. Particular areas of concern include access to skilled nursing, outpatient therapy, and payment rates for Medicare+Choice plans. This Committee urges the Committee on Finance to examine access to Medicare services, and if problems are found, this Committee pledges to assist in identifying resources to address such problems in a manner consistent with this Committee-reported resolution.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	195.2	208.7	222.1	230.6	250.7	268.6	295.6	306.8	337.6	365.6	394.1
Outlays	194.6	208.7	222.3	230.2	250.9	268.7	295.2	306.9	337.8	365.2	394.2
President's Budget:											
Budget Authority[1]	195.2	207.3	220.0	228.8	248.9	266.7	293.6	304.8	335.4	363.3	391.5
Outlays	194.6	207.3	220.1	228.4	249.0	266.9	293.2	305.0	335.6	362.9	391.7
SBC Baseline:											
Budget Authority	195.2	208.7	222.1	230.6	250.7	268.6	295.6	306.8	337.6	365.6	394.1
Outlays	194.6	208.7	222.3	230.2	250.9	268.7	295.2	306.9	337.8	365.2	394.2
Res. compared to:											
President's Budget:											
Budget Authority	....	+1.3	+2.1	+1.8	+1.9	+1.9	+2.0	+2.0	+2.2	+2.4	+2.6
Outlays	....	+1.4	+2.2	+1.8	+1.9	+1.9	+2.0	+2.0	+2.2	+2.4	+2.6
SBC Baseline:											
Budget Authority Outlays	....	....	....	....	....	....	....	....	....	....	....
Outlays	....	....	....	....	....	....	....	....	....	....	....

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 600: INCOME SECURITY

FUNCTION SUMMARY

Function 600, Income Security, totals $234.6 billion in BA and $237.8 billion in outlays for 1999, excluding spending which requires a cap adjustment or is for an emergency. 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 86 percent of total spending in this function.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $28.7 billion in BA and $39.4 billion in outlays for 2000. Over the next five years, nearly $200 billion in spending would be allocated to discretionary programs. The resolution represents a decrease of $3.8 billion in BA and $0.8 billion in outlays from the 1999 level. Despite this change, the resolution assumes sufficient additional funding to renew annually all Section 8 contracts in place at the end of 1999. A reduction in appropriations for 2000 is possible because of about $10 billion in balances the Department of Housing and Urban Development has available and because of the one-time increases certain programs received for 1999. In addition, part of this decline in discretionary spending is due to mandatory offsets assumed in the resolution (see next section).

The Committee-reported resolution assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

Mandatory used for discretionary offsets

Under the Committee-reported resolution, mandatory spending in Function 600 will total $1.2 trillion over the next five years. The resolution assumes mandatory savings of $1.2 billion in BA and outlays in 2000, a reduction of 0.5 percent. The President has proposed several technical changes to mandatory programs, such as disallowing the transfer of assets in order to become eligible for Supplemental Security Income. Other reforms to mandatory programs that currently amount to $216 billion annually could also be enacted.

Mandatory PAYGO

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

Committee-reported resolution compared to the President's budget

The President's request for Function 600 is substantially above both the baseline and the Committee-reported resolution. The Administration's Budget contains $136.2 billion in new spending over ten years for new "USA accounts" for low-income recipients. An additional $136.2 billion over ten years for the USA accounts is counted as a revenue loss. According to the President's Budget, the USA accounts will absorb over 10 percent of the surplus. The President also proposes to increase the Child Care entitlement by $24.6 billion over ten years. Together, these two expansions account for 86 percent of the difference between the Committee-reported resolution and the President's Budget.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	234.6	244.4	250.9	263.6	276.4	285.6	297.9	304.2	310.0	323.3	333.6
Outlays	237.8	248.1	257.0	266.6	276.2	285.4	298.1	304.6	310.9	324.8	335.1
President's Budget:											
Budget Authority [1]	235.2	256.6	268.8	282.1	291.1	301.7	315.1	324.1	331.7	346.5	358.5
Outlays	238.2	259.6	271.8	285.3	295.1	304.0	315.6	324.7	332.7	347.9	360.1
SBC Baseline:											
Budget Authority	234.6	248.1	254.9	265.0	274.1	282.6	294.5	300.2	305.5	318.4	327.9
Outlays	237.8	249.8	259.8	270.5	275.9	282.5	294.7	300.6	306.4	319.6	329.3
Res: compared to:											
President's Budget:											
Budget Authority	−0.7	−12.2	−18.0	−18.4	−14.7	−16.2	−17.1	−19.9	−21.6	−23.2	−25.0
Outlays	−0.4	−11.5	−14.7	−18.7	−19.0	−18.6	−17.5	−20.1	−21.8	−23.2	−25.0
SBC Baseline:											
Budget Authority	....	−3.7	−4.0	−1.4	2.3	2.9	3.5	4.0	4.5	5.0	5.7
Outlays	....	−1.7	−2.8	−3.9	0.3	2.9	3.4	4.0	4.6	5.2	5.8

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 650: SOCIAL SECURITY

FUNCTION SUMMARY

Function 650, Social Security, totaled about $390.6 billion in BA and $390.8 billion in outlays for 1999. This function includes Social Security benefits and administrative expenses.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $3.2 billion in BA and $3.3 billion in outlays for 2000. This represents level funding compared to the 1999 level.

Mandatory PAYGO

The Committee-reported resolution assumes no mandatory increases or decreases in this function. The resolution does not include the President's budget proposal to invest a portion of the trust fund assets in private sector investments.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution											
Budget Authority	390.6	407.2	426.0	445.9	467.0	489.8	514.6	540.9	568.7	599.0	633.6
Outlays	390.8	407.3	426.0	445.9	467.0	489.7	514.5	540.8	568.7	599.0	633.6
President's Budget											
Budget Authority [1]	390.6	425.1	440.9	465.1	486.3	512.9	540.1	573.0	606.3	642.2	682.8
Outlays	390.8	452.2	440.9	465.1	486.2	512.9	540.1	573.0	606.3	642.2	682.8
SBC Baseline:											
Budget Authority	390.6	407.2	426.0	445.9	467.0	489.8	514.6	540.9	568.7	599.0	633.6
Outlays	390.8	407.3	426.0	445.9	467.0	489.8	514.5	540.8	568.7	599.0	633.6
Res compared to:											
President's Budget:											
Budget Authority	....	−17.9	−14.9	−19.3	−19.3	−23.2	−25.6	−32.1	−37.5	−43.2	−49.1
Outlays	....	−17.9	−14.9	−19.3	−19.3	−23.2	−25.6	−32.1	−37.5	−43.2	−49.1
SBC Baseline:											
Budget Authority	....	....	....	....	....	....	....	....	....	....	....
Outlays	....	....	....	....	....	....	....	....	....	....	....

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 700: VETERANS BENEFITS AND SERVICES

FUNCTION SUMMARY

Function 700, Veterans Benefits, totaled $43.0 billion in BA and $42.9 billion in outlays for 1999. 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 over 700 hospitals, nursing homes, domiciliaries, and outpatient clinics.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $20.2 billion in BA and $20.4 billion in outlays for 2000. This represents an increase of $0.9 billion in BA and $1.4 billion in outlays from the 1999 level. The Committee-reported resolution is also an increase over the President's Budget for 2000 by $0.9 billion in BA and $1.1 billion in outlays.

The Committee-reported resolution assumes that the proposed increased spending for Veterans Benefits fits within the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law. Congress will be required to identify offsets to increase Veterans' spending and make appropriate decisions on allocating discretionary spending among all programs in order to maintain the discipline of the spending cap in 2000.

The Committee-reported resolution assumes two major program changes.

- Increasing funds for medical care by $1.1 billion in 2000 to provide relief to veterans' hospitals and quality medical care to veterans in all regions of the country and to help address Hepatitis C among veterans.
- As proposed by the President, reducing funds for construction of major projects and for construction of state extended care facilities, to save $0.4 billion over five years. A declining veteran population and unused inpatient hospital capacity in many parts of the country has reduced the need for new construction projects.

Mandatory PAYGO

The Committee-reported resolution assumes that provisions of the 1997 Balanced Budget Act expiring after 2002 will be extended through 2009. 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. The practice of rounding down monthly benefit checks is consistent with all other major pension programs including military and civilian retirement benefits.

• 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 limit pension benefits to Medicaid-eligible recipients in nursing homes. Under this provision, veterans can keep a monthly benefit of $90 but the full cost of the beneficiaries' nursing home care would be paid by the Medicaid program.

• Extending the VA's authority to guarantee VA securities issued in the secondary market directly, thereby enhancing their value.

• Extending certain fees paid by veterans who obtain a government-guaranteed housing loan.

In total spending, the Committee-reported resolution is an increase over the President's Budget: in 2000 by $0.9 billion in BA and $1.1 billion in outlays. It is also an increase over the next five years (by $0.5 billion in BA and $1.1 billion in outlays) and over the next ten years (by $0.1 billion in BA and $0.8 billion in outlays).

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Committee-reported resolution:											
Budget Authority	43.0	44.7	44.3	44.7	45.5	45.9	48.3	46.8	47.4	48.0	48.6
Outlays	42.9	45.1	45.0	45.1	46.0	46.3	48.8	47.4	45.8	48.5	49.1
President's Budget:											
Budget Authority [1]	43.0	43.8	44.4	45.0	45.5	45.9	48.4	46.9	47.5	48.1	48.7
Outlays	42.9	43.9	44.9	45.3	45.9	46.3	48.8	47.4	45.8	48.6	49.2
SBC Baseline:											
Budget Authority	43.0	43.8	44.4	44.9	46.4	46.7	49.3	47.8	48.3	49.0	49.7
Outlays	42.9	44.1	44.9	45.2	46.7	47.2	49.8	48.3	46.7	49.5	50.2
Committee-reported resolution compared to:											
President's Budget:											
Budget Authority	....	0.9	−0.2	−0.3	+*	−*	−*	−0.1	−0.1	−0.1	−0.1
Outlays	....	1.1	0.1	−0.2	+*	+*	−*	−*	−0.1	−0.1	−0.1
SBC Baseline:											
Budget Authority	....	1.0	−0.1	−0.2	−0.8	−0.9	−1.0	−1.0	−1.0	−1.0	−1.1
Outlays	....	1.0	0.1	−0.1	−0.8	−0.9	−1.0	−1.0	−1.0	−1.0	−1.1

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 750: ADMINISTRATION OF JUSTICE

FUNCTION SUMMARY

Function 750, Administration of Justice, totaled about $26.3 billion in BA and $24.8 billion in outlays for 1999. This function includes funding for federal law enforcement activities, including criminal investigations by the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA), border enforcement and the control of illegal immigration by the Customs Service and Immigration and Naturalization Service (INS), as well as funding for prison construction, drug treatment, crime prevention programs and the federal Judiciary.

Discretionary

The Committee-reported resolution assumes discretionary spending in this function would total $23.1 billion in BA and $25.1 billion in outlays for 2000. Over the next five years, the resolution provides nearly $125 billion for federal law enforcement and related activities. This resolution fully funds Violent Crime Reduction Trust Fund programs in 2000. Total funding for this function in 2000 represents a decrease of $2.9 billion in BA, but an increase of $0.5 billion in outlays from the 1999 level. Reductions in BA are due mainly to declining levels previously legislated for the Crime Trust Fund in its final year, emergencies or other one-time spending increases. The increase in outlays reflects the Trust Fund's spend-out rates.

The resolution assumes the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997, and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among federal law enforcement programs in order to maintain the discipline of the 2000 spending cap.

The resolution rejects the President's proposed 15 percent increase for the anti-trust activities within the Department of Justice, thereby assuming funding at current law levels. The resolution rejects the President's proposed reductions in anti-drug programs. Funding for the proposed Drug Free Century Act and/or the Western Hemisphere Drug Elimination Act could be accommodated within the aggregate caps.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes no new mandatory offsets for discretionary spending in 2000.

Mandatory PAYGO

The Committee-reported resolution assumes that the customs user fees enacted in the 1997 Balanced Budget Act but scheduled to expire after 2002, will be extended through Fiscal 2009.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	25.0	23.5	24.7	24.7	24.6	24.5	24.4	24.3	24.1	24.0	23.8
Outlays	25.2	25.4	25.2	25.0	24.5	24.4	24.3	24.2	24.0	21.9	21.7
President's Budget:											
Budget Authority[1]	26.7	26.6	27.0	27.2	26.9	26.9	26.8	26.7	26.6	26.6	26.3
Outlays	25.1	26.6	27.2	27.1	27.0	27.0	26.8	26.7	26.6	26.5	26.3
SBC Baseline:											
Budget Authority	25.0	24.8	26.0	26.0	25.9	27.5	27.7	27.7	27.7	27.8	27.8
Outlays	25.2	25.8	25.8	26.0	25.7	27.4	27.5	27.6	27.6	27.7	27.7
Res. compared to:											
President's Budget:											
Budget Authority	−1.7	−3.2	−2.3	−2.5	−2.3	−2.5	−2.5	−2.5	−2.5	−2.6	−2.5
Outlays	+0.1	−1.3	−2.1	−2.2	−2.6	−2.6	−2.6	−2.6	−2.6	−2.6	−2.5
SBC Baseline:											
Budget Authority	−1.7	−1.3	−1.3	−1.3	−1.3	−3.1	−3.3	−3.5	−3.6	−3.8	−3.9
Outlays	+0.1	−0.4	−0.7	−1.0	−1.3	−3.1	−3.3	−3.5	−3.6	−3.8	−3.9

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 800: GENERAL GOVERNMENT

FUNCTION SUMMARY

Function 800, General Government, totals $15.2 billion in BA and $14.8 billion in outlays for 1999, excluding spending which requires a cap adjustment or is for an emergency. 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 would total $11.4 billion in BA and $11.6 billion in outlays for 2000. Over the next five years, the resolution would provide $58 billion for discretionary programs. The resolution represents a decrease of $0.9 billion in BA and $0.4 billion in outlays from 1999.

The Committee-reported resolution assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

The Committee-reported resolution assumes the following major discretionary changes:

- $462 million for new courthouses in 2000. This proposal would provide enough funds to construct or site and design over ten new courthouses from the Judicial Conference's 2000 construction plan.
- $145 million for the Payment in Lieu of Taxes (PILT) program in 2000. This proposal would increase funding for PILT by $270 million 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.
- $313 million for the District of Columbia in 2000, a reduction of $241 million. The Balanced Budget Act of 1997 included a federal bailout worth over $10 billion to the District. This dramatic increase in federal funding propelled the city to a surplus of over $400 million in 1998. The bailout increased mandatory spending and tax breaks, based partly on the assumption that discretionary spending would be scaled back. This proposal, which is supported by the President, would end all discretionary spending not related to the federal bailout.

Mandatory used for Discretionary offsets

The Committee-reported resolution assumes mandatory savings and increased receipts of $61 million in BA and $46 million in outlays in 2000.

Mandatory PAYGO

The Committee-reported resolution assumes no other mandatory increases or decreases in this function. Under the baseline, mandatory spending declines by $1.9 billion from 1999 to 2000 due primarily to decreased spending from the Treasury Claims Fund and the Federal Financing Bank.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	15.2	12.3	11.9	12.1	12.1	12.1	12.1	12.1	12.2	12.2	12.2
Outlays	14.8	13.5	12.6	12.3	12.2	12.2	11.9	11.8	11.9	12.1	11.9
President's Budget:											
Budget Authority [1]	17.2	13.8	14.6	14.3	14.4	14.4	14.4	14.4	14.5	14.5	14.4
Outlays	15.7	14.9	14.7	14.4	14.3	14.4	14.2	14.2	14.3	14.5	14.2
SBC Baseline:											
Budget Authority	15.2	13.9	13.9	13.9	13.9	13.9	14.0	14.0	14.0	14.0	14.0
Outlays	14.8	14.4	14.0	13.8	13.8	13.9	13.7	13.7	13.7	13.9	13.7
Res. compared to:											
President's Budget:											
Budget Authority	−2.0	−1.4	−2.7	−2.2	−2.3	−2.3	−2.3	−2.3	−2.3	−2.4	−2.2
Outlays	−0.9	−1.4	−2.1	−2.1	−2.1	−2.2	−2.3	−2.4	−2.4	−2.4	−2.3
SBC Baseline:											
Budget Authority	....	−0.9	−1.3	−1.2	−1.2	−1.2	−1.2	−1.2	−1.2	−1.2	−1.1
Outlays	....	−0.5	−0.8	−0.9	−0.9	−1.1	−1.1	−1.2	−1.2	−1.2	−1.1

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 900: NET INTEREST

FUNCTION SUMMARY

Function 900, Net Interest, totaled $229.4 billion in BA and outlays in 1999. Net interest is a mandatory payment; there are no discretionary programs in Function 900. Net interest includes interest on the public debt after deducting the interest income received by the federal government.

Interest on the public debt, or gross interest, is the cost of financing the entire public debt of the U.S. government. Gross interest costs, however, are not a comprehensive measure of government borrowing costs because the government holds much of the debt itself, which generates interest income. In 1998, nearly $1.8 trillion (about 32 percent) of the total public debt was held by the government, mostly by trust funds such as Social Security and federal civilian and military retirement. The government both pays and collects interest on these securities, resulting in no net cost. In addition, the federal government lends money outside the government through credit programs. These activities result in real interest income to the federal government. Since net interest reflects both the interest paid and interest earned by the government, it provides the best measure of the costs of federal borrowing.

The Committee-reported resolution saves all of the off-budget surplus and $133 billion of the on-budget surplus. The President's budget spends part of the off-budget surplus and all of the on-budget surplus. Consequently, the Committee-reported resolution has higher surpluses over the ten-year period covered by the resolution. Compared to the President's budget, the reported resolution spends $32.7 billion less in interest payments over the five years 2000–2004, and $126 billion less over the ten years 2000–2009.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	229.4	217.9	207.4	196.8	186.9	176.9	165.6	153.9	142.2	129.0	115.7
Outlays	229.4	217.9	207.4	196.8	186.9	176.9	165.6	153.9	142.2	129.0	115.7
President's Budget:											
Budget Authority [1]	229.4	219.0	211.3	203.4	196.1	188.8	180.1	170.7	160.8	149.6	138.5
Outlays	229.4	219.0	211.3	203.4	196.1	188.8	180.1	170.7	160.8	149.6	138.5
SBC Baseline:											
Budget Authority	229.4	218.2	208.4	197.3	185.5	172.6	157.1	139.4	119.4	96.5	71.9
Outlays	229.4	218.2	208.4	197.3	185.5	172.6	157.1	139.4	119.4	96.5	71.9
Resolution compared to:											
President's Budget:											
Budget Authority	....	−1.1	−3.9	−6.6	−9.2	−11.9	−14.5	−16.8	−18.6	−20.6	−22.8
Outlays	....	−1.1	−3.9	−6.6	−9.2	−11.9	−14.5	−16.8	−18.6	−20.6	−22.8
SBC Baseline:											
Budget Authority	....	−0.3	−1.0	−0.5	1.4	4.3	8.5	14.5	22.8	32.5	43.8
Outlays	....	−0.3	−1.0	−0.5	1.4	4.3	8.5	14.5	22.8	32.5	43.8

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 920: ALLOWANCES

FUNCTION SUMMARY

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 $8.0 billion in BA and $8.1 billion in outlays for 2000. Such savings are possible by reducing the total number of political appointees in all federal agencies, privatizing Ginnie Mae, and by reducing federal costs in certain programs that appear throughout all budget functions. The Committee-reported resolution assumes that the aggregate discretionary spending cap for 2000, established in the Balanced Budget Act of 1997 and adjusted as required by law, remains in effect. Congress will be required to set priorities, identify offsets to spending, and make decisions on allocating discretionary spending among programs in order to maintain the discipline of the 2000 spending cap.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes various user fees in this function that would apply to discretionary caps.

Mandatory PAYGO

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

Committee-reported resolution compared to the President's budget

In order to comply with the caps, the Committee-reported resolution assumes illustrative reductions in each budget function, as well as certain across-the-board policies in function 920 that affect programs in all other budget functions. In contrast, the President's Budget, while claiming offsets that do not actually count against the discretionary cap for 2000, includes appropriation levels that CBO says exceeds the budget authority cap by $22 billion. But the request does not assume any of the offsets in the allowances function for 2000. For subsequent years, the President's Budget still does not assume any savings in function 920. Rather, the President would use about $0.4 trillion of federal budget surpluses, some derived from the Social Security trust fund, for increased discretionary spending over 2001–2009, with most of that spending occurring in specific programmatic functions. Of this amount, however, the Budget does not specifically allocate about $95 billion in additional appropriated resources, holding them instead in a "reserve for priority initiatives" in function 920. That is why the comparison in this function shows the President's Budget increasing spending each year, from the Social Security trust fund and other surpluses, while the Committee-reported resolution shows savings to comply with the caps (or to hold down the growth in spending for years in which there are not yet caps).

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	....	−8.0	−8.5	−5.9	−4.4	−4.5	−4.5	−4.6	−5.2	−5.3	−5.3
Outlays	....	−8.4	−12.9	−20.0	−4.8	−5.0	−5.1	−5.2	−5.8	−5.9	−5.9
President's Budget:											
Budget Authority [1]	3.3	....	3.0	6.0	9.0	12.0	12.3	12.7	13.0	13.4	13.8
Outlays	0.9	1.4	2.3	4.4	7.0	9.9	11.5	12.3	12.7	13.2	13.5
SBC Baseline:											
Budget Authority	....	....	....	....	....	....	....	....	....	....	....
Outlays	....	....	....	....	....	....	....	....	....	....	....
Res. compared to:											
President's Budget:											
Budget Authority	−3.3	−8.0	−11.5	−11.9	−13.4	−16.5	−16.8	−17.3	−18.2	−18.7	−19.1
Outlays	−0.9	−9.7	−15.2	−24.4	−11.8	−14.9	−16.6	−17.5	−18.5	−19.1	−19.4
SBC Baseline:											
Budget Authority	....	−8.0	−8.5	−5.9	−4.4	−4.5	−4.5	−4.6	−5.2	−5.3	−5.3
Outlays	....	−8.4	−12.9	−20.0	−4.8	−5.0	−5.1	−5.2	−5.8	−5.9	−5.9

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

FUNCTION SUMMARY

Function 950, Undistributed Offsetting Receipts, totaled about $40.1 billion in receipts (BA and outlays) for 1999. 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 includes no discretionary assumptions in this function.

Mandatory used for discretionary offsets

The Committee-reported resolution assumes no mandatory changes in this function that would affect discretionary caps.

Mandatory PAYGO

The Committee-reported resolution assumes offsetting receipts in this function would total $42.2 billion for 2000. This represents an increase of $1.9 billion in receipts over the 1999 level, due entirely to expected baseline changes in spectrum auction receipts, asset sale receipts, and federal agencies" retirement contributions. The Committee-reported resolution assumes that certain provisions of the 1997 Balanced Budget Act expiring after 2002 will be extended through 2009. In this function, these extensions include maintaining the current contribution rates of federal agencies towards their employees' retirement funds.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Budget Authority	−40.1	−42.2	−45.3	−52.8	−47.2	−48.0	−49.8	−51.2	−53.2	−54.9	−56.7
Outlays	−40.1	−42.2	−45.3	−52.8	−47.2	−48.0	−49.8	−51.2	−53.2	−54.9	−56.7
President's Budget:											
Budget Authority [1]	−40.1	−43.0	−47.9	−52.2	−48.0	−49.0	−51.0	−52.8	−55.1	−57.1	−59.2
Outlays	−40.1	−43.0	−47.9	−52.2	−48.0	−49.0	−51.0	−52.8	−55.1	−57.1	−59.2
SBC Baseline:											
Budget Authority	−40.1	−42.2	−45.3	−52.8	−46.8	−47.6	−49.4	−50.8	−52.8	−54.6	−56.4
Outlays	−40.1	−42.2	−45.3	−52.8	−46.8	−47.6	−49.4	−50.8	−52.8	−54.6	−56.4
Res. Compared to:											
President's Budget:											
Budget Authority	....	0.8	2.5	−0.5	0.8	0.9	1.2	1.5	1.9	2.2	2.5
Outlays	....	0.8	2.5	−0.5	0.8	0.9	1.2	1.5	1.9	2.2	2.5
SBC Baseline:											
Budget Authority	....	....	....	....	−0.5	−0.5	−0.4	−0.4	−0.4	−0.3	−0.3
Outlays	....	....	....	....	−0.5	−0.5	−0.4	−0.4	−0.4	−0.3	−0.3

[1] Since CBO's estimate of the President's request exceeds the statutory cap for budget authority by $22 billion in 2000, the President's Budget appears to allocate more funding in individual functions than allowed by current law (see Summary section for full discussion). Therefore, comparisons of the President's Budget to alternative proposals will be misleading. Further, the 1999 figures for the President's Budget include one-time emergency and other appropriations that are not reflected in the SBC baseline and the Committee-reported resolution.

B. REVENUES

Federal revenues are taxes and other collections from the public that result from the government's sovereign or governmental powers. Federal revenues include individual income taxes, corporate income taxes, social insurance taxes, 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 net tax cut of $142 billion over the next five years (2000–2004) and a net tax cut of $778 billion over the next ten years (2000–2009), relative to the CBO/SBC baseline. The reported resolution could fund a gross tax cut of up to $15 billion in 2000. The reported resolution assumes that any tax cut adopted by Congress would not return the federal government to an unbalanced federal budget.

The net tax cut in the Committee-reported resolution can accommodate a substantial tax cut package (the contents of which will be determined by the tax-writing committees), which may include across-the-board cuts in tax rates, marriage penalty relief, extensions of expiring provisions, either temporarily or permanently, a repeal of transportation deficit reduction fuel taxes, an acceleration of full deductibility of the costs of health insurance for the self-employed, and tax relief for the oil and gas industry.

The Committee-reported resolution assumes that the Finance Committee will adopt revenue offsets in order to fund tax cuts in the initial years covered by the resolution. These revenue offsets may include several of the President's proposed loophole closers, Superfund taxes (in anticipation of or in conjunction with fundamental reform legislation), and other taxes and fees that could be extended beyond their scheduled expiration date.

The Committee-reported resolution does not assume extension of the BBA-mandated increases in federal employee retirement contributions past the January 2003 expiration date.

The CBO reestimate of the President's Budget contains a net tax increase of $96 billion due the tax proposals in his budget excluding USA accounts (which are part of the President's Social Security framework). If the revenue loss from USA accounts is included (as in the numbers for the President's Budget in the table below), the President's Budget reduces net taxes by $40 billion over ten years. USA accounts are estimated by CBO to reduce revenues by $136 billion over ten years, and increase outlays by $136 billion over ten years (for a total cost of $272 billion).

Over ten years, the Committee-reported resolution reduces taxes by $737 billion more than the President's Budget including his Social Security framework.

Federal Reserve

Given the tight nature of the discretionary caps and the resulting pressure over the past few years to find "offsets" that are not painful in order to increase spending, it is worth reiterating a scoring principle stated in the conference report on the 1997 budget resolution (H. Con. Res. 178, House Report 104–612).

Although the Committee-reported resolution does not direct authorizing committees to produce savings for reconciliation, the Budget Committee discourages both appropriations and the authorizing committees from attempting to offset spending in their bills with legislative changes that only appear to produce savings (such as timing shifts) rather than with changes that have real economic effects.

One proposed "offset" that periodically appears is to require the Federal Reserve to transfer funds from its surplus capital account to the Treasury. In fact, the 1993 reconciliation bill included a provision directing the Federal Reserve to transfer $213 million in surplus capital to the Treasury over 1997 and 1998. Because the Federal Reserve is not included in the unified budget, the Budget Committees (under Democratic control) in 1993 allowed the Banking Committees to count the directed transfer as savings for reconciliation purposes, even though there was then (and still is now) general agreement that the transfer was a timing gimmick, acts like an intragovernmental transfer, and leaves the private sector and the rest of the economy unaffected. The Congressional Budget Office concurs with the Budget Committee that such a transfer has no real economic impact on the budget.

Taking money from the Federal Reserve's surplus capital account to pay for a federal spending program would not provide real resources—the spending would be real but the offset would not. Reducing the surplus capital account would simply take funds that the Federal Reserve invests in Treasury securities and transfers those funds to part of the private sector (whatever the target of the spending program is). That transaction would increase the amount of borrowing that the federal government would have to undertake from the private sector (the Treasury would have to pay interest to whoever in the private sector buys the Treasury securities that the Federal Reserve would have to sell to raise the cash to transfer to Treasury), just like a transaction in which money was paid directly out of the Treasury for federal purposes.

Therefore, the Committee (using the authority provided to the Budget Committees for estimating outlays and revenues by section 312(a) of the Congressional Budget Act) continues to direct the Congressional Budget Office on the following points: do not score savings for any new legislation that might affect the Federal Reserve's transfer of the surplus capital account to the Treasury, but do score as a cost any legislation that directs spending from the Federal Reserve surplus account for some purpose.

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

[In billions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Revenues	1,814.6	1,870.0	1,923.0	1,961.5	2,058.3	2,134.8	2,225.1	2,283.3	2,363.9	2,459.9	2,549.8
President's Budget											
Revenues	1,814.2	1,874.0	1,933.1	2,014.2	2,090.1	2,181.7	2,285.0	2,384.0	2,489.1	2,600.2	2,715.5
SBC Baseline:											
Revenues	1,814.6	1,870.0	1,930.4	2,014.6	2,090.6	2,184.0	2,287.7	2,392.5	2,499.7	2,610.6	2,727.0
Resolution compared to: President's Budget											
Revenues	0.4	−4.0	−10.1	−52.8	−31.8	−46.9	−59.9	−100.7	−125.2	−140.3	−165.7
SBC Baseline:											
Revenues	....	....	−7.4	−53.1	−32.3	−49.2	−62.6	−109.3	−135.8	−150.7	−177.2

C. DEBT LEVELS

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

Under the reported resolution, debt held by the public declines by nearly $1.8 trillion over the next ten years. Debt held by the public under the President's Budget declines by about $1.3 trillion over the next ten years. After ten years, debt held by the public is $463 billion higher under the President's Budget than under the Committee-reported resolution.

The statutory debt limit, which now stands at $5.95 trillion, would not have to be increased until 2004 under the reported resolution. Under the President's Budget, the statutory debt limit would have to be raised in 2001.

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

[In billions of dollars]

Debt	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Resolution:											
Held by Public	3628.3	3510.0	3377.7	3236.9	3088.2	2926.0	2742.9	2544.2	2329.1	2099.5	1861.1
Subject to Limit	5545.2	5635.9	5716.1	5801.0	5885.0	5962.2	6029.4	6088.1	6138.9	6175.1	6203.5
President's Budget:											
Held by Public	3,629.5	3,564.9	3,491.0	3,395.8	3,302.4	3,188.5	3,055.4	2,891.1	2,709.7	2,522.1	2,323.6
Subject to Limit	5,546.3	5,778.6	5,999.8	6,243.0	6,498.4	6,765.1	7,042.9	7,337.9	7,661.1	8,018.6	8,409.0
SBC Baseline:											
Held by Public	3628.3	3525.0	3400.9	3228.1	3035.2	2796.5	2517.1	2168.9	1769.5	1329.9	842.8
Subject to Limit	5545.2	5650.9	5739.3	5792.2	5832.0	5832.8	5803.5	5712.9	5579.3	5405.5	5185.2
Resolution compared to:											
President's Budget:											
Held by Public	−1.2	−54.9	−113.3	−158.9	−214.2	−262.5	−312.5	−346.9	−380.6	−422.6	−462.5
Subject to Limit	−1.1	−142.7	−283.7	−442.00	−613.4	−802.9	−1013.5	−1249.8	−1522.2	−1843.5	−2205.5
SBC Baseline:											
Held by Public	....	−15.0	−23.2	8.8	53.0	129.5	225.8	375.3	559.6	769.6	1018.3
Subject to Limit	....	−15.0	−23.2	8.8	53.0	129.5	225.8	375.3	559.6	769.6	1018.3

IV. Summary Tables

FUNCTION SUMMARY—COMMITTEE-REPORTED RESOLUTION

[In billions of dollars]

Function		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
050	BA	279.0	288.8	303.6	308.2	318.3	327.2	328.4	329.6	330.9	332.2	333.5
	OT	273.1	274.6	285.9	291.7	303.6	313.5	316.7	315.1	313.7	317.1	318.0
Discr	BA	280.1	290.0	304.8	309.3	319.4	328.1	329.3	330.5	331.8	333.1	334.3
	OT	274.2	275.8	287.1	292.8	304.7	314.4	317.6	316.0	314.6	318.0	318.0
Mand	BA	−1.1	−1.2	−1.1	−1.1	−1.1	−1.0	−0.9	−0.9	−0.9	−0.9	−0.9
	OT	−1.1	−1.2	−1.2	−1.1	−1.1	−1.0	−0.9	−0.9	−0.9	−0.9	−0.9
150	BA	34.4	12.5	12.7	12.0	13.6	14.5	14.7	14.8	14.9	15.0	15.0
	OT	14.8	14.9	15.4	14.8	14.4	14.1	13.8	13.5	13.4	13.2	13.1
Discr	BA	39.4	17.7	17.5	17.2	17.0	16.9	16.8	16.7	16.5	16.4	16.3
	OT	18.7	18.5	19.0	18.2	17.7	17.3	16.9	16.6	16.5	16.3	16.2
Mand	BA	−5.0	−5.2	−4.7	−5.2	−3.5	−2.4	−2.1	−1.8	−1.6	−1.4	−1.3
	OT	−3.9	−3.7	−3.6	−3.4	−3.3	−3.2	−3.1	−3.1	−3.1	−3.1	−3.1
250	BA	18.8	18.0	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
	OT	18.2	18.2	17.9	17.9	17.8	17.8	17.8	17.8	17.8	17.8	17.8
Discr	BA	18.8	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9	17.9
	OT	18.2	18.2	17.8	17.8	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Mand	BA	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	OT	0.0	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
270	BA	1.1	0.0	−1.4	−0.2	−0.1	−0.3	−0.4	−0.5	−0.5	−0.2	−0.1
	OT	0.7	−0.7	−3.1	−1.1	−1.2	−1.4	−1.5	−1.5	−1.4	−1.1	−1.1
Discr	BA	3.0	1.8	0.5	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
	OT	3.2	2.6	0.8	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Mand	BA	−1.8	−1.8	−1.9	−2.1	−2.0	−2.2	−2.3	−2.4	−2.4	−2.1	−2.0
	OT	−2.6	−3.2	−3.9	−3.2	−3.2	−3.3	−3.4	−3.4	−3.4	−3.1	−3.0
300	BA	24.2	21.5	21.2	20.7	22.5	22.5	22.5	22.6	22.7	22.7	23.0
	OT	23.4	22.2	21.7	21.0	22.6	22.5	22.4	22.5	22.4	22.4	22.7
Discr	BA	23.5	20.7	20.7	20.3	22.0	22.0	22.1	22.1	22.2	22.2	22.2
	OT	22.7	21.5	21.1	20.6	22.1	22.1	22.1	22.1	22.0	22.0	22.1
Mand	BA	0.7	0.8	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.8
	OT	0.8	0.8	0.7	0.4	0.5	0.4	0.3	0.4	0.4	0.3	0.7
350	BA	22.5	14.8	13.5	11.3	12.0	12.1	10.6	10.6	10.7	10.8	10.9
	OT	20.4	13.7	11.3	9.5	10.3	10.5	9.9	9.1	9.1	9.2	9.2
Discr	BA	4.3	3.9	3.7	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6
	OT	4.3	4.0	3.8	3.7	3.6	3.6	3.6	3.6	3.6	3.6	3.6
Mand	BA	18.1	10.9	9.8	7.6	8.3	8.4	6.9	7.0	7.1	7.1	7.2

FUNCTION SUMMARY—COMMITTEE-REPORTED RESOLUTION—Continued

[In billions of dollars]

Function		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
	OT	16.1	9.6	7.5	5.8	6.7	6.9	6.3	5.5	5.5	5.6	5.6
370	BA	1.9	9.7	10.3	13.8	14.5	13.9	12.7	12.6	12.7	12.6	13.4
	OT	0.8	4.3	5.4	9.5	10.9	10.4	9.4	9.1	8.9	8.5	8.8
Discr	BA	3.5	3.7	2.1	1.7	1.8	1.8	1.8	1.8	1.8	1.8	2.8
	OT	3.2	3.9	2.2	1.7	1.8	1.7	1.7	1.7	1.8	1.7	2.7
Mand	BA	−1.6	6.0	8.1	12.1	12.7	12.1	10.9	10.8	10.9	10.8	10.7
	OT	−2.3	0.4	3.2	7.8	9.1	8.7	7.7	7.4	7.1	6.7	6.2
400	BA	51.3	51.3	51.1	51.5	52.5	52.6	52.6	52.6	52.7	52.7	52.7
	OT	44.0	45.3	47.7	47.8	46.7	46.2	46.0	46.0	46.0	46.0	46.0
Discr	BA	14.4	12.2	11.9	11.3	11.2	11.2	11.2	11.2	11.2	11.2	11.2
	OT	42.0	43.4	45.4	45.8	44.9	44.5	44.3	44.3	44.3	44.3	44.3
Mand	BA	36.8	39.1	39.2	40.2	41.3	41.4	41.4	41.4	41.5	41.5	41.5
	OT	1.9	1.9	2.3	2.0	1.9	1.7	1.7	1.7	1.7	1.7	1.7
450	BA	10.2	5.3	2.7	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	OT	11.4	10.3	7.5	4.7	3.0	2.1	1.2	0.9	0.8	0.7	0.7
Discr	BA	10.1	5.3	2.7	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
	OT	11.8	10.7	8.0	5.2	3.5	2.6	1.8	1.5	1.4	1.3	1.3
Mand	BA	0.1	0.0	−0.0	−0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
	OT	−0.4	−0.5	−0.5	−0.5	−0.5	−0.5	−0.6	−0.6	−0.6	−0.6	−0.6
500	BA	61.0	67.4	66.5	67.3	73.3	76.6	77.5	78.2	79.1	80.1	80.1
	OT	59.8	64.0	65.4	66.0	68.5	72.5	75.9	77.2	78.1	79.1	79.1
Discr	BA	46.6	52.2	51.2	52.2	56.7	59.7	59.7	59.7	59.7	59.7	58.6
	OT	46.0	48.7	49.6	50.9	52.3	55.9	58.7	59.2	59.3	59.3	58.3
Mand	BA	14.4	15.2	15.4	15.1	16.7	17.0	17.8	18.6	19.5	20.5	21.4
	OT	13.8	15.3	15.8	15.1	16.3	16.6	17.2	18.0	18.8	19.8	20.7
550	BA	147.5	156.2	164.1	173.3	184.7	197.9	212.8	228.4	246.3	265.2	285.5
	OT	140.7	153.0	162.4	173.8	185.3	198.5	212.6	228.3	245.5	264.4	284.9
Discr	BA	30.1	29.3	27.9	27.7	27.5	27.3	27.0	26.7	26.4	26.1	25.8
	OT	26.8	28.3	27.4	27.3	27.2	26.9	26.6	26.3	26.0	25.7	25.4
Mand	BA	117.4	126.9	136.2	145.6	157.2	170.6	185.8	201.7	219.9	239.1	259.7
	OT	114.0	124.7	135.0	146.4	158.1	171.6	186.0	202.0	219.5	238.7	259.5
570	BA	195.2	208.7	222.1	230.6	250.7	268.6	295.6	306.8	337.6	365.6	394.1
	OT	194.6	208.7	222.3	230.2	250.9	268.7	295.2	306.9	337.8	365.2	394.2
Discr	BA	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
	OT	2.8	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0

Mand	BA	192.2	205.7	219.1	227.6	247.8	265.6	292.6	303.8	334.6	362.7	391.1
	OT	191.8	205.7	219.3	227.2	247.9	265.8	292.2	303.9	334.8	362.2	391.3
600	BA	235.2	244.4	250.9	263.6	276.4	285.6	297.9	304.2	310.0	323.3	333.6
	OT	238.2	248.1	257.0	266.6	276.2	285.4	298.1	304.6	310.9	324.8	335.1
Discr	BA	33.1	28.7	28.3	30.9	34.6	35.2	35.7	36.2	36.7	37.2	37.9
	OT	40.6	39.4	39.4	39.4	39.3	39.4	39.7	40.0	40.4	40.9	41.4
Mand	BA	202.1	215.7	222.6	232.7	241.8	250.4	262.2	267.9	273.3	286.1	295.7
	OT	197.6	208.7	217.6	227.2	236.8	246.0	258.4	264.6	270.6	283.9	293.7
650	BA	390.6	407.2	426.0	445.9	467.0	489.8	514.6	540.9	568.7	599.0	633.6
	OT	390.8	407.3	426.0	445.9	467.0	489.7	514.5	540.8	568.7	599.0	633.6
Discr	BA	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
	OT	3.3	3.3	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Mand	BA	387.5	404.1	422.9	442.7	463.8	486.6	511.4	537.7	565.6	595.8	630.5
	OT	387.5	404.1	422.9	442.7	463.8	486.6	511.4	537.7	565.6	595.8	630.5
700	BA	43.0	44.7	44.3	44.7	45.5	45.9	48.3	46.8	47.4	48.0	48.6
	OT	42.9	45.1	45.0	45.1	46.0	46.3	48.8	47.4	45.8	48.5	49.2
Discr	BA	19.3	20.2	19.1	19.0	19.0	19.0	19.0	18.9	18.9	18.9	18.9
	OT	19.1	20.4	19.5	19.1	19.1	19.0	18.9	18.9	18.8	18.8	18.8
Mand	BA	23.8	24.5	25.1	25.7	26.5	26.9	29.4	27.9	28.5	29.1	29.7
	OT	23.9	24.6	25.5	26.0	26.9	27.4	29.9	28.5	27.0	29.7	30.4
750	BA	26.7	23.4	24.7	24.7	24.6	24.5	24.4	24.2	24.1	24.0	23.8
	OT	25.1	25.3	25.1	24.9	24.4	24.4	24.2	24.1	24.0	23.9	23.7
Discr	BA	26.1	23.1	24.4	24.4	24.4	24.4	24.4	24.3	24.3	24.3	24.3
	OT	24.3	25.1	25.0	24.8	24.4	24.4	24.4	24.3	24.3	24.3	24.3
Mand	BA	0.5	0.3	0.2	0.2	0.2	0.1	−0.0	−0.1	−0.2	−0.3	−0.4
	OT	0.7	0.2	0.1	0.1	0.0	−0.0	−0.1	−0.2	−0.3	−0.4	−0.5
800	BA	17.2	12.3	11.9	12.1	12.1	12.1	12.1	12.1	12.2	12.2	12.2
	OT	15.7	13.5	12.6	12.3	12.2	12.2	11.9	11.8	11.9	12.1	11.9
Discr	BA	14.3	11.4	11.0	11.1	11.1	11.1	11.1	11.1	11.1	11.1	11.1
	OT	12.9	12.3	11.7	11.4	11.2	11.0	10.9	10.9	10.9	10.9	10.9
Mand	BA	2.9	0.9	0.9	1.0	1.0	1.0	1.0	1.01	1.0	1.0	1.0
	OT	2.9	1.2	0.9	0.9	1.0	1.1	1.10	0.9	1.0	1.2	1.0
900	BA	229.4	217.9	207.4	196.8	186.9	176.9	165.6	153.9	142.2	129.0	115.7
	OT	229.4	217.9	207.4	196.8	186.9	176.9	165.6	153.9	142.2	129.0	115.7
Discr	BA	....	....	....	....	....	....	....	....	....	....	....
	OT	....	....	....	....	....	....	....	....	....	....	....
Mand	BA	229.4	217.9	207.4	196.8	186.9	176.9	165.6	153.9	142.2	129.0	115.7
	OT	229.4	217.9	207.4	196.8	186.9	176.9	165.6	153.9	142.2	129.0	115.7
920	BA	....	−8.0	−8.5	−6.4	−4.4	−4.5	−4.5	−4.6	−5.2	−5.3	−5.3
	OT	....	−8.1	−1.9	−2.0	−4.8	−5.0	−5.1	−5.2	−5.8	−5.9	−5.9

FUNCTION SUMMARY—COMMITTEE-REPORTED RESOLUTION—Continued

[In billions of dollars]

Function		1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Discr	BA	....	−8.0	−8.5	−6.4	−4.4	−4.5	−4.5	−4.6	−5.2	−5.3	−5.3
	OT	....	−8.1	−12.9	−20.0	−4.8	−5.0	−5.1	−5.2	−5.8	−5.9	−5.9
Mand	BA	....	....	....	....	....	....	....	....	....	....	....
	OT	....	....	....	....	....	....	....	....	....	....	....
950	BA	−40.1	−42.2	−45.3	−52.8	−47.2	−48.0	−49.8	−51.2	−53.2	−54.9	−56.7
	OT	−40.1	−42.2	−45.3	−52.8	−47.2	−48.0	−49.8	−51.2	−53.2	−54.9	−56.7
Discr	BA	....	....	....	....	....	....	....	....	....	....	....
	OT	....	....	....	....	....	....	....	....	....	....	....
Mand	BA	−40.1	−42.2	−45.3	−52.8	−47.2	−48.0	−49.8	−51.2	−53.2	−54.9	−56.7
	OT	−40.1	−42.2	−45.3	−52.8	−47.2	−48.0	−49.8	−51.2	−53.2	−54.9	−56.7
Total	BA	1749.3	1754.0	1795.8	1837.0	1922.7	1987.5	2055.3	2102.0	2173.2	2251.9	2333.5
	OT	1704.1	1735.4	1774.7	1804.6	1893.2	1957.3	2027.9	2071.2	2136.5	2218.8	2300.2
Discr	BA	572.8	536.3	541.3	550.4	571.8	583.8	585.0	586.2	587.0	588.2	589.6
	OT	574.1	570.9	571.0	567.0	592.7	603.6	608.0	606.1	603.9	607.0	607.9
Mand	BA	1176.5	1217.7	1254.4	1286.6	1350.9	1403.7	1470.3	1515.8	1586.2	1663.7	1743.8
	OT	1129.9	1164.4	1203.6	1237.6	1300.5	1353.7	1419.9	1465.1	1532.6	1611.8	1692.2
Revenues		1814.6	1870.0	1923.0	1961.5	2058.3	2134.8	2225.1	2283.3	2363.9	2459.9	2549.8
Surplus		110.5	134.6	148.3	156.8	165.1	177.5	197.2	212.1	227.4	241.1	249.6
On-budget		−19.3	−6.3	0.0	0.0	−0.0	2.9	9.8	14.8	19.8	24.8	27.8
Off-budget		129.8	140.9	148.3	156.8	165.1	174.6	187.4	197.2	207.7	216.3	221.8

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT—BUDGET YEAR TOTAL 2000

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations act	
	Budget authority	Outlays	Budget authority	Outlays
Appropriations:				
General Purpose Discretionary	531,771	536,700	0	0
Violent Crime Reduction Trust Fund	4,500	5,554	0	0
Highways	0	24,574		
Mass Transit	0	4,117		
Mandatory	321,502	304,297	0	0
Total	857,773	875,242	0	0
Agriculture, Nutrition, and Forestry	10,843	7,940	26,696	9,419
Armed Services	49,327	49,433	0	0
Banking, Housing, and Urban Affairs	4,676	(1,843)	0	0
Commerce, Science, and Transportation	8,420	5,774	721	717
Energy and Natural Resources	2,336	2,258	40	63
Environmental and Public Works	36,532	2,041	0	0
Finance	683,333	676,384	159,910	157,096
Foreign Relations	9,354	11,976	0	0
Governmental Affairs	59,501	57,941	0	0
Judiciary	4,759	4,235	234	234
Labor and Human Resources	9,023	8,363	1,309	1,309
Rules and Administration	114	289	0	0
Veterans' Affairs	1,106	1,381	23,667	23,540
Indian Affairs	151	150	0	0
Small Business	0	(155)	0	0
Unassigned to Committee	(310,317)	(293,117)	0	0
Total	1,426,931	1,408,292	209,577	192,378

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT—5-YEAR TOTAL: 2000–2004

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	46,012	29,869	100,467	52,240
Armed Services	263,769	263,577	0	0
Banking, Housing, and Urban Affairs	31,606	(2,456)	0	0
Commerce, Science, and Transportation	65,503	50,347	3,887	3,868
Energy and Natural Resources	11,023	11,009	200	236
Environment and Public Works	179,132	8,214	0	0
Finance	3,589,523	3,570,816	905,958	909,007
Foreign Relations	42,596	52,913	0	0
Governmental Affairs	316,771	308,444	0	0
Judiciary	23,791	22,792	1,170	1,170
Labor and Human Resources	48,269	45,687	6,784	6,784
Rules and Administration	488	660	0	0
Veterans' Affairs	4,350	6,361	125,438	125,110
Indian Affairs	716	717	0	0
Small Business	0	(625)	0	0

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT—10–YEAR TOTAL: 2000–2009

[In millions of dollars]

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	81,410	51,523	198,127	117,538
Armed Services	574,119	573,458	0	0
Banking, Housing, and Urban Affairs	88,649	(2,399)	0	0
Commerce, Science, and Transportation	146,837	115,670	8,558	8,519
Energy and Natural Resources	21,822	22,406	400	436
Environment and Public Works	339,303	13,501	0	0
Finance	7,745,497	7,723,734	2,237,130	2,239,681
Foreign Relations	81,782	93,179	0	0
Governmental Affairs	694,369	675,609	0	0
Judiciary	41,315	39,775	2,336	2,340
Labor and Human Resources	101,790	96,528	14,180	14,180
Rules and Administration	950	1,140	0	0
Veterans' Affairs	5,465	10,744	269,182	266,592
Indian Affairs	1,407	1,403	0	0
Small Business	0	(820)	0	0

V. BUDGET RESOLUTIONS: ENFORCEMENT, OTHER PROVISIONS AND RECONCILIATION

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 budget resolution. The Committee-reported resolution contains a number of provisions which implement policies assumed in this resolution while maintaining a balanced budget excluding the Social Security surplus.

Title I of the Committee-reported resolution contains two provisions to address the fact that Congress never adopted a fiscal year 1999 budget resolution and to focus attention on debt held by the public levels. Section 1(a)(2) of the Committee-reported resolution contains language that incorporates the levels in the deeming resolution passed by the Senate at the end of the 105th Congress as the fiscal year 1999 budget resolution. Section 101(6) provides advisory debt held by the public levels in the budget resolution. 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.

Title II of the Committee-reported resolution contains nine 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." 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 ensure that the on-budget deficit is eliminated and to prohibit consideration of legislation resulting in an on-budget deficit in the future. In addition, the resolution produces a $133 billion on-budget surplus over the next 10 years. The Committee does intend that on-budget surpluses may be made available for tax relief, up to $6 billion in targeted agriculture spending, and for a prescription drug benefit if it is part of legislation that significantly extends the solvency of the Medicare Hospital Insurance Trust Fund that does not rely on general fund transfers.

Some interpret a surplus to be a "negative deficit." The Committee does not intend that this interpretation apply for the purposes of this resolution. More specifically, for the purposes of title II, a reduction in the on-budget surplus is not considered an increase in the on-budget deficit.

Section 201: Reserve fund for a fiscal year 2000 surplus

The Committee-reported resolution adopts a proposal by Senator Grams to allow any windfall that might result from a revision of the budget forecast to be devoted to additional tax relief. The Committee-reported resolution calls on CBO to complete its update of the economic and budget forecast for the 2000 budget by July 15. Next, if CBO's revised projection shows an on-budget surplus for 2000, this reserve fund requires the Chairman to adjust the revenue level, the pay-as-you-go balance, and the revenue reconciliation instruction by the amount of the on-budget surplus for 2000.

Section 202: Reserve fund for agriculture

The spending levels in the Committee-reported resolution incorporate Senators Grams and Grassley's proposal for $6 billion in additional spending for agriculture. The Committee-reported resolution ensures that up to $6 billion is made available for legislation that addresses risk management and income assistance to agriculture producers through a reserve fund. If the Senate Agriculture Committee reports legislation that provides risk management and income assistance to agriculture producers, then the Chairman of the Budget Committee is authorized to increase the Agriculture Committee's allocation of budget and outlays to accommodate this additional spending. The reserve fund provides that this legislation cannot cause an on-budget deficit.

The Committee adopted an amendment by Senators Conrad, Grassley, and Grams that would allow an additional $500 million in agriculture spending in fiscal year 2000, but this additional spending must be offset by reductions in direct spending.

Tax reduction reserve fund

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

Section 204: Clarification of the Senate's pay-as-you-go rule

The Committee-reported resolution includes language that clarifies that the Senate pay-as-you-go rule still applies until the budget is balanced excluding the transactions of the Social Security trust fund. This change would prohibit the expenditure of Social Security surpluses, but would allow on-budget surpluses to be used to offset tax reductions or spending increases. As amended by the resolution, the pay-go point of order (section 202 of H. Con. Res. 67 104th Congress) would read as follows (new language is indicated by italic):

SEC. 202 EXTENSION OF PAY-AS-YOU-GO POINT OF ORDER

(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.

Section 205: Emergency designation point of order

The Committee-reported resolution would curb the abuse of spending the Social Security surplus on so-called “emergencies.” Under sections 251(1)(b)(2)(A) and 252(e) of the Balanced Budget and Emergency Deficit Control Act of 1985, if Congress and the President designate a provision of legislation an emergency, it is exempt from the statutory limits on appropriations legislation and the pay-as-you-go requirement for all other legislation.

The Committee-reported resolution makes language designating a provision of legislation as an “emergency” subject to a 60 vote point of order in the Senate. If a point of order was raised and sustained against such language, that language would be stricken from the measure. The committee intends that this point of order be comprehensive in nature. It intends that it apply to provisions in House legislation and provisions in amendments that make emergency designations as provided in the Balanced Budget and Emergency Deficit Control Act of 1985. If a point of order was sustained against a provision making an emergency designation, that language would be removed from the bill, resolution, motion, amendment or conference report. The language providing the spending or revenue change would remain in the measure and it would be up to the Senate to decide whether to strike the language, offset its cost, or risk a sequester order once it was enacted into law.

Section 206: Authority to provide committee allocations

Section 302 of the Budget Act requires the statement of managers accompanying a conference report on a budget resolution to include an allocation of spending authority to committees. Since this budget resolution may not go to conference, the Committee-reported resolution requires the Chairman of the Budget Committee to file allocations that are consistent with the budget resolution.

Section 207: Reserve fund for use of OCS receipts

This section provides a reserve fund that would allow committee allocations to be adjusted for legislation providing new direct spending for historic preservation, recreation and land, water, fish, and wildlife conservation efforts to support coastal needs and activities. The Committee intends that this reserve fund accommodate an increase in spending for these programs if they are offset by reductions in direct spending. It would not allow revenue increases to offset spending increases.

Section 208: Reserve fund for Medicare managed plans

This section provides a reserve fund that would allow committee allocations to be adjusted for legislation providing new direct spending for Medicare managed plans agreeing to serve elderly patients for at least 2 years and whose reimbursement was reduced because of risk management regulations. The Committee intends that this reserve fund accommodate an increase in spending for these programs if they are offset by reductions in direct spending. It would not allow revenue increases to offset spending increases.

Section 209: Reserve fund for Medicare and prescription drugs

This section provides a reserve fund as proposed by Senator Snowe that would allow committee allocations and spending aggregates to be adjusted for legislation that significantly extends the solvency of the Medicare Hospital Insurance (HI) Trust Fund without the use of transfers of new subsidies from the general fund. Subsection (a) reserve fund is designed to accommodate legislation that reforms the Medicare program and extends the solvency of the HI trust fund. It would not allow revenue increases to offset spending increases.

While the Committee-reported resolution did not set a specific time period for the extension of the solvency of the HI trust fund, this section would require that the HI trust fund's solvency must be extended "significantly" before this reserve fund could be triggered. The National Bipartisan Commission on the Future of Medicare considered a plan to extend the solvency of the HI trust fund by 9 years and the President's budget claims to extend solvency be extended by 12 years. The Committee notes that the plan considered by the Commission, and supported by ten of its 17 members, would increase spending slightly in the first three years but would reduce spending by $6 billion over ten years, according to Commission staff estimates.

The Committee-reported resolution would not allow this reserve fund to be triggered if the Medicare reform legislation extends the solvency of the HI trust fund with the use of new intergovernmental transfers such as those proposed in the President's fiscal year 2000 budget. The President's budget proposes to extend the solvency of this trust fund to 2020 with transfers of $900 billion from the general fund. This transfer is a new subsidy from the general fund that will increase the public debt by $900 billion, put a huge tax burden on future generations, and does nothing to reform the Medicare program or the fiscal challenges this program presents to the country in coming years.

Subsection (b) provides that if legislation meets the requirements to extend the solvency of the HI trust fund as discussed above, then this reserve fund provides that adjustments to committee allocations and aggregates may be made to address the cost of prescription drugs. In this instance, the Committee intends that this adjustment could be made out of the on-budget surplus as long as it does not cause or increase an on-budget deficit for the first year, the sum of the first five years, or the sum of the second five years covered by this resolution.

Section 210: Rulemaking authority

This section contains language regarding the rulemaking authority of each of the Houses of Congress.

Title III of the resolution contains the following non-binding language that expresses the will or intent of either or both Houses of the Congress:

Sense of the Senate on Marriage Penalty;

Sense of the Senate on Improving Security for Diplomatic Missions;

Sense of the Senate on Access to Medicare Home Health Services;

Sense of the Senate on Deductibility of Health Insurance for Self-Employed;

Sense of the Senate on Tax Reductions and Working Families;

Sense of the Senate on the National Guard;

Sense of the Senate on Social Security Reform and Women;

Sense of the Senate on NIH funding;

Sense of the Congress on Funding for Kyoto Protocol Implementation;

Sense of the Senate on Federal Research and Development;

Sense of the Senate on Counter-Narcotics Funding;

Sense of the Senate on Tribal Colleges;

Sense of the Senate on the Social Security Surplus;

Sense of the Senate on the Sale of Governor's Island; and

Sense of the Senate on Pell Grants.

RECONCILIATION

The Committee-reported resolution contains reconciliation instructions to the tax-writing committees to reduce revenues by $142.034 billion for the sum of the first five years covered by the resolution and by $777.587 billion for the sum of the ten years covered by the resolution.

Debt subject to limit currently stands at $5.5 trillion, well below the current limit of $5.95 trillion. The President's budget proposes to increase the debt subject to limit by $3 trillion over the ten year period. The Committee rejected the President's proposed debt increase and is concerned with the amount by which the statutory limit exceeds current levels of debt. As a result, the Committee-reported resolution contains a reconciliation instruction to temporarily reduce this statutory debt limit to $5.865 to ensure the President's proposal to increase the debt cannot be accommodated.

The Committee-reported resolution directs the House Ways and Means Committee to report reconciliation legislation by June 11, 1999. The Senate Finance Committee would be required to report reconciliation legislation by June 18, 1999.

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 10, 1999

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 2000 Budget Resolution. These views are provided in response to your February 9 letter and are in accordance with the requirements of the Congressional Budget Act, as amended.

Members of the Committee are pleased that the federal budget is projected to be in surplus for FY 2000 and later years. As a capital intensive industry, U.S. agriculture benefits from the downward pressure on interest rates applied by federal spending restraint. Nominal interest rates are at the lowest level seen in recent years, which will help farmers and ranchers hold down production costs in 1999. This is particularly important at a time when farmers are facing some of the lowest crop and livestock prices seen in many years.

Farm prices for most commodities fell dramatically in 1998 due to a collapse in Asian export demand and large crops here and around the world. Though it is early for accurate predictions, most analysts expect farm prices to remain depressed in 1999. Hog and cattle prices are struggling to recover from dismally low levels, but are expected to strengthen in the second half of this year. The 1999 price outlook for grains, oilseeds, and cotton, however, is as bearish as has been seen in many years. Farm milk prices are declining significantly this year from 1998's record high level.

Farmers and ranchers know, of course, that agriculture is a cyclical business and that farm prices can be subject to large swings. On a national basis, 1998 was preceded by two years of relatively high farm income, including 1996's all time high. In those years, farm income was supported by relatively high prices, strong exports, and by Freedom to Farm transition payments authorized by the 1996 Federal Agriculture Improvement and Reform (FAIR) Act . Transition payments received by farmers on their 1996 and 1997 crops were in fact larger than would have occurred under the previous farm program's deficiency payment program.

As a result of these factors, the farm sector's financial balance sheet entering 1998 was strong. On farmers' 1998 crops, the FAIR Act provided $5.7 billion in transition payments, an amount lower than would have been provided under deficiency payments, and $3.2 billion in additional assistance through the Act's marketing loan and loan deficiency payment (LDP) programs. The marketing loan and LDP programs partially offset the impact of lower 1998 crop prices. USDA also responded to the drop in agricultural exports with increased use of export credits and food assistance programs.

In October 1998, the Congress provided approximately $6 billion in emergency farm relief as part of the FY 1999 Omnibus Appropriations Act. About $2.8 billion of the authorized total was provided immediately by supplementing farmers' 1998 crop FAIR Act transition payments. USDA now estimates calendar year 1998 net farm income at $48.0 billion.
The Omnibus Act will provide another $2.8 billion this year, mostly for disaster payments for 1998 crop and previous year losses. USDA reserved $400 million of this amount to fund a 30 percent reduction in farmers' 1999 crop insurance premiums. Including this and ongoing federal assistance available through the FAIR Act, USDA projects 1999 net farm income at $44.6 billion.

For the future, the Committee supports a comprehensive approach to the economic situation facing farmers that, to the extent that it requires additional funds, is provided through the normal budget process. We must do all we can to restore growth in U.S. agricultural exports reduced by global economic conditions and the glut of commodities. A positive step would be legislation that exempts commercial agricultural exports from the effects of unilateral economic sanctions imposed by our government. We must also pursue full enforcement of existing trade agreements and the negotiation of new trade agreements that eliminate or greatly reduce barriers and trade distorting agricultural subsidies around the world. Congress and the Administration should work together to fashion fast track legislation that can pass this year.

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. Last year's Omnibus Appropriations Act provided farmers with additional tax relief in the areas of income averaging, the deduction for self-employed health insurance premiums, and five-year net operating loss carrybacks. These were important steps, but more should be done. Although significant changes were made in 1997, the Committee supports additional estate tax relief for farmers and other small business owners. We also support Farm and Ranch Risk Management (FARRM) account legislation, introduced by Senators Grassley and Baucus, to enable farmers to deposit a portion of their annual farm income into FARRM accounts, on which tax is deferred if such amounts and investment proceeds are withdrawn within five years. Similarly, we support a bill introduced by Senator Harkin to allow working farmers to carry back their farm net operating losses for 1998 and 1999, a period of quite low commodity prices, over the preceding ten tax years.

The Committee also believes that risk management tools available to farmers must be improved. The Administration has released a group of general proposals which would raise federal protection available to farmers for catastrophic crop losses, increase subsidies for higher and more comprehensive "buy-up" crop insurance, and authorize USDA to address special concerns such as multi-year crop losses. The Administration is also seeking authority for USDA to extend federal insurance coverage to livestock producers. In order for these changes to take effect with the 2000 crop year, the Administration says legislation must be enacted this year.

Although the Administration provided no funds in its budget for crop insurance modifications, Secretary Glickman has indicated to the Committee that the Administration's proposals would cost between $1.5 billion and $6 billion per year. The Committee looks forward to receiving a specific proposal from the Administration soon.

The Committee will review these and other legislative proposals for expanding or changing the federal crop insurance program during comprehensive hearings later this month. Greatly reducing the likelihood of future ad hoc disaster assistance, such as that enacted last year, will be a central goal of any legislation.

Before committing to crop insurance legislation, however, the Committee will review USDA's current management of the program and how the Department can improve the program using the authority it has under current law. The Committee would also like to know the extent to which premium rates paid by farmers in low risk areas subsidize those paid by farmers in high risk areas. Farmers' planting and other production decisions should be based on market signals, rather than on insurance program provisions.

Risk management education, including USDA's Risk Management Education Program, can help farmers see the benefits of better risk management and greater awareness of the ways that agricultural production and financial risk can be managed. However, achieving this goal will take a much broader commitment to learning among farmers, USDA, insurance providers, educators, extension specialists, and others involved in agriculture.

Finally, the Committee supports a renewed commitment to agricultural research. Last year, the President signed into law the Agricultural Research, Extension, and Education Reform Act of 1998 which provided $120 million in new annual mandatory funding for competitive agricultural research grants. While this funding was denied through the appropriations process last year, the Committee is hopeful that funding for fiscal year 2000 and beyond will remain intact throughout the budget and appropriations process. We appreciate the President'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.

The Agriculture Committee made major contributions to deficit reduction in 1996 with the FAIR Act and welfare reform legislation and in previous budget rounds. The Committee will continue to review and monitor spending in both the farm and food and nutrition area. The Committee is aware that overall discretionary spending must be restrained if we are to retain a substantial portion of the projected surplus to pay off previously accumulated federal debt. As your Committee considers the aggregate discretionary spending levels in the 1999 budget resolution, we ask that you keep in mind the need to accommodate a continued strong U.S. role in international food aid, as well as the critical importance of securing future gains through agricultural research, especially competitive grants, and support for rural economic development. As always, the Agriculture Committee is prepared to do whatever it can to help restrain federal spending.

Sincerely,

Richard G. Lugar
Chairman

Tom Harkin
Ranking Member

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

March 16, 1999

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 2000 Budget Resolution.

The fiscal years 2000 defense budget request and Future Years Defense Program (FYDP) fail to provide the resources necessary to meet our national security requirements and ensure the United States Armed Forces can effectively fulfill their assigned missions. The Chairman of the Joint Chiefs and the Service Chiefs have clearly outlined the essential funding requirements necessary to maintain the readiness of our forces. The Service Chiefs were clear in their need for additional funding and their belief that the funding provided in the Balanced Budget Agreement for defense is inadequate.

The Joint Chiefs of Staff testified that they have an additional annual requirement of $17.5 billion to meet shortfalls in readiness and modernization. This requirement does not include funding for contingency operations and increased pay and retirement benefits necessary to address the serious problems in recruiting and retention. During hearings before the Armed Services Committee in September 1998 and again in January 1999, the Joint Chiefs identified a series of problems, that without additional funding, will continue to degrade our military readiness.

The gap between our military capabilities and our commitments around the world continues to increase. The unprecedented frequency of deployments over the past six years has eroded the ability of our Armed Forces to successfully execute their missions and places hardships on our young service members and their families, producing serious retention and readiness problems. Admiral Jay L. Johnson, Chief of Naval Operations, was correct when he testified at our September 29, 1998, hearing that, "A review of world events during 1998 will dispel any misconception that the world is now a less violent place." Other nations continue to look to the United States for leadership in resolving the many conflicts which continue to erupt in this rapidly changing world. For these reasons, we must ensure the funding provided to our military forces is adequate to maintain their readiness.

The Senate has already demonstrated overwhelming support for correcting the inequities in the military retirement system and increasing military pay by passing S.4, The Soldier's, Sailor's, Airmen's and Marines' Bill of Rights Act of 1999. I believe it is critical to include the necessary resources in the budget resolution to enact the important initiatives contained in this legislation.

The current outlay levels of funding in the Balanced Budget Agreement are clearly insufficient. The Congressional Budget Office (CBO) estimate of the defense budget request indicates that the request exceeds the budget agreement outlay cap by $15.4 billion for fiscal year 2000. This mismatch of the budget authority and outlay levels must be corrected for fiscal year 2000 and each year of the resolution, for it has the possibility of undermining the readiness and future modernization of our armed forces.

I agree with General Ryan's testimony to the Committee in September 29, 1998, that, "Force readiness is fragile. If we do not reverse these trends through substantial and sustained funding for our forces, the concern expressed today could turn rapidly into a readiness crisis tomorrow."

We have no higher responsibility than ensuring the safety and security of the American people by maintaining a strong and capable military, while also ensuring the welfare of our service members and their families. At a minimum, I believe the defense totals for fiscal year 2000 must be $293.0 billion for budget authority, and $290.0 billion in outlays for fiscal year 2000. This level of funding is necessary to meet the readiness requirements as outlined by the Joint Chiefs while offsetting questionable savings in the Administration's fiscal year 2000 budget request which includes such items as: Pay-Go-Savings, $2.9 billion; REDUX accrual policy change, $.6 billion; incremental funding of the military construction programs, $3.1 billion; unspecified rescission authority, $1.6 billion.

I look forward to working with you on a Budget Resolution for Fiscal Year 2000 that will correct the readiness problems identified by the Service Chiefs and result in a budget that supports a strong national defense. I have included a five-year projection of the funding necessary to maintain an adequate force necessary to execute our national security strategy.

Sincerely,

John Warner
Chairman

JW:ll

ATTACHMENT

Five Year Requirements for Defense (050)

($Bs)

	FY 00	FY 01	FY 02	FY 03	FY 04	TOTAL
Budget Authority						
Total Budget Authority Required	292.98	304.53	311.45	322.81	329.60	1,561.37
Outlays						
Total Outlays Required	290.10	287.69	299.00	309.07	318.46	1,504.30

United States Senate

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

March 5, 1999

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

Dear Chairman Domenici and Senator Lautenberg:

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.

Financial Services Modernization

One of the most significant tasks before the Committee this year will be consideration of legislation to modernize our financial services regulatory regime. Legislation to accomplish this goal was ordered reported by the Committee on March 4, 1999. Whether or not they made much sense in the past, current laws defining the boundaries between banking, securities, and insurance activities and the financial institutions that provide these services are now an expensive impediment to meeting the needs of customers and the competitive requirements of our financial industries. While enactment of this legislation is not expected to result in significant budgetary impact in the short run, it should in the long run prove to be an enhancement to economic growth, improving the efficiency and competitiveness of our nation's providers of financial services. The legislation ordered reported by the Committee also makes changes in the Savings Association Insurance Fund (SAIF), namely the elimination of the SAIF Special Reserve and the Deposit Insurance Fund Special Reserve. The need for these reserves no longer exists, and action to return their resources to the general SAIF resources could avoid budget scoring problems in future years. We ask that the Budget Resolution take these changes into account.

Community Reinvestment Act (CRA)

The Community Reinvestment Act was made a part of the federal statutes in 1977 with the limited purpose of requiring banks and savings and loan associations to make loans in the same communities where they take deposits. CRA has since been corrupted into a system of legalized extortion, often with the assistance of regulators. Moreover, it has increasingly replaced market directed financial activity with politically directed and motivated channeling of private financial resources. From a small beginning, CRA-directed funding has taken on a sizeable share of the economy, totaling nearly $700 billion in commitments in 1998. This cronyizing of the American economy is more typical of a third world economy and will undoubtedly be damaging to our national economic growth. It might be advisable for the Congressional Budget Office and others to analyze the impact of CRA on the economy and on federal budgetary receipts.

Taxation of Credit Unions

This Committee is opposed to proposals that would change the tax treatment of credit unions. While direct legislative jurisdiction over taxation of credit unions is not within this Committee's jurisdiction, the vitality and structure of the nation's credit unions is. The contributions that credit unions make to Americans as alternative financial cooperatives are substantial. Credit unions readily fulfill this need for affordable financial services and do so as non-profit institutions. While credit unions continue to fulfill this role as non-profit institutions, taxation of credit unions would be inconsistent with the longstanding principle of tax treatment of such institutions.

International Finance and Trade

The President requested a 10 percent increase in Export-Import Bank funding for Fiscal Year 2000, to $881 million. While the President's lack of a coherent trade policy, particularly his lack of support for fast track trade authority, resulted in a decline of U.S. export receipts during 1998, this failure should not be offset by an increase in Federal export subsidy programs. This increase should not be accommodated in the budget resolution.

The President requested $1.4 billion for multilateral development banks in FY 2000. Although Congress appropriated $1.5 billion in FY 1999, $539 million was subject to an adjustment of the discretionary spending limits under Section 314 of the Congressional Budget Act. This adjustment will not apply to funding of multilateral development banks in FY 2000. Therefore, the President's request is effectively a 49 percent or $457 million increase over the 1999 adjusted level. The Committee believes that this increase should not be accommodated in the budget resolution. Economic development in targeted countries is better addressed through the lowering of trade barriers. The Committee plans extensive oversight hearings this year on all international financial institutions, including the multilateral development banks.

The Banking Committee will consider the re-authorization of the Export Administration Act this year. It is not anticipated, however, that this will require any significant increase in funding to administer our nation's export control program.

Pursuant to the Wye River Memorandum, the Administration requests an emergency supplemental appropriations for the Palestinian Authority in the amounts of $200 million in FY 1999, $100 million in FY 2000 and $100 million in FY 2001. The Committee sees no grounds for inclusion of these funds in an emergency supplemental appropriation. Moreover, the Committee intends to exercise its oversight responsibilities to examine carefully the use of previous appropriations to the Palestinian Authority and examine the wisdom of any further transfer of taxpayer funds to the Palestinian Authority.

Financial Regulatory Relief and Economic Efficiency Act of 1999

The Committee will continue this year the process of regulatory reform and relief for our financial institutions and their customers. On February 11, 1999, the Committee ordered reported the Financial Regulatory Relief and Economic Efficiency Act of 1999. One of the provisions of this legislation would allow the Federal Reserve to pay interest on the private-sector bank reserves that it holds. This has been estimated by the Congressional Budget Office to result in a decrease in federal revenues (due to lower payments into the budget from the Federal Reserve) of $214 million in FY2000, and a five-year reduction in revenues of $661 million. On the other hand, these sterile reserves held by the Federal Reserve act as a tax upon banks, and one which banks are increasingly finding ways of avoiding by shifting funds elsewhere, decreasing the ability of the Federal Reserve to conduct monetary policy. For that reason, this provision has the support of the Federal Reserve Board and was reported out of the Committee without objection. We request that this change in law be accommodated in the budget resolution.

Securities Regulatory Reform

An ongoing concern of the Banking Committee is the large degree to which the fees collected by the Securities and Exchange Commission surpass the funding needed to operate the agency. In an attempt to reduce this disparity, provisions designed to phase in lower transactions fees were included in the National Securities Markets Improvement Act of 1996. Nonetheless, despite these efforts, the aggregate fee revenue has continued to outstrip the funding needs of the agency. For example, the actual fee revenue collected by the agency in fiscal year 1998 was $1.78 billion, while the SEC's appropriated spending level was just $341 million. Furthermore, fee revenue is expected to continue to exceed future SEC spending levels. Given the estimated fee collections of $1.62 billion, the revenues will exceed the agency's funding by almost 450% even if the agency is awarded its full FY 2000 budget request of $360.8 million. These fees clearly are taxes, not just user fees. The Committee will once again seek to enact legislation that will reduce the level of these fees to a position more in line with the agency's expenditures. Therefore, the Budget Committee should not assume such a continuing imbalance between SEC fee revenues and funding requirements.

Another priority of the Committee is the consideration of legislation designed to provide regulatory relief to the securities industry and its customers. In 1996, the Congress enacted the aforementioned National Securities Markets Improvement Act (NSMIA), which made changes to nearly every federal securities statute. The Committee plans to build upon the groundwork laid in NSMIA and embark upon a new effort to update our securities statutes in an effort maximize the economic efficiency with which our country's securities markets operate. Even though the budgetary impact of each of these changes is likely to be small, their cumulative beneficial effect on the overall economy could be substantial over time.

While the Committee on Agriculture, Nutrition and Forestry has original jurisdiction over the Commodity Futures Trading Commission (CFTC), the Banking Committee believes that the proposals to institute new CFTC fees have the potential to distort the allocation of capital between the commodities and securities markets and urges the Budget Committee to reject such proposals.

Public Utility Holding Company Act of 1999

On February 11, 1999, the Committee ordered reported the bill 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 on the Senate Floor with other elements of reform.

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 (GAO/RCED-97-244 September 30, 1997).

Housing and Community Development

The Committee notes favorably the passage of two major housing reform bills in the 105th Congress. The Multifamily Assisted Housing Reform and Affordability Act (MAHRAA) and the Quality Housing and Work Responsibility Act (QHWRA) were passed by the Banking Committee and adopted in the Fiscal Year 1998 and Fiscal Year 1999 VA-HUD-Independent Agencies Appropriations Acts, respectively.

Oversight of the Department of Housing and Urban Development (Department) is a priority for the Committee. The Committee continues diligent oversight of HUD's regulatory processes as the Department begins implementation of the Section 8 multifamily program reforms established by MAHRAA and the public housing reforms established by QHWRA, and will ensure that Congressional intent is honored.

MAHRAA reforms, known as "mark-to-market", should be fully implemented by Fiscal Year 2000. If these reforms are implemented in accordance with Congressional intent and in timely fashion, significant short- and long-term savings in mandatory and discretionary budget authority will result.

Public housing reforms contained in QHWRA should also be fully implemented by Fiscal

Year 2000. Such reforms will result eventually in increased operating efficiencies and income for public housing authorities. The Committee anticipates that over time this will result in a reduced need for HUD budget authority and outlays.

The Committee continues its ongoing interest in reviewing HUD's mission and in consolidating or eliminating housing and community development programs in order to improve efficiencies, enhance accountability, save taxpayer money and provide greater responsibility and flexibility to State and local governments.

The Administration's Fiscal Year 2000 budget proposes a $2.5 billion increase in budget authority and a myriad of new programs and responsibilities for the Department of Housing and Urban Development. The budget is apparently based on the premise that HUD has put its house in order and is capable of expanding its reach. HUD, however, remains classified by the General Accounting Office as a "high-risk" agency, and Congress must review carefully HUD's budget proposals in the context of the Department's well-established and longstanding weaknesses. In FY 1999, $8.8 billion was appropriated for HUD programs whose authorizations expired in FY 1994. The Committee believes these programs deserve careful review before launching several new initiatives.

Despite the laudable goals of many of the proposed initiatives, the Committee finds no rationale for the creation or expansion of programs to serve public policy purposes which are or could otherwise be served within HUD's existing programmatic framework or through the efforts of another agency. The Committee has particular concerns with Administration proposals that are inconsistent with HUD's mission and capacity. In addition, increased funding for these and other discretionary programs are financed in the President's budget through tax increases. In an era of record-high federal revenues, the Committee urges that HUD programs be funded within existing spending allocations. The Committee sees no justification for increasing HUD's overall funding and is opposed to any tax increases.

Further, the Committee strongly opposes proposals to convert discretionary programs into mandatory programs. The Committee is also concerned about the President's proposal to provide only partial funding of section 8 contract renewals in FY 2000, while requesting remaining funds as an advance appropriation for FY 2001. Such a program, if enacted, would only add further uncertainty and volatility to this troubled program.

In order for the Department to fulfill its historic mission within the resources available, the Committee recommends that HUD concentrate its efforts on the effective development of multifamily and public housing reform regulations and the successful implementation of its management reform plan.

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 which was adopted in the Fiscal Year 1999 VA-HUD-Independent Agencies Appropriations Act.

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 recognizes no justification for the Administration's budget proposal to partially fund flood map modernization efforts through a $15 mortgage transaction fee required for every home purchase or home refinance. The Committee notes the broad-ranging implications of the imposition of such a homeownership tax on over 5 million Americans per year.

The Committee would oppose any attempts to raise flood insurance premiums beyond rates consistent with the maintenance of the NFIP's solvency. Any unjustified increases could deter full participation in the program and damage the fiscal stability of the NFIP.

Community Development Financial Institutions Fund

The Committee opposes any increase in funding for the Community Development Financial Institutions Fund (CDFI). The Committee has not received adequate assurances that CDFI's current operations are fully consistent with Congressional intent and void of any form of misuse of public monies.

Examination Fees for State-Chartered Banks

The Committee in the past has on a bipartisan basis consistently opposed a new Federal examination fee for state-chartered banks. This proposal was submitted by the Administration in each of the five past proposed budgets and the proposal was rejected by this Committee each time. The Administration has renewed its proposal to raise over $900 million by FY 2004 through the imposition of this fee on state-chartered banks. None of the income from these proposed fees would be used to enhance the safety and soundness of state chartered institutions under the President's budget. Every dime of these fees would be spent on totally unrelated programs.

Committee members continue to oppose this tax and to express several concerns with the proposal. First, a new federal examination fee would undermine the "dual banking" system. Second, it would create an inequity for state-chartered banks that already pay exam fees assessed by their state regulators. Third, the banking industry as a whole, including state-chartered banks, cover all the expenses of the Federal Deposit Insurance Corporation (FDIC) through insurance premium assessments and through forgone interest on mandated sterile reserves held by the Federal Reserve System.

Mass Transit

In 1998, Congress passed the Transportation Equity Act for the 21st Century (TEA-21), that provided substantial increases in authorized funding for mass transit and created a separate category for transit spending within overall limits on discretionary spending. The creation of the mass transit category (and a similar category for highway spending) guarantees for the first time that federal gasoline tax revenues will be spent for their intended purpose, mass transit and highway infrastructure. The Committee strongly supports this principle and urges full funding of the mass transit category.

Unfortunately, the President's FY 2000 Budget proposes to deviate from the carefully balanced mechanism created in TEA-21. The precise spending levels for mass transit and highways, and the procedure for adjusting those levels, were the product of sensitive negotiations, and agreement on these issues was only possible after consensus was reached on exactly how that spending would be allocated, both among programs and among the States within those programs.

The President's proposal would create an entirely new mechanism to distribute $1.5 billion in gasoline tax revenues above the levels predicted last year. The Committee opposes reopening TEA-21 less than one year after its enactment, which is the practical effect of the President's proposal, and urges the Budget Committee to follow the funding procedures laid out in TEA-21. Should the budget resolution assume any deviation from current law, the Committee would be compelled to revisit the entire mass transit authorization in order to reconstruct the carefully balanced compromise achieved last year.

Social Security

Currently, Social Security operates as a traditional government benefit program, with payments to beneficiaries financed by current taxes. However, the President's FY2000 Budget proposes one significant departure in the financing of Social Security benefits — the investment by the federal government of Social Security tax receipts in equities.

While not included in the budget's detailed numerical presentations, the President's "Framework" for Social Security would direct about 20% of the portion of the surplus he reserves for Social Security into stock investments. Over time, the federal government would become the largest single investor in the stock market, giving it extraordinary power to distort the flow of capital in the market to further political goals and creating the potential for government interference in the operation of private businesses. Government investment of Social Security funds in equity markets would have the same disastrous economic effects of the state capitalism model which has been practiced and rejected by dozens of countries around the globe. The result would include diminished returns, reduced economic growth, and greater risk to retirees.

If the power of compound interest from investment in private securities is to be unleashed as part of Social Security reform, such investment should be owned by individual Social Security beneficiaries and carried out by professional money managers, subject to regulation only to ensure safety and soundness. The Committee believes that government-run investment as proposed in the President's budget is inconsistent with our mandate to safeguard capital markets and should be rejected.

Yours respectfully,

PHIL GRAMM
Chairman

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

March 11, 1999

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

Dear Senators Domenici and Lautenberg:

We write as the Democratic members of the Banking, Housing, and Urban Affairs Committee regarding the budget views and estimates letter sent to you by Chairman Gramm. We feel strongly that the views and estimates letter is an important part of the budget process and can play a constructive role, provided that it is carefully considered, crafted in a bipartisan fashion, and contains properly focused analysis for the Budget Committee regarding the federal programs within the authorizing Committee's jurisdiction.

Unfortunately, we feel compelled to take the unusual step of writing this additional, separate letter because the Chairman's letter to you fails to meet these criteria. We have serious reservations about both the content of that letter and the process by which it was generated.

We will address the process issues first. Your letter to Senator Sarbanes formally requesting the Committee's views and estimates was sent February 9. We assume that a corresponding letter to the Chairman was sent simultaneously. You asked the Committee to respond to you by March 5, allowing a full calendar month for consideration, drafting, and editing.

Despite your generous deadline, it was not until early last week that the majority indicated that a response was being prepared. On March 8, Democratic staff received a draft of the views and estimates letter in email form. The email was sent at 12:03 p.m. and contained the following instruction from the Committee's Staff Director: "(t)he letter will be sent by 4 p.m. today, so any comments you might have would need to be submitted to me by 3 p.m. today."

We consider such a time frame completely unrealistic for receiving comments from the Democratic membership of the Committee. It left Democratic members less than three hours to review and comment on an eight page letter covering the broad scope of the Banking Committee's jurisdiction, from export policy to community reinvestment. As noted below, we have serious questions and reservations about some of the conclusions drawn in the letter.

We are concerned on procedural grounds because the views and estimates process in the Banking

Committee has traditionally been consultative. Although agreement has not always been reached, majority and minority members and staff have in the past considered the views and estimates carefully, and attempted to work toward a bipartisan document that reflected the policy priorities of the entire Committee. Regrettably, this was not the case this year.

The following paragraphs address the substance of the Chairman's letter. While Committee Democrats share some of the views expressed in that letter, we have serious concerns about a number of its policy statements. As a general proposition, we are also puzzled that the Chairman's letter contains no real substantive discussion of the budget figures provided to the Committee for this purpose by the Congressional Budget Office. Instead, the letter takes a harshly critical view of a number of important policy matters, a view not shared by the Committee's Democratic members.

The following list, while by no means exhaustive, should illustrate some of our concerns.

Community Reinvestment Act. We find the extensive treatment of CRA in the Chairman's letter inappropriate because the CRA's only link to the federal budget is the modest amount spent by bank regulatory agencies engaged in CRA-related examinations. In addition, the Chairman's letter uses inflammatory rhetoric, describing the CRA as "corrupted," "legalized extortion," and "cronyizing" (sic), instead of focusing on the budgetary consequences of federal program decisions. Unfortunately, this approach characterizes several parts of the Chairman's letter.

International Trade. The Chairman's letter claims that the present Administration's "lack of a coherent trade policy...resulted in a decline of U.S. export receipts during 1998." No evidence is offered for this blanket assertion of cause and effect, and Committee Democrats object to such a simplistic characterization of the complex interactions of the global economy. Indeed, factors such as the financial crises in several Asian economies, Russia, and Brazil likely had a much more powerful effect on U.S. export performance than any single U.S. trade policy decision.

The Wye River Accords. The Chairman's letter specifically states that funding to help the Palestinian Authority implement the Wye River Peace Accords should not be included in an emergency supplemental appropriation. Inclusion of such language is inappropriate in the Committee's views and estimates letter, since the Committee has no direct jurisdiction over this matter. Regarding the language in the Chairman's letter regarding multilateral development banks, under Senate Rules the Banking, Housing, and Urban Affairs Committee may request secondary referrals of legislation dealing with such institutions, but presently does not have primary jurisdiction over such programs.

Housing and Community Development. The Department of Housing and Urban Development (HUD) has proposed a number of new initiatives in its budget, which, unlike Chairman Gramm, we believe are important efforts to expand economic development in our cities and other underserved areas. One proposal in particular, America's Private Investment Companies, is a bold idea based on a very successful model (Small Business Investment Companies) that could help create new businesses and an estimated 200,000 new jobs in areas that have not fully shared in the economic growth created by the Clinton Administration. The budgetary impact of this kind of economic development and job growth could be both positive and significant.

In addition, the HUD budget includes a number of important initiatives for the elderly, including a proposal to make assisted housing facilities eligible for vouchers and an effort to help convert portions of elderly housing developments into assisted living facilities so that the elderly residents can remain in these developments as they need more day-to-day assistance. These initiatives ought to receive our support.

We agree that the Department must also concentrate on implementing the two statutes passed on a bipartisan basis in the last Congress, "The Multifamily Assisted Housing Reform and Affordability Act (MAHRAA)" and the "Quality Housing and Work Responsibility Act (QHWARA), more widely known as the public housing reform act. These laws were passed to reform and improve the programs, and the budget should provide the support needed to implement the new laws properly. It is important to keep in mind that federal housing programs only serve about 25 percent of the eligible households; over 5 million families face "worst-case" housing needs. HUD's current resources are not adequate to meet this need. As HUD continues to improve its performance, the Congress should be prepared to increase funding to better address these serious needs.

Community Development Financial Institutions Fund. The Chairman's letter opposes funding increases for this initiative, citing unspecified charges that CDFI programs, under their current management, are not "fully consistent with Congressional intent" and may involve "misuse of public monies." We feel that the program's operations are indeed consistent with the goals of Congress, and are providing important support for rebuilding in both rural and urban communities across the nation.

Social Security. The Committee has jurisdiction over securities markets, which may be affected by future reforms of the Social Security system. Here as in other areas, however, the Chairman's letter fails to address the budgetary issues contained in the statistics supplied by the Congressional Budget Office, and instead makes a number of unnecessary and inflammatory statements, warning of "distort(ing) the flow of capital in the market to further political goals, and likening investment of Social Security funds to "state capitalism." Many Senators legitimately disagree on the future of Social Security, but the language in the Chairman's letter seems to be directed more at making political points than helping the Senate reach a consensus.

In summary, the Chairman's letter does not represent the views and estimates of the Democrats on the Committee. It was developed in a way seemingly designed to preclude minority input. It fails to focus on budgetary issues, as was intended to be the point of the exercise. It contains highly inflammatory language that is inappropriate in a serious evaluation of the budgets of programs under the Committee's jurisdiction.

For these reasons, we felt the need to communicate separately with the Budget Committee regarding some of our views, and to inform you that we do not agree with much of the Chairman's letter. Thank you for your consideration. We would be happy to answer any more detailed questions you may have.

Paul S. Sarbanes

Christopher J. Dodd

John F. Kerry

Richard H. Bryan

Tim Johnson

Jack Reed

Charles E. Schumer

Evan Bayh

John Edwards

United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510-6150

WWW.SENATE.GOV/~ENERGY

March 4, 1999

The Honorable Pete V. Domenici
Chairman
Senate Budget Committee
Washington, D.C. 20510

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

Dear Gentlemen:

As Chairman of the Energy and Natural Resources Committee, I want to convey my concerns about President Clinton's Lands Legacy proposal and his claims that the FY 2000 budget "fully funds" the Land and Water Conservation Fund (LWCF). Such claims are misleading and rely on budget gimmickry at the expense of programs authorized to be funded by the LWCF.

The LWCF Act authorizes the expenditure of monies from the LWCF for two purposes only: the acquisition of Federal land by the National Park Service, the Bureau of Land Management, the Fish and Wildlife Service, and the United States Forest Service; and formula grants to states for park and recreation projects. Despite these statutory restrictions, the FY 2000 budget proposes to charge against the LWCF ceiling the increased funding of a variety of programs not authorized to derive monies from the LWCF. By engaging in this accounting game, the President artificially reduces the amounts available for programs authorized by the LWCF Act.

Among the programs the President proposes to increase funding for are the Forest Legacy program within the Department of Agriculture and the coastal zone management program within the Department of Commerce. These programs, which may or may not warrant increased Federal funding, already have independent authorization and some, in fact, are not even within the accounts assigned to the Appropriations Subcommittee on Interior and Related Agencies which handles appropriations from the LWCF. If the President seeks to fund these programs from the LWCF, he needs to introduce appropriate authorizing legislation and work with this Committee to accomplish that goal.

The Honorable Pete V. Domenici
The Honorable Frank R. Lautenberg
March 4, 1999
Page 2

In addition to charging the funding of other programs against the LWCF ceiling, the President's Lands Legacy proposal seeks to fundamentally restructure the state-side matching grant program authorized by the LWCF Act. Again, the President seeks to avoid this Committee and accomplish these changes through the appropriations process. The LWCF state-side program, which I fully support, is a formula grant program which provides monies to States and local communities for the planning, acquisition, and development of parks and recreation facilities. The President proposes to replace this program with a competitive grant program to the States for the purchase of land. This proposal would change the focus of the state-side program and undercut the Federalism inherent in the existing program.

I want you to be aware of my concerns about the Administration's proposal and its disingenuous claim that its budget fully funds the Land and Water Conservation Fund. Unless Congress enacts specific legislation altering the uses of the LWCF, I ask that your Committee's assumptions for the concurrent resolution on the budget reflect funding for the programs in the President's Lands Legacy proposal from within their individual accounts and that no assumption is made for use of LWCF monies other than as currently provided by law.

Sincerely,

Frank H. Murkowski
Chairman

Enclosure

SUMMARY OF DOI BUDGET CHANGES
LANDS LEGACY INITIATIVE

	FY1999 Enacted	FY2000 Proposed	Change
Land Acquisition			
BLM	$14,600,000	$48,900,000	+$34,300,000
FWS	$48,024,000	$73,632,000	+ 25,608,000
NPS	$147,925,000	$172,468,000	+$24,543,000
Total - DOI	$210,549,000	$295,000,000	+$84,451,000
USFS	$118,000,000	$118,000,000	0
Total — Federal Land Acquisition	**$328,549,000**	**$413,000,000**	**+$84,451,000**
Land Conservation Grants*	0	$150,000,000	+$150,000,000
Open Space Planning Grants*	0	$50,000,000	+$ 50,000,000
Total of Programs (arguably) authorized to derive $ from LWCF	**$328,549,000**	**$613,000,000**	**$284,451,000**
Other non-LWCF Programs Cooperative Endangered Species Conservation Fund (DOI)	$14,000,000	$80,000,000	+$66,000,000
Urban Parks & Recreation (DOI)	0	$4,000,000	+$4,000,000
Forest Legacy (USDA)	$7,000,000	$50,000,000	+$43,000,000
Urban Community Forestry (USDA)	$31,000,000	$40,000,000	+$9,000,000
Farmland Protection (USDA)	0	$50,000,000	+$50,000,000
Smart Growth Partnership (USDA)	0	$10,000,000	+$10,000,000
National Marine Sanctuary (NOAA)	$14,000,000	$29,000,000	+$15,000,000
Coastal Zone Management (NOAA)	$58,000,000	$90,000,000	+$32,000,000
Estuarine Research (NOAA)	$4,000,000	$19,000,000	+$15,000,000
Misc. Coastal Habitat (NOAA)	$2,000,000	$45,000,000	+$43,000,000
Total of Programs Clearly NOT authorized to derive $ from LWCF	**$130,000,000**	**$417,000,000**	**$287,000,000**
TOTAL — LANDS LEGACY	**$458,549,000**	**$1,030,000,000**	**$571,451,000**

*Competitive Grant Program to Replace LWCF State-Side Grants. It is debatable whether or not the LWCF Act authorizes the funding of either the Land Conservation Grants or Open Space Planning Grants.

United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES
WASHINGTON, DC 20510-6150

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March 3, 1999

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 2000, in response to your letter of February 9 and in accordance with the requirements of 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 plans to consider legislation to bring spending from the Nuclear Waste Fund and the 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. Although each of these proposals would result in significant spending increases over current baselines for these programs, we believe such increases are fully justified.

Given the magnitude of the 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 when 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 last Congress for the transfer of certain Reclamation projects. The Committee is also likely to consider emergency measures to address the current situation of the domestic oil and gas industry and measures to refill the Strategic Petroleum Reserve, possibly through the use of royalty-in-kind oil. 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

March 5, 1999

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

Dear Pete:

In response to your letter of February 9, 1999, I 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.

New Legislative Initiatives

The Committee on Environment and Public Works will work on a number of legislative initiatives this year. Legislation to reauthorize the Water Resources Development Act and a new proposal to give industries credit for voluntary emissions reductions of greenhouse gas were introduced this week. In addition, the Committee expects to report legislation to 1) facilitate the treatment of remediated waste regulated under the Resources Conservation and Recovery Act; 2) implement the Basel Convention; 3) consider an open space land conservation measure; and 4) reauthorize the Superfund program.

Beyond these specific legislative initiatives, the Committee will conduct oversight and review of the Clean Air Act and the Clean Water Act in preparation for reauthorization.

Specific Discretionary Programs

1. Environmental Protection Agency

The President has requested \$7.2 billion in discretionary spending and 18,406 FTEs for the Environmental Protection Agency's (EPA's) fiscal year 2000 budget, a \$383 million reduction from the fiscal year 1999 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, a \$6 million decrease from the fiscal year 1999 enacted level. The request for the Superfund and the leaking underground storage tank trust funds is \$1.6 billion, the same as last year's enacted level. The operating program is \$3.7 billion, a \$200 million increase from the fiscal year 1999 enacted level. Overall, I support the President's request for EPA, although I have a number of concerns.

Better America Bonds

The President's Department of the Treasury budget proposal creates a new class of tax credit bonds that would allow state and local governments to issue zero interest bonds to lenders who could then claim a tax credit for the life of the bond in lieu of interest. State or local governments could use the revenue from a Better America Bond to: acquire land for open space, wetlands, public parks or greenways; remediate contaminated public property (brownfields); or improve water quality through prevention measures such as settling ponds or filter strips to control runoff.

Recepients of Better America Bonds would be selected through an annual open competition, with state and local governments submitting plans to the EPA. After consultation with the Vice President's Community Empowerment Board, EPA would make the final award decisions. Award decisions would be based on criteria that EPA is to promulgate in a future rule-making.

EPA would be authorized to approve $1.9 billion of bonding authority, per year, over a five-year period for a total of $9.5 billion.

Although I applaud the Administration for addressing one of the most important environmental issues of today, I have a number of concerns with this particular proposal. At a recent hearing on EPA's budget request held by the Committee, I and other members of the Committee expressed serious concerns about the Better America Bonds proposal. First and foremost is the enormous cost of the program. Should the tax credit market remain stable, the Congressional Research Service and the Department of the Treasury estimate that the proposal would cost the Federal government approximately $6.1 to $7.3 billion in lost tax revenue over the life of the program. This does not factor in the cost of administrating the program, for which EPA has no cost estimate. Concern also was expressed with respect to the selection of recipients. I am not entirely convinced that EPA has the ability to approve bonds in an efficient manner that is free from politics. This concern is reinforced by the failure of EPA to provide Congress with any comprehensive guidelines on the execution of this program.

Trust Funds

Overall, the President's request for EPA's Office of Water is $2.643 billion for fiscal year 2000, a 23 percent reduction from the fiscal year 1999 enacted level of $3.454 billion.

The President's request for the Clean Water State Revolving Loan Fund (SRF) is $800 million, a $550 million reduction from the fiscal year 1999 enacted level of $1.350 billion. The Clean Water SRF has been instrumental in helping municipalities meet the requirements of the Federal Water Pollution Control Act and has been a major contributor to the clean-up of our resources. I am extremely concerned about the severe budget cut, and strongly encourage you to increase funding for this program as it has proven to be cost-effective and of a tremendous environmental benefit.

I am concerned with EPA's proposal to allow states to reserve up to 20 percent of their Clean Water SRF to provide grants to implement non-point source and estuary management projects. The intent of the Clean Water SRF program was to create a self-perpetuating source of funding to provide future resources for clean and safe water; providing grants would erode the corpus of the fund. In addition, the Clean Water Act already authorizes grants to non-point source pollution control under section 319; therefore, there is no need to raid the municipal SRF program for this purpose.

Operating Programs

The President's fiscal year 2000 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 $3.7 billion, --$200 million more than current funding levels. In general, I support this request, although I have several concerns with funding for the air and drinking water programs.

The President's budget request restores money needed for states to complete the installation of monitors for the particulate matter network and fulfills the Administrator's commitment that states would not bear the cost of deploying monitors. Less laudatory, is the Administration's decision to further reduce--by nearly $5 million--the budget for developing toxic emission standards required by the Clean Air Act while devoting $200 million to a new Clean Air Partnership Fund. This new program is ill-defined and is not based on clear legal authority.

I also remain concerned that the Administration continues to seek funds for the Partnership for a New Generation of Vehicles (PNGV). In the increasingly multi-national auto manufacturing industry, global competitiveness concerns cannot justify public funding of corporate research. Additionally, at least two manufacturers not participating in the program have models in production that come closer to meeting the PNGV goals than any vehicles produced by this unnecessary government program.

The President's request for research to support the Safe Drinking Water Act is $41.5 million, a decrease of $6.2 million from the fiscal year 1999 enacted level of $47.7 million. The requested funding level is inadequate to assure a sound scientific foundation for a substantial number of contaminants required to be issued under the Safe Drinking Water Act in the next several years.

Superfund

The President's request for Superfund discretionary spending is $1.47 billion. This is a decrease of $598.9 million from the fiscal year 1999 requested level and is virtually unchanged from the fiscal year 1999 enacted level.

While I generally support the overall Superfund spending level, I am concerned that Superfund's relatively high level of funding comes at the expense of other priority cleanup programs in the Office of Solid Waste and Emergency Response, such as the Resource Conservation and Recovery Act (RCRA) Corrective Action Program.

Over twenty percent of EPA's request—$1.47 billion of the $7.2 billion—is for the Superfund program. Further, eighty-nine percent, or $1.47 billion of the $1.65 total requested, for programs grouped under the budget goal of "Better Waste Management, Restoration of Contaminated Waste Sites, and Emergency Response" is for Superfund.

$787 million of the $1.47 billion Superfund request goes directly to cleanup activities. The balance of the Superfund request supports other activities, some related to Superfund cleanup, some not. Included are $91 million for brownfields, $64 million for the Agency for Toxics Substances and Disease Registry, $48.5 million for support from the National Institute of Environmental Health and Safety, and $28.6 million for Department of Justice support.

The resources devoted to Superfund are dramatically higher than the resources devoted to RCRA Corrective Action. EPA's budget request for the corrective action program for fiscal year 2000 is $22.7 million. This is less than three-tenths of one percent of the Agency's overall budget. It is one and one-half percent of the total amount devoted to Superfund.

This gross disparity is not warranted considering the scope and urgency of the RCRA Corrective Action problem. 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 exposures at 95 percent of these RCRA sites, and to control ground water releases at 70 percent of these sites, by 2005. That goal means controlling exposures at 1,620 sites (95 percent of 1,700) by 2005; it does not necessarily mean that any, or a significant percentage, of those sites will be fully cleaned up.

The Agency's stated goal for fiscal year 2000 is to address 170 high-priority RCRA corrective action sites--72 fewer than it needs to stay on track to meet its GPRA goal. EPA has addressed 300 high priority sites to date. To meet its GPRA goal, it must address an average of 242 sites per year for the next six years.

I have requested additional data from the Agency regarding its allocation of resources between the Superfund and RCRA cleanup programs. In the interim, I recommend increasing the funding for the RCRA Corrective Action Program from the requested level of $22,755,5000 to $50,000,000 in fiscal year 2000. This should be accomplished by shifting $27,244,500 from Superfund to RCRA. This would lower the Superfund appropriation to $1,449,889,600.

I am confident that this shift can be accomplished without an adverse impact on the Superfund cleanup accounts, and can be accomplished by reductions in so-called "Superfund support" activities or in other discretionary non-cleanup Superfund spending.

2. Federal Highways

The Transportation Equity Act for the 21st Century (TEA 21) made significant changes in budgeting for transportation at the Federal level. TEA 21 requires that all federal gas tax revenues deposited into the Highway Trust Fund are spent on transportation programs. In effect, this law establishes the linkage between Highway Trust Fund taxes and transportation spending that was envisioned when the Highway Trust Fund was created.

If revenues to the Highway Trust Fund increase, TEA 21 provides that spending on highway programs will increase, and vice versa. Most significantly, TEA 21 provided record funding levels and the funding guarantee within a balanced budget and without increasing the Federal deficit -- an accomplishment many thought was not attainable.

The President's budget proposal reflects this new budgetary process and includes a $1.5 billion increase in transportation spending above the levels assumed in TEA 21. However, the President's budget proposes to distribute this $1.5 billion increase in a different manner than provided in TEA 21. Specifically, the budget proposes that several programs, including transit and rail programs and the Congestion Mitigation and Air Quality Improvement Program, receive the majority of the $1.5 billion increase.

The President's proposal is problematic because it reopens fundamental issues resolved during the TEA 21 debate, particularly with regard to the state funding formula issue. The funding formulas proved to be one of the most difficult issues to resolve during the TEA 21 negotiations. The President's budget would upset the delicate balance achieved in those negotiations. It is especially troubling that the Clinton Administration proposes reopening such a sensitive issue less than one year after the bill was signed into law.

I do not see a compelling reason to reopen these carefully negotiated issues. Nothing unforseen has occurred that should cause the Congress to reopen these issues. The additional revenue to the Highway Trust Fund was not unexpected. TEA 21 fully anticipated and provided for this occurrence by establishing a process for the distribution of increases or decreases in revenue levels assumed in TEA 21. Revenue changes are to be distributed equally across all Federal-aid highway programs. Contrary to the President's proposal, the Budget Resolution should reflect the TEA 21 process without change.

3. Fish and Wildlife Service

The President's request for the Fish and Wildlife Service is $1.58 billion, an increase of $204 million from the fiscal year 1999 enacted amount. I strongly support the President's request specifically for several programs:

(1) Implementation of the Endangered Species Act (ESA): The President is requesting $114.9 million, a $4.1 million increase from last year's enacted level, for ESA implementation. These funds will go primarily towards implementing the new initiatives undertaken by the Administration for protecting species on private lands, including the development of habitat

conservation plans and safe harbor agreements. Private lands have received little attention in the past, even though they serve as important habitat for many endangered and threatened species. I further support the requested $10 million increase for consultations with other federal agencies. The additional $66 million over the fiscal year 1999 enacted level for the Cooperative Endangered Species Conservation Fund is a move in the right direction as it supports state-managed recovery activities.

(2) National Wildlife Refuge System: The President is requesting $264.3 million, an increase of $27.1 million, for operations and maintenance of the refuge system. The refuge system is the only federal land system established for our nation's fish and wildlife, and has historically been underfunded compared with the other land management agencies. This increase will build on several successful initiatives last year, including the National Wildlife Refuge System Improvement Act, the National Wildlife Refuge System Volunteer and Partnership Improvement Act and the Transportation Efficiency Act for the 21st Century (TEA 21), which made the refuge system part of the Federal Lands Highway Program.

(3) Multinational species conservation: The President is requesting $3 million for this fund, an increase of $1 million from the fiscal year 1999 enacted level. I support additional funding for these highly successful cost-sharing grants programs that assist in the conservation of some of the most endangered species in the world.

(4) Invasive species control: The President is requesting a cross-program increase of $5.2 million specifically for the detection and management of invasive species. Although the issue has received little attention or funding in the past, invasive species have resulted in lost productivity estimated to be $122 billion annually, and are the second greatest threat to our native fish, wildlife, and plant species, after habitat loss. The President recently signed an executive order on this critical issue. I strongly support funding to assist in implementing this order and to address this growing problem.

National Oceanic and Atmospheric Administration

The President's fiscal year 2000 request for NOAA is $2.5 billion. I generally support the budget request for the agency, in particular the $100 million for the Pacific Coastal Salmon Recovery Account, which would provide funds to the four Pacific coast states for salmonid conservation.

Lands Legacy Initiative

I strongly support funding for the Administration's land conservation and protection programs, both at the federal and state levels. In particular, I support full funding of $900 million for the Land and Water Conservation Fund (LWCF). The President's request includes $413 million for federal acquisitions under LWCF, and $200 million for state-side programs, to be disbursed through two competitive grants programs. While I strongly support state-side funding, I am skeptical with respect to the new programs that the Administration proposes. In particular, I am concerned that the President's state-side proposal, which would require authorizing legislation, would replace decision-making authority at the state level with federal decision-making. The President is also requesting increases for the Cooperative Endangered Species Conservation Fund, the Forest Legacy Program, the Urban Parks and Recreation Recovery program, and several programs under NOAA (including the Coastal Zone Management program, National Marine Sanctuary program, coral protection and habitat restoration programs), all of which I support. These programs provide a balanced approach to tackling the environmental problems facing many communities across America, particularly those rural, urban and coastal communities under the most pressure due to growing populations and development.

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 $3.9 billion, a slight increase over the $3.8 billion enacted in fiscal year 1999. The amount requested for the General Construction account is $1.24 billion, compared to the $1.4 billion appropriated for fiscal year 1999.

I am pleased that 18 percent of the Corps' budget request is dedicated to environmental stewardship and am eager to closely examine the allocation of this funding. However, I am concerned that the President is forecasting $950 million in offsetting collections from the Harbor Services Fund. While the Congress is obligated to respond to the Supreme Court ruling on the Harbor Maintenance Program, it is premature to assume revenue totals until after a new program is actually proposed or established. The Committee looks forward to receiving the President's proposal on the Harbor Services Fund, in order to determine if the policy is appropriate and to assess revenue and budget implications.

5. General Services Administration (Public Buildings Service)

The President's fiscal year 2000 budget proposal for the Public Building Service (PBS) is $5.345 billion in new obligational authority. The requested amount is $259 million less than the current fiscal year authority of $5.604 billion. Of the new authority requested, $2.782 billion is allocated for rental of space; $1.590 billion is allocated for building operations; $665 million is allocated for repairs and alterations; $206 million is allocated for installment acquisition payments; and $102 million is allocated for construction and acquisition of facilities.

As you know, the Administration once again has declined to request funding for the construction of new courthouse facilities. Given the increasing demands on the federal judiciary, I am concerned that delay in providing the courts with adequate space and resources could hinder the administration of justice. Therefore, I hope that the fiscal year 2000 budget resolution will contain $532.9 million in funding for high priority and meritorious courthouse projects.

6. Economic Development Administration (EDA)

The Administration's fiscal year 2000 budget requests $364.4 million for programs administered by the Economic Development Administration (EDA) and $28.9 million for EDA salaries and expenses, for a total of $393.3 million.

As one who long has been skeptical of EDA programs, I have not been sympathetic to past budget requests for this agency. However, in the past few years I have been impressed by the significant program reforms undertaken by EDA officials to better target EDA resources. To lock in those reforms and further streamline agency programs, I authored the Economic Development Administration Reform Act (S. 2364). This bipartisan legislation, cosponsored by 60 senators, became Public Law 105-393 last fall, and represents the first successful EDA reauthorization bill in more than 15 years.

Given EDA reforms and the enactment of our bill, I now believe that this agency merits fiscal year 2000 funding of $368 million, the level authorized by P.L. 105-393. However, I was dismayed to learn that the Administration budget requests an additional $25.3 million above that amount. While $12 million of that amount is earmarked for Trade Adjustment Assistance, a program not within the jurisdiction of this Committee and thus not addressed by P.L. 105-393, the remaining $13.3 million represents an unwarranted increase over the agreed-upon funding level of P.L. 105-393 and should not be appropriated.

In sum, I urge you to provide full funding of $368 million in fiscal year 2000 for EDA operations and programs authorized pursuant to P.L. 105-393, but to disregard the Administration's request for $13.3 million in additional funds.

Conclusion

With the exception of those concerns stated above, I support the President's budget request for programs within the jurisdiction of the Environment and Public Works Committee.

Thank you for your consideration of my views on the fiscal year 2000 budget. Please do not hesitate to contact me if you have any questions or concerns regarding this submittal.

Sincerely,

John

John H. Chafee

United States Senate

COMMITTEE ON FINANCE

WASHINGTON, DC 20510–6200

March 10, 1999

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

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

Dear Pete and Frank:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, I am submitting my views and estimates with respect to federal spending and revenues within the jurisdiction of the Senate Committee on Finance for fiscal year 2000.

As you well know, both the Congressional Budget Office and Office of Management and Budget are projecting significant budget surpluses over the next decade. These surpluses are largely due to unanticipated revenues flowing into federal coffers. I believe that we should seize this historic opportunity to return these surpluses to the very people who sent them to Washington--the American taxpayer.

<u>Social Security</u>

This year, the Committee intends to work towards achieving a bipartisan approach to addressing the long-term solvency of Social Security. The Committee began this effort in January 1999 with hearings on the President's Social Security plan and on general revenue financing of Social Security.

I also believe that Social Security proposals should be examined in light of the larger issue of the need for Americans to better prepare for retirement. The Committee is particularly interested in proposals, such as personal retirement accounts, that might not only maintain current law benefits but have other advantages, including encouraging more saving; empowering Americans with more control over their retirement decisions; giving the majority of Americans who do not own any investments a new stake in America's economic growth; providing a permanent solution to Social Security financing; improving the intergenerational equity of Social Security benefits; and promoting economic growth.

The Congress should consider adopting personal retirement account legislation this year, particularly for younger working Americans.

The Committee is also concerned that the Congressional Budget Office (CBO) currently provides estimates on legislative proposals for 10 years. However, proper evaluation of Social Security reform proposals will require longer term estimates. The Committee recommends that the Budget Committee examine CBO's estimation practices and consider changes that would allow longer term estimates for Social Security legislation.

The Committee also expects to consider legislation to provide new opportunities for Social Security disability insurance (SSDI) and Supplemental Security Income (SSI) beneficiaries to return to work and to self-sufficient lives.

Revenues

Since the inception of the Budget Act, the Federal budget has been in deficit. The measures contained in the Budget Act have been appropriately directed at deficit reduction.

Fortunately, the Congressional Budget Office reports the Federal Budget to be in surplus. The primary reason for the surplus has been greater than anticipated revenues. Those revenues have been generated by the robust economy, principally the hard work of millions of Americans. Federal revenues, as a share of the gross domestic product, are at record post-World War II levels. The surplus is attributable to both payroll taxes and income taxes.

It is time to reconsider the Budget Act rules in the context of a surplus. The bias in the rules against tax cuts needs to be revisited. There should not be a point of order against a proposal to rebate to taxpayers a portion of their tax dollars.

Across-The-Board Tax Relief - As a long-term objective, the Finance Committee may consider legislation to provide simple, fair, and meaningful tax relief to all taxpayers.

Retirement Incentives - In order to expand the opportunities of all Americans to provide for the financial needs at retirement, the Finance Committee will consider legislation which will expand the opportunities for savings in the tax-favored savings vehicles already provided for under the Internal Revenue Code and will add some new options for retirement savings. In addition, the Committee will consider legislation to simplify the rules regarding private pension plans, including increasing the portability between plans, incentives for small businesses to establish retirement plans and providing retirement security for women.

Tax Simplification, Education Incentives, and Savings and Investment Incentives - The Finance Committee intends to consider legislation to provide significant simplification of the tax system. Complexities in the tax code adversely affect millions of taxpayers every year. The complexities resulting from the alternative minimum tax ("AMT"), myriad income limits and phase-outs, and elaborate coordination rules, need to be addressed. In addition, the Finance Committee intends to consider tax incentives to promote savings and investment, assist families and students with the cost of education, extend expiring tax provisions, and other tax code changes.

Superfund Trust Fund - The excise and corporate environmental taxes that fund the Superfund program expired on December 31, 1995. The Senate Environment and Public Works Committee is in the process of developing legislation to make fundamental reforms to the Superfund program. As part of this effort, the Finance Committee expects to consider legislation reinstating the Superfund taxes and related proposals this year.

Airport and Airway Trust Fund - The authorization for expenditures from the Airport and Airway Trust Fund expired on September 30, 1998. If the Federal airport program is re-authorized, the Airport and Airway expenditure authority will need to be extended.

Tax Reform - The Finance Committee expects to continue hearings on proposals to replace or fundamentally change the existing tax system. The Finance Committee will particularly focus on the U.S. taxation of international income.

It would be useful if the FY 2000 Budget Resolution contains reserve funds which would allow consideration of the legislative items specified above.

Medicare

I strongly recommend not seeking savings this year from the Medicare program. The Balanced Budget Act of 1997 was the largest Medicare spending and policy change package since the inception of the program in 1965, and the budgetary and policy ramifications are still not fully understood. The period of October-December 1997 was the last quarter in which there was any spending growth in the program. In analyzing the monthly Treasury reports on the Health Insurance and Supplementary Insurance Trust Funds, the program spent $2.1 billion less for the period October, 1998 through January, 1999 ($69.8 billion, excluding a special HMO payment) than for the period of October, 1997 through January, 1998 ($72.4 billion).

Further, the Medicare beneficiary population continues to grow, increasing by 1.0 percent for 1999 over 1998. In real terms, this is *a decline* of 3-percent in aggregate spending and a *decline* of 4-percent in spending on a per-beneficiary basis under the Medicare program.

Separately, I am increasingly concerned about the financing stability of the Medicare+Choice program over time and believe we may need to consider additional funding in this area. We believe this program is the "seedbed" for future program reforms needed to sustain the promise and security of Medicare benefits for the demographic surge in retirees expected beginning around the year 2010. The five-year payment system transition enacted in BBA 97 has yet to result in full funding of the blended payment amounts that are crucial to stimulating the entry and continued participation of private health plans in the Medicare program. These plans offer important services and benefits to retirees that the traditional fee-for-service program does not.

In addition, the Administration has proposed further technical adjustments to these plan payments that the Health Care Financing Administration's actuaries estimate would generate savings of about $16 billion over 5 years, or if their transition model was adopted, about $11.9 billion over 5 years. This is a policy that when enacted in BBA 97, scored no savings in the expectation that it would move forward in a budget neutral fashion.

All of these payment policies are in addition to an across-the-board negative 5-percent differential in spending on Medicare+Choice relative to the fee-for-service program. This differential was set years ago under very different and more generous payment policies, and was based on a general notion that health plans could achieve efficiencies relative to the fee-for-service program, that should be shared with the government. Plans have achieved efficiencies, but also are facing significantly changed and reduced payment levels. In this changed policy and payment environment, we intend to review this issue of spending parity between the Medicare+Choice and fee-for-service programs.

Lastly, we expect the Bipartisan Commission on Medicare Reform to release its recommendations to the Congress by the end of March, 1999. The central concept under discussion, referred to as the "premium support" approach, builds significantly upon the objectives of competition and choice that led to the Medicare+Choice program. Therefore, it is all the more important that the Medicare+Choice program be on a sound footing in order to lead to successful reforms in the future.

Medicaid

Over the past several years, savings realized through the Medicaid program have made a substantial contribution to deficit reduction. Now that the budget is balanced, additional Medicaid cuts seem unnecessary and inappropriate. Medicaid spending growth has decreased substantially over the past few years from highs over 20% to rates fluctuating between 7 and 8% through 2003. At the same time, federal requirements related to the administration of the program have increased significantly, particularly through new managed care quality requirements set forth in the Balanced Budget Act of 1997. The current moderate rate of program growth can be attributed both to caseload expansions and to increasing demands for long-term care and prescription drugs.

Tobacco Settlement Budget Issues. Should the Senate choose to act on legislation to surrender or modify the federal government's Medicaid third party liability claim against tobacco settlement funds paid to the states, it is imperative that the federal government not be required to offset the costs associated with surrendering this claim by cutting Medicare or Medicaid, or by raising taxes. A complete "waiver" of current law will be scored by the Congressional Budget Office as costing the federal government $2.9 billion over five years and $6.8 billion over ten. This CBO score must be kept in mind as Congress appropriately recognizes the states' leadership role in initiating action against the tobacco industry.

State Children's Health Insurance Program (SCHIP). This new program has gotten off to a strong start, with approved plans in place in 48 states. Now that plans have been developed and approved, enrollment of currently uninsured children is accelerating rapidly. Baseline estimates reflect low draw-downs of SCHIP funds for a couple years, reflecting a natural development of program capacity. Because unused funds are rolled over for future use, any cuts in SCHIP would interfere with the goal of extending insurance access to low-income uninsured children and would trigger significant political difficulties.

International Trade

This past year, I launched a thorough review of our trade policy designed to address a number of the issues that have been raised in the recent public debates on trade. My goal is to rebuild a bipartisan consensus on trade that will allow us to make progress in breaking down the trade barriers our exporters face abroad.

As a part of that review, the Finance Committee has already held a series of hearings this year on the prospects for the launch of a new multilateral round of trade negotiations at the World Trade Organization ("WTO") ministerial scheduled for November in Seattle and on the enforcement of our existing trade accords. I expect the Committee will markup legislation that will establish the specific negotiating objectives we expect the President and his representatives to demand as part of any new round of talks. That legislation will also address issues raised during the hearings regarding both the international and domestic legal tools for enforcing America's trade agreement rights.

I also expect the Committee to hold hearings on and potentially markup legislation affording trade preferences to our developing country trading partners through renewal of the Generalized System of Preferences, expansion of the benefits available under the Caribbean Basin Economic Recovery Act, a possible new program for the countries of Sub-Saharan Africa, and a review and renewal of current trade adjustment assistance programs.

In addition, the Committee has begun a comprehensive review of the operations of the United States Customs Service. My goal is to test the agency's compliance with the objectives set for it by Congress in the Customs Modernization Act. I expect the review to entail in-depth oversight hearings on a number of policy and management issues and lead to legislation authorizing appropriations for the Customs Service consistent with the policy goals set by Congress.

Thank you for the opportunity to comment on the areas within the Finance Committee's jurisdiction. I look forward to working with you as we enter this productive legislative year.

Sincerely,

Bill

William V. Roth, Jr.
Chairman

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510–6225

March 5, 1999

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 2000.

On February 1, the President submitted his budget request. For Function 150, the international affairs function, the President requested a total of $21.3 billion. In addition, he seeks $3 billion in advance appropriations for embassy security, and $1.9 billion in a combined supplemental and advance appropriation in support of the Wye River memorandum. Although not all of these programs in Function 150 are within the jurisdiction of the Committee on Foreign Relations, most of them are.

I support the President's request. I believe the Committee should regard it as the bare 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 peace, security and economic stability.

In sum, we must make a continuing investment in both our diplomatic and military establishments in order to protect those interests. Indeed, with the reductions in our military presence overseas in the last decade, it is all the more important to ensure that our diplomats, the front line of our national defense, have adequate resources.

Although we have made important progress in the past two years in restoring funding for international affairs, the budget is still 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 1999 ($21.56 billion in FY 1999 dollars) is 12 percent below the average of the past two decades ($24.51 billion). Using constant FY 1999 dollars, only three years (Fiscal Years 1996, 1997 and 1998) saw foreign affairs funding at lower levels than the current fiscal year. Similarly, as a percentage of total budget authority,

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Function 150 funding in FY 1998 is 1.22 percent, nearly one-quarter below the annual average (1.605 percent) for the past two decades.

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

First, a top priority must be the security of our diplomatic missions overseas. The embassy bombings in East Africa last August underscored that our embassies remain greatly vulnerable to the terrorist threat. The Accountability Review Boards convened after the bombings, chaired by retired Admiral William Crowe, determined that the U.S. government must respond with a

> comprehensive and long-term strategy for protecting American officials overseas, including sustained funding for enhanced security measures, for long-term costs for increased security personnel, and for a capital building program based on an assessment of requirements to meet the new range of global terrorist threats.

The panels concluded that we should budget roughly $1.4 billion annually for each of the next ten years for embassy security.

In response to this finding, the Administration has requested roughly $300 million for security in Fiscal 2000, and $3 billion in advance appropriations for Fiscal 2001-2005. In my view, this funding request is probably insufficient to meet the needs of the government. Security, it should be emphasized, benefits not only the State Department, but all other government personnel represented in U.S. embassies. At present, roughly *two-thirds* of the personnel in U.S. embassies are from government agencies *other than* the State Department. As a government, we have decided to maintain a robust overseas presence; it would be a dereliction of our shared duty not to provide adequate security for our people serving in these missions. It should also be emphasized here that additional funds of this magnitude cannot be borne within the State Department's base budget, which is already stretched to the limits.

Second, the State Department seeks continued support for its long-term effort to modernize its aging information technology infrastructure. With increased funding in the last two years, the Department is making progress in replacing its outdated systems and addressing the Year 2000 problem. But as stated in testimony presented last fall by the Department to a joint hearing of the Budget Committee's Task Force on Function 150 and the Foreign Relations Committee's Subcommittee on International Operations, the Department still has a long way to go in its modernization program: the Under Secretary of State for Management told the committees that "[o]verseas, approximately 50% of our telephone systems, 60% of our radio equipment, 65% of our classified computers and 35% of our unclassified computers would be obsolete by 2000" without additional congressional funding support.

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Third, the United States must do what it can to assist Russia, which is currently undergoing severe political and economic crises. Importantly, the Administration has proposed an Expanded Threat Reduction Initiative to increase existing Nunn-Lugar-Domenici programs -- funded both in the 050 and the 150 accounts -- by 60 percent for the next five years. 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." As Russia's economy goes south, 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 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.

Additionally, I have proposed legislation, S. 372, to more than double our educational and professional exchanges with Russia. This is a modest investment -- involving less than $20 million in new resources in exchange programs; but such exchanges have proven to be an effective and lost-cost mechanism for enhancing democratization in that country.

One other portion of the foreign assistance budget bears emphasis. The Administration seeks important funding in this year and the next two fiscal years to provide financial support for the Wye River memorandum. For two decades, the United States has supported those in the region willing to take risks for peace. Israel, the Palestinians, and Jordan are all taking such risks. We must support the President's budget proposal.

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 2000 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,

Joseph R. Biden, Jr.
Ranking Minority Member

Enclosure

United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

March 4, 1999

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

Dear Mr. Chairman:

The President's fiscal year 2000 budget is the first since enactment last October of the Foreign Affairs Reform and Restructuring Act, which requires the consolidation of the functions of the Arms Control and Disarmament Agency (ACDA) and the U.S. Information Agency (USIA) into the State Department. (Consolidation will be completed prior to the start of fiscal year 2000. I believe this will strengthen the Secretary of State's ability to conduct foreign policy.)

As a result the State Department has presented a fiscal year 2000 budget that includes an additional 1,943 personnel from these two agencies, who will now report to the Secretary of State. In addition, the State Department has more direct oversight over the Agency for International Development.

<u>State Department Administration of Foreign Affairs Budget</u>

I am convinced that the State Department is not adequately looking for opportunities to streamline and reduce duplication and overlap in the consolidation process. In testimony before the Committee last week, the Secretary of State indicated that the State Department would achieve savings in the future, but she could not point to any specific savings. As agencies are eliminated, and functions moved, it seems incredible that certain duplication cannot be eliminated. For example, administrative personnel of the previous two agencies surely could be down-sized. Also, as USIA personnel are integrated into regional bureaus, all duplication in regional analysts certainly should be eliminated.

The General Accounting Office (GAO) has long been critical of a lack of long-term planning by the State Department. Specifically, GAO has found that the State Department continues to resist setting funding priorities. Reorganization presents a real opportunity for reductions to occur in staffing levels while maintaining a vigorous presence overseas. Budget discipline, when and if implemented, will force at least some of these needed changes.

Also, the GAO and other independent foundations have found that the present cable writing and review process may be too cumbersome, given the widespread use of electronic mail and the possibilities of the Defense Messaging System for transmitting classified communications. In addition, the report found that the need for face-to-face diplomatic meetings might be reduced by using other communication methods, such as video-conferencing. Again, budget discipline could go a long way to achieving a streamlined communication system and provide an opportunity for some reduction in personnel.

The President's budget also requests an advance appropriation of $3 billion for a five-year embassy construction program to begin in fiscal year 2001. I am concerned that the State Department has not adequately determined that the security of U.S. personnel abroad must be a priority. Instead of including a rational five-year plan, commencing in fiscal year 2000, the President's plan would defer most of the embassy upgrades until the out years of the plan. As a result it could be a decade before secure embassies are open for business.

The proposed plan, which provides minimal funding in the first three years, also would prohibit securing efficiencies in embassy construction. Given the failure to commit adequate funding in the next three years under the plan, it will be impossible for the State Department to secure one contract to both design and build an embassy or one contract to build multiple embassies in a region.

I am opposed to an advance appropriation for embassy security. However, I hope the Senate budget resolution will include a multi-year commitment to securing U.S. facilities overseas. The Committee intends to mark-up a five year authorization bill for the construction of secure embassies. Funding would be provided in a new authorization that could not be tapped for other State Department activities, and would require the Secretary to certify compliance with optimal security standards. Although it is impossible for the United States to provide totally risk-free embassies, the Congress should approve reasonable funding for minimizing the risk for U.S. personnel overseas.

Foreign Assistance

The President's fiscal year 2000 budget requests $119,000,000 more for foreign aid programs than the 1999 levels. With a serious agriculture crisis at home, as well as numerous other domestic priorities, it is difficult to reconcile the Administration's desire for more foreign aid. American taxpayers expect Congress to cut foreign aid unless it directly promotes U.S. national interests.

The Committee has just received the Agency for International Development's fiscal year 2000 Congressional Presentation documents, and we are still in the process of reviewing them. Nevertheless, I can offer several comments that I hope your Committee will consider:

Development Assistance Fund

The Administration's request for another increase for "sustainable development assistance" programs is not justified. According to President Clinton's 1993 task force on foreign aid reform: "Despite decades of foreign assistance, most of Africa and parts of Latin America, Asia and the Middle East are economically worse off today than they were 20 years ago." Under the stewardship of the Clinton Administration, the situation has further deteriorated. In fact, A.I.D. cannot explain how its programs are performing and whether they are achieving their intended goals. A September 30, 1998 A.I.D. Inspector General report titled "Audit of the Status of USAID's Implementation of the Government Performance and Results Act of 1993" revealed that, "USAID will not be able to meet the reporting requirements of the Results Act since it relies on infrequent, untimely data that is targeted at measuring results for the development community as a whole."

Expanding on the same theme, an October 5, 1998 A.I.D. Inspector General report entitled "Audit Quality of Results Reported in the Global Bureau's Center for Human Capacity Development Results Review and Resource Request (R4) Report Prepared in 1997" disclosed that the "Global Bureau's Center for Human Capacity Development did not report results which were objectively verifiable, supported, and/or accurate." There are scores of Inspector General reports on country programs and various functional bureaus which contain virtually the same findings. Simply put, A.I.D. cannot demonstrate that its development assistance programs even work, and yet it requests a funding increase of $119,000,000.

Included in its request for development assistance, the Administration asks for $482,000,000 for population control and HIV/AIDS activities, as well as $25,000,000 for the U.N. Fund for Population Activities (UNFPA). The Clinton Administration has begotten the largest population control account in U.S. history and is the world's largest provider of international population control assistance. Despite this fact, the United Nations and many recipients of these funds harshly criticized the U.S. Congress at a U.N. conference in The Hague in February for suspending funds to UNFPA for fiscal year 1999.

Mr. Chairman, you are fully aware of the horror stories about Chinese women being forced to abort their babies and undergo forced sterilization procedures, and UNFPA's longstanding involvement with China's population control program is precisely the reason Congress suspended its support. I sincerely hope Congress will stand on principle and deny UNFPA funds for fiscal year 2000. (In addition to funding projects from the population control and HIV/AIDS accounts, these misguided projects are funded also from other accounts, including Child Survival and Health, Infectious Diseases, Development Fund for Africa, Economic Support Funds, Support for Eastern Europe and Democracy (SEED) and Freedom Support Act (assistance to the New Independent States). A.I.D. should stop misusing these accounts.)

AID Operating Expenses

Congress should scale back significantly the Administration's $508,000,000 request for AID's Operating Expenses, which is $15,000,000 more than Congress appropriated for fiscal year 1999. As a "laboratory" for the Vice President's "reinvent government" initiative, AID should be a model of efficiency, but this is not the case.

A January 1999 General Accounting Office report called "Major Management Challenges and Program Risks" documented problems at A.I.D. that many of us have suspected for years:

> The lack of an integrated financial management system and the existence of material control weaknesses hinder the agency's ability to produce auditable financial statements. As in the pervious year, USAID's Office of Inspector General (OIG) was unable to express an opinion on the agency's financial statements for fiscal year 1997. The process of preparing financial statements and subjecting them to independent audit is the first step in generating complete, reliable, and timely financial information for decision makers at all levels. Without financial integration and strong controls, USAID's systems do not comply with federal accounting and management requirements.

Mr. Chairman, I remind you that this devastating analysis of A.I.D.'s financial mismanagement comes after the Administrator of A.I.D. spent nearly $100,000,000 on a computerized financial management system that, according to GAO, "does not work as intended and has created problems in mission operations and morale."

Inter-American Foundation and African Development Foundation

I strongly urge that funding for the Inter-American Foundation -- which has spent more than $1 billion since its creation -- and the African Development Foundation be eliminated. In 1998, the Foreign Relations Committee forced the Inter-American Foundation to end several grants to groups in Ecuador clearly identified by the State Department to be terrorist organizations which had actually kidnaped Americans and threatened their lives, as well as the lives and safety of other U.S. citizens while extorting money from them. Abolishing these two foundations outright, which I have consistently advocated, would save the taxpayers at least $35 million annually.

United Nations

As you well know, the Congress approved and the President vetoed a bill by Senator Biden and me to reform the United Nations in exchange for the payment of arrears to the United Nations. The Committee will consider the U.N. reform bill again this Congress. The payment plan calls for $244 million in FY2000 funds, and an additional $107 million in debt forgiveness. In addition, the President's budget includes more than $1.6 billion for assessed and voluntary contributions to international organizations. This does not include other AID transfers to these organizations for specific programs and activities. International organizations represent more than one quarter of the State Department's operational budget. The U.N. Reform bill would reduce the U.S. assessment and begin a reduction in these expenditures.

Pete, I look forward to your guidance regarding budget resources within the total 150 foreign affairs account, and am particularly interested in finding resources within the account for embassy security.

Sincerely,

Jesse Helms

JESSE HELMS

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

March 8, 1999

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

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

Dear Senators Domenici and Lautenberg:

Thank you for giving me the opportunity to provide the Budget Committee with the views and estimates regarding the President's Fiscal Year 2000 budget as it affects programs under the jurisdiction of the Committee on Governmental Affairs.

The President's FY 2000 budget contains a number of proposals affecting programs within the Governmental Affairs Committee's jurisdiction. In the past, federal and postal employee and retiree programs have been the subject of deficit reduction efforts. The Committee notes that the President's FY 2000 budget submission does not target any of these programs for deficit reduction.

Our current fiscal climate and projected budget surpluses lay the foundation for preservation of these current programs. We realize that past sacrifices were made on the part of the federal and postal employee and retiree community and urge the Budget Committee to consider these actions in framing this year's resolution.

Federal employee pay

The President recommended a 4.4 percent increase in federal civilian pay for Fiscal Year 2000. This amount follows the adjustment for civilian pay in FY 1999 of 3.6 percent. According to the Office of Personnel Management, this year's adjustment was based on increases in the Employment Cost Index, as of June 1998, of 3.9 percent and the Administration recommended an additional half percent increase in recognition that past annual adjustments have not kept up with the requirements of the Federal Employees Pay Comparability Act (FEPCA), section 529 of P.L. 101-509.

Civilian employee pay adjustments are governed by FEPCA. Because of deficit reduction efforts and efforts to control spending, FEPCA has never been fully implemented. We recognize that a full adjustment under FEPCA for FY 2000 would result in an average increase of 16.8 percent for federal employees and would cost the taxpayers approximately $12.2 billion.

FEPCA has been criticized by this Administration and the Administration has indicated it will offer legislative proposals to correct deficiencies in the Act. The Committee looks forward to the Administration's introduction of federal pay reform proposals. We are confidant that further actions regarding federal employee pay and compensation will be consistent with the need to balance carefully the interests of the federal government in recruiting and retaining a qualified workforce against the strictures of current budget restraints.

The Committee recognizes the action the Senate has taken in authorizing a 4.8 percent increase in military pay, as contained in S. 4, the Soldiers, Sailors', Airmen's and Marines' Bill of Rights Act of 1999. Further, we recognize the adoption of a Sense of the Senate amendment in that legislation, by a roll call vote of 94 - 6, which placed the Senate on record as supporting parity in annual increases between civilian and military pay. The Committee is concerned, however, that agency appropriations levels may be strained to meet these pay increases. We do not advocate abandoning the current discretionary spending caps. Clearly, careful consideration will need to be given to reconciling these competing goals.

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 reduced 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 began paying an additional contribution for their defined benefit retirement coverage, beginning in the first pay period of January 1999.

These increased employee contributions were phased in over a three year period. When fully implemented, employees covered by the CSRS will contribute a total of 7.5 percent of salary and employees participating in the FERS will pay 1.3 percent. These increases are scheduled to remain in effect until the end of calendar year 2002.

The Committee recognizes the significant burdens shouldered by federal and postal employees and retirees in past efforts at deficit reduction. Neither last year's Senate Budget Resolution nor the Administration's budget submission for FY 2000 included any assumptions targeting federal retirement programs for reductions.

One aspect of federal retirement that the Committee intends to address 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. Estimates range from 8,000 to 20,000 employees erroneously enrolled in the wrong pension plan. Last year, the Committee reviewed legislation addressing this issue. However, cost estimates provided by the Congressional Budget Office showed the legislation had a direct spending cost of almost $142 million, primarily because of retroactive agency contributions to the Civil Service Retirement and Disability Trust Fund. That estimate also projected the legislation would decrease discretionary spending by $146 million due to lower makeup contributions to the Thrift Savings Plan. Because of the anomalies of our budget scoring procedures, direct spending cannot be offset against discretionary spending, even though to do so would result in savings in this instance. Presently, the Committee is working with the Office of Personnel Management in an attempt to address this cost issue.

Additional federal personnel initiatives

The Administration also included in its budget submission new legislative initiatives affecting federal personnel. The Administration indicated its intent to seek legislation establishing a long-term care program for federal employees. Currently, S. 36, introduced by Senator Grassley, and S. 57, introduced by Senator Mikulski, would provide for the establishment of a long-term care program for federal employees. Other initiatives sought by the Administration include the grant of new system-wide buy-out and early-out retirement authority to help agencies better manage downsizing efforts. In establishing new programs for federal employees, the Committee must balance the need to recruit and retain a qualified federal work force against both short-term and long-term budget implications. Consequently, the Committee looks forward to reviewing these proposals, as well.

The Committee is also aware of the Administration's efforts to develop civil service reform initiatives. These initiatives were not contained in the President's budget submissions and have not been formally submitted to Congress. However, the Committee looks forward to reviewing these initiatives once the Administration has finalized its proposals.

Government performance and management initiatives

The Committee is committed to a leaner, more efficient government. Legislation reported from the Committee has established a new framework for government accountability. The Government Performance and Results Act (GPRA), along with financial management, acquisition and information technology management reforms, will be driving federal agencies to modernize and improve both performance and accountability.

With the FY 2000 budget submissions, GPRA performance information was incorporated in the budget for the second time. The Committee will continue active oversight of GPRA implementation and other management laws which form the statuary framework for performance-based management and accountability in the federal government. The government-wide savings achieved by this Committee are not credited as a budget savings, but should be considered in the large context for their value in establishing a smaller, smarter government that more effectively serves the taxpayer.

I appreciate this opportunity to comment on issues of interest within the areas of jurisdiction of the Committee on Governmental Affairs. I look forward to working with you and the Members of the Committee on the Budget in efforts to craft fair, equitable, and fiscally-sound budget measure reflective of the varied interests impacted by such legislation.

Sincerely,

Fred Thompson
Chairman

FT:dgb
cc: The Honorable Joseph I. Lieberman

United States Senate

COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

March 9, 1999

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 February 9, 1999, 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 Administration of Justice programs. After consultation with members of the Committee, I have prepared the following comments regarding the Department of Justice's budget.

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 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, however, does not absolve us of our responsibility 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 enter the next 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.

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 2000 budget.

The Honorable Pete Domenici
The Honorable Frank Lautenberg
March 9, 1999
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Budget Guidance, FY 2000 and FY 2001

The Judiciary Committee projects total budget authority requirements for the Department of Justice for the fiscal years 2000 and 2001 as follows:

FY 2000	$20.56 billion
FY 2001	$21.6295 billion

These estimates include funding for the law enforcement, legal, and administration of justice activities of the Department of Justice, as well as assistance to state and local governments through the Office of Justice Programs, as follows:

	DOJ Activities	OJP Assistance
FY 2000	$15.7521 billion	$4.808 billion
FY 2001	$16.5505 billion	$5.079 billion

The funding levels set out above reflect a five percent annual increase. For the out-years, we envision appropriate increases, assuming the programs and grants authorized and appropriated in the current fiscal year prove effective and deserving of reauthorization. To place these estimates in context, the Department of Justice is entrusted with the critical duty of primary responsibility for the enforcement of our Nation's laws. Through its divisions and agencies including the FBI and DEA, it investigates and prosecutes violations of federal criminal laws, seeks enforcement of federal civil rights statutes, enforces the antitrust laws, and represents every department and agency of the United States government in litigation. Increasingly, its mission is international as well, protecting the interests of the United States and its people from growing threats of trans-national crime and international terrorism. And, among the Department's key duties is providing assistance and advice to state and local law enforcement. Indeed, this assistance has been critical over the past several years in attaining the first general reduction of the rate of crime increases in decades. Yet despite its vital role, in FY 1999, the Department of Justice's budget is only an estimated $18.2 billion, representing about one percent of the $1.75 trillion federal budget.

As I have already advised the Senate, a major priority of the Judiciary Committee this year will be the oversight and reauthorization of the Department of Justice. It has been twenty years since Congress undertook a general reauthorization of the Department, and such a review is well past due. The Committee has established a subcommittee to advance this cause. This review and reauthorization will include many of the state and local law enforcement assistance programs funded through the Office of Justice Programs. I urge your careful consideration of

The Honorable Pete Domenici
The Honorable Frank Lautenberg
March 9, 1999
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the following explanations of these budget estimates.

Violent Crime Reduction Trust Fund Extension

The views and estimates reflected in this letter include a recommendation that the Violent Crime Reduction Trust Fund ("VCRTF" or "Trust Fund") be extended. As you know, since its creation in the 1994 crime law, the VCRTF has provided billions of dollars of much needed assistance to our state and local governments for the construction of prisons and jails, the purchase of vital equipment and technology under the Local Law Enforcement Block Grant, and the hiring of police officers and support personnel, and the purchase of equipment, under the COPS program. In FY 1999 alone, Congress appropriated from the VCRTF $720.5 million in prison construction assistance, $523 million in block grants to state and local law enforcement, $1.4 billion in money for police hiring and related programs, and $250 million in youth violence block grants.

Additionally, significant law enforcement and administration of justice functions of the federal government are funded in part from the Trust Fund. For example, in FY 1999, the VCRTF was the source of $223.35 million in funds for the FBI, $405 million in funds for the DEA, $842 million for the INS, and $26.5 million for the federal prisons system.

Authority for the Trust Fund is presently scheduled to expire after FY 2000. Without an extension or an alternative funding source, the 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

In 1997, the Senate approved an amendment to the budget, which extended the VCRTF through 2002, but this amendment was dropped in conference. Last year, the Senate adopted a Sense of the Senate, urging continuation of the VCRTF. I urge you to protect the vital programs funded by the VCRTF, by including in the budget resolution provisions extending the Trust Fund at least through FY 2004.

FY 2000 Budget and Programmatic Changes

The Honorable Pete Domenici
The Honorable Frank Lautenberg
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The President's FY 2000 budget for the Department of Justice includes numerous changes in funding levels and programmatic changes. The President's proposed budget for the Department of Justice provides only a marginal 1.6 percent increase in DOJ funding for FY 2000. Some of the proposed changes, particularly those that relate to federal law enforcement agencies, appear, however, to reflect reasonable efforts to address the major crime problems facing our nation: drug use, violent crime, and terrorism. By contrast, other funding requests sought by DOJ, whether they be enhancements to existing programs or the establishment of entirely new programs, appear unwarranted. Moreover, the President proposes deep cuts in several areas, especially assistance to state and local government. We need to look especially vigorously at DOJ's request for the funding of new or recently-established programs, and at proposed cuts to successful programs.

- ***State and Local Law Enforcement Assistance***

I am extremely concerned with proposals in the President's budget relating to 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 overall Department of Justice Budget. For FY 1999, OJP funding was appropriated at approximately $4.8 billion, or 23 percent of the Department's $20.8 billion 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 hard-forged partnership between the federal government and state and local governments to combat crime across the nation. Indeed, the President proposes a $1.248 billion cut in OJP budget authority, a reduction of 24.12 percent from FY 1999. The President proposes cutting important programs of proven effectiveness, as well as initiating several programs without proven track records. 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 the adoption of untested programs.

Violent Offender Incarceration and Truth in Sentencing Incentive Grant Program: Foremost among my concerns is the President's proposal to eliminate all funding Violent Offender and Truth in Sentencing Incentive Grant program ("VOI/TIS grants"). The VOI/TIS grants grant program has, by any measure, been a tremendous success, making our streets safer by providing critical seed money to states for bricks and mortar prison construction. Adopted in the 1994 crime law, and significantly strengthened by Congress in 1996, the VOI/TIS program is authorized at $2.753 billion for FY 2000. Although never fully funded, 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.

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By encouraging states to adopt truth in sentencing laws requiring violent criminals to serve at least 85 percent of their sentences, the VOI/TIS grant program has helped reverse the dramatic reductions in average sentence lengths from the 1950s onward that fueled the crime wave of the Sixties, Seventies, and Eighties. It is notable 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 month, 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 average time served by violent criminals has increased 12.2 percent since 1993.

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

Byrne Grant Program: I am also concerned that again this year the President proposes cuts to the Byrne grant program. As you know, this highly successful and popular program provides needed assistance to state and local law enforcement for a wide variety of programs and services.

The President's budget proposes to cut funding for the Byrne formula grant program by $48 million, and also cuts the discretionary grant program by $2 million. Moreover, the President again this year proposes deriving the entire $459 million in formula grants, as well as $62 million in discretionary grants, from the Violent Crime Reduction Trust Fund (VCRTF), reducing direct appropriations for these grants to zero.

In the 1994 crime law, Congress provided that, for FY 2000, $45 million would be authorized for the Byrne program from the VCRTF. But Congress's intent was that those funds *supplement* Byrne grants that would be appropriated in direct appropriations. No basis exists in congressional authorization for deriving more than these supplemental Byrne amounts from the VCRTF. Appropriating Byrne grants entirely from the VCRTF, in essence, amounts to cutting this program and puts the program at risk should my recommendation that the VCRTF be extended before it expires after FY 2000 not be adopted.

Additionally, the President proposes utilizing discretionary Byrne grants for the questionable purpose of providing security enhancements at family planning clinics. I do not believe this use of funds to be authorized under the Byrne grant provisions, and believe budget authority should not be given for this proposal.

Local Law Enforcement Block Grants: The President also 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. Instead, the President is proposing $125

The Honorable Pete Domenici
The Honorable Frank Lautenberg
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million for "community prevention crime programs," including proposals to "teach neighborhood residents problem solving skills" and to fund "partnerships with local environmental groups to crack down on illegal dumping in the inner city."

As you know, 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 each of fiscal years 1998 and 1999, represents a severe blow to federal efforts to assist our communities in the war against crime. Those funds should be restored, rather than transferred to new, untested spending initiatives bearing little relationship to the law enforcement needs of our communities.

Juvenile Crime and Accountability Programs: The prevalence of juvenile crime continues to be among the greatest criminal justice challenges faced by our nation, and a major concern to every parent. In 1997, juveniles accounted for nearly one fifth -- 18.7 percent -- of all criminal arrests in the United States. Persons under 18 committed 13.5 percent of all murders, over 17 percent of all rapes, nearly 30 percent of all robberies, and 50 percent of all arsons. Additionally, in 1997, 183 juveniles under 15 were arrested for murder. Juveniles under 15 were responsible for 6.5 percent of all rapes, 14 percent of all burglaries, and one third of all arsons. And, unbelievably, juveniles under 15 -- who are not old enough to legally drive in any state -- in 1997 were responsible for 10.3 percent of all auto thefts.

To put this in some context, consider this: in 1997, youngsters age 15 to 19, who are 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. And although there are endless statistics on our growing juvenile crime problem, one particularly sobering fact is that, between 1985 and 1993, the number of murder cases involving 15-year olds increased 207 percent. Moreover, even with recent modest reductions in the juvenile crime rate, I believe that there is a strong potential for significant increases in juvenile crime above already too-high rates as the children of the baby boom generation are coming into the prime age for criminal activity.

The national juvenile crime problem requires a modest change in federal approach, which the Congress is in the process of adopting. Building on progress made in the 105th Congress, which in the last two fiscal years funded an innovative juvenile crime accountability block grant, the Senate will later this year consider S. 254, which reauthorizes and reforms the Juvenile Justice and Delinquency Prevention Act of 1974. This legislation reforms the federal role in the nation's juvenile justice system by providing relief from burdensome federal mandates and providing block grant assistance to states and local governments for accountability-based juvenile justice programs. Moreover, this reform will make federal policy on juvenile crime consistent with the realities of the problem.

Unfortunately, the President's budget request is grounded neither in the need for fundamental reform to the current federal approach, nor in anticipated congressional action. Rather, the President's proposed program defunds important, successful juvenile crime block grant programs, and provides insufficient relief from intrusive mandates on the states relating to the detention and incarceration of juvenile criminals. The net effect of the President's proposals would be the hindrance of effective state and federal reforms necessary to restore accountability to the juvenile justice system.

I strongly recommend that the Budget Committee reject the President's juvenile crime proposal, and adopt instead a budget resolution based on the provisions of S. 254, the Hatch-Sessions Violent and Repeat Juvenile Offender Act of 1997. This legislation, which the Senate will consider in the coming months, includes a $450 million block grant for state and local accountability based juvenile crime reduction efforts, as well as reform and reauthorization of key JJDPA programs such as the Part B state formula grants, the Part D Gang Free Schools and Communities program, and the Part G mentoring program. S. 254 also consolidates and improves several other prevention programs, including JJDPA Title V state challenge grants, creating a more effective prevention block grant.

Community Prosecutor Program: The President's budget request includes a proposal for $200 million in funding for a "Community Prosecutor Program". I believe support for prosecution at all levels of the justice system should be a priority. However, no legislative authority has yet been enacted, or even proposed, for this request. The President's juvenile justice legislation introduced by request last Session included a similarly titled provision. This provision was in turn based on a section of the 1994 crime law (42 U.S.C. 13861 *et seq.*) which authorizes grants for diversion and "individualized sanctions" programs for violent young offenders. The program, which Congress wisely has never funded, would have required social workers' direct involvement in prosecuting cases, and participating prosecutors would be required to "focus on the offender, not simply the specific offense, and impose individualized sanctions" such as "conflict resolution, treatment, counseling and recreation programs" for individuals, ages 7 to 22, who have committed "crimes of violence, weapons offenses, drug distribution, hate crimes, and civil rights violations . . .."

Presumably, the President's FY 2000 program will have a broader focus than juvenile offenders. I support grants to prosecutors as part of a comprehensive approach to criminal and juvenile justice, addressing the needs of law enforcement, prosecutors, and courts. For example, S. 10, the Judiciary Committee's juvenile crime bill last Congress, included grants for prosecutors and courts, and S. 254 this Congress specifically envisions that block grant funding be provided to prosecutors. Flexibility is fundamental to my approach. I remain concerned that the President would seek $200 million in funding for a program which does not demonstrate such flexibility, and which may require prosecutors to focus more on the interests of the accused

The Honorable Pete Domenici
The Honorable Frank Lautenberg
March 9, 1999
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criminal than on the welfare of the general public.

State Criminal Alien Incarceration Grants: I am also very concerned that the President's proposed budget proposes significant cuts to the important State Criminal Alien Assistance Program (SCAAP), which, as you know, reimburses States and units of local government for costs that they incur incarcerating illegal aliens who commit crimes in this country. Under the President's budget, direct appropriations would be cut $85 million, to $500 million, including cutting all of the supplemental SCAAP funding from the VOI/TIS Grants program, which, as noted, the President proposes eliminating. 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.

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 crime, more 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. CITA provides for system integration, permitting all components of criminal justice to share information and communicate more effectively and on a real-time basis. There is also a tremendous need to integrate the patchwork of Federal programs that fund some areas of anti-crime technology. If the current system of disparate funding streams is continued, resources will be squandered.

Last year, the Congress passed the Crime Identification Technology Act (CITA), S. 2022 (P.L. 105-251), to assist state and local justice systems update and integrate their anti-crime technology systems. CITA authorizes $250 million annually to states for crime technology, which will enable vital state and local participation in our national information and identification systems. Finally, CITA provides a dedicated, coordinated stream of funding to help states develop and upgrade their anti-crime technology, while providing accountability and efficiency to our current Federal funding matrix.

While the President recommends $50 million for CITA, I believe this amount to be insufficient, and recommend full or nearly full funding. Such funding is essential to support state and local law enforcement, as well as to capitalize from our national investment in anti-crime technology systems.

- ***Federal Prisons and Detention Programs***

Federal Detention: One of the primary duties of the federal government is to ensure that adequate detention space is available to hold persons alleged to have committed federal crimes pending trial ("detainees"), as well as to ensure that federal prison space is available to incarcerate those convicted of federal crimes. Regarding detention space, I am increasingly concerned that nationally, available detention space is inadequate to meet federal needs. Federal needs for detention space have been outstripping supply in several areas of the country. According to United States Marshals Service projections, the number of federal detainees, which increased 224 percent between 1988 and 1998, will continue to increase significantly in the next several years. Indeed, the federal detainee population is expected to rise from 31,207 today to at least 37,300 in FY 2000, an increase of 19.5 percent. Some districts are experiencing even faster growth. For instance, in FY 1997, the detainee population in Utah increased 29.2 percent and Growth rates in New Mexico are currently running at 39 percent. Some districts, including New Jersey, are posting slight detainee population declines.

Yet, under present appropriations levels, the Department of Justice has little ability to plan for the federal government's long-term detention needs. For this reason, I believe that more than the proposed $35 million in FY 2000 budget authority should be allocated for appropriations for the Cooperative Agreement Program (CAP), authorized by 18 U.S.C. 4013(a)(4). This funding, of which at least $5 million should be dedicated to a long-term needs pilot project, will permit the Marshals Service to enter into critical long-term agreements to ensure detention space is available to the federal government.

Federal Prisons: Similarly, the need for federal prison space has been growing. I am concerned that without appropriate action, the federal government may soon experience the same critical shortage of prison space that presently exists in many of our states. In fact, as of January 1, 1998, Federal prisons were at 122.2% capacity. The problem in the western United States, where crime is generally increasing even as it has declined somewhat elsewhere, may be particularly acute. I am concerned that the President's budget request does not address this need. Although the request does include an increase of $148 million for new construction, this request does not address adequately federal prison needs. In its reauthorization of the Department of Justice, the Judiciary Committee will be making a close examination of federal prison needs. For this reason, I urge the Budget Committee to include provisions addressing the acute need for federal prison space.

- ***Drug Abuse***

Overall, the Administration is requesting $17.8 billion for FY 2000 for drug control funding. I note that the amount appropriated in FY 1999, through regular appropriations and emergency funding, totaled $17.9 billion. Of the amount requested for FY 2000, the President is dedicating $7.9 billion, a 2.5 percent increase over FY 1999, in funding to fight drug trafficking and abuse. While I certainly support additional funding to support drug control efforts, including prevention and treatment, I remain concerned that the Administration is continuing a trend of shifting its focus and resources in an unbalanced manner toward treatment and prevention at the expense of interdiction and supply-reduction programs.

For instance, the President proposes funding a $215 million initiative to promote drug testing and treatment, a $112.1 million increase from FY 1999. The overwhelming majority of the increase, $100 million, is requested to establish a Drug Testing and Treatment Program to implement comprehensive drug testing policies, establish programs to stop illegal drugs from entering criminal justice populations, and fund coercive treatment programs within the criminal justice system. This is in addition to increases in the funding of existing treatments programs, including a $2.1 million increase, for a total of $65.1 million, for the Residential Substance Abuse Treatment program (which funds treatment programs within state and local correctional facilities), a $55 million increase for Treatment Capacity Expansion grants (which expands availability of drug treatment in areas of existing or emerging treatment), and a $30 million increase for the Substance Abuse Block grant program (which provides funds to states for treatment and prevention services). Also proposed is an additional $10 million to continue to expand the Drug Courts program, which provides alternatives to incarceration, including specialized treatment.

While I support proven treatment programs, I remain hesitant to place so much emphasis on the treatment of hard-core addicts, at the expense of supply reduction and other, more effective, demand reduction efforts, such as education. I am also disturbed that the President's budget provides no funds for additional Border Patrol Agents or Customers Inspectors. Given that 50 to 70 percent of illegal drugs enter the United States through the Southwest border, the President's budget concerning Border Patrol Agents and Customers Inspectors is troubling.

- ***Antitrust Division Funding***

Recognizing the increasingly numerous and complex merger proposals confronting the Department of Justice, 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 is appropriate. For FY 2000, the President has requested a total budget of $114.4 million, a 16 percent increase over FY 1999 levels. At this point, a sufficient justification has not been made for such an increase. However, recognizing the increasingly numerous and complex merger proposals confronting the Department of Justice, both in the United States and abroad, I do not believe a funding decrease in the Department's Antitrust Division is appropriate. In fact, given the recent explosion in merger activity, a modest and reasonable expansion for FY 2000 is appropriate.

- ***Immigration and Naturalization Service***

Since 1992, the budget authority for the INS has gone from $1.176 billion to the President's FY 2000 request of $4.27 billion. During this same period staffing levels have gone from 17,700 persons in 1992 to a requested 31,200 for FY 2000. Particularly over the last several years the growth of the INS has been dramatic, with its budget having increased by almost 50 % from FY 1996 to FY 1999.

This year's budget request represents a $394 million increase over the FY 1999 enacted level of $3.876 billion. This includes $56 million for the INS National Border Control Strategy, $50 million of which is to go to new surveillance technology; $20 million for an Interior enforcement strategy, including increasing resources to transport and remove aliens in INS custody, to increase juvenile detention bed space, and to facilitate data entry into the National Crime Information Center (NCIC) at the field level; $48.12 million for the planning and construction of new border patrol station and sector headquarter spaces, checkpoint systems, border fencing, stadium lighting, and other projects to support the Border Patrol; $22.5 million for the planning and construction of new detention facilities in California, Arizona, Texas, and Florida; $3.21 million to staff rapid inspection lanes in El Paso, Texas and San Ysidro, California, and related expenses; and $2.52 million for the Executive Office for Immigration Review (EOIR), funding 33 new positions, including 5 immigration judges, and otherwise coordinate INS enforcement initiative expected to increase Immigration Judge caseloads by 5,000 cases and Board of Immigration Appeals caseloads by 800 appeals.

Increases in these various areas seem legitimate and warranted. I would particularly note that the increased resources going to interior enforcement, to detention, and to EOIR seem warranted in order to deport more rapidly and more efficiently the additional individuals who are now being apprehended. For similar reasons, additional resources for entering information in the NCIC seem a useful investment to improve our ability to identify and deport rapidly aliens who commit crimes.

You should know, however, that the President's budget does not request funding to implement two legislative mandates established in the 1996 immigration law. First, for the second year in a row, it does not request funding for detention sufficient to allow INS to comply with the requirement in IIRIRA to detain certain categories of deportable criminal aliens until their deportation has been completed. Despite the fact that Congress gave the INS a two year transition period during which this mandate was not fully implemented, the INS has not yet come forward with a plan for complying with this requirement or determined, let alone requested, the resources it believes necessary to implement such a plan. Such a plan need not involve detaining these individuals federally, but rather could focus on what steps are needed in order to allow them to be deported upon completion of their state criminal sentences. Because no proposal along these lines has even been formulated yet, it is almost certain that additional funds will be needed beyond those requested in the President's budget in order to avoid having to release some of these criminals before they are deported, thereby in all likelihood allowing them to avoid deportation altogether. Second, the budget does not request any additional Border Patrol agents, despite the fact that Congress mandated in IIRIRA that an additional 1,000 agents be added this fiscal year. The President's failure to submit to Congress a budget that allows the Administration to comply with clear Congressional mandates on these issues is frankly baffling to me.

Department-of-Labor-administered immigration programs: I also want to call to your attention two issues the President's budget raises relating to the Department of Labor's administration of immigration-related visa functions, which, because they are established in the Immigration and Nationality Act, fall within the jurisdiction of the Committee on the Judiciary. First, the budget proposes to transfer functions for the certification of alien labor (permanent labor certification, H-1B, H-2A, and H-2B visas) from the Employment and Training Administration (ETA) to the Employment Standards Administration (ESA) Wage and Hour division. This move would very likely harm industries that use these visas by further disrupting the certification process and, even more worrisome, turn duties Congress intended to be administrative into enforcement vehicles for wage and hour inspectors who have often shown themselves to be hostile to the employer community in this area. The stated rationale for this move--to streamline and improve the labor certification process-- is not supported by any actual explanation of how this improvement would result. Moreover, it is hard to see why any improvements to the process cannot be made within the Employment and Training Administration.

Second, the President's budget proposes to give the Department of Labor new fee authority that would allow it to charge employers a fee of an unspecified amount for the processing of labor certifications for employment-based immigration visas. The receipts from this fee would replace current appropriations, so it cannot be argued that this would even potentially improve service for employers. The Department of Labor has shown little or no willingness to improve service for employers seeking labor certification, so it is hard to see why it should be made even less accountable through the grant of new fee authority.

- ***The Courts***

The President's Budget also includes $4.385 billion for obligations associated with the

Judiciary, of which $4.152 billion is to be derived from fiscal year 2000 appropriations. This includes salaries and expenses necessary for the operation of the federal courts, expenses for the operation of the Federal Public Defender and Community Defender organizations, fees of jurors and commissioners, expenses for court security, expenses for collection of filing fees, funds for operation of the Judicial Information Technology Fund, salaries and expenses for the Administrative Office of the United States Courts and for the Federal Judicial Center, payments to Judicial Retirement Funds, funding for the United States Sentencing Commission, and funds, to be derived from the Violent Crime Reduction Trust Fund, to meet the increased demands for judicial activities resulting from the Violent Crime Control and Law Enforcement Act of 1994. The Judiciary Committee has no objection to these figures.

I should note for you that the foregoing figures reflect increased salaries that would result from the cost-of-living adjustment proposed in the budget, which I support.

There are two troubling items, however, that I would like to point out. First, is the Administration's disturbing and legally-questionable attempt to cut the Judiciary's budget request, through application of a so-called "negative allowance" in fiscal year 2000 of $159 million. As you know, 31 U.S.C. § 1105(b) requires the President to include in his overall budget for the government the budget submissions of the Judicial branch (and the Legislative branch) "without change." Notwithstanding this clear statutory command, the President proposes that the Judicial and Legislative branch budgets be reduced arbitrarily by $307 million (a $159 million cut for Judiciary, and a $148 million cut for the Legislative branch) in unspecified cuts. As I have stated above, I see no reason to object to the figures in the Judiciary's budget request. But even if I thought the numbers objectionable in some way, I still would question on principle the President's attempt to change them in defiance of the unambiguous statutory imperative of section 1105(b).

Second, I am extremely concerned about the complete absence of funding, for the third year in a row, for courthouse construction projects in the President's budget. The work of the federal judiciary in resolving disputes and processing criminal matters is of paramount importance to the nation. Certainly the provision of adequate facilities for our federal judges must be given a high priority so these essential functions can be performed. Indeed, the absence of funding in this area has the potential to become a national judicial emergency as new Article III judges are appointed for whom adequate office and courtroom space is not available.

The majority of existing court facilities, most of which were built about 50 years ago, cannot be modified to provide the additional courtrooms, chambers, technological improvements, and office space required to house the increase in the number of judges and staff that has accompanied the tremendous growth in the workload of the federal judiciary over the past 10 to 15 years. In addition, many of these existing facilities simply cannot support the security enhancements that public safety demands. In fiscal year 1999, the Congress worked closely with the Judiciary to identify the most pressing new construction needs and subsequently appropriated $462.29 million for 13 of the 14 requested courthouse projects. (This came on top of the $26.156 million appropriated for repair and alteration of existing sites.) The Judicial Conference has identified a need in fiscal year 2000 for 17 new courthouse construction projects at a cost of $579.4 million in its latest five-year plan of new courthouse construction priorities, and I believe that these projects are amply justified and well worthy of being funded and carried out to completion. (The Judicial Conference also identified a need for repairs and alterations at 9 sites, at a cost of $73.19 million. The Administration's budget does not include funding for 3 of these projects, which would cost $27.796 million. I support the funding of the entire $73.19 million package.)

Congress needs to ensure that funding is made available, in timely fashion, for courthouse construction and renovation projects in order for the federal court system as a whole to function effectively.

- ***Patent and Trademark Office***

This is the first time the Clinton administration has submitted a budget that does not rely on diversion or rescission of patent fees to subsidize unrelated federal spending. I have appreciated working with you to put an end to this practice, and I applaud the Administration's reconsideration of its earlier policies. I strongly encourage your continued efforts to ensure that the President's proposal is implemented by congressional appropriators insofar as it reserves patent fee revenues for use by the PTO. Nevertheless, I remain concerned with certain aspects of the President's budget proposal.

First, the President's budget withholds authorization for the PTO to spend an anticipated $160 million in fee revenues until FY 2001. While sound fiscal discipline may require that the PTO not expend all of its receipts in the year in which they are received, I am concerned with the prospect of creating what is, in effect, a patent fee trust fund. Use of this money by the Government to fund non-PTO programs will have the same effect as earlier fee diversions and rescissions, with the exception that this money theoretically must be repaid to the PTO. While this is an improvement over the confiscatory practices of fee diversion and rescission, it falls short of sound public policy. 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.

Second, the President's budget requires the PTO to increase patent and trademark fees by $20 million to cover the costs associated with post-retirement health and life insurance for current PTO employees. The President's budget suggests that this same proposal will be included in draft legislation to make the PTO a "performance-based organization," in conformity with the Vice President's template for government reform. As you know, I have led the effort in the Senate for the past two Congresses to reform the PTO and to convert it to a wholly-owned government corporation. While the proposal to require the PTO to cover the costs of its employees' post-retirement benefits may merit discussion, it is my understanding that no other fee-funded agency is subject to such a requirement. Congress should not attempt to implement such reforms in a piecemeal fashion through the appropriations process. Rather, this and other PTO reform proposals should be considered more fully in the broader context of comprehensive PTO reform legislation. Moreover, it is particularly inappropriate to impose a $20 million fee hike on patent and trademark applicants when the Federal Government is withholding some $160 million of existing fee revenue.

For these reasons, I urge the Budget Committee to report a budget that allows the PTO to retain the fees it collects for services and to make them available to the PTO in full as they are collected. At the very minimum we must be vigilant to ensure that the burden of funding unrelated programs does not fall once again on the PTO's customers should surplus fee receipts decline as expected in the coming years. I also strongly urge the Budget Committee to reject the post-retirement benefits payment proposal and the corresponding $20 million surcharge.

- ***Narrowband Communications***

The President's budget proposes $80 million in funding to convert Department of Justice communications systems to narrowband communications, as required by the National Telecommunications and Information Administration Organization Act. Although I support this conversion, I have some concerns over the proposed off-set, which the President's budget proposes to be derived from a fee to be assessed on commercial broadcasters for their use of analog channels. I urge that further detailed review be given to this proposal.

- ***National Instant Background Checks System***

I am concerned that the President's budget proposes, with full knowledge of Congressional disapproval, asserting authority to charge a fee for National Instant Check System background checks, made pursuant to the Brady Act. Once again, the President proposes to collect a transaction fee from firearms dealers for each Instant Check transaction, citing for its authority a provision from the FY 1991 CJS appropriations law (Pub.L. 101-515; 28 U.S.C. 534 note).

I do not believe that this provision authorizes these fees. The provision states that the FBI may establish and collect fees to "process fingerprint identification records and name checks for non-criminal justice, non-law enforcement *employment and licensing purposes* . . .."

(Emphasis added.) A Brady check, of course, is neither an employment purpose nor a licensing purpose. Moreover, Congress's views on the matter are clear. The FY 1999 omnibus appropriations bill included a specific restriction disallowing these fees during FY 1999.

The President's proposal raises the possibility of a significant deficiency in funds for the FBI to properly carry out its duties under the Brady Act. FY 1999 funding for this program was funded through a $22 million adjustment to base, plus a $20 million transfer from the Department's Working Capital Fund. Under the President's proposal, which assumes the collection of unauthorized fees, an impact of $42 million or more on the FBI's budget is likely. Additionally, several states are rescinding their agreements to serve as points of contact for the NICS check. As this occurs, the workload on, and the expenses to, the FBI will increase further. The FBI estimates that costs may total as much as $200 million in FY 2001 and 2002.

I believe an effective instant check system should be in place, but that fees should not be charged for these checks. I intend to address this issue in the Department of Justice reauthorization. In the meantime, I urge you to ensure that the budget allocation for the FBI addresses adequately this important need.

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 5, 1999

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 February 9, 1999 requesting the minority views and estimates from the Committee on the Judiciary for your consideration as you prepare the Fiscal Year 2000 budget resolution.

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 $206.8 million for VAWA for FY 2000, and, in particular, $25 million for the Rural Domestic Violence and Child Victimization Enforcement grant program.

21st Century Policing Initiative

The Community Oriented Policing Services ("COPS") Public Safety and Community Policing Grants Program has been a resounding success -- putting 105,000 new law enforcement officers on the street by the end of the year, which will exceed the goals of the program. The Administration has proposed the 21st Century Policing Initiative as the next step in the evolution of the COPS program to help maintain communities and reduce crime. This year, the Administration has requested a total of $1.28 billion for this initiative, including $600 million for an additional 30,000 to 50,000 law enforcement officers. The 21st Century Policing Initiative also 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 the COPS program has been a vital step towards reducing crime and the 21st Century Policing Initiative takes us further down that path of safer cities and towns. We strongly endorse this request.

Public Safety Wireless Telecommunications

The goal of this program is to ensure that State and local public safety wireless communications systems are compatible with federal law enforcement radio systems. Currently, every federal, state, and local law enforcement agency operates separate tactical radio networks in every metropolitan area in the country.

A recent incident along the Vermont and New Hampshire border underscored this problem. During a cross border shooting spree that left four people dead, including two New Hampshire State troopers, Vermont and New Hampshire officers were forced to park two police cruisers next to one another to coordinate activities between federal, State and local law enforcement officers because the two States' police radios could not communicate with one another.

This and other incidents throughout the country highlight the need to develop multi-agency, multi-jurisdictional communications systems among the States to share routine and emergency information among federal, State and local law enforcement agencies. The Northern Lights Proposal to inter-linking law enforcement communications in New York, New Hampshire, Vermont and Maine is an example of the potential for multi-agency, multi-jurisdictional systems. We must make it possible for federal, State and local law enforcement officials to respond quickly and effectively to crimes that cross State and local jurisdictions. Therefore, we strongly support the Administration's request for $80 million for fiscal year 2000 for the development of inter-operable communication systems.

Cybercrime and Counterterrorism

Since the World Trade Center bombing in 1993, annual funding for the FBI's counter terrorism program has grown from $78 million to $301 million in 1999 and FBI agents for counter terrorism investigations have grown from 550 to 1,383 in 1999. The Administration continues its leadership in protecting the Nation's critical information infrastructure by requesting a $122 million increase for the Department of Justice and FBI to protect against cyber-attacks and to fight domestic and international terrorism. As part of that budget increase, the Administration is proposing a National Domestic Preparedness Office (NAPO) to assist State and local law enforcement personnel in counter terrorism measures. In light of recent terrorist attacks at home and abroad, we must step up our counterterrorism 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 $7.9 billion in FY 2000 to control the flow and cut down on the demand of illegal drugs. This request includes $100 million to establish a Drug Testing and Treatment Program to implement comprehensive drug testing policies in criminal justice populations. This program deserves strong bipartisan support.

Civil Rights

The Administration has demonstrated a continuing dedication to the protection of civil rights with the request of $82.2 million for FY 2000. 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.

Antitrust Enforcement

The Administration's budget proposal includes $6.37 million for 78 positions for civil antitrust matters. We strongly support this request to review and investigate the increasing number of mergers and to reduce unfair competition.

Thank you for your careful consideration of these issues. We look forward to working with you on the Fiscal Year 2000 Budget Resolution.

Sincerely,

Pat

PATRICK LEAHY
Ranking Member

http://www.senate.gov/~labor

United States Senate
COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS
WASHINGTON, DC 20510-6300

March 5, 1999

The Honorable Pete V. Domenici
Chairman
Senate Committee on the Budget
621 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Pete:

I am writing to provide minority views and estimates from the Health, Education, Labor, and Pensions Committee for your consideration as you prepare the fiscal year 2000 budget resolution.

President Clinton's FY2000 budget provides an excellent framework for making substantial investments in health care, education, job training, child care, research and development, and worker safety initiatives. Funding these programs at a high level is vital if the nation is to remain competitive into the twenty-first century.

I also urge you to follow the blueprint in the President's budget for keeping Social Security and Medicare strong for future generations. In particular, I support transferring 62% of the projected unified budget surpluses over the next fifteen years to Social Security, and 15% of the surpluses to the Medicare Trust Fund, to extend the solvency of both of these important programs.

I support the series of targeted tax cuts in the President's budget, which are fully offset. I urge the Budget Committee to include tax relief to pay for child care, modernize the nation's schools, employ disabled workers, encourage research and development, expand health insurance, and help family members with long-term care needs.

I strongly urge you to include President Clinton's proposal for an increase of 55 cents a pack in the tobacco tax. It will have two major benefits -- discouraging teenagers from beginning to smoke, and raising billions of dollars in new revenue to fund priority health initiatives.

While the states should be permitted to retain the federal share of Medicaid funds recovered in the November 1998 settlement between the states and the tobacco industry, the federal government has a compelling interest in ensuring that the federal share is used for programs to deter youth smoking and help smokers overcome their addiction, to improve health care, and to enhance early education.

I strongly support increased investments in current education programs, including Goals 2000, Title I, TRIO, the Individuals with Disabilities in Education Act, the Twenty-First Century Community Learning Center program, the Reading Excellence Act, GEAR UP, Safe and Drug Free Schools and Communities, and Education Technology. We should also continue our investments in helping communities reduce class size and improve teacher quality. In addition, I believe that the maximum Pell Grant should be increased, and that higher funding levels are necessary for such campus-based aid programs as college work-study, Perkins Loans, graduate education, and State Student Incentive Grants.

Early education and child care and development are investments in America's future. The entire nation will benefit from early education and quality child care programs. The benefits will be realized through increased creativity and productivity in the workforce, less need for remedial education, and reduced delinquency. Working families would also get the assistance they need to provide for their children while they are making ends meet. I urge the Budget Committee to provide substantial funding to expand the Child Care and Development Block Grant, and to ensure that all children enter school ready to learn.

On health care, the Budget Committee should provide for prescription drug coverage under Medicare. Such coverage could be financed by an increase in the tobacco tax, which would also compensate Medicare for the costs imposed by tobacco use.

I strongly support continued efforts to end fraud and abuse in Medicaid and Medicare. I also urge the Budget Committee to reject proposals to cut Graduate Medical Education payments to hospitals, or to move GME payments out of Medicare to discretionary budget accounts. In addition, there should be no further across-the-board reductions in hospital payments until the impact of the significant cuts in the Balanced Budget Act are fully evaluated.

It is also important to invest in essential health care services, research, and public health activities which benefit the nation. I support a substantial increase in funding this year for Community Health Centers, which serve 10 million low-income and medically underserved Americans each year. Higher funding should also be provided for treatment grants under the Ryan White CARE Act, to help states provide AIDS therapies and reduce disparities in the burden of HIV/AIDS on minority communities. In addition, the NIH should receive the resources necessary to continue on the current course of doubling biomedical research over a five-year period.

Additional investments should be made in the Agency for Health Care Policy and Research, prevention activities at the Centers for Disease Control and Prevention, personnel training at the Health Resources and Services Administration, the regulatory responsibilities of the Food and Drug Administration, and mental health and substance abuse services through SAMHSA.

Funding for the Low-Income Home Energy Assistance Program should be increased for FY2000 as well, with $300 million set aside for emergency funds.

The Budget Committee should also make priority investments in training and labor protection programs to improve job skills and ensure a safe and secure workplace. I urge the Committee to maintain a high level of funding for the Occupational Health and Safety Administration, the Employment Standards Administration, the Mine Safety and Health Administration, and the Pension and Welfare Benefits Administration. I strongly support a substantial increase in funding for the National Labor Relations Board, which is vital to facilitating the free flow of commerce and ensuring effective enforcement of the nation's labor laws. Job training initiatives, such as the Youth Opportunities Grants and Dislocated Workers programs, should have increased funding to prepare low-income youth for employment and retrain laid-off workers for new careers.

In addition, we must focus on fighting hunger among working families by improving services. Although the national economy is strong and unemployment rates are historically low, many working parents are struggling to feed their families. As more low-income families move from welfare to work, the need for food assistance will increase. I urge the Budget Committee to provide the necessary funds to the Food Stamp program to help working families remain self-sufficient.

Finally, I am concerned about a series of budget process reforms which were introduced earlier this year. If enacted, these reforms would seriously restrict the rights of the minority party to designate emergency spending, include legislation in appropriations bills, and offer amendments to the budget resolution.

Thank you for your consideration of these requests, and I look forward to working closely with you on these important issues.

Sincerely,

Ted Kennedy

Edward M. Kennedy

http://www.senate.gov/~labor

United States Senate

COMMITTEE ON HEALTH, EDUCATION,
LABOR, AND PENSIONS

WASHINGTON, DC 20510-6300

March 10, 1999

Hon. Pete V. Domenici
Chairman
Senate Committee on the Budget
621 Dirksen
Washington, D.C. 20510

Dear Pete:

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 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.

As we look to the future, in an era of projected budget surpluses, I believe that the 106th Congress will be remembered for the commitment we make to education. 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 also 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.

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I strongly support the proposal that you have made to increase funding for education by $40 billion over the next five years. These investments, to be effective, must be made wisely. We must commit ourselves to the principle that new funding should be targeted toward proven programs and that no new education programs should be funded until the Federal Government fully meets its obligation to fund IDEA. As a result, I believe that these funds 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 these funds are made available when you craft the budget resolution.

Sincerely,

Jim

James M. Jeffords
Chairman

JMJ:sg
Attachment

CC: Senator Frank Lautenberg

Views And Estimates of the Committee on Health, Education, Labor and Pensions Fiscal Year 2000

A. Highlights of the 105th Congress

The Committee on Health, Education, Labor and Pensions has broad jurisdiction over programs that impact the daily lives of the American people. The committee's efforts in the 105th Congress were marked by a spirit of bipartisan cooperation that resulted in the enactment of nearly 30 laws. These bipartisan initiatives, ranging from education to healthcare, simplified programs, eliminated or consolidated redundant programs, offered increased flexibility in exchange for increased accountability, and improved the delivery of service.

Individuals With Disabilities Education Act (Public Law 105-17)

One of most important responsibilities we must shoulder is ensuring that all students, including those with special needs, have access to a free and appropriate quality education. Last Congress we reviewed and strengthened the Individuals with Disabilities Education Act for the first time in nearly 24 years.

This legislation provides grants to States to assist in the provision of a free appropriate public education to children with disabilities between the ages of 3 and 21 and early intervention services for infants and toddlers with disabilities. In addition, the law provides funding for personnel training, research, demonstrations, and technical assistance activities.

Consistent with our general objectives of simplification and improved delivery, the legislation restructured and consolidated fourteen discretionary grant programs that had previously expired. In addition, we made badly needed revisions to the permanently authorized State preschool and elementary and secondary grant programs for students with disabilities.

In 1975, when we passed the Education for All Handicapped Children Act, we pledged that we would pay 40% of the increased burden placed on state and local education agencies by these new Federal requirements. Over the past three years, with Republican leadership, we have increased funding to the point that we are paying about 8% of these costs. Full funding for this program continues to be my highest education priority.

Higher Education Act Amendments of 1998 (Public Law 105-244)

Last Congress the committee began an in-depth review of the programs included in the Higher Education Act. My objectives were to simplify the act, enhance the opportunities for all students to pursue a postsecondary education, and dramatically improve the delivery of services. These objectives have significant economic consequences for the economy and for the budget.

An individual with a bachelor's degree earns more than one-and-a-half times what a person with a high school diploma earns. The fact that this legislation was approved 96-0 is a testament to the degree to which these objectives were attained. I will highlight some of the most important provisions:

A. Student Loan Programs: The guaranteed student loan program will provide more than $41 billion in loans to students and their families next year. The Higher Education Act Amendments of 1998 cut interest rates for students to the lowest levels in nearly seventeen years and expanded their repayment options. In addition, we provided graduates with a six-month window during which they could refinance their loans at the same low rate. These provisions provide students, borrowers, and their families with thousands of dollars in reduced interest costs.

B. Pell Grants: The Pell Grant program is the foundation of our Federal investment in higher education. The fundamental focus of the program is to remove financial barriers to postsecondary attendance and ensure that students, regardless of income level, are able to pursue postsecondary education at institutions of their choice. The Pell Grant program is especially important in equalizing access to higher education for low-income families. 47% of students receiving Pell Grants have incomes below $9,000. The Higher Education Act Amendments of 1998 increased the authorized level for the maximum Pell Grant in each of academic years 2000, 2001, 2002, and 2003.

C. Teacher Training: One of the most important objectives of the Higher Education Act was to improve the quality of teacher education and expand opportunities for professional development. Studies have repeatedly demonstrated that a good teacher will have more impact on student achievement than any other factors, including smaller classroom size.

The Higher Education Amendments of 1998 eliminated 14 categorical teacher training programs and replaced them with one comprehensive Teacher Quality Enhancement Grant program. This program, authorized at $200 million in fiscal year 1999, and such sums as may be necessary for each of the four succeeding fiscal years, provides grants to States and partnerships for activities such as increasing the content knowledge of prospective teachers, strengthening and raising teacher certification standards, and recruitment activities. This program holds great promise for improving preservice teacher training. This initiative received $75 million last year and it is my hope that we will build upon that figure in the upcoming year.

In addition, from savings generated from the Federal Family Education Loan Program, the committee created a new mandatory student loan forgiveness program that is designed to encourage the best and brightest new teachers to teach in schools with high need. The program provides for up to $5,000 in loan forgiveness to qualifying teachers.

Workforce Investment Act of 1998 (Public Law 105-220)

It has become very clear that growth in our economy is dependent upon our ability to continuously increase the productivity of American workers. We can only expect to bring about this productivity growth if we have a national framework for workforce preparation designed to meet the needs of both employers and job seekers, and that is responsive to the employment and job training needs of local communities.

Last Congress, the committee reviewed the myriad job training programs and created a new workforce investment system. Consistent with our objective of rationalizing and simplifying an unnecessarily complex system, we consolidated programs and sent control back to state and local communities. Consistent with our obligation to ensure that Federal funds are used wisely and effectively, the Act requires that states develop five year strategic plans, creates a system of accountability and requires that standards for success be established for organizations that provide training with Federal funds.

Carl D. Perkins Vocational-Technical Education Act Amendments (Public Law 105-332)

Last year the committee reviewed and reauthorized the Carl D. Perkins Vocational-Technical Education Act Amendments. Public Law 105-332 is designed to more fully develop the academic, vocational, and technical skills of secondary and postsecondary students who choose to enroll in vocational and technical education. This measure builds on the efforts of States and localities to develop challenging academic standards and promote integration of academic and vocational and technical instruction. The measure also increases state and local flexibility in providing vocational and technical education and will improve the dissemination of best practices in vocational and technical education.

Reading Excellence Act (Public Law 105-277)

Efforts at education reform will not succeed unless students master the basic skills of learning. Ample evidence exists that a child who develops an early love of reading will succeed in the rest of his or her academic endeavors. Equally ample evidence suggests that a student who fails to master reading cannot succeed in his or her other academic endeavors. Last year we passed the Reading Excellence Act which supports professional development specifically targeted toward teachers who teach reading. State education agencies are eligible to compete for a one-time three year grant. States which win an award must distribute funds to local education agencies to support professional development, family literacy services, and other activities which will improve the instruction of reading for children through grade three.

Charter School Expansion Act of 1998 (Public Law 105-278)

The charter schools movement is one of the most promising engines of education reform in the country. Charter schools give educators autonomy from many Federal and state rules and regulations in exchange for a commitment to meet specific academic goals. Public charter schools also expand the educational choices available to parents.

The charter school approach, with its emphasis on higher standards and greater accountability, is an education reform effort that has generated broad bipartisan support at the state and national level. Last year the Congress approved the Charter School Expansion Act of 1998 which will expand the number of states participating in the program; encourage states to increase the number of charter schools in their states; permit states to utilize a portion of their Title VI funds for charter schools and increase the availability of technical assistance.

National Science Foundation Authorization Act of 1998 (Public 105-207)

NSF was established in 1950 to "develop and encourage the pursuit of a national policy for the promotion of basic research and education in the sciences." Following the 1957 Soviet launch of the Sputnik satellite, this mission was expanded to provide greater support for science education and literacy. Over the next three decades, NSF became the primary Federal sponsor of basic research in mathematics, physical sciences, computer science, engineering and environmental science at colleges and universities. Equally important to the future of our Nation, NSF has become a catalyst for the reform of math and science education.

The National Science Foundation Authorization Act of 1998 was the product of strong bipartisan support for our Nation's research enterprise. The legislation authorized more than $11 billion over three years for a strengthened investment in basic math, science and engineering research. This legislation will allow NSF to support more than 19,000 projects at more than 2,000 colleges and universities each year and enable our nation to strengthen its position as the world leader in science and technology.

Coats Human Services Reauthorization Act of 1998 (Public Law 105-285)

For more than thirty years, Head Start, the Community Services Block Grant, and the Low Income Home Energy Assistance Program have effectively served low-income families throughout America. The Coats Human Services Reauthorization Act of 1998 strengthened and expanded the Head Start Act, the Community Services Block Grant Act, and the Low Income Energy Assistance Act.

Title I of the bill reauthorized the Head Start Act through fiscal year 2003 and contained provisions to expand the Head Start and Early Head Start programs and increase accountability. New evaluation and research provisions will provide much needed new information about how the program operates, help identify best practices and provide grantees, the Department of Health and Human Services and Congress with information needed to ensure continued improvements in the delivery of services.

Title II of the bill reauthorized the Community Services Block Grant (CSBG) through fiscal year 2003. This program provides funding to States for work in local communities to help alleviate the causes of poverty. Local Community Action Agencies, working with other local groups, are helping people find and keep jobs. Provisions in the bill will help states and local communities continue this important work.

Title III of the bill reauthorized the Low Income Home Energy Assistance Program through fiscal year 2004. For nearly two decades this program has provided a lifeline to countless Americans who cannot pay their fuel bills. It is a model block grant program that gives states the flexibility to meet the needs of their low-income residents while ensuring an appropriate level of accountability to the Federal government.

Title IV of the legislation created the new Assets for Independence Program. This five-year demonstration program is designed to encourage low-income individuals to develop strong habits for saving money and investing in their own futures. The program will allow sponsoring organizations to provide participants with matching funds that can be deposited in accounts which may be used to purchase a first home, meet the costs of postsecondary education or capitalize a business.

Food and Drug Administration Modernization Act of 1997 (Public Law 105-115)

The Food and Drug Administration (FDA) plays a critical role in both advocating for and protecting the public health. FDA is charged with the review and approval of important new products, such as lifesaving drugs, biological products, and medical devices; and the prevention of harm to the public from marketed products that are unsafe or ineffective. Despite radical changes in the development of pharmaceuticals and medical devices over the past fifty years, FDA itself had undergone little change since 1938.

Over the years FDA's mission has expanded to include evaluation of the efficacy of a product as well as its safety. As a result, FDA's requirements for clinical testing and premarket review of new products have grown increasingly complex, time-consuming, and costly. From the 1960's to the 1990's, the time required to complete clinical trials for new drugs grew from 2.5 to nearly 6 years. Applications for the approval of new drugs are now typically more than 100,000 pages in length. According to a recently published study, it takes an average of 15 years and costs an average of $500 million dollars to bring a new drug to market.

These increases in the time, complexity, and cost of bringing new products to market are borne directly by the public, in the form of delayed access to important new products--including lifesaving medical therapies--and in higher costs. They provide a disincentive for continued investment in the development of innovative new products and a growing incentive for American companies to move research, development, and production abroad.

Last Congress, we enacted the Food and Drug Administration Modernization and

Accountability Act of 1997. This Act was designed to ensure the timely availability of safe and effective new products that will benefit the public and to ensure that our Nation continues to lead the world in new product innovation and development. The legislation had three primary objectives: a) provide FDA with a clearly defined mission; b) improve patient access to new lifesaving therapies and medical devices; and c) create new incentives to improve the availability of lifesaving therapies for children. We are working closely with the FDA to ensure that the public reaps the full benefits intended by this legislation.

Women's Health Research and Prevention Amendments of 1998 (105-340)

Over the past several years there has been growing awareness of the need to invest more of our public health dollars in health issues that particularly impact upon women. Last Congress we enacted the Women's Health Research and Prevention Amendments of 1998 to strengthen the critical role our public health agencies, the NIH and CDC, play in addressing women's health issues-- through research , screening, prevention, treatment, education, and data collection. This bill expands support for initiatives to treat and detect breast, ovarian, and related cancer; heart attack, stroke and other cardiovascular diseases in women; and osteoporosis, Paget's disease and related bone disorders. The legislation also reaffirmed our commitment to grants dealing with community programs on domestic violence.

Mammography Quality Standards Reauthorization (Public Law 105-248)

Prior to passage of the original Mammography Quality Standards Act, breast tumors in women were often undetected because of defective x-ray equipment or inadequately trained personnel. Today, to operate lawfully, a mammography facility must be certified as providing quality mammography services. Certification requires that facilities use only properly trained personnel, establish a control program to ensure the reliability, clarity, and accurate interpretation of the mammogram, and undergo an annual inspection. The Mammography Quality Standards Reauthorization extends this critical program through fiscal year 2002.

Health Professions Education Partnerships Act of 1998 (Public Law 105-392)

Ensuring the quality and availability of health professionals has long been a concern of members of the Committee on Health, Education, Labor, and Pensions. Last Congress, we enacted the Health Professions Education Partnerships Act of 1998 which reauthorized and consolidated 37 categorical grant and contract authorities into 8 program clusters. The Act provides for a comprehensive but flexible program in support of health professions training that enhances accountability, will improve the quality and diversity of our health professions workforce, and increase geographic equity in the distribution of funds.

Ricky Ray Hemophilia Relief Fund Act of 1998 (Public Law 105-369)

In the late 1970s and early 1980s, half of all people with hemophilia (approximately

7,200 individuals) were infected with HIV due to their use of anti-hemophilic factor (AHF) blood-clotting products. In addition, nearly 10,000 patients were infected with HIV through blood transfusions provided in the course of surgery, miscarriages, treatment for leukemia, and other injuries. Evidence suggests that the Federal Government knew of the risk to the blood supply; knew of an available means of treating blood and blood products; and, failed to inform these individuals of the risks or adequately act to protect them from the tainted blood supply. In 1995 the Institute of Medicine noted that "recommended safety measures were limited in scope" and that "blood safety policies changed very little during 1983 [and that there] were missed opportunities to learn from pilot tests to screen infected donors or implement other control strategies."

The Ricky Ray Hemophilia Relief Fund Act of 1998 provides for compassionate payments to individuals with blood-clotting disorders, such as hemophilia, who contracted human immunodeficiency virus due to contaminated blood products during the 1980s. It does not, however, provide similar compassionate payments to patients acquiring HIV through blood transfusions. The committee intends to remedy this shortcoming to the Ricky Ray Act in the coming Congress by authorizing similar payments for individuals with transfusion transmitted HIV.

Bone Marrow Registry Reauthorization Act of 1998 (Public Law 105-196)

More than 30,000 children and adults in the U.S. are diagnosed each year with leukemia, aplastic anemia, or other life-threatening diseases. For many, the only hope for survival is a marrow transplant.

The National Marrow Donor Program was designed to coordinate the national matching of allogeneic unrelated donors and recipients. Under the Public Health Service Act, the program is required to establish a national registry of voluntary bone marrow donors; and increase the representation of individuals from racial and ethnic minority groups in the pool of potential donors. The goal of this program is to minimize the pain and suffering created by the inability to locate a potential donor in a timely fashion. Last year, the committee extended funding for this program through fiscal year 2003 and authorized a new program for recruiting potential donors.

Birth Defects Prevention Act of 1997 (Public Law 105-168)

In spite of the fact that the United States has the most advanced health care system in the world, 3 % of our children are born with birth defects . Approximately 150,000 babies are born each year with a serious birth defect and birth defects remain the leading cause of infant mortality in the country.

Last year, the Congress enacted the Birth Defects Prevention Act of 1997 which authorizes the Centers for Disease Control and Prevention to collect and analyze data on the causes, incidence, and prevalence of birth defects and to operate regional research centers. In addition, the legislation authorized CDC to conduct a nation-wide campaign to educate the public on ways to prevent birth defects.

Legislative and Oversight Priorities for the 106th Congress

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 6 % 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.

This year the Committee on Health, Education, Labor and Pensions will begin the process of reauthorizing the Elementary and Secondary Education Act. Our objectives will be simple: 1) we will demand high quality teaching in the classroom and will back-up this demand by supporting professional development for teachers; 2) we will authorize initiatives that will enhance student and school performance; and, 3) we will make sure that the Federal investment in educational research is relevant to the needs and demands of our education delivery system and that information about "what works" is disseminated in a timely and useful manner to the people who can put it to work.

Educational Flexibility

Last year the work of the Committee on Health, Education, Labor and Pensions resulted in nearly 30 public laws, large and small, about a third of them in the area of education. One bill was reported from the committee with broad bipartisan support (17-1), the Ed Flex bill, that was not enacted into law. The committee has again reported this legislation out and this legislation is now being considered by the Senate.

Since 1994, authority has been provided to the Secretary of Education through the Education Flexibility Partnership Demonstration Program to waive a wide range of requirements that generally apply to recipients of aid under Federal elementary and secondary education assistance programs in exchange for increased accountability. The Secretary may grant this waiver to no more than twelve states under the demonstration authority. S. 280, the Education Flexibility Partnership Demonstration Act would allow the Secretary of Education to extend these waivers to all fifty states.

This is a modest, but important step toward education reform. A year ago, the President told the nation's governors that passage of this legislation "would dramatically reduce the regulatory burden of the federal government on the states in the area of education." Six months ago, Secretary Riley wrote me to reiterate the Administration's support for the Ed Flex bill and to urge the committee to pass it. We heeded his advice and passed it by a 17-to-1 vote. We even made this legislation the first item on our committee agenda and reported it out unanimously last month. Although this bill does not have any direct budget impact, it removes barriers to local education reform and reduces burdensome paperwork and reporting requirements. In accomplishing these tasks, the Ed Flex bill delivers more of our Federal funds directly to the classroom where they can have the most impact on school and student performance.

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 Offices 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 breech.

In addition, questions have been raised about rapidly escalating administrative costs at the

Department of Education. A witness at a recent 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 governments' 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.

Year 2000 Compliance

The "year 2000 problem" is the result of a programming shortcut initiated in the 1960s whereby dates are represented with six digits (10/10/87) instead of eight digits (10/10/1987). Because the first two digits of the year are omitted, software programs assume that every date in the program is a date in the 20th century. Unfortunately, fixing this problem has proven time consuming and difficult. No one can forecast with certainty how an application will analyze dates from the next century without extensive evaluation, analysis and testing.

The committee is greatly concerned about the Year 2000 compliance of agencies under our jurisdiction. We have worked closely with our agencies to ensure that they make this a priority and where necessary we have placed requirements in statute. For example, for most of last year, the Department of Education failed to make adequate progress toward bringing its multiple student assistance systems into compliance. The magnitude of the challenges became even clearer when the Under Secretary requested authority to delay implementation of the Higher Education Act Amendments in cases where the required systems changes might interfere with efforts to bring the systems into compliance. We are pleased that efforts by the new performance-based organization appear to have born fruit and that the most recent compliance report for the Department of Education suggests that the Department will become Year 2000 compliant on schedule. We will continue to aggressively monitor progress at the Departments of Health and Human Services, and Labor.

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.

Work Incentives Improvement Act of 1999

Although this act does not fall within the jurisdiction of the Committee on Health, Education, Labor and Pensions, the Work Incentives Improvement Act remains one of my highest priorities for the coming Congress. I am joined in this effort by my colleagues Senator Kennedy, Roth and Moynihan.

The Federal government provides assistance to individuals with significant disabilities who earn less than $500 per month. Individuals who have less than $2,000 in assets and have not paid into Social Security receive Supplemental Security Income cash payments and access to Medicaid. Individuals who have worked and paid into Social Security receive Social Security Disability Insurance cash payments and have access to Medicare.

This system discourages individuals with disabilities from working to their full potential. Individuals with significant disabilities who meet the rigorous criteria of the Social Security disability programs cannot get reasonably priced health insurance coverage from the private sector. These individuals can only get health insurance from the government, and then, only if they stay home, or at most, work a minimal amount. If only 1% of the 7.5 million individuals with disabilities who seek to work were not penalized and discouraged from working, the Federal government would save $3.5 billion over the course of their lifetime.

The Work Incentives Improvement Act would create new state options for SSDI and SSI beneficiaries who return to work to purchase the health care coverage they would otherwise be entitled to if they did not work. It would support a user-friendly, public-private approach to job training and placement assistance for individuals with disabilities who want to work, and it would establish state demonstration projects. These grants would gradually phase out the loss of cash benefits as a disabled worker's income increases, instead of the immediate cutoff "cliff" that so many disabled workers face today.

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 database 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, I want to commend the Occupational Safety and Health Administration which has compiled a respectable amount of enforcement information on its web site. We 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.

Pension and Welfare Benefits Administration

The Pension and Welfare Benefits Administration (PWBA) plays an important role in ensuring the integrity of the nation's pension and retirement plans. For fiscal year 2000, the agency has requested a 12% increase in its budget. Included in this request is an 11% increase for enforcement and compliance. The committee supports this request because PWBA has primary responsibility for policing the nation's pension and retirement savings plans. In fact, its jurisdiction is far broader than that of the Pension Benefit Guaranty Corporation (PBGC) because it has jurisdiction over both defined benefit plans *and* defined contribution plans.

The agency is also requesting $1.2 million for enforcement and compliance activities directed toward non-egregious fiduciary breaches. The committee needs additional information regarding this proposal, particularly if the agency plans to take regulatory action with regard to mandatory civil penalties under §502(l) of the Employee Retirement Income Security Act (ERISA). We will continue to work closely with the agency to ensure that its compliance program is consistent with the intent of the law.

I am also concerned that the Department of Labor may be considering regulatory actions that could place undue burdens on small pension plans. In view of the shortage of pension coverage among small firms, and the Secretary's stated interest in increasing coverage among workers employed by small companies, I believes that DOL must carefully balance plan flexibility and security, especially with regard to those plans in small firms that are very sensitive to cost.

Health Care Quality and Consumer Protections

I recently introduced, along with eight other members of the Committee on Health, Education, Labor, and Pensions, S.326, the "Patients' Bill of Rights." This is solid legislation that will result in a greatly improved health care system for Americans. I intend to have a markup on the legislation later this month. Although this legislation does not have direct budgetary impact it affects one of the largest out of pocket expenses of the American people.

People need to know what their plan will cover and how they will get their health care. The "Patients' Bill of Rights" requires full information disclosure by an employer about the health plans he or she offers to employees. Patients also need to know how adverse decisions by the plan can be appealed, both internally and externally, to an independent medical reviewer.

Another important provision of the "Patients' Bill of Rights" deals with an issue about which you have testified before my committee. This legislation would limit the collection and use of predictive genetic information by group health plans and health insurance companies. Our legislation addresses these concerns by prohibiting group health plans and health insurance companies in all markets from adjusting premiums on the basis of predictive genetic information. The legislation will also provide a stronger emphasis on quality improvement in our health care system with a refocused role for the Agency for Health Care Policy and Research (AHCPR).

Health Care Information Privacy

The current loose web of medical records protections at the Federal and state level that has evolved in the absence of a comprehensive law leaves many aspects of health information unevenly protected. Information technology presents our nation with the difficult challenge of ensuring that we reap its benefits without sacrificing the right to individual privacy. Consumers often don't know with any certainty, who has access to our private records. The establishment of large computer databases, some with millions of patient records, has not only allowed for new medical research but has increased the potential for misuse of private medical information.

Congress must act quickly to provide guidelines for medical privacy. If Congress fails to enact Federal privacy legislation by August, 1999, the Secretary of Health and Human Services is required to promulgate regulations establishing electronic privacy standards in the year 2000. This is too important a matter of public policy to be done outside of the legislative process.

I have reintroduced, with my colleague Senator Dodd, S.1921, the Health Care Personal Information Nondisclosure Act of 1998 -- The Health Care PIN Act. This legislation will establish necessary national standards to protect the confidentiality of each American's medical records. I plan to work closely with all of the stakeholders and move forward expeditiously with this legislation.

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. In the next several weeks I will be introducing a childcare bill which will offer a comprehensive approach to these issues.

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 older persons, and the committee is committed to its reauthorization during the 106th Congress.

The Older American Act provides grants to state and local agencies on aging, grants to support research, and grants to support the development, demonstration, and dissemination of innovative programs of elderly services. It also authorizes vitally needed nutrition programs, service employment programs, grants for Native Americans and elder rights protections.

This year the Administration is proposing an increase of $160 million for new programs under the Older American Act. Virtually none of this increased funding is recommended for the existing, proven activities such as nutrition services. Instead, $125 million is dedicated to a new care giver support program–that may have merit–but that has not been examined, nor authorized, by the Congress. The committee is committed to an ambitious schedule of hearings to determine what changes need to be made to better meet the needs of our senior citizens.

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 3.5 % increase proposed by the Administration does not reflect the challenges we face. I believe that you are absolutely right to call for a dramatic increase–at least $40 billion over five years–in new spending for education. I will work closely with you to see that the FY 2000 budget resolution contains these funds.

Let me be blunt. President Clinton's budget shortchanges education. And too often, the Administration seems more interested in dreaming up new programs rather than honoring old commitments. The increased spending on education which I am recommending would be targeted toward fulfilling old obligations and proven programs--IDEA and grants for postsecondary education.

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 excess costs incurred by state and local governments to fulfill these Federal requirements. Although Republicans have increased Federal funding for this program dramatically over the past three years, 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 $4 million is unacceptable.

The Committee on Health, Education, Labor and Pensions held a hearing earlier this month 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. Ironically, simply funding IDEA may be the single most important thing we can do to improve education for ALL children.

Higher Education

Last year 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 Awareness Intervention Scholarship and Partnership Program which was last year reauthorized in the Higher Education Amendments as the GEAR-UP Program. 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, in his State of the Union Address, said 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 3.9% increase in 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 $3,525. This increase will expand participation in the Pell Grant Program to more than 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 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 is even dry. Last year, 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 undue the careful bipartisan agreement that was reached last year.

United States Senate

COMMITTEE ON
RULES AND ADMINISTRATION
WASHINGTON, DC 20510–6325

March 5, 1999

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 February 9, 1999, regarding the views and estimates of the Committee on Rules and Administration on the budget for Fiscal Year 2000.

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 5, 1999

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 chairman of the Committee on Small Business, I am submitting the following views and estimates on the President's FY 2000 budget request for the Small Business Administration and other matters under the Committee's jurisdiction in compliance with Section 301(d) of the Congressional Budget Act.

In 1995, Senator Bumpers (the Committee's ranking member at that time) and I sent you the Committee's views and estimates letter on SBA's FY 1996 budget request. We 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. Combining the two accounts provided SBA with $664 million for each fiscal year. Our 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 our 1995 views and estimates letter, we believed that a thorough, top-to-bottom review of the Small Business Administration was necessary. The SBA needed to reevaluate the programs and activities in its purview to determine whether they are truly necessary programs and whether they are most appropriately handled at the Federal level.

March 5, 1999
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Since our 1995 views and estimates letter, legislation from the Committee on Small Business, enacted into law in 1995, 1996 and 1997, has made improvements to SBA's programs contributing to reduced operating expenses and allowing SBA to collect significantly more user fees to offset amounts previously appropriated. It is my belief that additional savings over and above those outlined in 1995 and those accomplished over the past four years can be achieved as we debate the FY 2000 budget request.

The Administration's FY 2000 budget request for SBA calls for increased spending. The proposed budget seeks a total of $ 994,518,000 to fund Function 370 and the disaster loan program under Function 450. Congress approved $819,959,000 for SBA in FY 1999. The FY 2000 budget request for SBA would increase SBA spending by $174,559,000 or 21% in one fiscal year.

SBA is requesting a significant increase for salaries and expenses of $100,000,000, an 18% increase over the FY 1999 appropriation. The proposed increase in FY 2000 comes on top of a 15% increase approved in FY 1999. SBA continues to seek authority to expand, rather than consolidate or streamline, its non-disaster workforce. SBA's FY 1999 budget included 3,242 full-time equivalent employees (excluding employees in the disaster function), an increase of 9% over the FY 1997 level. SBA is seeking approval for 3,279 non-disaster FTEs in FY 2000.

I remain an unwavering supporter of the core mission Congress has given SBA, but I believe SBA can achieve its mission much more efficiently 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 2000 budget request, rather than proposing thoughtful and more efficient plans, merely seeks increased appropriations for these offices. These costs demonstrate a worrisome trend that is beginning to crowd out the central mission of the agency.

The funding level set in 1995 totaling $664 million for Agency programs and operations, including disaster program administrative overhead, is sufficient for SBA to meet its fundamental mission requirements in FY 2000. At the baseline level that Senator Bumpers and I recommended beginning with the FY 1996 budget, the Agency will be 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. In FY 1996, SBA spent $605 million and carried 4,640 FTEs for disaster and non-disaster programs. The FY 2000 budget request includes 4,538 FTEs, 102 fewer than funded in FY 1996. However, the FY 2000 budget request includes a proliferation of new, expensive programs and the rapid expansion of recently started programs, at the same time the Agency is struggling to provide adequate management and direction for the core programs that have historically made up the Agency's mission.

Since I became chairman, I 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. Most recently, SBA has hired the Farm Credit Administration to undertake exploratory 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.

In its FY 1999 budget request, SBA attempted to lower the amount sought for the Agency by seeking Congressional approval to increase the interest rate paid by disaster victims by tying it to the rate on Treasury securities of comparable maturity. Their proposal was designed to allow the Agency to fund a disaster loan program of $901 million with carryover funds. The Committee on Small Business declined to adopt the Agency's recommendation, and $147,329,000 was approved by Congress for the Disaster Loan Program. The FY 2000 budget request targets $197,400,000 for disaster loans.

The Committee's record of bipartisanship during the 104th and 105th Congresses serves as ample evidence of our shared commitment to the important priorities of America's small businesses and entrepreneurs. I believe that we should adhere consistently to the six-year budget plan set forth in March of 1995. Further, I believe the Committee can work with SBA to redirect and fine tune its priorities and to become increasingly more responsive to small business and more effective and efficient in its day-to-day operations.

I look forward to the opportunity to work with you to develop this portion of the Budget Resolution for FY 2000.

Sincerely,

Kit Bond

Christopher S. Bond
Chairman

United States Senate
COMMITTEE ON SMALL BUSINESS
WASHINGTON, DC 20510–6350

March 11, 1998

The Honorable Pete Domenici
Chairman
The Honorable Frank Lautenberg
Committee on the Budget
U.S. Senate
Washington, DC 20510

Dear Pete and Frank:

As Ranking Member of the Committee on Small Business, I am submitting my views and estimates of the President's fiscal year 2000 budget request for the Small Business Administration (SBA). Unfortunately, as was the case with Senator Bumpers and the Democratic members of the Small Business Committee in 1996, I must respectfully disagree with Chairman Bond's assessment of the President's budget, and must, therefore, submit separate views and estimates.

Much has changed since 1995 when the Chairman and Ranking Democrat on this Committee were last able to send a joint letter on views and estimates: the unified budget deficit has been eliminated and the Federal budget picture is much brighter. The economy remains robust, and yet not everyone is prospering. There are still segments of the small business community which have not been able to share in the benefits of our healthy economy. President Clinton's fiscal year 2000 budget for the SBA addresses this problem by proposing some new approaches, called "New Markets programs," for providing economic opportunities to traditionally underserved businesses. At the same time, the President's budget also strongly supports its well-established programs that offer assistance in the areas of lending and investment, entrepreneurial development and federal procurement. This is completely consistent with the SBA's mission to foster the establishment and growth of small businesses throughout the United States.

Overall, the SBA FY 2000 budget proposes to serve record numbers of small businesses, and an increased investment in this high growth sector over FY 1999 of $43 million is a good use of taxpayers' funds. In the disaster loan area, the budget adopts a concept well-suited to emergency assistance: a contingency fund, to be activated by the President in response to unpredictable, yet common, funding shortfalls caused by officially declared disasters. If established by legislation, a disaster loan contingency fund would likely obviate the need for supplemental appropriations for this purpose in FY 2000. A contingency fund for SBA disaster loans was used successfully in FY 93 and FY 94 and should be seriously considered. Alternatively, the Budget Committee should consider amending the Credit Reform Act of 1990 to permit the establishment of a revolving fund solely for SBA's disaster loans. The revolving fund mechanism worked very well for many years prior to 1991 and is appropriate in the context of relief for victims of disasters.

In the financial assistance area, SBA's budget proposes record program levels of $14.1 billion in SBA-backed lending under the 7(a), 504 and microloan programs and $2.4 billion in equity assistance through the Small Business Investment Company (SBIC) program. These levels are consistent with the authorizing legislation passed by this Committee in 1997, and should be adopted.

Last year I had serious concerns about the mismatched budget request for the lending and technical assistance parts of the Microloan program. I am pleased to see that SBA's FY 2000 budget proposes to increase direct microloan funding to the fully authorized level and to increase microloan technical assistance, an essential component of the program, to $32 million. This, too, is consistent with the recently enacted authorizing legislation, which passed our Committee and the Senate unanimously. In addition, I support the SBA budget's proposal to expand the number of entities that can provide microloans from 117 to 200, the authorized level.

I also support the Administration's request for $9 million for its successful Women's Business Centers program, and would like to see it increased to $12 million if possible. This increased level would be consistent with a bill passed by our Committee and the full Senate last year that would have increased the authorization for women's business centers to $12 million per year for fiscal years 1999, 2000 and 2001. The House did not take up the bill, but is expected to pass a similar measure in the coming weeks. Following House action, we expect speedy passage in the Senate.

The Administration's request for $1.4 million for economic research for SBA's Office of Advocacy should be fully funded and increased to $2 million if possible. That office provides timely research on issues of vital importance to small business; research which is invaluable to this Committee in conducting its work.

One area of the Administration's budget that I find troubling is the decreased funding request for the small business development centers (SBDCs) program. These programs are located in virtually every state and provide training and counseling to thousands of small businesses each year. They have been valuable resources to a wide array of small businesses and should be funded at least at last year's level of $82 million.

With respect to the requested staffing, the SBA budget requests a modest increase of 37 employees over those non-disaster employees requested in FY 1999. This increase seems appropriate and prudent in light of SBA's expanded responsibilities to implement Congressionally mandated new programs such as the HUBZone program, expansion of traditionally successful programs such the guaranteed business loan program, the women's business center program, and the SBIC program, and the New Markets programs that focus on assisting businesses located in rural areas and low and moderate income areas, as well as those owned by women, minorities and veterans.

SBA proposes $8 million to complete improvements to its loan management system. As I did last year, I continue to agree that SBA should modernize and upgrade its critical functions, especially those relating to its loan portfolio, and believe it is appropriate to fund such improvements. On the other hand, I do not support hiring outside contractors as the only means to that end. SBA should continue to evaluate its options in carrying out its responsibilities and should use outside contractors where it will be efficient, effective and appropriate to do so.

While there are individual items, such as SBDC funding, which I and others believe should be reconsidered or adjusted during the authorization and appropriations processes, it is my view that the SBA's FY 2000 budget request is a good one for the nation's diverse small businesses. I commend Chairman Bond for scheduling a hearing on March 16th to review the President's FY 2000 budget proposal. The results of that hearing may be useful to the Budget Committee in its deliberations.

Sincerely,

John

John Kerry
Ranking Democrat

United States Senate

COMMITTEE ON VETERANS' AFFAIRS
WASHINGTON, DC 20510-6375

March 15, 1999

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, the Committee on Veterans' Affairs (hereafter, "Committee") hereby reports to the Committee on the Budget its views and estimates on the fiscal year 2000 (hereafter, "FY 00") budget for veterans' programs within the Committee's jurisdiction. This report is submitted in fulfillment of the Committee's obligation to provide recommendations for programs in Function 700 (Veterans' Benefits and Services) and for certain veterans' programs included in Function 500 (Education, Training, Employment, and Social Services).

I. SUMMARY

VA requires over $3 billion in additional discretionary account funding in FY 00 to support its medical care operations: an additional $1.26 billion to meet unanticipated spending requirements; an additional $853.1 million to overcome the effects of inflation and other "uncontrollables" in order that it might maintain current services; and at least $1 billion in additional funding to better address the needs of an aging, and increasingly female, veterans population. At this time, however, we limit our request to $1.7 billion in additional FY 00 medical care funding. We believe that this level of additional funding, coupled with ongoing VA efforts to gain efficiencies and passage of VA Medicare subvention legislation *this year*, will allow VA to meet veterans' medical care needs in FY 00.

With respect to mandatory account programs, the Budget Committee has already approved provisions of S. 4, the "Soldiers', Sailors', Airmens' and Marines' Bill of Rights Act of 1999," which will raise VA mandatory account spending by $3.8 billion over fiscal years 2000 - 2004. We do not request "pay-go" relief beyond that amount. We will, however, anticipate the availability of such funds in the event that S. 4 falters.

II. GENERAL COMMENTS

We note at the outset that the Nation's veterans have already 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 has required -- and will continue to require at an accelerating pace -- unacceptable cuts in veterans' discretionary spending, particularly medical care spending, *even after* projected third-party receipt/Medical Care Cost Recovery (MCCF) funds are collected. Whatever the merits of this plan when enacted, it was passed before budgetary surpluses had materialized. *The freeze on medical care funding can no longer be justified. It must now be lifted.*

Regrettably, the Administration has proposed a budget that would impose further cuts in veterans' medical care programs by freezing appropriated medical care funding at $17.306 billion, the FY 99 appropriation. Since VA anticipates an increase in MCCF receipts of only $124 million in FY 00, overall medical care spending would increase under the Administration's plan by less than 7/10's of 1%. *This is unacceptable; after three years of flat-line medical care appropriations, VA requires, at minimum, a 10% (or $1.7 billion) increase in appropriated funding.*

III. DISCRETIONARY ACCOUNT SPENDING

A. Proposed Medical Care Spending

The standstill level of funding proposed by the Administration for FY 00 medical care spending is inadequate for VA to fulfill unanticipated spending requirements imposed on VA by events outside the Department's control. Indeed, the proposed flat-line budget will not even allow VA to maintain current services. Clearly, the budget will not permit VA to better address the single most pressing, and least met, medical need of the World War II/Korean War veteran generation: long-term care. Nor is it sufficient for VA to serve the growing cohort of female veterans. Thus, budget relief is imperative.

1. Unanticipated VA Spending Requirements -- $1.26 Billion

VA will require an additional $1.26 billion in FY 00 to meet care requirements which could not be anticipated when the Balanced Budget Act was enacted.

Hepatitis C Treatment

Hepatitis C virus (HCV) is today the most common chronic bloodborne infection in the United States. The Centers for Disease Control and Prevention (CDC) reports highest prevalence rates among males aged 30 - 49 and intravenous drug users. VA studies now indicate that at least 20% of hospitalized veteran-patients test positive for HCV, twice the rate reported among the population generally.

No vaccine against hepatitis C exists, nor is there a cure. And while it is true that HCV was first identified in the late 1980's, no treatment regime was generally recognized until last year, when a recommended drug therapy of interferon and ribavirin was approved. This drug therapy alone costs $13,200 per patient -- costs that VA did not anticipate prior to approval of this treatment regime in late 1998. Related testing, biopsy and other costs amount to an additional $1,820 per patient.

VA anticipates that of the 3.3 million patients it will treat in FY 00, 36,300 will be candidates for HCV drug therapy. Taking into account the completion of treatments initiated in FY 99, VA will require an additional $625 million in FY 00 to respond to this unanticipated medical challenge.

Emergency Medical Services

VA currently provides enrolled veterans with a full range of hospital care and medical services. It does not, however, generally provide comprehensive emergency care services. Rather, VA patients must rely on insurance they may have to defray such expenses, or pay for such expenses themselves.

The Administration intends to propose legislation this year declaring that emergency care is a basic right of all Americans. Such legislation would, reportedly, require that all health care plans provide such care, as a matter of right, to their enrollees. In such circumstances, VA will be compelled to offer emergency care services to its enrollees, either directly or, more likely, by reimbursing fees charged by other providers. Prior to the development of the Administration's proposal on the issue, VA had not anticipated the assumption of this added responsibility. Legislation requiring VA to pay for emergency care provided to veterans by non-VA medical facilities has already been introduced in the House and will be advanced in the Senate.

VA estimates the cost of providing emergency care services and subsequent hospital admission to VA enrollees will be $548 million in FY 00.

Weapons of Mass Destruction Preparedness

In response to Public Law 105-114, VA has enhanced its role in assisting the Department of Health and Human Services (HHS) in stockpiling antidotes and other pharmaceuticals needed for response to potential domestic terrorist attacks with weapons of mass destruction. VA medical facilities are dispersed nationwide and thus, along with Department of Defense hospitals located within the continental U.S., they are natural depositories of drugs, supplies and other materials which might be needed to respond to such emergencies.

VA participation in preparatory activities is cost-efficient -- but it is not without costs. Such costs, which had not been anticipated by VA prior to enactment of Public Law 105-114, will amount to $14.619 million in FY 00.

Increased Prosthetic Costs

VA expenditures in meeting the prosthetic device needs of its patients -- needs which include not only artificial limbs and the like, but also more conventional aids such as hearing aids, eyeglasses, walkers, etc. -- have increased markedly between 1993 and 1998, at annual rates of up to 18.90%. A portion of those increases are an unanticipated side effect of "eligibility reform" legislation, enacted in 1996, which allows VA to enroll all veterans, subject to available funding, for VA medical care. That legislation appears to have stimulated demand for VA services among persons needing such devices.

Even after general inflation is factored out, VA anticipates that its prosthetic device expenses will increase by a rate of 14.8%. VA will require an additional $74.075 million to defray these expenses in FY 00.

2. Current Services -- $853.1 Million

We have closely observed VA's recent efforts to restructure to deliver health care services to the Nation's veterans more efficiently. Generally, we are satisfied with VA's effort, and we acknowledge that fiscal restraints have been -- and will continue to be -- a stimulus to change. Nonetheless, we believe that a fourth consecutive year of non-growth in the medical care budget would be destructive.

As anyone who pays medical bills or health insurance premiums knows, medical costs are rising. Payroll inflation, increases in the costs of goods, and other "uncontrollables" dictate funding increases of $853.1 million in FY 00 just to maintain current service levels.

Health care is an extremely labor-intensive enterprise; that is why VA is the largest civilian agency, in terms of employment, in the Federal government. Can labor efficiencies be wrung out of health care systems, VA included? Most assuredly so, as demonstrated by the annual shrinkage of VA's medical labor force (from 201,000 in FY 95 to 174,000 in FY 00) even as the number of veterans treated during that period increased by almost 40% (from 2.6 million to 3.6 million). But even with the shrinkage of VA's medical labor pool, VA's medical care payroll costs will increase by $562.6 million in FY 00 due to non-optional cost-of-living and within-grade salary and wage adjustments, and increases in Government-paid Social Security, health insurance, retirement, and other benefits costs.

Other inflation-related cost increases must also be borne by the Veterans Health Administration. While VA has implemented an aggressive pharmaceutical management program which has saved more than $350 million -- making VA the model for Medicare, DOD and others to emulate -- increases in VA's annual pharmaceutical costs, medical and non-medical supply costs, leased building space costs, and the like, will account for an additional $267.1 million. Finally, the Veterans Health Administration will be required to absorb an additional $23.4 million in other uncontrollable expenses (e.g., State home and CHAMPVA workload increases, storage and space requirements, additional calendar day costs, etc.)

It is imperative that the Budget Committee understand that requiring VA to absorb such cost increases continually must result, at some point, in cuts in the amount of care -- or, more alarmingly, in the quality of care -- which VA provides. We have documented serious quality problems, *e.g.*, an increase in dangerous pressure ulcer sores, which appear to be directly associated with inpatient staffing shortfalls. With respect to outpatient care access, waiting times for appointments for routine services have reached 100 days or longer. Mental health services are simply unavailable at 60% of VA's outpatient clinics.

In short, VA operates in a national environment where medical care cost inflation exceeds the general inflation rate by a factor of more than two; if the medical care inflation rate, 3.6%, were to be applied to VA's fiscal year 1999 medical care budget, on that basis alone a funding increase of $650 million would be justified. Yet VA is required to -- and is succeeding in -- treating *more* patients with funding that is declining in real terms. Such a situation cannot persist into a fourth year without drastically affecting quality.

3. Unmet Needs -- $1 Billion +

The foregoing discussion has focused on additional funding of $2 billion needed to meet unanticipated requirements and to maintain current services. Further funding increases of $1 billion or more are required to address the two largest unmet needs VA faces due to demographic shifts in the veterans' population: long-term care for aging World War II and Korea veterans, and maternity and reproductive health services for the growing number of female veterans.

Long-Term Care

In our view, the health care issue that VA must face over the intermediate term -- indeed, the health care issue that the Nation must face over the next decade -- is the need for long-term care among the aging World War II generation. WWII veterans saved Western civilization. We cannot turn our backs on them now.

The Budget Committee can anticipate an extended dialog with the Committee on Veterans' Affairs on this issue. For now, we advise that, at minimum, an additional $1 billion per year in funding will be necessary, starting in FY 00, to begin addressing the needs of VA patients who seek long-term care. For the most part, such funding would not be directed to new programs. Rather, it would be devoted to providing VA-supplied, State home-supplied, or VA-supported contract/community-based care. These programs are, in our view, effective. But they are grossly underfunded and do not begin to meet the WWII generation's need for long-term care services. In addition, we anticipate other initiatives -- e.g., increased VA support for State veterans' homes in the form of both increased *per diem* payments and pharmaceutical supplies, and initiatives to transfer excess VA property in exchange for cash to support medical operations or discounted medical services to VA-eligible patients.

Maternity Benefits and Reproductive Health Services

Women now make up 13% of the active duty military. At lower ranks, the percentage of women serving is higher. For example, 20% of new recruits to the services other than the U.S. Marine Corps are now women. These women will become veterans, and VA must be prepared to meet their health care needs. Such needs invariably include maternity benefits and reproductive health services since 62% of all women veterans are under the age of 45, when childbearing generally ends. Women who are drawn to service with a promise of benefits, and then induced to enroll for VA care with the promise of a full continuum of care, rightfully demand that their basic health care needs be met.

B. Medical Facility Construction

As noted above, we are generally satisfied with VA's efforts to restructure the delivery of health care services. VA's construction programs, however, have not kept pace with changes needed to accommodate the structural reorganization. Older hospitals designed around an outmoded inpatient treatment model lack space to handle increased outpatient demand. In addition, such facilities generally fall far short of modern patient privacy, handicapped accessibility, fire sprinkler, and air conditioning standards. At best, these shortcomings hinder VA's ability to attract veterans into the system. At worst, they seriously compromise patient safety.

Two construction projects which would rectify such shortcomings warrant particular mention. The first is a $29.7 million outpatient clinic expansion at the VA Medical Center in Washington, DC, which was authorized by Public Law 105-368. The second is a relatively modest ($10.8 million) environmental improvements project at VA's Medical and Regional Office Center in Fargo, ND. That project would address asbestos removal, fire prevention, patient privacy, and handicapped accessibility needs. We particularly request funding for these projects in FY 00.

C. General Operating Expenses -- Veterans Benefits Administration

In a reversal of recent trends, in the last two years the Veterans Benefits Administration (VBA) has experienced increases in both the size of the pending compensation and pension case backlog, and the average "age" of cases which comprise the backlog. At the same time, the quality of VBA decision making has not improved sufficiently despite promises of improvements which were the rationale for a slowdown in case processing. Internal VA reviews indicate an error rate of 36%.

VBA requests $49 million in additional funding to support an FY 00 personnel increase of 164 FTE. These new hires would, according to VBA, join personnel shifted from other duties to yield a net addition of 440 staff devoted to adjudication functions. We have seen no specific plan which identifies the source of the majority of these transferred employees, so we must question whether this plan will actually materialize. We do, however, support VBA's request for an additional $49 million in funding to add new adjudication staff. In addition, we believe that the adjudication backlog must be attacked *now* using current staff in a one-time, targeted, and carefully controlled overtime effort.

IV. PROJECTED MANDATORY ACCOUNT SPENDING

A. Education Assistance Programs

As part of the "Soldiers', Sailors', Airmens' and Marines' Bill of Rights Act of 1999," the Senate has already approved, *without objection from the Budget Committee*, the following improvements in VA educational assistance programs:

- An increase in monthly assistance payments (from $528 to $600 for veterans who served three-year enlistments, and from $325 to $429 for two-year enlistees);
- A repeal of the requirement that servicemembers contribute $100 per month for 12 months from base pay to "buy" eligibility;
- The allowance of a "lump sum" benefit at the beginning of a training term; and
- A provision allowing veterans to transfer benefits to a spouse and/or children.

CBO has estimated that these provisions will result in additional mandatory account costs of $3.8 billion over fiscal years 2000 - 2004, and $13 billion over fiscal years 2000 - 2009.

Had this business been conducted in the regular order, these improvements would have been considered by the Committee on Veterans' Affairs, the committee of primary jurisdiction. Our committee, perhaps, would have recommended a different mix of program improvements -- e.g., the Commission on Servicemembers and Veterans Transition Assistance had recommended enactment of a tuition-reimbursement benefits program like that in force after World War II. We did not, however, impede these Armed Services Committee-reported measures, and we continue to support them. Of course, we reserve the right to revisit the issue within our committee irrespective of the fate of the "Soldiers', Sailors', Airmens' and Marines' Bill of Rights Act of 1999." We almost certainly will do so should that legislation falter.

V. CONCLUSION

In summary, VA requires at least $1.26 billion in additional discretionary account funding to meet unanticipated spending requirements that have been thrust upon VA by events beyond VA's control; an additional $853.1 million to overcome the effects of inflation and other "uncontrollables" and maintain current services for eligible veterans; and at least $1 billion in additional discretionary account funding to begin to better address the needs of an aging, and increasingly female, veterans population. These needs total over $3 billion.

We do not request, however, that discretionary account ceilings be raised $3 billion+ for FY 00. While such an increase would be totally justified to make up for flat VA medical care funding levels over the last three years, we believe that recent budgetary restraints have stimulated needed reform. We believe, further, that VA can squeeze out yet more efficiencies in the way it provides health care, and we would not want to impede such reforms by requesting funding increases beyond VA's ability to absorb them without waste. Thus, we request that VA discretionary spending be allowed to increase by $1.7 billion for FY 00.

As for mandatory account spending, we do not, at this time, request a five-year "pay-go" waiver beyond the $3.8 billion already acceded to by the Budget Committee.

These views reflect our best judgment as of this date. If we can provide further assistance in your consideration of this report, please feel free to call on us.

Sincerely,

John D. Rockefeller IV
Ranking Minority Member

Arlen Specter
Chairman

United States Senate
COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510-6450
www.indian.senate.gov

March 4, 1999

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 2000 budget request for Indian programs.

On February 1, 1999, the President submitted his FY2000 budget request to the Congress totaling $1.8 trillion, dedicating one-third of all funds to domestic, discretionary spending. The Congressional Budget Office (CBO) has projected a budget surplus of $131 billion for FY2000, which begins October 1, 1999. The CBO also projects a 10-year surplus of some $2.6 trillion.

On February 24, 1999, the Committee held an oversight hearing on the budget request 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 1975-2000

As it has done in previous years, the Committee requested the Library of Congress' Congressional Research Service (CRS) to prepare an analysis of the federal spending trends on programs and services for or affecting American Indians and Alaska Natives (AI/AN), and a comparative analysis for spending patterns for other Americans. Attached to this letter is a copy of the analysis, *Congressional Research Analysis: Federal Spending Trends on Indian Programs FY1975-2000*, for your consideration.

II. PROFILE OF INDIAN COUNTRY IN BRIEF

In General. There are currently 559 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 1998, 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 underhoused. One of every five Indian homes 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 for homes to be constructed on trust or restricted lands.

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 a reservation Indian 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 1998, there is a $740 million backlog in unmet needs for health facilities, contributing to the degenerating health of native communities, as well as a $1.687 billion backlog in water and sanitation facilities.

There are at least two rationales for ongoing federal commitments to allocating 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 situations and fulfill 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. Indian tribal and federal officers continue to inform the Committee of the presence of such conditions, such as the current situation in the Dakotas, and of the need for immediate and significant infusion of resources.

The second rationale for an ongoing and significant 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 has been given expression in treaties, executive agreements and orders, statutes, the course of dealings, and hundreds of federal court decisions. There are also moral aspects to the relationship as well as the mutual obligations of the parties. The relationship is most readily understood by reference to the cession of large tracts 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, the President's FY2000 budget request for Indian-related programs would effect a modest reversal of the historical funding disparities between the Indian and non-Indian populations. Given the continuing need for a significant 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 enabling tribal governments to set spending priorities for governmental services and, if faced with changing needs, to reallocate TPA funds accordingly. The TPA mechanism allows Indian tribal governments to flexibly respond to local concerns and to provide governmental services such as child welfare and elder programs, forestry, agriculture and range management, fire protection, housing, 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, those governments that are closest to tribal members, are most acutely aware of their needs and how best to address them. For these and other reasons, the Committee is concerned with the withdrawal of law enforcement from TPA, and strongly opposes any efforts to reduce the programs or funds allocated to tribes through TPA.

Similarly, beginning with the *Indian Self Determination and Education Assistance Act of 1975*, as amended, there has been a gradual shift away from the federal administration of Indian programs to one in which tribal governments step into the shoes of the U.S. to provide services and programs to tribal members. Through "638 contracts" and self governance compacts tribal governments have acquired the administrative capacity and delivered higher quality services than those previously available under federal administration. 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 FY2000, the President proposes $1.9 billion to fund the BIA, an increase of $155.6 million over the FY1999 enacted level. For TPA, the request includes $716.1 million, a proposed net increase of $17 million over the FY1999 enacted level. As part of the increasing trend toward tribal contracting, as of FY1999, some 65% of all TPA funds are subject to either contract or compact 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 $6.4 million for Contract Support Costs; $3.0 million for Small Tribes (Alaska); $2.6 million for Tribal Courts; $2.0 million for Adult Care Facilities; and $2.0 million for the Tribal Work Experience Program (TWEP).

Under the request, Contract Support Costs for BIA programs are projected to be funded at 86% of need. 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 FY2000 request includes an increase of $20 million over FY1999 enacted levels for BIA Law Enforcement. The increase would be used for personnel, equipment, and detention services, bringing the total for Public Safety and Justice within Special Programs to $141.3 million.

The Committee is encouraged by the inter-agency coordination for law enforcement evidenced by the joint initiative as well as other items such as the proposed transfer of $5 million from the Department of Commerce for law enforcement communications. The Committee commends the Administration for its response to the crime problem in Indian country, but is concerned with the withdrawal of law enforcement funds from the TPA account and re-consolidation of those funds at the BIA.

c. Education Activity. The provision of quality education to native communities is a priority for this Committee. The FY2000 education request is $541.9 million dollars, with $503 million for School Operations, a $27.5 increase over FY1999 enacted level. The bulk of these funds, $319.8 million, is for Indian School Equalization (formula funds); $38.8 million is for Student Transportation; $51.8 million for Facilities Operations; and $47.7 million for Administrative Cost Grants.

In the request, Tribally Controlled Community Colleges (TCCCs) would receive a total of $38.4 million allocated as follows: $37.3 million for Operating Grants; $114,000 for Technical Assistance; and $977,000 for Endowment Grants.

For years, this Committee has expressed grave concerns over the growing backlog in Indian school facilities of $740 million. The Committee commends the Administration for its request of $108.3 million for school construction $75.9 million of which is dedicated to the Seba Dalkai Boarding School in Arizona, and the Fond du Lac Ojibway School in Minnesota.

Similarly, the Committee commends the Administration for the *Indian School Construction Bonding Initiative* under which nearly $400 million in zero-interest bonds are authorized to be issued over a 2-year period. Direct federal appropriations to finance Indian school construction have historically been insufficient, and therefore novel approaches to this problem must be explored. The Committee also lauds the President's *American Indian Teachers Corps* proposal to train and place 1,000 Indian teachers over a 5-year period in schools on Indian lands or in public schools with significant 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 diminished. At the same time, the Committee is encouraged by the Department's proposal to address the problem of land fractionation which serves as a prime inhibitor to agricultural and other value-added activities on Indian lands.

2. Office of Special Trustee for American Indians (OSTAI)

The Committee strongly supports the proposed $90 million for the Office of the Special Trustee for American Indians, an increase of $50.5 million over FY1999 enacted levels, as well as $10 million for the continuation of the *Indian Land Consolidation Pilot Project* to address the fractionated lands problem. Of the total request, $65.3 million is devoted to implementing the Trust Management Improvement Project to improve computer, accounting, and other trust management systems. The Committee believes that instituting these management systems is essential to achieve further reforms that are necessary to fulfill the U.S. trust obligation.

3. National Park Service (NPS)

The preservation of native cultures is a priority for many native communities and the Committee supports the requested $2.6 million for tribal historic preservation grants and $2.5 million for *Native American Graves Protection and Repatriation Act* grants.

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 $403.6 billion, an increase of $24.3 billion over FY1999 enacted levels. Percentage allocations within the DHHS are: Medicare - 53.6%; Medicaid - 28.8%; Discretionary Programs - 10.1%; Temporary Assistance to Needy Families - 3.5%; Children's Programs - 3.5%; and Indian Health Service (IHS) - 8.3%,

a. Health Services. The proposed request for the Indian Health Service (IHS) is $2.4 billion, an increase of $170 million over the FY1999 enacted levels. For *Indian Health Services*, the request totals $2.09 billion, an increase of $144.6 million over FY1999 enacted levels as follows.

The request includes $1.6 billion for clinical services, a $100 million increase over the FY1999 enacted level which includes an increase of $53 million for Hospitals and Health Clinics; $12.9 million for Dental Services; $7 million for Mental Health Services; $1.6 million for Alcohol and Substance Abuse; and $24.6 million for Contract Health Services.

For preventive health services, the Committee is concerned that the request includes an increase of $10 million for Public Health Nursing, but a decrease of $5 million for Community Health Representatives (CHR). Decreased funds for CHRs will fall exclusively on native communities and would have devastating effects on the health of rural Indian people. The CHR program is often the first and only point of access tribal people have with health care and this program continues to be vital to the effective delivery of health care services by the IHS.

b. Contract Support Costs. In the 105th Congress, the Committee on Indian Affairs and other Committees devoted significant time and resources to addressing the issue of chronic shortfalls in Contract Support Costs (CSC) funds for tribal contracts and compacts under the *Indian Self Determination and Education Assistance Act of 1975*, as amended. For FY2000 the request includes an increase of $35 million, which still falls far short of the actual demand for such funds. Pursuant to the FY1999 Omnibus Appropriations act, a joint Tribal-BIA-IHS Workgroup on Contract Support Costs is studying methods to develop and implement more effective and efficient CSC funds in the future. Nonetheless, for the past several years there has existed and, with this request there will continue to exist, a large differential in available funds and actual needs.

While tacitly acknowledging the continued shortfall in CSC funds, the request nonetheless includes administrative provisions and proposed bill language providing for a statutory cap on IHS contract support funding; language limiting the liability of the United States for past failures of the IHS and BIA to provide full contract support costs to tribal contractors; and continuing the Congressionally-requested moratorium on new IHS self determination and self governance agreements in Alaska, with the moratorium running through September 30, 2001.

Significantly, the request does not include a retention of the 1-year moratorium on new or expanded self determination and self governance agreements that was requested in 1998 and included in the Omnibus FY1999 appropriations act.

The Committee is cognizant of the need to provide more CSC to fund the existing queue of tribal contracts, and as an incentive to other tribes and tribal organizations that want to provide health and other services to their citizens under the *Indian Self Determination and Education Assistance Act of 1975*, as amended.

c. Health Facilities. Though the FY2000 budget request for health facilities includes an additional $317 million, an increase of $25.5 million over the FY1999 enacted level, there remains a $1 billion backlog for health care facilities in Indian country.

Facilities construction funds totaling $29 million are requested to build a hospital at Ft. Defiance, AZ, and $7.1 million to fund the construction of an outpatient facility at Parker, AZ. In addition, some $3.8 million is requested to fund the completion of health facility designs at Pawnee, OK, and Red Mesa, AZ.

As the health status and access to health care of AI/AN continue to be major areas 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 Work Opportunity Reconciliation Act of 1996* is implemented, the Committee continues to be concerned that native communities are ill-equipped to make the transition from welfare to work. Statutory authority for the Temporary Assistance for Needy Families (TANF) program as well as potential program changes may be necessary to make welfare to work a reality in native communities.

The Committee is concerned that the request for the Native Employment Works program is $35 million — static funding compared to FY1999. Similarly, the request includes $18 million for tribal grants under the Administration on Aging, which again is level funding compared to FY1999 enacted levels. Universally acknowledged as a successful tool in assisting tribes and native communities to develop and implement economic, environmental and cultural initiatives, the Administration for Native Americans (ANA) program is slated to receive $35 million in FY2000 — the same amount as enacted in FY1999. In contrast, the Committee is advised that the level of need for ANA funds is $70 million, and that ANA has experienced a 70% reduction in full time equivalent employees (FTEs) since 1992.

C. Department of Justice

The FY2000 request for Indian-related programs at the Department of Justice is $124.2 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).

Specific items of increase the Committee is particularly supportive of include $5 million for Tribal Courts; $3.2 million to fund prosecutions by U.S. Attorneys; $30 million for Drug Testing and Youth Initiatives; $45 million for the Tribal "COPS" Program; and $34 million for Correctional Facilities.

Requested funding for the Legal Services Corporation (LSC) totals some $297 million for FY2000. Out of this total, Indian legal services providers receive funding for an array of tribal capacity building programs and the provision of direct legal services. The Committee supports such funding as a necessary complement to the law enforcement initiatives that are now receiving additional attention and funding.

D. Department of Housing and Urban Development

Though the President's request for the Department of Housing and Urban Development (HUD) is $28.035 billion, an increase of $2.5 billion over FY1999 enacted levels, the Committee is troubled that there are no additional funds requested for Indian housing.

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).

a. Housing Block Grants and Loan Guarantees.[1] In the second year of the implementation of the *Native American Housing Assistance and Self Determination Act (NAHASDA)* the request for the block grant is $620 million, level funding compared to FY1999 enacted levels. 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.

Because liquidity and capital is scarce in Indian country, the Committee is concerned with proposed decreases of $50 million scheduled for the Title VI guarantee program which, in the absence of private sector mortgage lending capacity, is critical to ensuring that native communities can secure additional home mortgages. The Committee commends the Administration for the housing-related pilot programs including the establishment of a "one-stop mortgage center" on Navajo Nation lands, and a "mortgage facilitation center" on the Pine Ridge reservation to disseminate mortgage information.

b. Community Development Block Grant (CDBG). The Committee supports the FY2000 request of $67 million in the tribal set-aside for CDBG grant funds.

E. Department of Commerce

For FY2000, the President requested a total of $7.271 billion for the Department of Commerce --- a requested increase of $2.131 billion over FY1999 enacted levels. The request includes $27.6 million for the Minority Business Development Agency (MBDA), which includes some funds for native initiatives, as well as funds for technological aids to business development such as Internet and e-mail systems, market analysis and the identification of business opportunities.

Though the Committee was not afforded the opportunity to hear from the Department of Commerce at its budget hearing of February 24, 1999, we remain convinced that tribes lack full 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), just to name a few.

[1] In addition, $520,000 is requested for the further implementation of the *Native American Veterans Housing Loan Program* administered by the Department of Veterans Affairs.

Though the Committee supports the FY2000 request for these programs, it is deeply troubled with the Department's apparent lack of interest in using existing programs and services to expand economic and business opportunities in Indian country.

F. Department of Agriculture

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 intends to review the report and make whatever changes are needed to ensure full and fair access to services and programs within the Department.

The request for the Department includes $55.2 billion, including funding for tribes. The overall funding for *Native Specific Programs* is $110.2 million, an increase of $11.2 million over FY1999 enacted levels. The overall funding request for *Other Programs Benefitting Native Americans* is $920.7 million, an increase of $149.4 million over FY1999 enacted levels.

The Department has authority over many Tribal College programs: the request includes $4.6 million for the Tribal Colleges Endowment Fund, and $1.55 million for Tribal Colleges 1994 Institutions Equity Grants, as well as $667,000 for a Tribal Colleges Research initiative.

The availability of a solid physical infrastructure is often a decisive factor in the decision of investors and 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 $3.5 billion, and tribes are currently eligible for 5% of these funds. Similarly, the request includes $20 million in grants and $200 million in loans for Distance Learning and Telemedicine, as well as $15 million for Rural Empowerment Zones and Enterprise Communities (EZ/EC).

In addition to this derivative eligibility, the Committee supports the request of $5 million for Extension Services on Indian Reservations; $1 million for the Farm Service Administration's Indian Land Acquisition Loans; and $175 million for Food Distribution on Indian Reservations.

G. Environmental Protection Agency (EPA)

The President's overall FY2000 request for the EPA is $7.2 billion, a decrease of $360 million from the FY1999 enacted levels. Aimed at building on tribal capacity to develop and administer environmental protection and enforcement, the Committee strongly endorses the continued funding of the Environmental Protection Agency (EPA)'s State and Tribal Assistance Grants (STAG) program request of $885 million, as well as the Tribal Environmental General Assistance Grants Program request of $42.6 million.

For the construction of wastewater and drinking water facilities in Alaska Native villages, the request includes $15 million. The current statutory cap (1/3 of 1%) on grant funds that may be awarded to Indian tribes to address non-point source pollution under the *Clean Water Act* is proposed for elimination, which would result in additional funds being made available for grants. In FY1999, tribes were eligible for $700,000 of the nearly $200 million that was made available for these pollution grants. In addition to these funds, the proposed *Clean Air Partnership Fund* would receive $200 million for local governments to work in tandem with the private sector, the federal government and each other to address air pollution problems. In addition, the request for Tribal Clean Air Grants for FY2000 is $11.1 million.

Within the Bureau of Indian Affairs, there are several environmental programs targeted for funding including a $4 million requested increase for Water Rights Negotiation/Litigation; $3 million for Environmental Clean Up of Solid Waste on Indian Lands; and $1.25 million for Endangered Species Act (ESA) protection on Indian Lands.

H. Department of Labor

The Committee does support the President's request for *Indian Workforce Investment Act* programs which include $53.8 million --- but urges that the statutory minimum --- $55 million --- be provided for these key programs. The Committee also stresses the need for heightened intra-agency and inter-agency coordination to ease the transition of native communities from welfare to work. The Committee is concerned that, with youth crime on the increase, the request for Indian youth employment is only $15 million --- a decrease of $800,000 under FY1999 enacted levels. The President has proposed the continuation of the *Welfare to Work* program which provided $30 million for tribes in FY1998 and FY1999.

V. COMMITTEE CONCLUSIONS

The Committee on Indian Affairs, in its March 3, 1999, 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 FY2000 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 2, 1999

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-FY2000[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 1975-2000. The Committee has previously published these CRS analyses in the appendix of its recurring committee print entitled *Budget Views and Estimates* for fiscal years 1989 and 1991-1993.[2] 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 1995-1999.[3]

The memorandum summarizes trends in major Indian-related areas of the federal budget over the period FY1975-FY2000. "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-FY2000, 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 2000* ("Budget," p. 138, Table 9-2).

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:

[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, S.Prt. 101-89, S.Prt. 102-32, and S.Prt. 102-91, respectively.

[3] S.Rept. 103-238, S.Rept. 104-82, S.Rept. 104-271, S.Rept. 105-27, and S.Rept. 105-170, respectively.

- ; 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-FY2000, 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-FY2000.

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 budget items affecting the nation's Indian population (particularly those programs targeting Indians in federally recognized tribes) with trends in parallel budget items affecting the entire U.S. population. 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 in the Department of Housing and Urban Development (HUD);[4] and the Indian and Native American Employment and Training Program (INAP)[5] in the Department of Labor. According to figures from the Office of Management and Budget, these agencies accounted

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[4]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 for FY1999-2000. As ONAP data become available for FY1998-2000, these estimate may need to be revised.

[5]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.

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. (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-FY2000 but may not be consistent between the two time periods. In addition, for FY1999 the BIA moved some programs between different budget categories.

In this memo we re-grouped FY1993-FY2000 data for the relevant BIA programs into the general categories of education, economic development, natural resources, and Indian services.[6] We have maintained consistency in assigning BIA programs to these general categories. We stress that re-grouping data for the BIA components for FY1993-FY2000 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-FY2000 and FY1982-FY2000 are also estimates.

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-dollars 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

[6] 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-FY2000 time series may be skewed, either up or down.

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. (For further discussion of the Chain-Type Price Index, see CRS Report No. 95-892 E, *A New Measure of Real GDP*.) 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-FY2000 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-FY2000 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 FY2000 budget estimates, by agency and by budget function[7] category. Agencies previously contacted include the BIA, IHS, ANA, HUD, Education Department, Interior Department, and Labor Department. HUD was not able to provide Indian Housing Development Program data for FY1975 and FY1977 because the data had been archived.

U.S. population data came from the *Statistical Abstract of the United States* and the Census Bureau's Current Population Reports (Series P-25, No. 1131) and "Monthly Estimates of the United States Population" (Internet release date: December 28, 1998). We used the

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[7]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.

figure for total U.S. population, including Armed Forces abroad. Indian population estimates came from the Indian Health Service and are based on that agency's service population. IHS population estimates are updated annually.

Historical figures for the Chain-Type Price Index for GDP were obtained from the *Economic Report of the President* (February 1999); projections for 1998-2000 came from the U.S. Congressional Budget Office's *The Economic and Budget Outlook: Fiscal Years 2000-2009* (January 1999).

Education

Education data from **Table 1** show that Indian education spending appears to have been growing from FY1975 to FY2000. The annual change for BIA education,[8] for instance, shows an increase of $15.6 million per year, for a positive change ratio of 4.30. 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 $0.5 million a year, for an actual change ratio of 0.11, during the period FY1975-FY2000. 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 $26.3 billion in constant 1997 dollars during FY1975-FY2000 and has grown at a rate of $486.9 million a year (1.85 change ratio), with little annual variation (r^2 of .729). In contrast, Office of Indian Education (OIE) programs in the Department of Education, which averaged $98.1 million a year in constant dollars, fell $3.2 million a year over the same time period (-3.27 change ratio). The r^2 figure for the OIE in the Education Department (.805) suggests that OIE spending has fallen fairly consistently over the time period.

Table 4 compares budget trends in constant dollars during the period FY1982-FY2000. The Department of Education has averaged $27.5 billion during that period, with an increase of $649 million a year (2.36 change ratio). BIA education increased $12.4 million a year (2.69 change ratio) in FY1982-FY2000, faster than the Education Department as a whole, while the Office of Indian Education in the Education Department fell $2.5 million a year (-2.98 change ratio).

Graphs 1-3 illustrate the trends in education in constant dollars for FY1975-FY2000. **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 gradual increase since then.

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[8]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-FY2000. 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.

Health

Federal health outlays, as measured by the health budget function, averaged $74.5 billion in constant 1997 dollars during FY1975-FY2000, increasing at a rate of $4.6 billion a year, for a change ratio of 6.22 (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 $209.6 billion in the same time period, increasing at $11.8 billion a year (5.62 change ratio). Indian Health Service appropriations, in constant dollars, also increased during FY1975-FY2000, but at a lower rate than those of HHS or the health budget function. IHS's annual increase was $56 million, a change ratio of 3.69, on an average level of $1.5 billion.

Spending on the health budget function during FY1982-FY2000, shown in **Table 4**, was at an average level of almost $87 billion in constant dollars during the period, with an annual increase of $6.4 billion (7.37 change ratio). HHS outlays averaged $245.1 billion in FY1982-FY2000, increasing $14.5 billion annually (5.92 change ratio). IHS spending during the same period had a lower gain than these two measures, showing a change ratio of 4.36, based on annual increases of $72.8 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-FY2000, in constant dollars. They show that the increase over time was more consistent for HHS (r^2 of .951) than for the federal health budget function (r^2 of .883) or the IHS (r^2 of .877).

Housing[9]

Federal housing expenditure trends differ for outlays and budget authority during FY1978-FY2000. 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. The trend in Indian Housing Development expenditures (as measured in "use of budget authority") differs sharply from that for federal outlays for housing and more closely resembles that for federal housing budget authority, except that Indian housing development has fallen more steeply. **Table 2** shows that outlays for the Department of Housing and Urban Development (HUD) averaged $25.9 billion in constant dollars from FY1978 to FY2000 and increased at an annual rate of $397.4 million, for a positive change ratio of 1.54. Outlays for the federal housing assistance subfunction increased even faster, rising $864.8 million a year on an average level of $20.4 billion, for a positive change ratio of 4.24. Budget authority for HUD, however, fell $1.9 billion a year in constant dollars, for a negative -6.00 change ratio on average spending of $32.1 billion. Budget authority in constant dollars for the housing assistance subfunction showed the same pattern, falling $1.5 billion a year on average spending of $24.8 billion for a negative change ratio of -6.00. The Indian Housing Development program, as measured by annual budget authority for new construction, decreased in constant dollars at an annual rate of $55.3 million on average spending of $502.7 million, for a negative change ratio of -11.00, 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

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[9]The time period for housing data is shortened from FY1975-FY2000 to FY1978-FY2000 because of missing data for Indian housing development in FY1975 and FY1977.

for the Indian Housing Development program. **Graph 10** combines HUD and housing assistance subfunction outlays with Indian housing development budget authority.[10]

Housing trends during FY1982-FY2000 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-FY2000, falling at an annual rate of $22.5 million (-7.23 change ratio) on an average level of $310.7 million. Overall HUD outlays in constant dollars, on the other hand, rose more slowly than in FY1978-FY2000, increasing only $287.9 million a year (1.07 change ratio) on an average level of $26.9 billion. Housing assistance subfunction outlays in constant dollars grew faster than HUD spending — a change ratio of 3.06 based on increases of $690.9 million a year with an average level of $22.5 billion — but still lagged behind the rate for FY1978-FY2000. Budget authority trends for HUD and the housing assistance subfunction, in constant dollars, were more positive in the FY1982-FY2000 period than in the longer FY1978-FY2000 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-FY2000, HUD's budget authority in constant dollars declined $495.7 million a year on average spending of $24.7 billion, a negative change ratio of -2.01, while housing assistance subfunction budget authority, in constant dollars, fell less rapidly than in FY1978-FY2000, going down $185.1 million a year on average spending of $18.6 billion, for a change ratio of -1.01.

Economic Development and Employment and Training

Economic development spending, in constant dollars, has declined during the period FY1975-FY2000 in both the overall U.S. budget and the Indian-related budget. Here we compare the U.S. community and regional development budget function with the BIA economic development program[11] 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 $366.5 million, for a change ratio of -3.04, while averaging $12.1 billion a year in spending during this period. ANA expenditures, with an average level of $47.9 million, have decreased by $2.0 million a year, for a negative change ratio of -4.17. The BIA economic development program has fallen most rapidly, declining by $4.5 million a year — a negative change ratio of -5.25 — on an average spending level of $86.3 million. **Graphs 11-13**, and the respective r^2s for the community and regional development function (.347), BIA economic development (.686), and ANA (.680), all show that the decline during FY1975-FY2000 has been more consistent for the Indian-related programs.

Economic development spending during the FY1982-FY2000 period, measured in constant dollars, continued to decline for Indian and national economic development, as

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[10]Budget authority data for HUD and the housing assistance subfunction were not included in **Graph 10** because they caused scaling problems in the graph.

[11]As noted above, the time series for BIA economic development is not internally consistent because of BIA budget restructuring for FY1993-FY2000.

shown in **Table 4**, although not as steeply as in the longer period. The federal community and regional development function fell during this period by $27.6 million a year (negative change ratio of -0.28) on average spending of $9.8 billion. ANA spending fell by a negative change ratio of -1.35 ($0.5 million a year) on an average level of $37.9 million. BIA economic development went down the fastest, being reduced by a change ratio of -3.24 ($2.1 million a year) on average spending of $64.1 million. The downward trends during this period were fairly consistent for ANA but very inconsistent for the other two economic development measures.

Employment and training expenditures, in constant dollars, also declined during FY1975-FY2000 for both general U.S. programs and Indian-related programs. The federal training and employment subfunction fell at an annual rate of $453 million, producing a negative change ratio of -4.52 on average spending of $10 billion. The U.S. Department of Labor fell at a slower rate, its larger annual decrease (-$856.3 million) generating a smaller change ratio (-2.09) on higher average spending ($41 billion). The Indian and Native American Employment and Training Program (INAP) in the Labor Department had the largest negative change ratio, -8.37, based on an annual decrease of $11.3 million and average spending of $135 million.[12] **Graphs 14-16** depict these declines in employment and training expenditures.

The FY1982-FY2000 period saw a lessening of the rates of decline in employment and training expenditures in constant dollars for the Labor Department, the training and employment subfunction, and INAP, as **Table 4** shows. The Labor Department's negative change ratio shrank to -1.17 because its annual decrease in constant dollars was only $431.9 million on average spending of $37 billion. The training and employment subfunction showed a negative change ratio of only -0.08, based on an annual decrease of $5.9 million and average spending of almost $7.3 billion, both in constant dollars. INAP fell at a far higher rate than the Labor Department or the training and employment subfunction during FY1982-FY2000, losing $3.3 million in constant dollars annually in spending for a negative change ratio of -4.47, based on average spending of $74.1 million.

Overall Budget Areas

This section compares trends over the time period for the total BIA and OST budgets, overall Indian-program spending,[13] and the federal non-defense budget[14] 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-FY2000, with spending going up by $46 million a year (change ratio of 3.63) with an average level of $1.3 billion. **Table 2** and **Graph 18**, however, show that in constant dollars there was actually a decline in the BIA-OST budget of $6.6 million a year (-0.38 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,

[12]As noted above, the time series used here includes CETA Indian programs for FY1975-FY1983 and the INAP proper for FY1984-FY2000.

[13]"Overall Indian-program spending" means here the six major Indian programs covered in this memorandum.

[14]The federal non-defense budget used here excludes both national defense expenditures and net interest payments on the national debt.

an uneven decline (r^2 of .056) in constant dollars. As **Graph 18** shows, the unevenness results from a lengthy decline (in constant dollars) followed by an uneven rise.

Overall federal non-defense spending for FY1975-FY2000, however, differs from the pattern for Indian-related spending. Federal spending as a whole in current dollars went up during the period FY1975-FY2000, at a rate of $41.4 billion a year (5.99 change ratio) with an average level of $692.2 billion (see **Table 1**). In constant dollars, federal spending still went up, at a rate of $22.8 billion (2.61 change ratio) on an average level of $876.4 billion (see **Table 2**). **Graphs 19 and 20** illustrate these upward trends in current and constant dollars.

The overall Indian-related budget follows the same pattern as the BIA-OST budget. Current-dollar spending during the FY1975-FY2000 period, as shown in **Table 1**, went up at a rate of $114.6 million a year, a change ratio of 3.83, on an average spending level of almost $3 billion. Constant-dollar spending, however, is shown in **Table 2** to have gone down at a rate of $3.5 million a year (-0.09 negative change ratio) on an average spending level of $4 billion. The small size of the negative change ratio in constant dollars, and the inconsistency of the related trend (r^2 of .002), result from the same pattern as for the BIA-OST budget — a long fall followed by a recent uneven upward trend. **Graphs 21 and 22** demonstrate the two trends.

Population data can be used to get a simple comparison of per-capita federal spending between the overall U.S. population and the Indian population. **Table 1** includes population data similar to the budget data. The data (which include projections for 1999 and 2000) show that overall United States population increased at a rate of 2,362,537 people a year (0.96 change ratio) during the period 1975-2000, with an average level of 244,885,038 people. The Indian population (as measured by the IHS service population) is much smaller, with an average level of 1,069,937, but it has grown much faster, increasing at an annual rate of 37,696 persons, for a change ratio of 3.52.

To get a measure of per-capita federal spending for each of the two groups, for each year in the FY1975-FY2000 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 1975-2000 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 1975-2000 period.

Summary

The data show that Indian-related spending, corrected for inflation, has been going down in most areas during the FY1975-FY2000 period. Among the Indian-related items examined for this period, as measured in constant dollars, only the IHS and three program areas within the BIA (natural resources, tribal services [including the BIA's Housing Improvement Program], and education) have avoided this trend.[15] On the other hand, in the FY1982-FY2000 period, while the BIA natural resources program area changes to a negative trend, both the BIA-OST budgets and the overall Indian budget are added to the programs with positive trends.

Overall downward 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 has tended to go down over the full course of the FY1975-FY2000 period, while overall federal non-defense spending has gone up. The latter years of this period, after 1990, have seen an uneven upward trend in overall Indian spending in constant dollars, though not yet enough to bring the annual change and change ratio for the entire FY1975-FY2000 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 have declined during the period FY1975-FY2000. 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.

If BIA-OST spending and overall Indian spending were both to decline in constant dollars at the same rates of annual change during the period FY2001-2005 as they did during FY1975-FY2000 (-$6.6 million and -$3.5 million, respectively, in constant dollars), as shown in **graph 26**, then by FY2005 overall Indian-program spending in 1997 dollars would have fallen from a proposed $4.56 billion in FY2000 to $4.54 billion in FY2005. BIA-OST spending in 1997 dollars would have fallen from a proposed $1.90 billion in FY2000 to $1.87 billion in FY2005.

If you have any questions, or if I can be of further assistance, please call me at 707-8641.

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[15] As noted above, the time series for BIA natural resources and tribal services is not internally consistent because of BIA budget restructuring for FY1993-FY2000.

Table 1. Trends in Selected Elements of the Federal Budget in Current Dollars, FY1975-FY2000[a]
(dollar figures in millions)

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Department of Education	$20,497.9	$1,091.4	5.32	0.957
Education function	$37,664.7	$1,643.9	4.36	0.905
Indian Education Office (U.S. Department of Education)	$68.6	$0.4	0.59	0.095
BIA education[b]	$362.0	$15.6	4.30	0.779
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	$175,119.0	$14,838.7	8.47	0.947
Health function	$62,854.7	$5,711.6	9.09	0.909
Indian Health Service	$1,224.2	$84.5	6.90	0.951
Housing:				
U.S. Dept. of Housing & Urban Development (outlays)[c]	$21,063.5	$979.5	4.65	0.828
U.S. Dept. of Housing & Urban Development (B.A.)[c]	$23,146.9	-$424.0	-1.83	0.160
Housing assistance subfunction (outlays)[c]	$17,241.2	$1,189.4	6.90	0.870
Housing assistance subfunction (B.A.)[c]	$17,871.3	-$291.3	-1.63	0.088
Indian Housing Development Program in HUD (B.A.)[c]	$330.9	-$23.7	-7.16	0.578
Economic Development and Training and Employment:				
Community and regional development function	$8,442.0	$99.2	1.17	0.115
Administration for Native Americans (HHS)	$32.6	$0.1	0.26	0.040
BIA economic development[b]	$57.4	-$0.6	-1.12	0.135
U.S. Department of Labor	$29,382.5	$569.8	1.94	0.346
Training and employment subfunction	$6,764.5	-$10.0	-0.15	0.002
Indian and Native Amer. Training & Employment (DOL)[d]	$82.7	-$3.7	-4.53	0.320
Natural Resources:				
U.S. Department of the Interior	$5,396.8	$210.0	3.89	0.940
Natural resources function	$16,074.9	$626.9	3.90	0.943
BIA natural resources[b]	$113.4	$3.9	3.45	0.610
Overall:				
BIA-OST Total	$1,269.3	$46.0	3.63	0.887
BIA tribal services[b]	$344.9	$20.6	5.97	0.938
Overall Indian budget	$2,989.8	$114.6	3.83	0.837
Federal non-defense budget[e]	$692,246.3	$41,437.6	5.99	0.983
Population:				
U.S. population	244,885,038	2,362,537	0.96	0.999
Indian population (IHS estimates)	1,069,937	37,696	3.52	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-FY2000. B.A. = budget authority.
[d] FY1975-FY1983: CETA Indian program. FY1984-FY2000: 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-FY2000[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	$26,330.7	$486.9	1.85	0.729
Education function	$49,822.1	$250.1	0.50	0.074
Indian Education Office (U.S. Department of Education)	$98.1	-$3.2	-3.27	0.805
BIA education[b]	$483.6	$0.5	0.11	0.002
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	$209,601.8	$11,785.4	5.62	0.951
Health function	$74,513.1	$4,631.4	6.22	0.883
Indian Health Service	$1,517.8	$56.0	3.69	0.877
Housing:				
U.S. Dept. of Housing & Urban Development (outlays)c	$25,873.7	$397.4	1.54	0.293
U.S. Dept. of Housing & Urban Development (B.A.)[c]	$32,119.0	-$1,927.7	-6.00	0.516
Housing assistance subfunction (outlays)[c]	$20,384.2	$864.8	4.24	0.642
Housing assistance subfunction (B.A.)[c]	$24,839.5	-$1,489.8	-6.00	0.422
Indian Housing Development Program in HUD (B.A.)[c]	$502.7	-$55.3	-11.00	0.612
Economic Development and Training and Employment:				
Community and regional development function	$12,064.7	-$366.5	-3.04	0.347
Administration for Native Americans (HHS)	$47.9	-$2.0	-4.17	0.680
BIA economic development[b]	$86.3	-$4.5	-5.25	0.686
U.S. Department of Labor	$40,981.9	-$856.3	-2.09	0.398
Training and employment subfunction	$10,028.5	-$453.0	-4.52	0.452
Indian and Native Amer. Training & Employment (DOL)[d]	$135.0	-$11.3	-8.37	0.468
Natural Resources:				
U.S. Department of the Interior	$7,178.9	$11.9	0.17	0.017
Natural resources function	$21,427.9	$17.5	0.08	0.004
BIA natural resources[b]	$149.5	$0.6	0.38	0.018
Overall:				
BIA-OST Total	$1,709.9	-$6.6	-0.38	0.056
BIA tribal services[b]	$438.6	$10.7	2.45	0.740
Overall Indian budget	$4,002.6	-$3.5	-0.09	0.002
Federal non-defense budget[e]	$876,362.0	$22,842.5	2.61	0.955

[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-FY2000. B.A. = budget authority.
[d] FY1975-FY1983: CETA Indian program. FY1984-FY2000: 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-FY2000[a]
(dollar figures in millions)

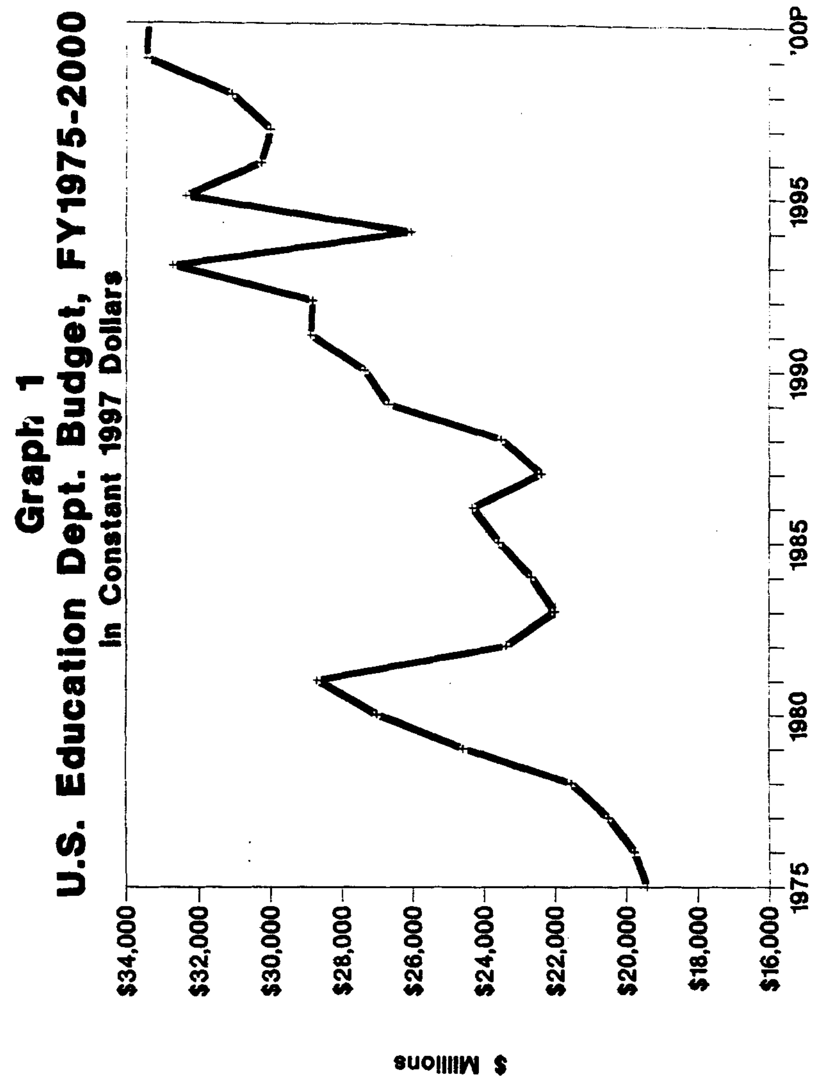
	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Department of Education	$23,969.5	$1,215.5	5.07	0.947
Education function	$42,145.3	$2,121.9	5.03	0.963
Indian Education Office (U.S. Department of Education)	$70.4	-$0.046	-0.07	0.001
BIA education[b]	$402.4	$22.1	5.50	0.823
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	$219,681.1	$18,396.9	8.37	0.973
Health function	$78,905.4	$7,594.3	9.62	0.963
Indian Health Service	$1,479.7	$101.8	6.88	0.962
Housing:				
U.S. Dept. of Housing & Urban Development (outlays)[c]	$23,156.6	$914.6	3.95	0.720
U.S. Dept. of Housing & Urban Development (B.A.)[c]	$20,693.2	$193.6	0.94	0.047
Housing assistance subfunction (outlays)[c]	$19,743.2	$1,140.8	5.78	0.779
Housing assistance subfunction (B.A.)[c]	$15,742.2	$310.4	1.97	0.121
Indian Housing Development Program in HUD (B.A.)[c]	$248.5	-$9.9	-3.97	0.400
Economic Development and Training and Employment:				
Community and regional development function	$8,345.6	$236.9	2.84	0.463
Administration for Native Americans (HHS)	$32.0	$0.5	1.55	0.769
BIA economic development[b]	$53.2	-$0.1	-0.18	0.003
U.S. Department of Labor	$31,265.1	$567.7	1.82	0.182
Training and employment subfunction	$6,181.3	$178.7	2.89	0.807
Indian and Native Amer. Training & Employment (DOL)[d]	$60.8	-$0.9	-1.46	0.540
Natural Resources:				
U.S. Department of the Interior	$6,077.5	$223.3	3.67	0.927
Natural resources function	$17,991.6	$721.6	4.01	0.952
BIA natural resources[b]	$132.9	$1.2	0.88	0.107
Overall:				
BIA-OST Total	$1,402.4	$57.4	4.09	0.883
BIA tribal services[b]	$407.9	$24.6	6.03	0.932
Overall Indian budget	$3,293.8	$148.9	4.52	0.903
Federal non-defense budget[e]	$827,267.4	$45,970.7	5.56	0.982
Population:				
U.S. population	253,022,737	2,419,337	0.96	0.999
Indian population (IHS estimates)	1,199,438	38,189	3.18	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-FY2000. B.A. = budget authority.
[d] FY1975-FY1983: CETA Indian program. FY1984-FY2000: Indian and Native American Training and Employment Program.
[e] Excludes national defense outlays and net interest payments on national debt.

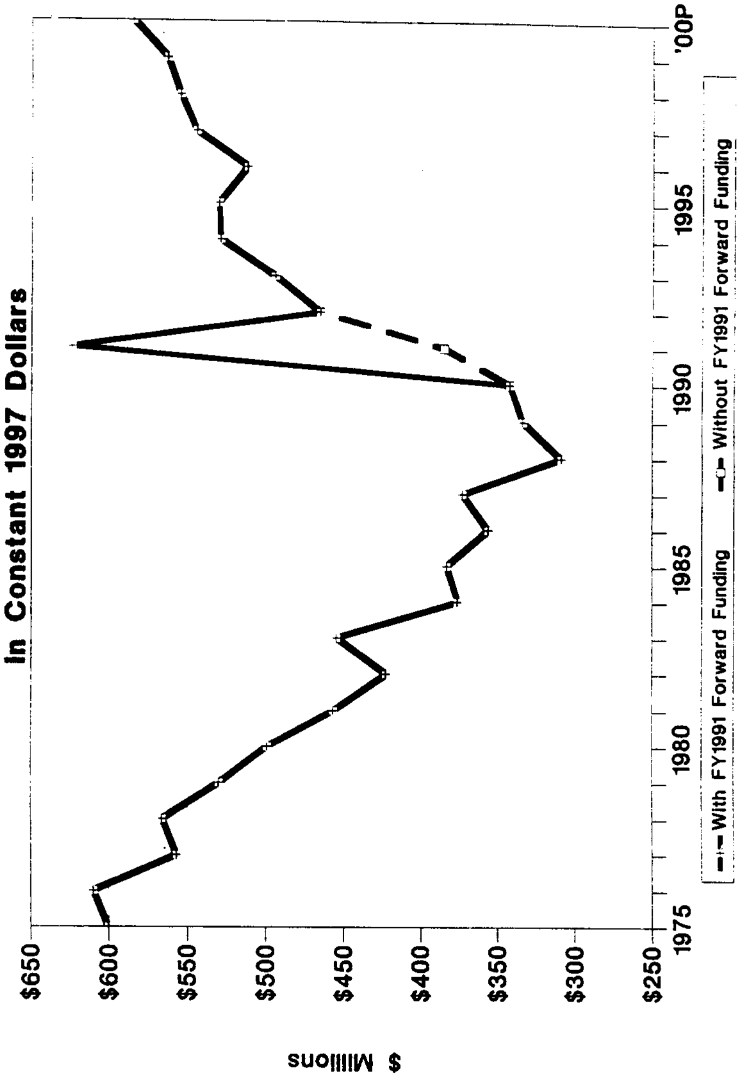
Table 4. Trends in Selected Elements of the Federal Budget in Constant 1997 Dollars, FY1982-FY2000[a]
(constant dollars based on chain-type price index for GDP)
(dollar figures in millions)

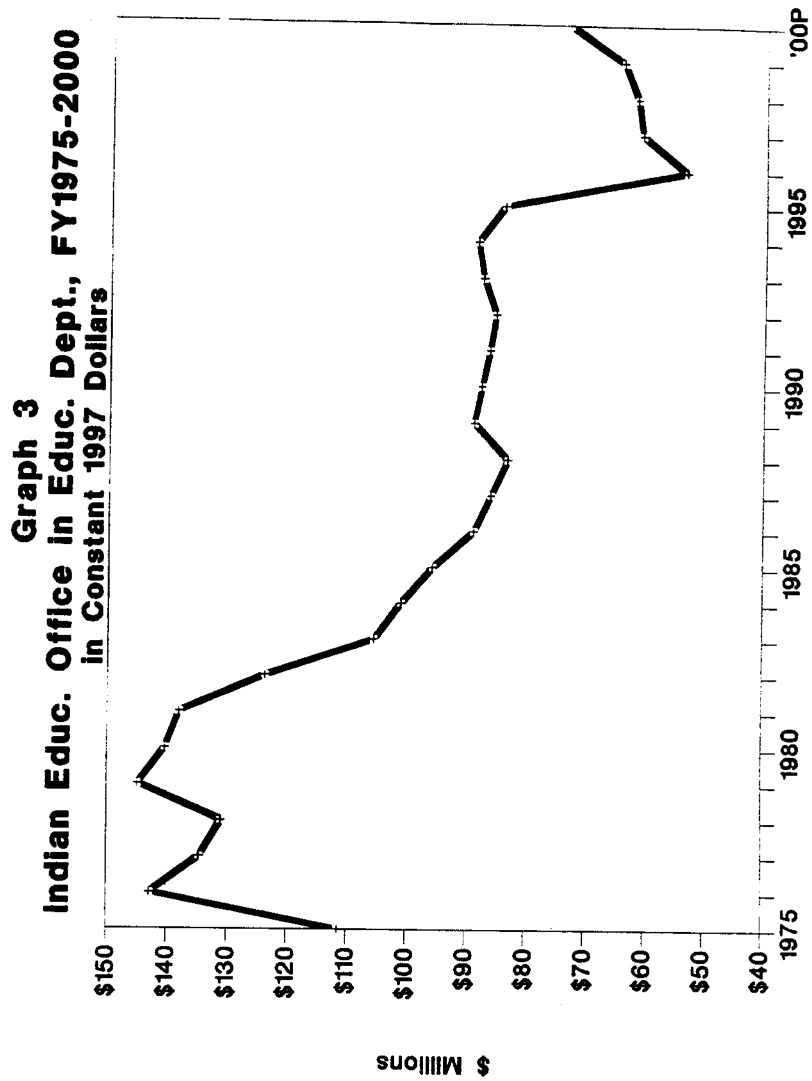
	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consis-tency (r^2)
Education:				
U.S. Department of Education	$27,528.4	$649.0	2.36	0.821
Education function	$48,442.5	$1,102.7	2.28	0.870
Indian Education Office (U.S. Department of Education)	$84.6	-$2.5	-2.98	0.723
BIA education[b]	$460.7	$12.4	2.69	0.521
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	$245,097.3	$14,507.2	5.92	0.973
Health function	$86,983.1	$6,407.7	7.37	0.957
Indian Health Service	$1,670.9	$72.8	4.36	0.926
Housing:				
U.S. Dept. of Housing & Urban Development (outlays)[c]	$26,894.4	$287.9	1.07	0.123
U.S. Dept. of Housing & Urban Development (B.A.)[c]	$24,651.1	-$495.7	-2.01	0.170
Housing assistance subfunction (outlays)[c]	$22,549.2	$690.9	3.06	0.418
Housing assistance subfunction (B.A.)[c]	$18,592.3	-$185.1	-1.00	0.029
Indian Housing Development Program in HUD (B.A.)[c]	$310.7	-$22.5	-7.23	0.597
Economic Development and Training and Employment:				
Community and regional development function	$9,803.7	-$27.6	-0.28	0.007
Administration for Native Americans (HHS)	$37.9	-$0.5	-1.35	0.773
BIA economic development[b]	$64.1	-$2.1	-3.24	0.431
U.S. Department of Labor	$36,967.4	-$431.9	-1.17	0.080
Training and employment subfunction	$7,250.5	-$5.9	-0.08	0.003
Indian and Native Amer. Training & Employment (DOL)[d]	$74.1	-$3.3	-4.47	0.841
Natural Resources:				
U.S. Department of the Interior	$7,072.5	$59.0	0.83	0.428
Natural resources function	$20,863.0	$252.0	1.21	0.688
BIA natural resources[b]	$158.1	-$2.8	-1.80	0.327
Overall:				
BIA-OST Total	$1,625.1	$20.7	1.27	0.431
BIA tribal services[b]	$465.2	$15.2	3.27	0.818
Overall Indian budget	$3,803.3	$64.6	1.70	0.588
Federal non-defense budget[e]	$946,532.2	$26,848.8	2.84	0.956

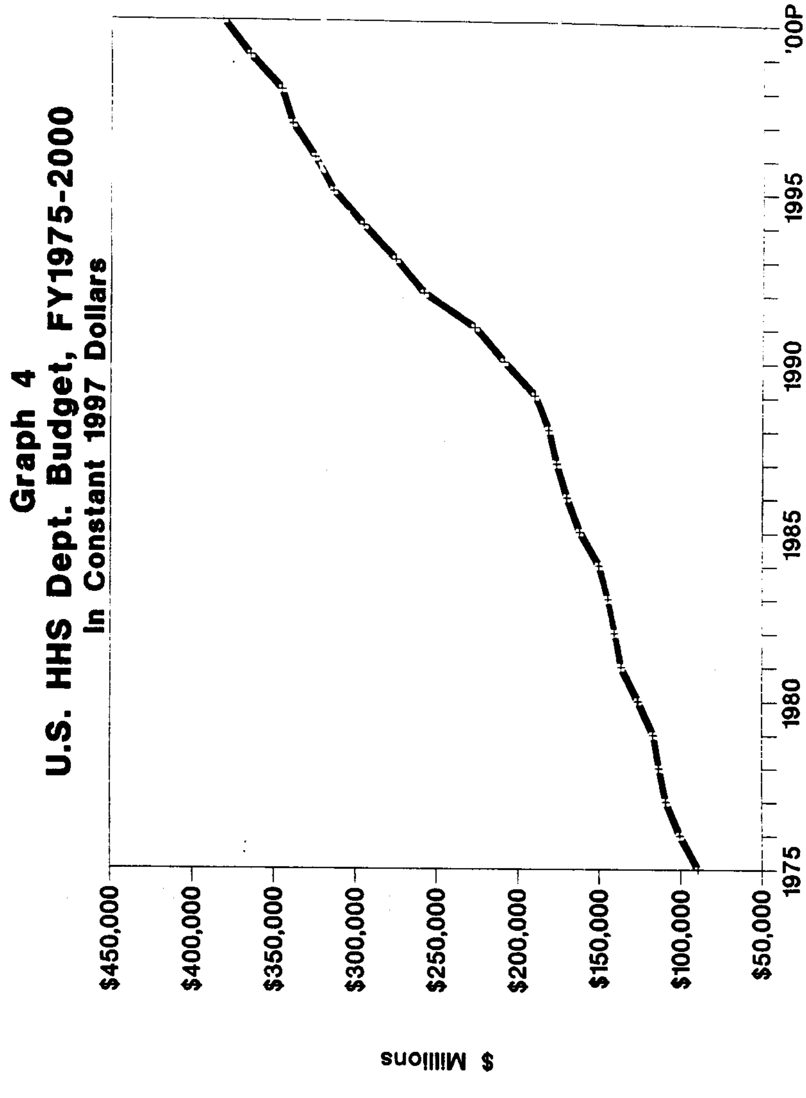
[a] See Appendix Table 2 for data used to calculate these figures.
[b] Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction.
[c] Covers only FY1978-FY2000. B.A. = budget authority.
[d] FY1975-FY1983: CETA Indian program. FY1984-FY2000: 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, FY1975-2000
In Constant 1997 Dollars
$ Millions
$34,000
$32,000
$30,000
$28,000
$26,000
$24,000
$22,000
$20,000
$18,000
$16,000
1975
1980
1985
1990
1995
'00P

Graph 2
BIA Education Budget, FY1975-2000
In Constant 1997 Dollars




Graph 3
Indian Educ. Office in Educ. Dept., FY1975-2000
in Constant 1997 Dollars
$ Millions
$150
$140
$130
$120
$110
$100
$90
$80
$70
$60
$50
$40
1975
1980
1985
1990
1995
'00P

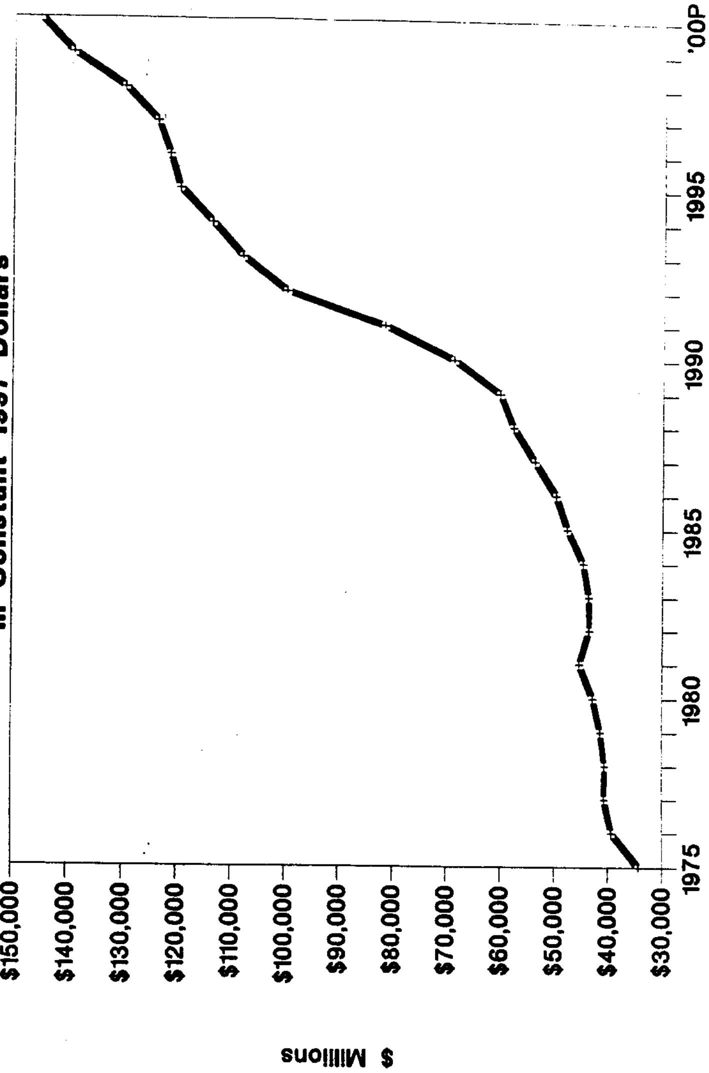

Graph 4
U.S. HHS Dept. Budget, FY1975-2000
In Constant 1997 Dollars
$ Millions
$450,000
$400,000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
1975
1980
1985
1990
1995
'00P

CR -19

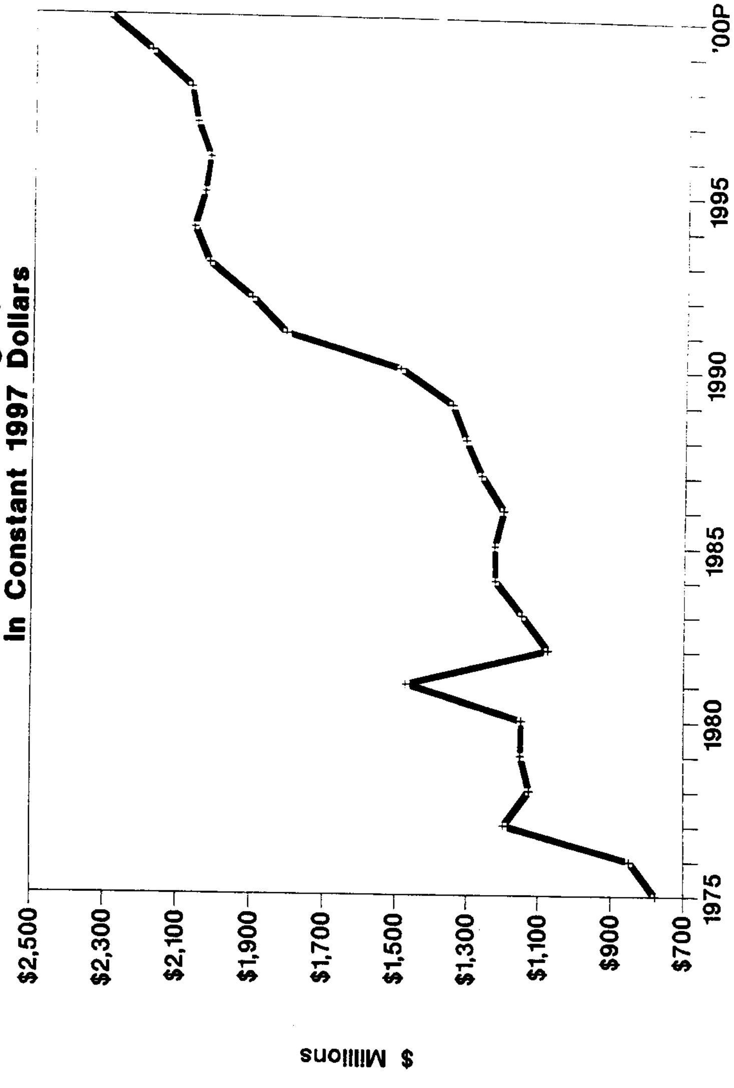
Graph 5

U.S. Health Function Spending, FY1975-2000

In Constant 1997 Dollars



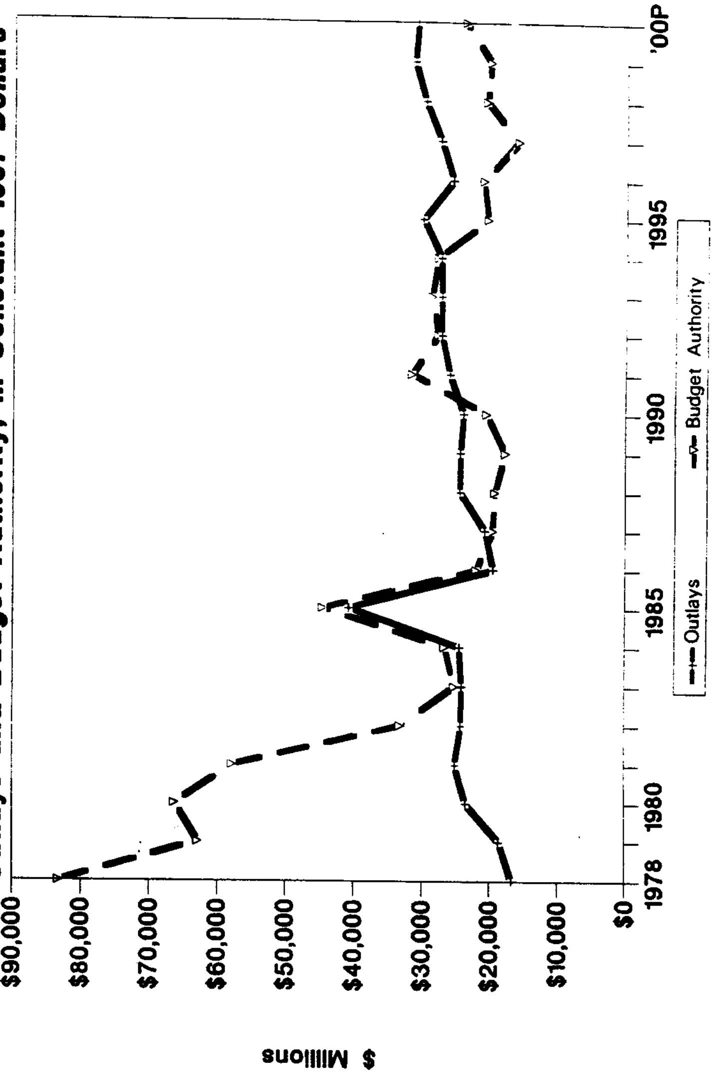
Graph 6
Indian Health Service Budget, FY1975-2000
In Constant 1997 Dollars

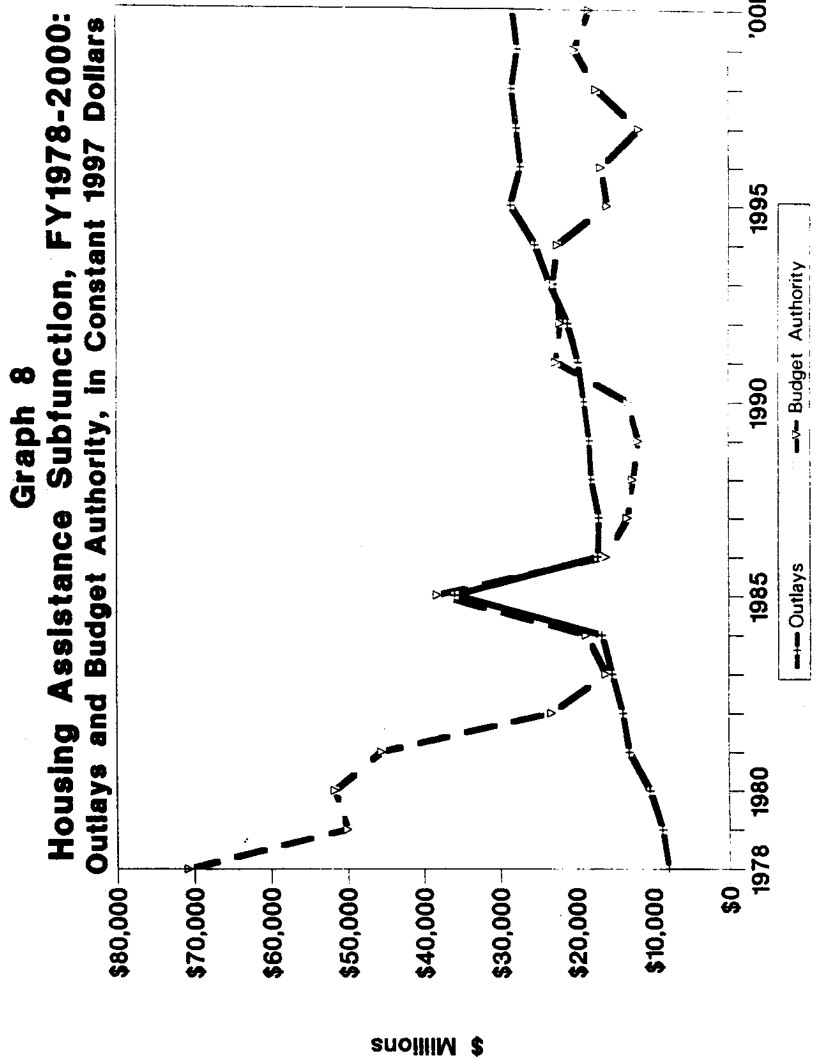


Graph 7

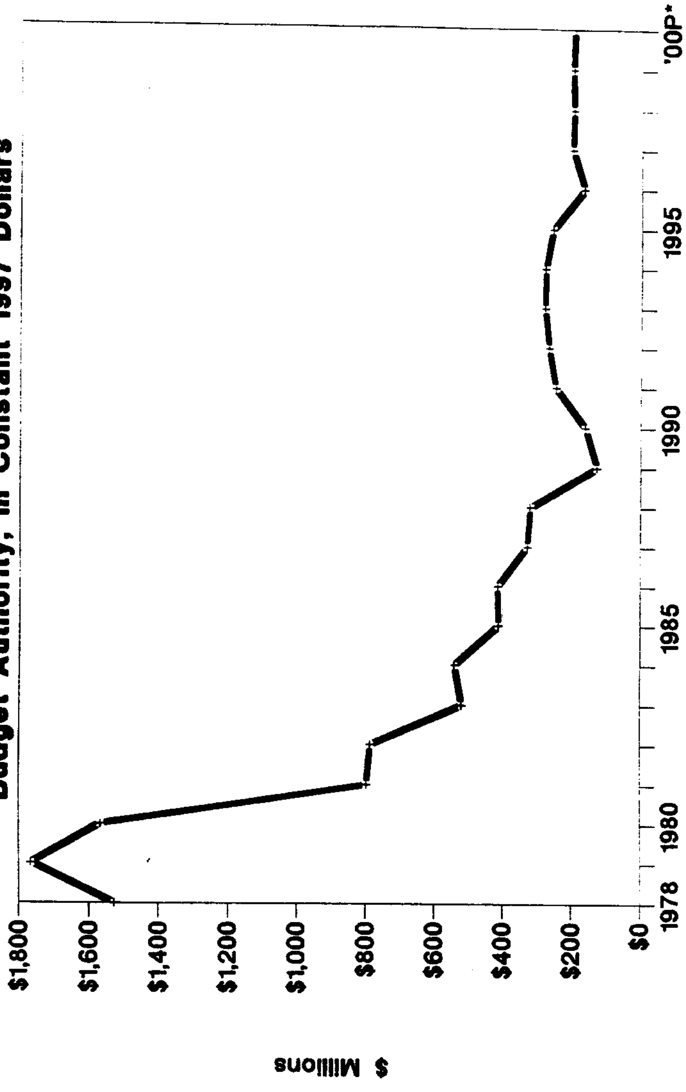
U.S. HUD Dept. Budget, FY1978-2000:

Outlays and Budget Authority, in Constant 1997 Dollars




Graph 8
Housing Assistance Subfunction, FY1978-2000:
Outlays and Budget Authority, in Constant 1997 Dollars
$ Millions
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
1978
1980
1985
1990
1995
'00P
Outlays
Budget Authority

Graph 9
Indian Housing Devt. Pgm. in HUD, FY1978-2000:
Budget Authority, in Constant 1997 Dollars



*FY1998: HUD est. of Development/HOME portion of block grant.
*FY1999-2000: CRS est. of Development/HOME portion of block grant.

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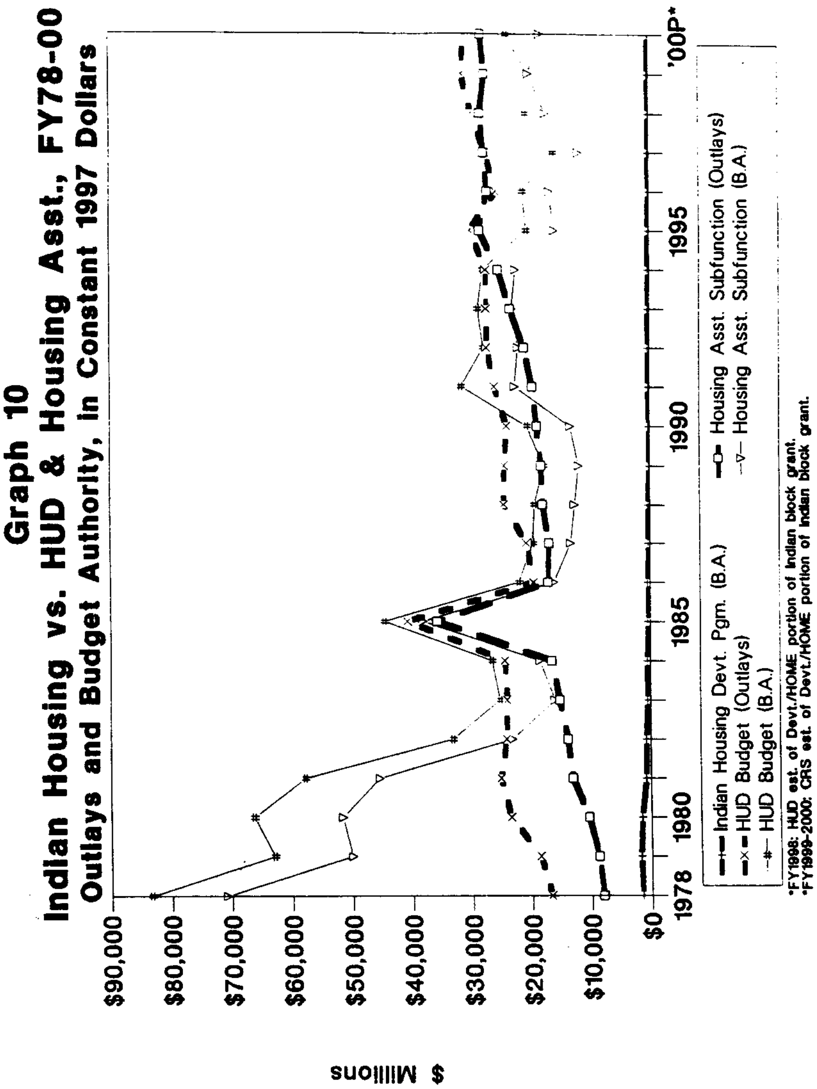
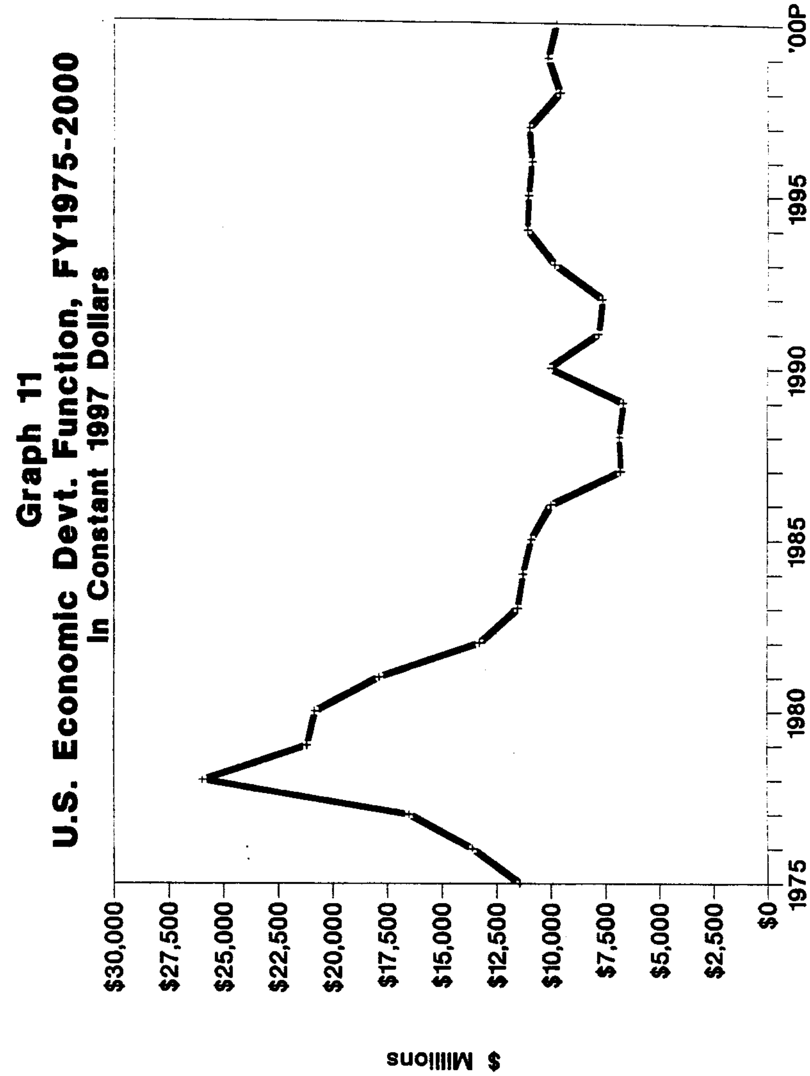
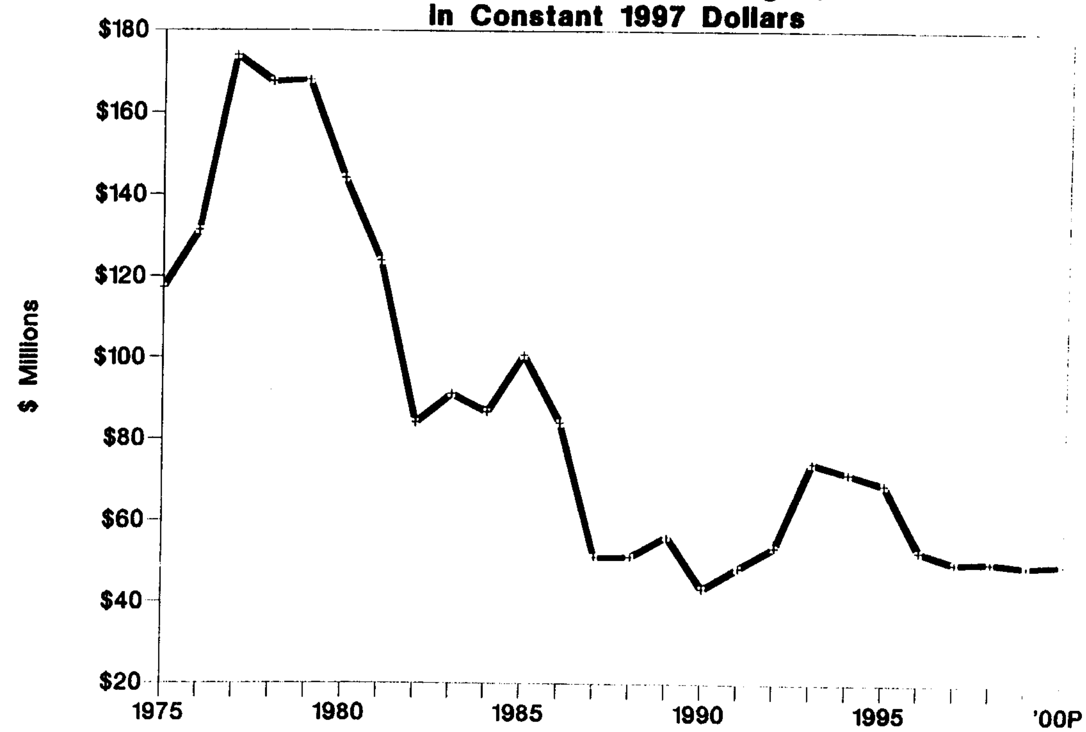
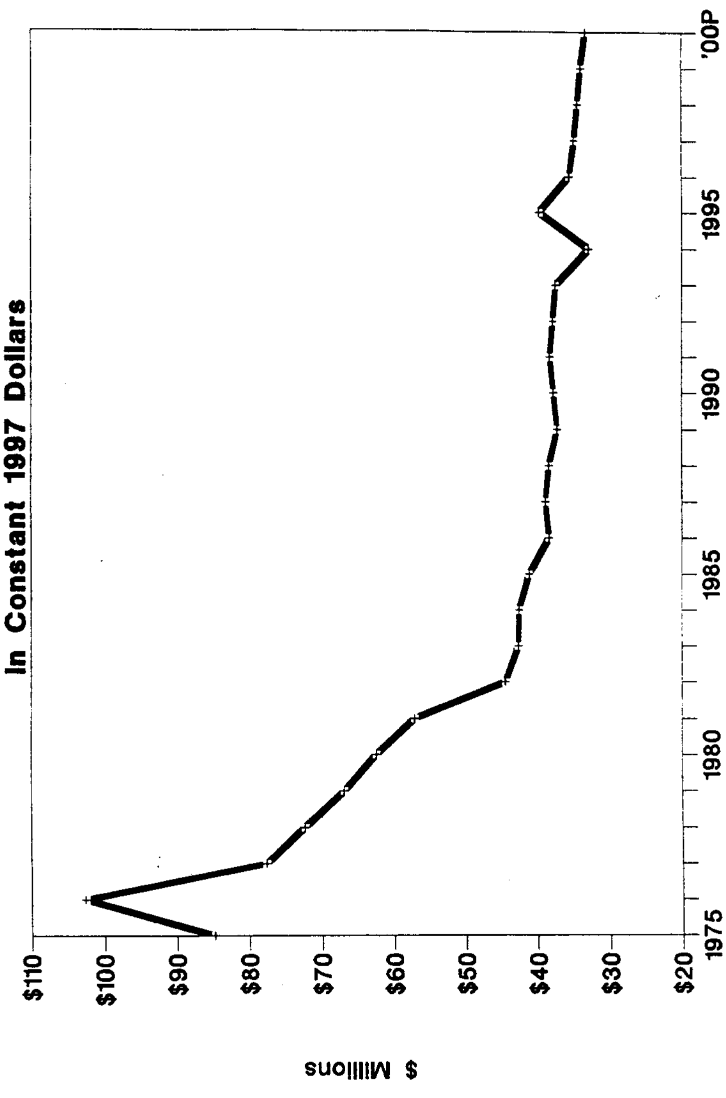

Graph 10
Indian Housing vs. HUD & Housing Asst., FY78-00
Outlays and Budget Authority, in Constant 1997 Dollars
$ Millions
$90,000
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
1978
1980
1985
1990
1995
'00P*
Indian Housing Devt. Pgm. (B.A.)
HUD Budget (Outlays)
HUD Budget (B.A.)
Housing Asst. Subfunction (Outlays)
Housing Asst. Subfunction (B.A.)
*FY1998: HUD est. of Devt./HOME portion of Indian block grant.
*FY1999-2000: CRS est. of Devt./HOME portion of Indian block grant.


Graph 11
U.S. Economic Devt. Function, FY1975-2000
In Constant 1997 Dollars
$ Millions
$30,000
$27,500
$25,000
$22,500
$20,000
$17,500
$15,000
$12,500
$10,000
$7,500
$5,000
$2,500
$0
1975
1980
1985
1990
1995
'00P

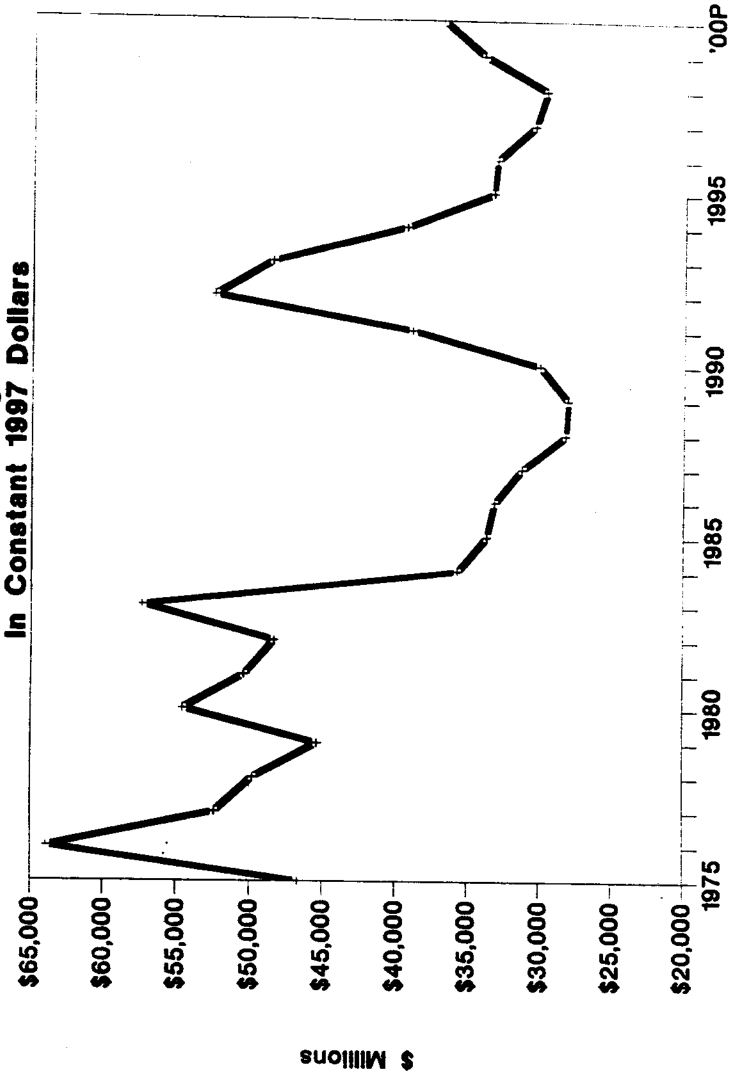
Graph 12
BIA Economic Development Budget, FY1975-2000
In Constant 1997 Dollars

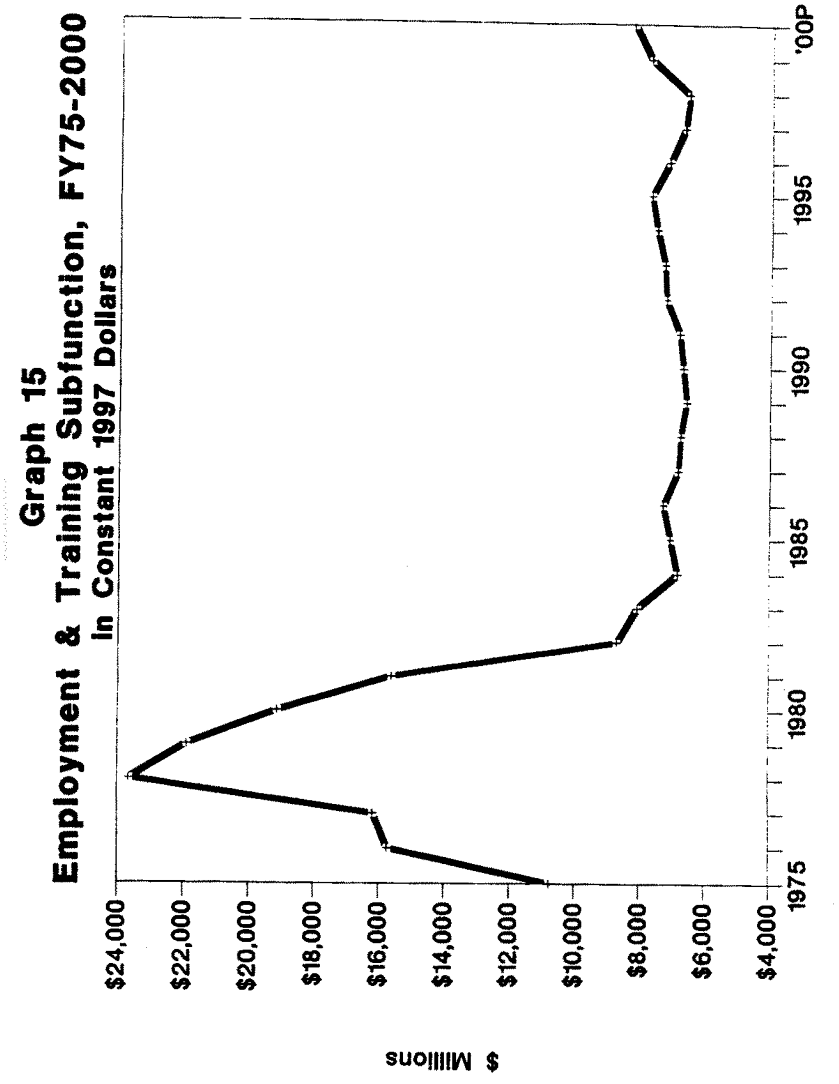


Graph 13
ANA Budget, FY1975-2000
In Constant 1997 Dollars



Graph 14
U.S. Labor Dept. Budget, FY1975-2000
In Constant 1997 Dollars

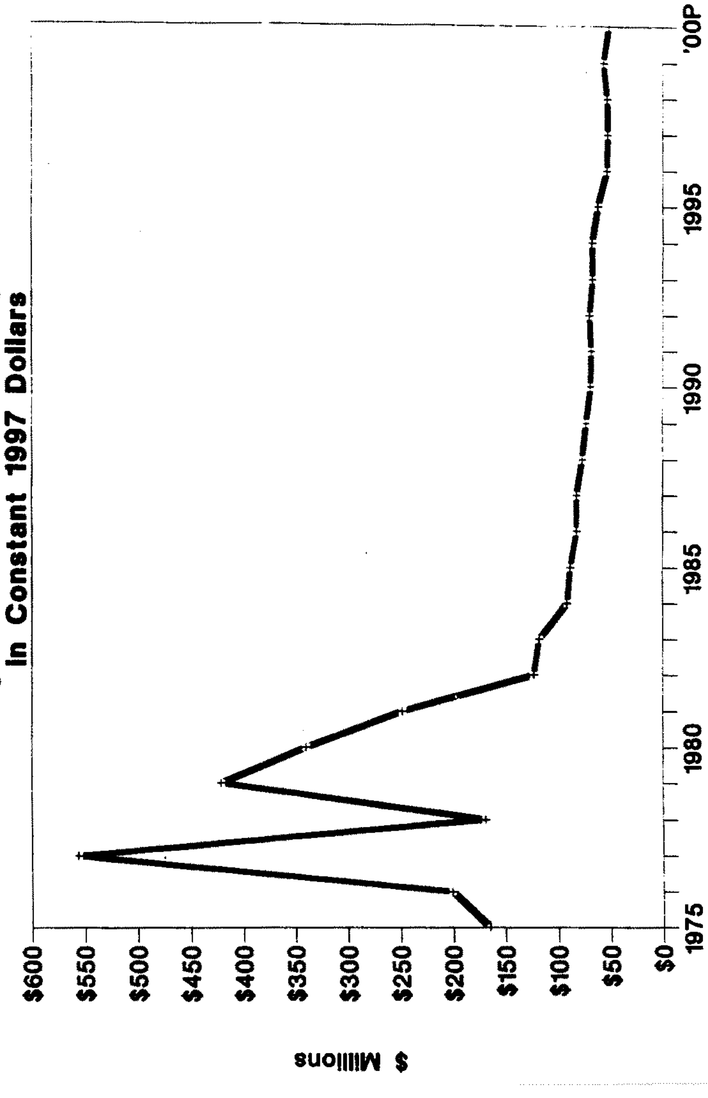



Graph 15
Employment & Training Subfunction, FY75-2000
In Constant 1997 Dollars
$ Millions
$24,000
$22,000
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
1975
1980
1985
1990
1995
'00P

Graph 16

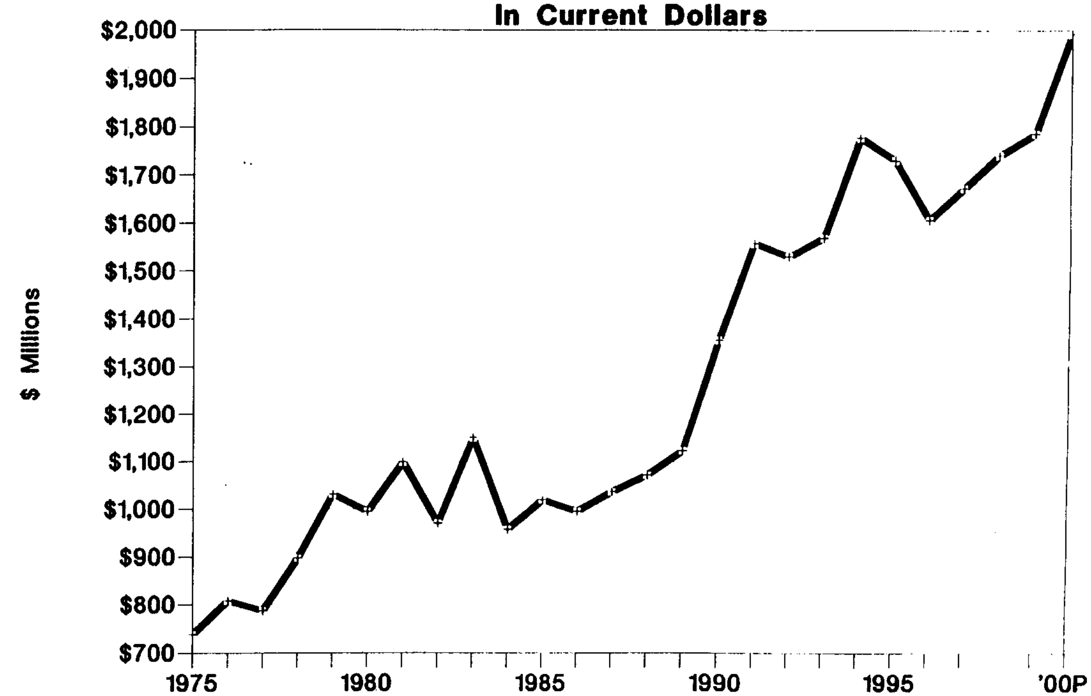
Indian Training & Employment Budget*, FY75-2000

In Constant 1997 Dollars

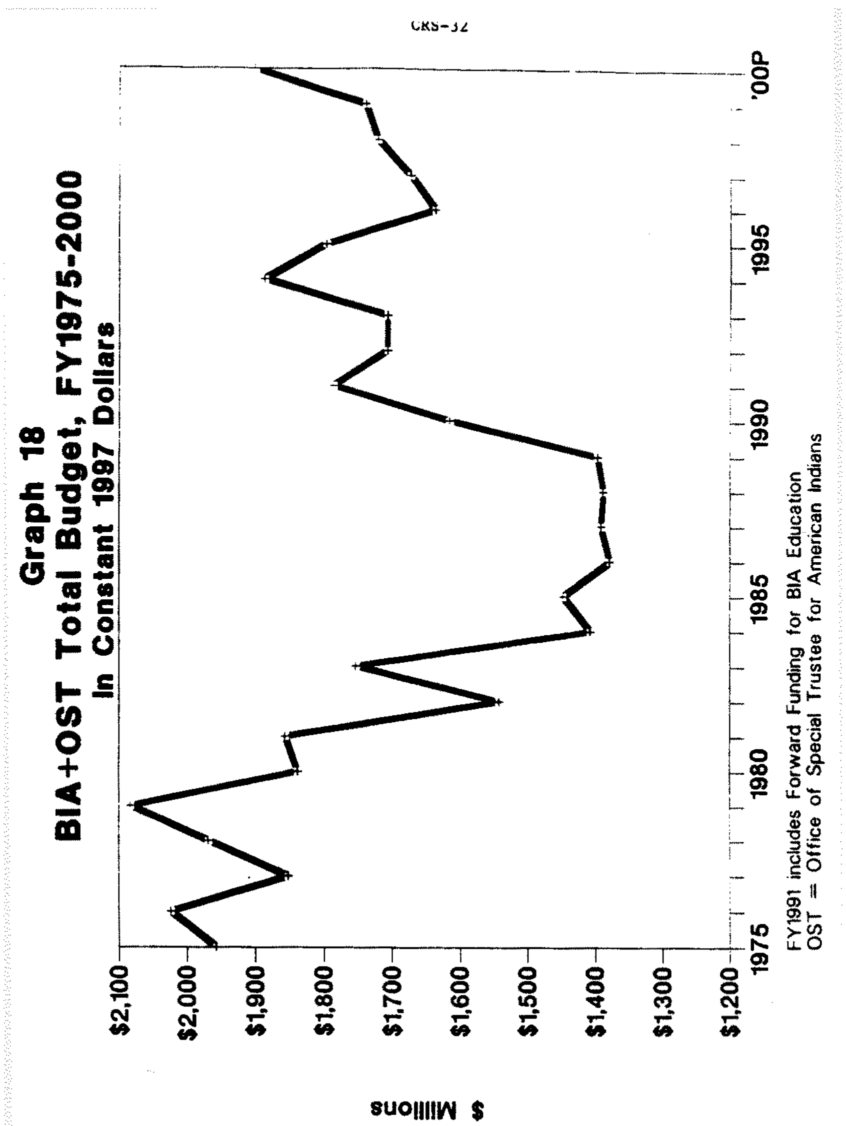


* FY1975-1983: CETA Indian programs. FY1984-2000: INAP.

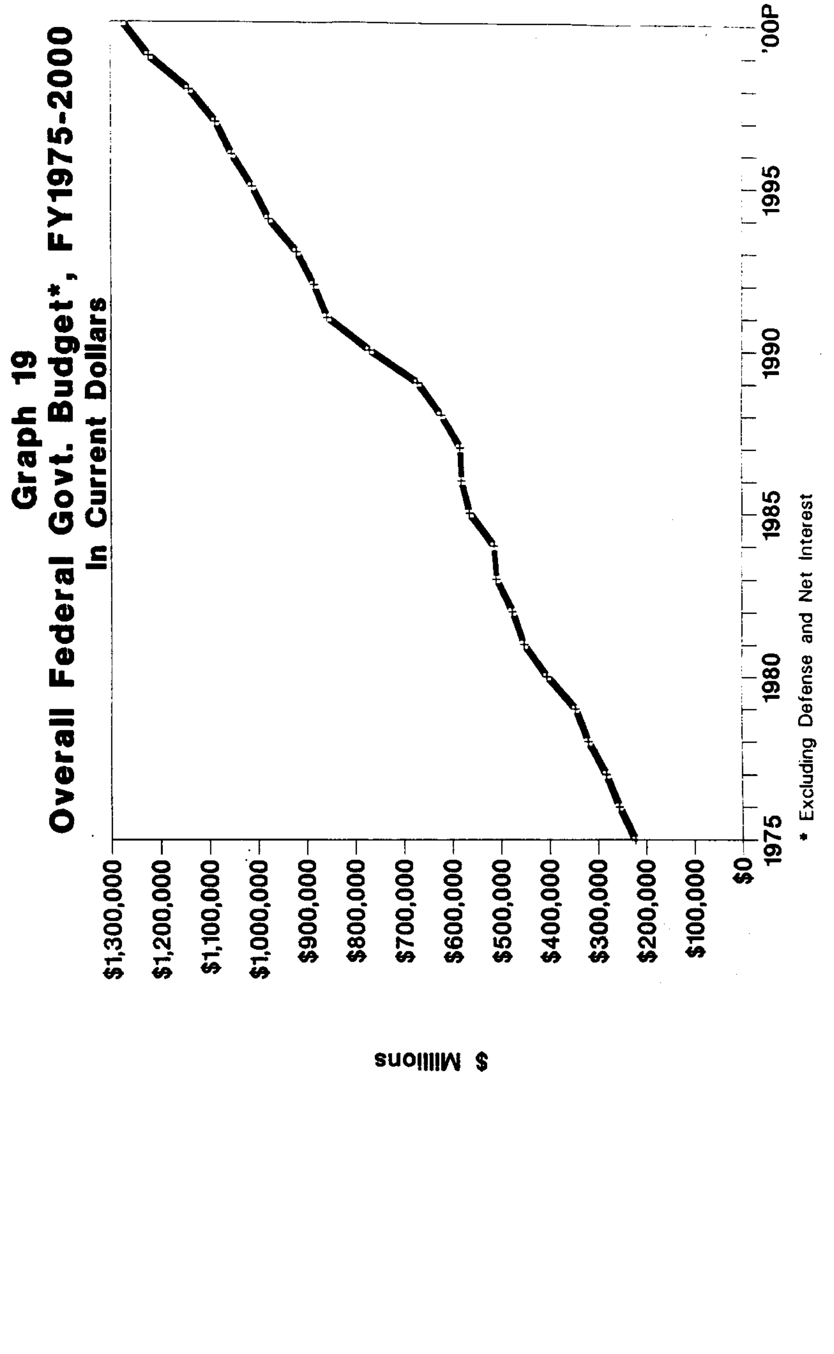
Graph 17
BIA+OST Total Budget, FY1975-2000
In Current Dollars



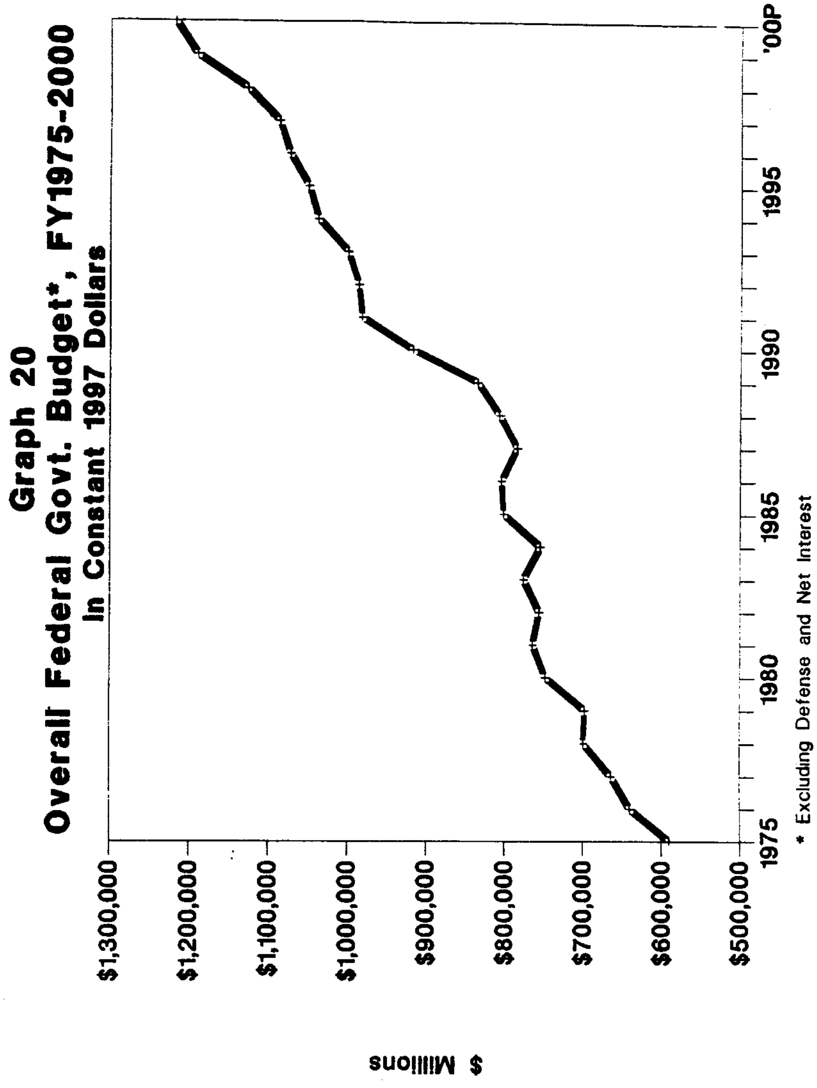
FY1991 includes Forward Funding for BIA Education ($208.9 million).
OST = Office of Special Trustee for American Indians


CRS-32
Graph 18
BIA+OST Total Budget, FY1975-2000
In Constant 1997 Dollars
$ Millions
$2,100
$2,000
$1,900
$1,800
$1,700
$1,600
$1,500
$1,400
$1,300
$1,200
1975
1980
1985
1990
1995
'00P
FY1991 includes Forward Funding for BIA Education
OST = Office of Special Trustee for American Indians

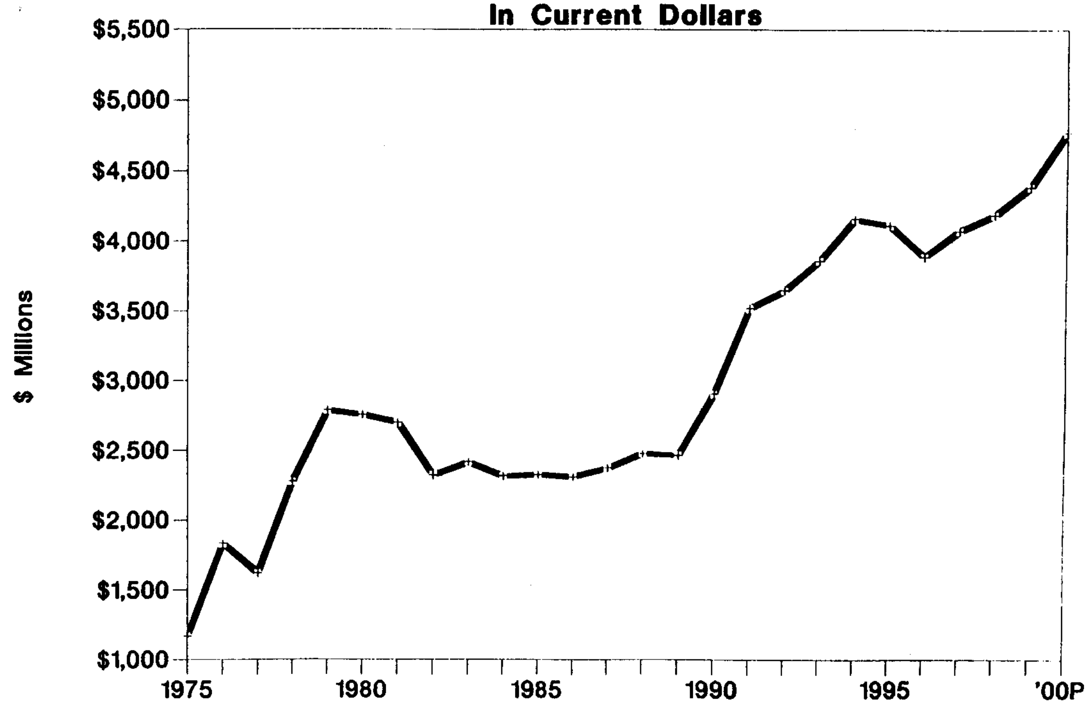
CRS-33


Graph 19
Overall Federal Govt. Budget*, FY1975-2000
In Current Dollars
$ Millions
$1,300,000
$1,200,000
$1,100,000
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
1975
1980
1985
1990
1995
'00P
* Excluding Defense and Net Interest

CRS-34

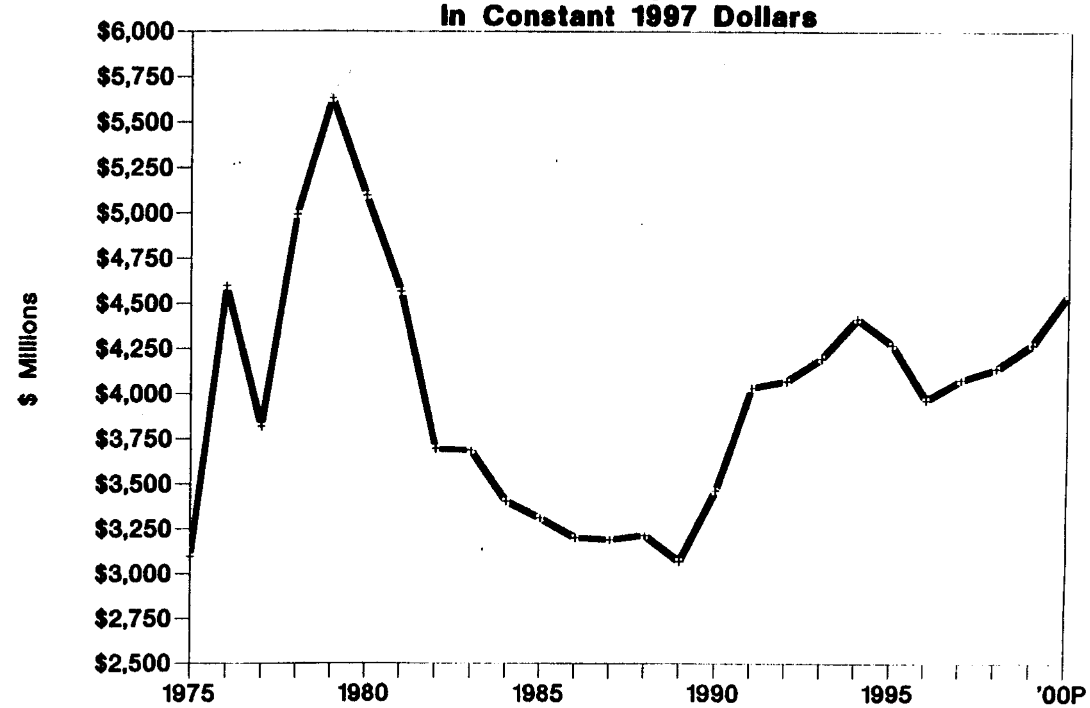

Graph 20
Overall Federal Govt. Budget*, FY1975-2000
In Constant 1997 Dollars
$ Millions
$1,300,000
$1,200,000
$1,100,000
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
1975
1980
1985
1990
1995
'00P
* Excluding Defense and Net Interest

Graph 21
Overall Indian Budget, FY1975-2000
In Current Dollars



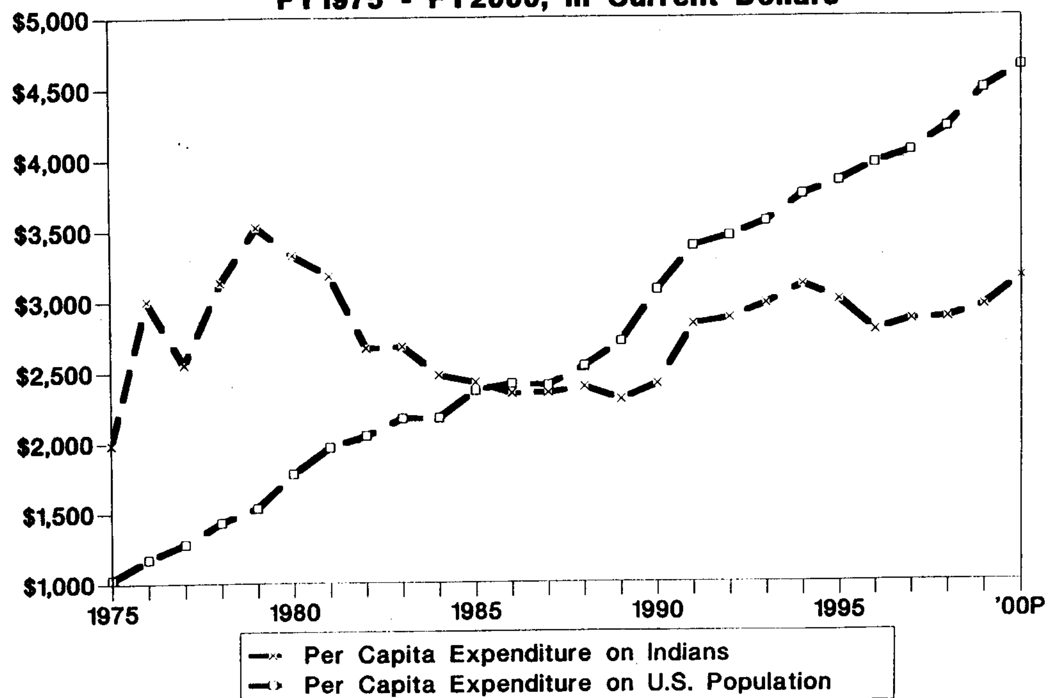
FY1991 includes Forward Funding for BIA Education ($208.9 million).

Graph 22
Overall Indian Budget, FY1975-2000
In Constant 1997 Dollars

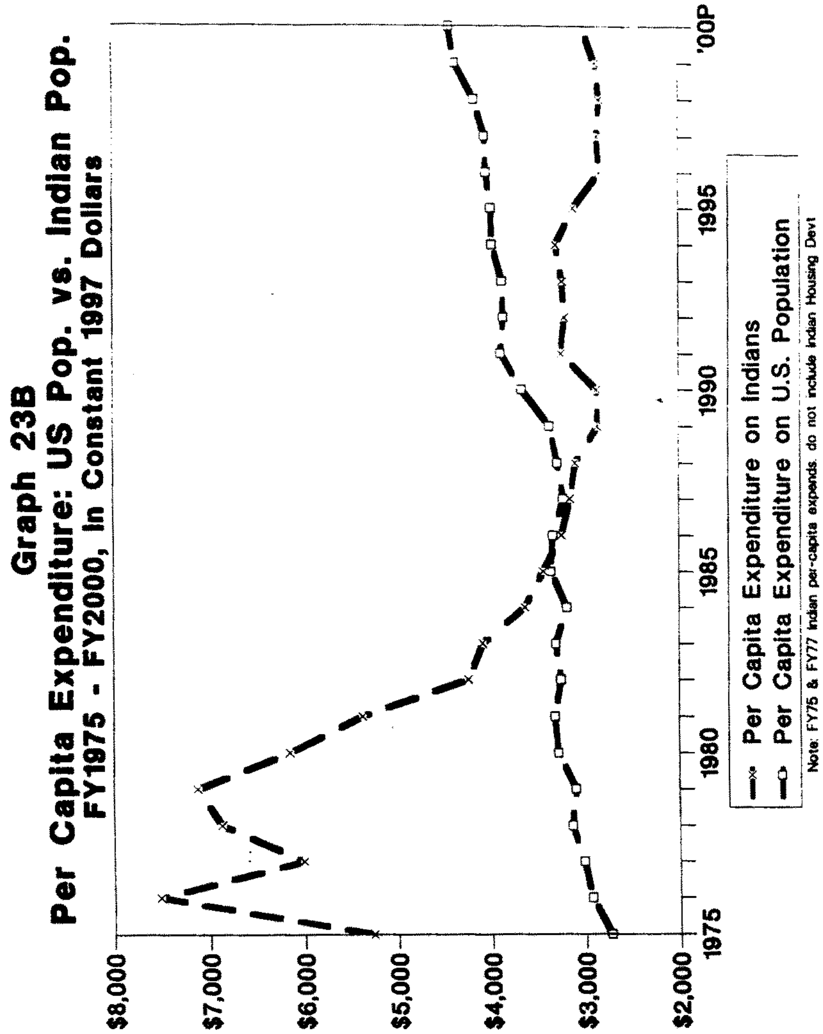


FY1991 includes Forward Funding for BIA Education

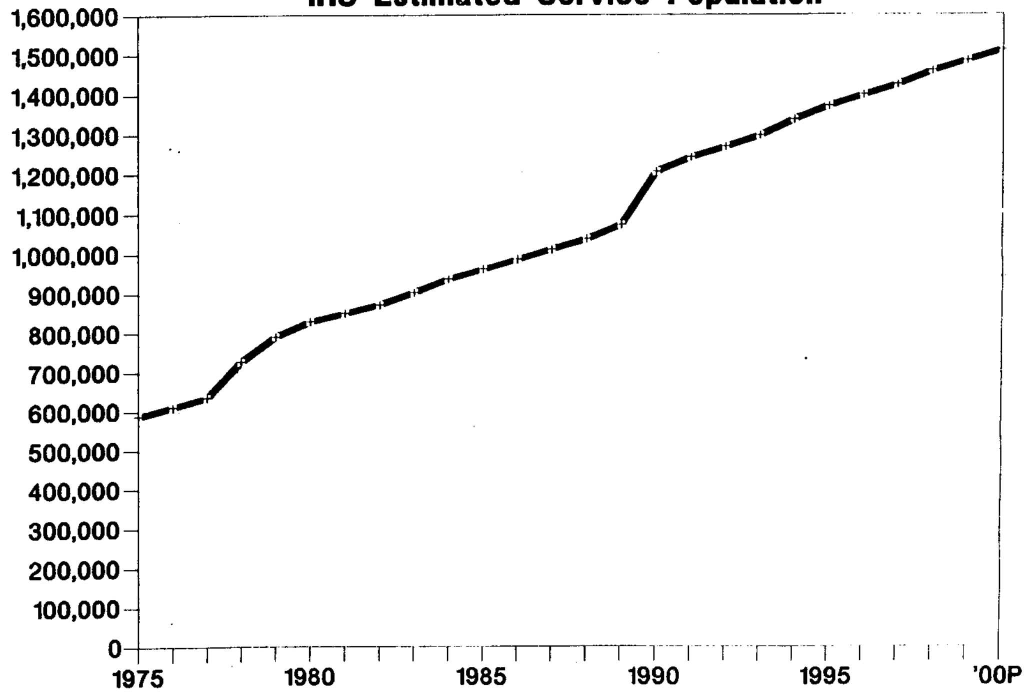
Graph 23A
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY2000, In Current Dollars



Note: FY75 & FY77 Indian per-capita expends. do not include Indian Housing Devt

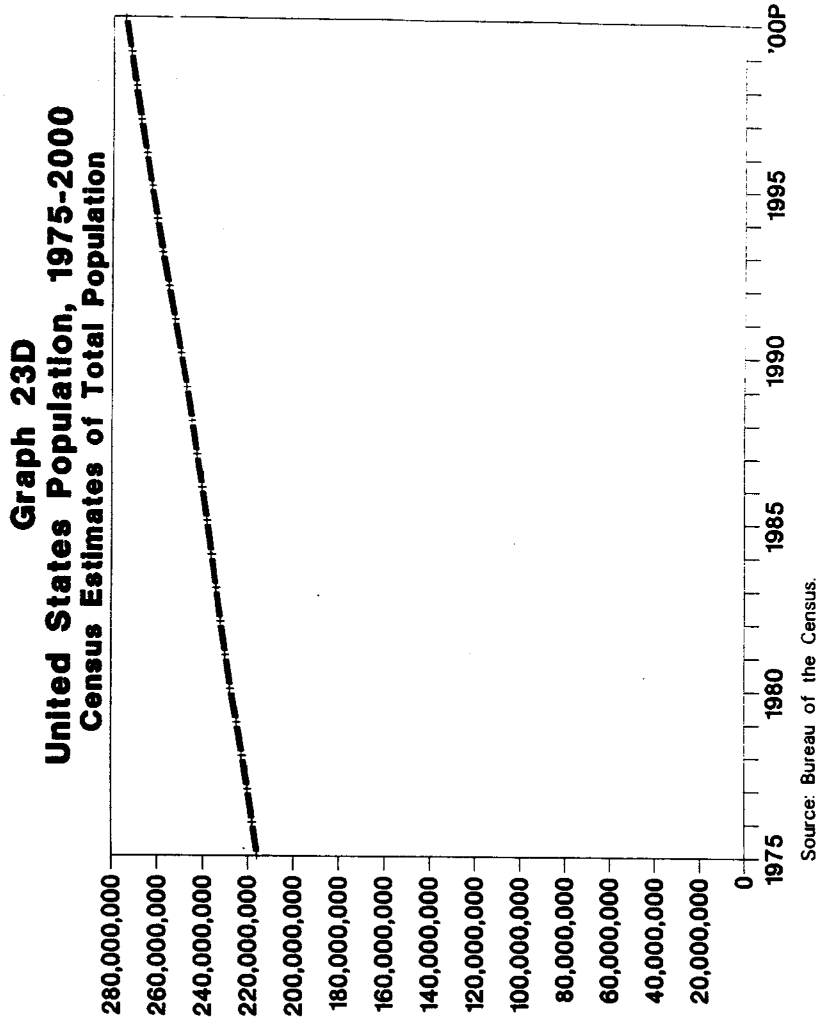

Graph 23B
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY2000, In Constant 1997 Dollars
$8,000
$7,000
$6,000
$5,000
$4,000
$3,000
$2,000
1975
1980
1985
1990
1995
'00P
Per Capita Expenditure on Indians
Per Capita Expenditure on U.S. Population
Note: FY75 & FY77 Indian per-capita expends. do not include Indian Housing Devt

Graph 23C
Indian Population, 1975-2000
IHS Estimated Service Population



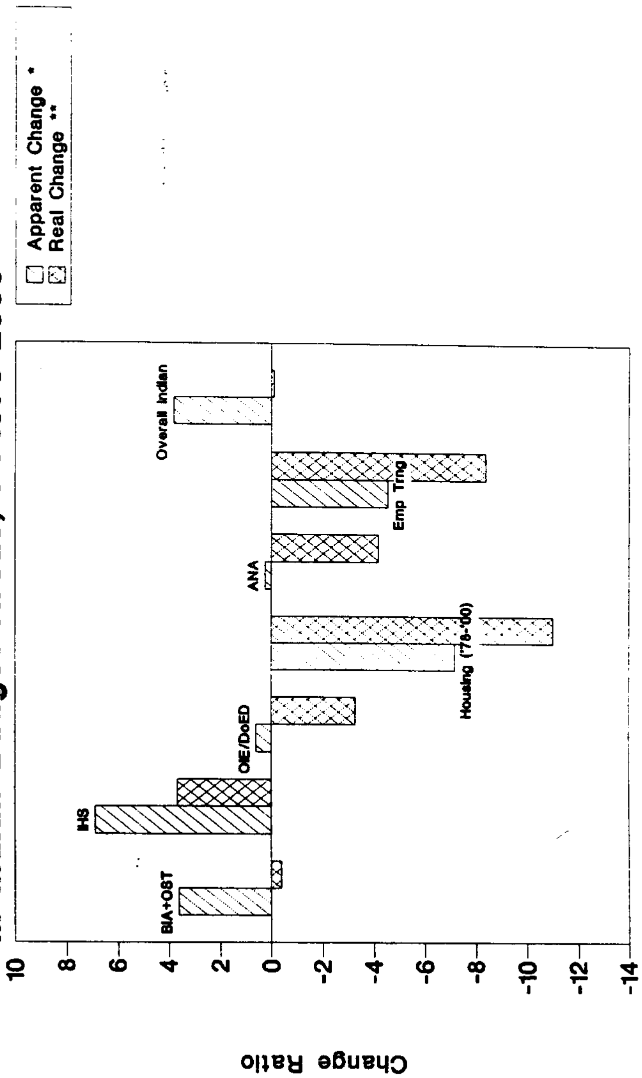
Source: Indian Health Service.

CRS-40



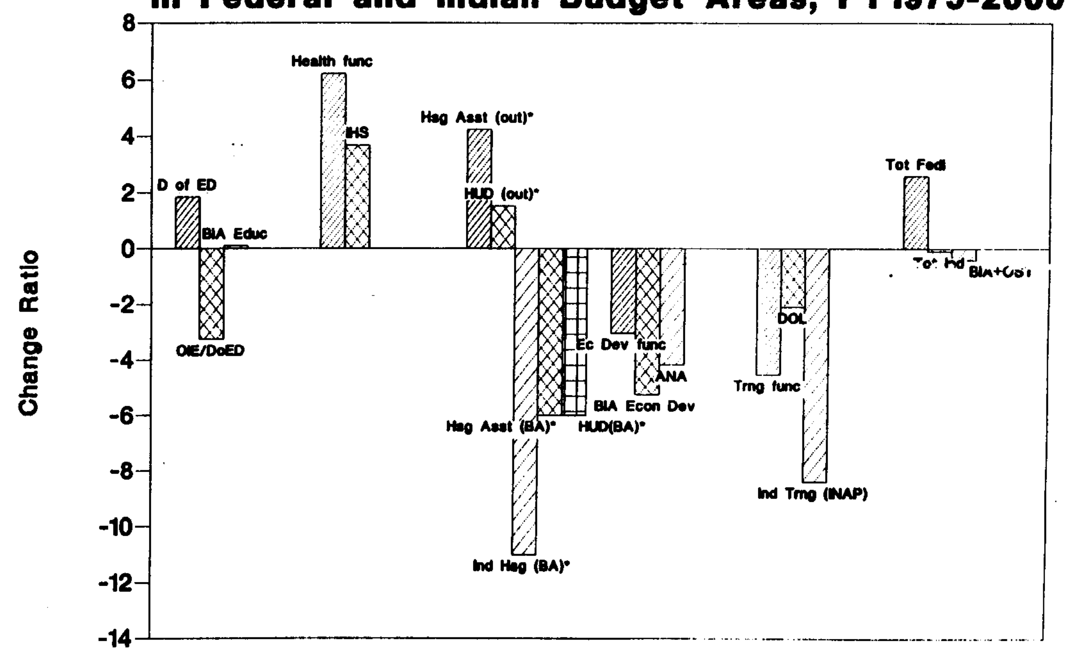
Graph 23D
United States Population, 1975-2000
Census Estimates of Total Population
280,000,000
260,000,000
240,000,000
220,000,000
200,000,000
180,000,000
160,000,000
140,000,000
120,000,000
100,000,000
80,000,000
60,000,000
40,000,000
20,000,000
0
1975
1980
1985
1990
1995
'00P
Source: Bureau of the Census.

Graph 24
Apparent Vs. Real Change Ratios
In Indian Budget Areas, FY1975-2000



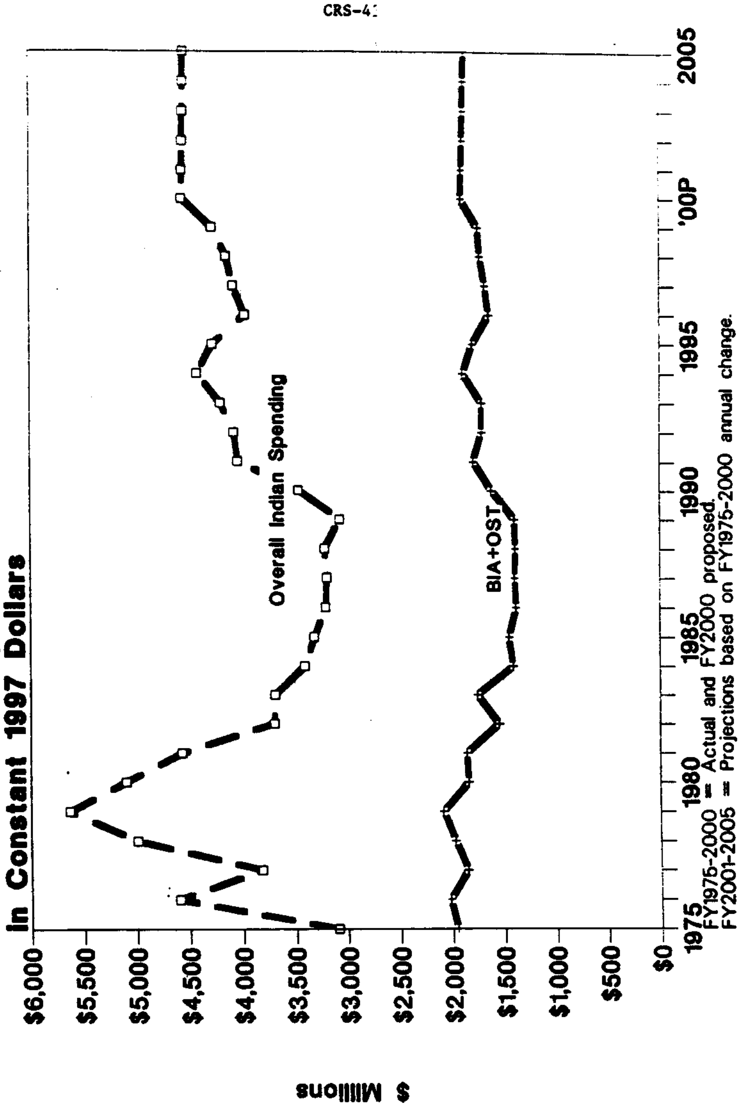
Change Ratio = Ratio of Annual Change to Average Spending (see text).
* Change Ratio based on Current Dollars
** Change Ratio based on Constant 1997 Dollars

Graph 25
Comparison of Real** Change Ratios in Federal and Indian Budget Areas, FY1975-2000



Change Ratio = Ratio of Annual Change to Average Spending (see text).
** Based on Constant 1997 Dollars.
* All housing ratios based on FY1978-2000.

Graph 26: BIA+OST and Overall Indian Spending, Actual and Projected, FY1975-2005
In Constant 1997 Dollars



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Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current 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 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	
1999E	$1,785,927	$2,242,287	$66,000	$204,600[2]	$34,933	$57,815	$4,391,562	
2000P	$1,992,079	$2,412,387	$77,000	$204,600[2]	$34,933	$53,815	$4,774,814	

Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current 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	$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	$31,463,000	$350,568,000	$30,227,000	$21,022,000
1999E	$578,573	$621,977	$50,482	$126,704	$34,360,000	$375,532,000	$32,324,000	$20,776,000
2000P	$613,125	$679,596	$52,032	$132,932	$34,971,000	$400,327,000	$32,533,000	$25,056,000

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Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current 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	$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	$8,498,000	$5,619,000
1991	$6,088,000	$33,954,000	$43,354,000	$71,183,000	$17,175,000	$19,721,000	$6,811,000	$5,934,000
1992	$6,539,000	$47,078,000	$45,248,000	$89,497,000	$18,904,000	$19,736,000	$6,838,000	$6,479,000
1993	$6,784,000	$44,651,000	$50,012,000	$99,415,000	$21,542,000	$21,170,000	$9,052,000	$6,700,000
1994	$6,900,000	$37,047,000	$46,307,000	$107,122,000	$23,884,000	$21,109,000	$10,454,000	$7,097,000
1995	$7,378,000	$32,092,000	$54,263,000	$115,418,000	$27,520,000	$15,322,000	$10,641,000	$7,430,000
1996	$6,725,000	$32,492,000	$52,001,000	$119,378,000	$26,754,000	$16,430,000	$10,685,000	$7,030,000
1997	$6,720,000	$30,458,000	$53,008,000	$123,843,000	$27,798,000	$11,746,000	$11,005,000	$6,681,000
1998	$7,218,000	$30,007,000	$54,919,000	$131,440,000	$28,741,000	$17,486,000	$9,720,000	$6,636,000
1999E	$8,426,000	$34,923,000	$60,065,000	$143,095,000	$28,376,000	$20,698,000	$10,428,000	$7,941,000
2000P	$8,470,000	$38,652,000	$63,351,000	$152,270,000	$29,606,000	$19,120,000	$10,234,000	$8,675,000

Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY1975-FY2000 — continued
[Dollar amounts in thousands, except per capita figures]

Fiscal Year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget[a] (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 (1992=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	42.1	37.7
1976	$8,184,000	$255,446,000	218,035,000	611,296	$1,172	$3,004	44.6	39.9
1977	$10,032,000	$282,076,000	220,239,000	635,313	$1,281	$2,555	47.4	42.5
1978	$10,983,000	$318,793,000	222,585,000	726,551	$1,432	$3,135	50.9	45.6
1979	$12,135,000	$344,507,000	225,055,000	790,486	$1,531	$3,527	55.2	49.5
1980	$13,858,000	$404,414,000	227,726,000	828,609	$1,776	$3,327	60.3	54.1
1981	$13,568,000	$451,962,000	229,966,000	849,315	$1,965	$3,181	66.0	59.2
1982	$12,998,000	$475,402,000	232,188,000	871,167	$2,047	$2,668	70.2	62.9
1983	$12,672,000	$508,649,000	234,307,000	902,701	$2,171	$2,679	73.2	65.6
1984	$12,593,000	$513,352,000	236,348,000	936,942	$2,172	$2,474	75.9	68.0
1985	$13,357,000	$564,247,000	238,466,000	961,881	$2,366	$2,423	78.5	70.4
1986	$13,639,000	$581,083,000	240,651,000	986,551	$2,415	$2,345	80.6	72.2
1987	$13,363,000	$583,513,000	242,804,000	1,011,837	$2,403	$2,349	83.1	74.4
1988	$14,606,000	$622,290,000	245,021,000	1,038,121	$2,540	$2,391	86.1	77.2
1989	$16,182,000	$670,846,000	247,342,000	1,073,886	$2,712	$2,298	89.7	80.4
1990	$17,080,000	$769,611,000	249,949,000	1,207,236	$3,079	$2,408	93.6	83.9
1991	$18,559,000	$856,567,000	252,636,000	1,242,745	$3,391	$2,833	97.3	87.2
1992	$20,025,000	$883,910,000	255,382,000	1,269,352	$3,461	$2,875	100.0	89.6
1993	$20,239,000	$919,517,000	258,089,000	1,297,865	$3,563	$2,977	102.6	92.0
1994	$21,064,000	$977,132,000	260,602,000	1,337,548	$3,750	$3,112	105.1	94.2
1995	$22,078,000	$1,011,494,000	263,039,000	1,371,448	$3,845	$3,003	107.5	96.4
1996	$21,614,000	$1,053,669,000	265,453,000	1,398,801	$3,969	$2,784	109.5	98.2
1997	$21,369,000	$1,086,711,000	267,901,000	1,424,904	$4,056	$2,862	111.6	100.0
1998	$22,396,000	$1,140,737,000	270,290,000	1,459,691	$4,220	$2,872	112.9	101.2
1999E	$24,261,000	$1,223,097,000	272,330,000	1,485,508	$4,491	$2,956	114.6	102.7
2000P	$23,746,000	$1,276,431,000	274,634,000	1,511,135	$4,648	$3,160	116.9	104.8

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	$1,956,878	$776,942	$111,422	NA	$84,824	$165,152	$3,095,218
1976	$2,023,775	$848,799	$142,887	$1,280,238	$102,679	$200,846	$4,599,223
1977	$1,852,502	$1,197,707	$134,609	NA	$77,643	$556,497	$3,818,957
1978	$1,968,570	$1,125,495	$130,981	$1,528,167	$72,363	$169,197	$4,994,773
1979	$2,083,492	$1,149,953	$144,938	$1,766,491	$66,877	$421,638	$5,633,390
1980	$1,838,348	$1,148,004	$140,341	$1,567,786	$62,497	$339,915	$5,096,891
1981	$1,856,593	$1,470,070	$138,055	$796,929	$57,129	$248,150	$4,566,92(
1982	$1,542,648	$1,074,934	$123,767	$785,823	$44,514	$123,105	$3,694,790
1983	$1,753,616	$1,148,207	$105,508	$519,420	$42,700	$117,967	$3,687,419
1984	$1,407,253	$1,223,283	$101,077	$540,950	$42,618	$91,471	$3,406,652
1985	$1,448,309	$1,224,958	$95,763	$412,296	$41,201	$88,431	$3,310,958
1986	$1,378,623	$1,200,682	$88,872	$414,684	$38,411	$82,476	$3,203,748
1987	$1,391,943	$1,263,659	$86,016	$329,095	$38,939	$82,588	$3,192,240
1988	$1,388,348	$1,307,245	$83,236	$321,104	$38,459	$77,377	$3,215,769
1989	$1,396,448	$1,345,497	$88,979	$127,710	$37,275	$73,364	$3,069,272
1990	$1,615,311	$1,491,695	$87,717	$162,159	$37,781	$69,336	$3,463,997
1991	$1,786,749	$1,808,563	$86,399	$247,723	$38,262	$68,354	$4,036,050
1992	$1,706,970	$1,903,333	$85,429	$267,542	$37,845	$70,289	$4,071,407
1993	$1,706,559	$2,020,337	$87,594	$280,023	$37,504	$67,254	$4,199,270
1994	$1,887,266	$2,062,882	$88,649	$279,217	$32,895	$67,835	$4,418,743
1995	$1,796,338	$2,034,094	$84,101	$257,372	$39,831	$62,045	$4,273,782
1996	$1,636,779	$2,020,730	$53,470	$166,021	$35,581	$53,475	$3,966,055
1997	$1,672,960	$2,057,000	$60,993	$200,000	$34,933	$52,502	$4,078,388
1998	$1,721,172	$2,073,826	$61,858	$197,628[2]	$34,456	$53,177	$4,142,117
1999E	$1,738,670	$2,182,954	$64,254	$199,186[2]	$34,009	$56,285	$4,275,358
2000P	$1,901,340	$2,302,503	$73,493	$195,281[2]	$33,342	$51,364	$4,557,322

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	$600,381	$261,637	$117,224	$83,067	$19,432,636	$89,465,409	$19,912,422	NA
1976	$610,041	$344,642	$131,332	$90,188	$19,777,066	$100,828,727	$17,595,754	$73,127,811
1977	$556,909	$374,374	$174,028	$107,137	$20,509,299	$109,388,950	$13,665,090	$79,567,150
1978	$566,189	$414,629	$167,579	$168,774	$21,550,903	$113,482,127	$16,774,971	$83,313,494
1979	$529,850	$414,595	$168,026	$152,218	$24,582,981	$116,823,205	$18,628,674	$62,921,277
1980	$499,297	$371,890	$144,170	$137,266	$27,017,912	$126,205,011	$23,547,298	$66,291,144
1981	$456,663	$384,096	$124,001	$144,869	$28,687,738	$136,603,529	$25,150,153	$57,838,591
1982	$422,252	$374,097	$84,073	$134,722	$23,380,735	$140,548,312	$24,215,364	$33,243,663
1983	$454,672	$423,748	$91,228	$181,844	$22,010,522	$144,888,499	$24,116,566	$25,255,751
1984	$375,849	$373,793	$86,718	$146,453	$22,666,698	$150,447,560	$24,487,499	$26,669,815
1985	$383,092	$343,543	$100,875	$176,314	$23,578,451	$162,348,344	$40,803,392	$44,608,110
1986	$356,253	$351,895	$84,197	$187,167	$24,336,881	$170,225,248	$19,576,672	$22,053,698
1987	$373,131	$369,886	$51,077	$194,002	$22,391,908	$176,521,310	$20,798,819	$19,687,954
1988	$308,967	$440,611	$51,241	$189,203	$23,512,632	$181,465,171	$24,540,217	$19,371,195
1989	$333,893	$392,924	$56,331	$225,945	$26,696,219	$189,886,619	$24,472,778	$17,841,003
1990	$342,412	$384,405	$43,484	$149,791	$27,370,633	$209,141,325	$24,028,537	$20,630,442
1991	$624,280	$417,367	$48,618	$160,149	$28,885,303	$227,118,092	$26,082,296	$31,680,285
1992	$465,090	$482,033	$53,634	$156,122	$28,820,762	$258,351,492	$27,301,179	$27,854,566
1993	$494,254	$494,266	$74,394	$149,639	$32,728,577	$275,919,436	$27,371,826	$28,770,799
1994	$529,424	$560,556	$71,783	$157,485	$26,071,220	$296,098,435	$27,438,640	$27,945,052
1995	$530,264	$558,613	$69,138	$155,998	$32,383,423	$314,526,529	$30,140,816	$20,547,726
1996	$511,795	$508,693	$52,823	$131,010	$30,277,902	$325,729,603	$25,703,675	$21,206,856
1997	$544,696	$524,312	$49,959	$127,648	$30,009,000	$339,535,000	$27,527,000	$16,091,000
1998	$554,874	$583,312	$50,154	$130,164	$31,089,921	$346,411,067	$29,868,577	$20,772,727
1999E	$563,263	$605,519	$49,146	$123,351	$33,450,807	$365,595,125	$31,468,681	$20,226,251
2000P	$585,197	$648,641	$49,662	$126,877	$33,378,078	$382,092,185	$31,051,128	$23,914,704

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	$5,887,312	$46,679,679	$42,470,291	$34,274,177	$5,455,240	NA	$11,456,535	$10,769,991
1976	$6,093,149	$63,926,730	$47,357,771	$39,403,869	$6,258,438	$48,637,508	$13,628,820	$15,747,523
1977	$7,576,031	$52,394,608	$49,653,591	$40,708,227	$6,983,124	$67,358,446	$16,519,042	$16,180,238
1978	$8,494,933	$49,803,024	$58,569,864	$40,619,550	$8,062,950	$70,827,653	$25,965,023	$23,647,226
1979	$8,421,292	$45,377,592	$61,064,471	$41,407,381	$8,823,365	$50,067,088	$21,174,459	$21,887,682
1980	$8,268,827	$54,564,645	$58,878,414	$42,839,996	$10,413,693	$51,646,888	$20,805,198	$19,128,135
1981	$7,531,524	$50,403,408	$56,974,900	$45,408,872	$13,102,418	$45,511,974	$17,862,017	$15,619,124
1982	$6,270,050	$48,308,316	$42,969,871	$43,631,215	$13,891,403	$23,223,348	$13,269,803	$8,686,499
1983	$6,934,237	$57,346,614	$40,574,514	$43,677,916	$15,247,087	$16,009,593	$11,529,103	$8,074,947
1984	$7,264,101	$35,698,873	$40,529,360	$44,700,009	$16,562,090	$18,620,962	$11,276,03	$6,824,698
1985	$6,847,923	$33,669,902	$41,687,087	$47,654,157	$35,891,926	$38,187,827	$10,911,214	$7,063,874
1986	$6,625,248	$33,148,391	$42,347,586	$49,756,509	$17,145,338	$16,120,743	$10,014,716	$7,278,773
1987	$6,778,019	$31,234,496	$39,926,640	$53,685,507	$17,000,119	$13,249,777	$6,784,735	$6,829,062
1988	$6,664,396	$28,174,989	$41,385,861	$57,647,092	$18,019,656	$12,566,851	$6,860,065	$6,757,695
1989	$6,475,089	$28,040,481	$45,605,419	$60,174,680	$18,298,624	$11,898,147	$6,667,837	$6,580,790
1990	$6,898,658	$30,043,118	$46,175,730	$68,767,344	$18,933,777	$13,267,108	$10,125,180	$6,694,915
1991	$6,979,430	$38,925,686	$49,702,073	$81,605,912	$19,689,835	$22,608,631	$7,808,295	$6,802,881
1992	$7,295,562	$52,524,925	$50,483,194	$99,851,803	$21,091,193	$22,019,455	$7,629,157	$7,228,620
1993	$7,374,229	$48,535,776	$54,363,200	$108,064,415	$23,416,221	$23,011,856	$9,839,552	$7,282,921
1994	$7,325,464	$39,331,371	$49,162,356	$113,727,296	$25,356,722	$22,410,611	$11,098,609	$7,534,611
1995	$7,656,622	$33,303,920	$56,312,184	$119,776,637	$28,559,263	$15,900,619	$11,042,846	$7,710,586
1996	$6,849,628	$33,094,143	$52,964,685	$121,590,318	$27,249,806	$16,734,481	$10,883,015	$7,160,280
1997	$6,720,000	$30,458,000	$53,008,000	$123,843,000	$27,798,000	$11,746,000	$11,005,000	$6,681,000
1998	$7,132,411	$29,651,186	$54,267,787	$129,881,423	$28,400,198	$17,278,656	$9,604,743	$6,557,312
1999E	$8,203,041	$33,998,910	$58,475,632	$139,308,592	$27,625,148	$20,150,314	$10,152,067	$7,730,875
2000P	$8,084,193	$36,891,409	$60,465,375	$145,334,132	$28,257,453	$18,249,088	$9,767,843	$8,279,855

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[d] (Outlays)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure				
1975	$19,472,398	$590,000,927	$2,732	$5,269				
1976	$20,495,822	$639,733,114	$2,934	$7,524				
1977	$23,603,337	$663,669,745	$3,013	$6,011				
1978	$24,083,595	$699,051,396	$3,141	$6,875				
1979	$24,518,326	$697,169,047	$3,098	$7,126				
1980	$25,623,750	$747,770,467	$3,284	$6,151				
1981	$22,932,613	$763,905,474	$3,322	$5,377				
1982	$20,663,820	$755,779,441	$3,255	$4,241				
1983	$19,324,973	$775,696,678	$3,311	$4,085				
1984	$18,506,336	$754,387,785	$3,192	$3,636				
1985	$18,976,703	$801,535,190	$3,361	$3,442				
1986	$18,884,379	$804,497,514	$3,343	$3,247				
1987	$17,949,794	$783,744,997	$3,228	$3,155				
1988	$18,926,730	$806,375,091	$3,291	$3,098				
1989	$20,122,891	$834,220,778	$3,373	$2,858				
1990	$20,350,444	$916,974,576	$3,669	$2,869				
1991	$21,276,486	$981,989,110	$3,887	$3,248				
1992	$22,341,893	$986,178,387	$3,862	$3,207				
1993	$21,999,856	$999,517,846	$3,873	$3,236				
1994	$22,362,836	$1,037,383,359	$3,981	$3,304				
1995	$22,911,752	$1,049,691,988	$3,991	$3,116				
1996	$22,014,552	$1,073,195,639	$4,043	$2,835				
1997	$21,369,000	$1,086,711,000	$4,056	$2,862				
1998	$22,130,435	$1,127,210,474	$4,170	$2,838				
1999E	$23,619,035	$1,190,732,880	$4,372	$2,878				
2000P	$22,664,374	$1,218,289,824	$4,436	$3,016				

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); see text for discussion. OST appropriations amounts, in thousands of dollars, are: FY1996, $18,586; FY1997, $34,120; FY1998, $38,557; FY1999, $39,499; and FY2000P, $90,025.

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-FY2000 = 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 SSCI #99-0613

SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510-6475

February 18, 1999

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

Dear Mr. Chairman:

This letter is in response to your letter dated February 9, 1999, requesting a budgetary "views and estimates" report concerning proposed fiscal year 2000 spending on programs and activities that fall within the jurisdiction of the Select Committee on Intelligence. Consistent with prior years, we are not submitting a separate "views and estimates" report for intelligence spending in fiscal year 2000 because the intelligence budget resides within other specified accounts, including Defense, State, Energy, Treasury and Justice.

Please contact us or our staff if you have any questions. The point of contact on the Committee's staff is Bill Duhnke, (202) 224-1700.

Sincerely,

Richard Shelby

Richard C. Shelby
Chairman

J. Robert Kerrey
Vice Chairman

cc: The Honorable Frank R. Lautenberg, Ranking Minority Member

VII. COMMITTEE VOTES

On March 16, 1999, Chairman Domenici presented a "Chairman's Mark" for the fiscal year 2000 budget resolution to the committee. The following rollcall votes were taken during the Senate Budget Committee mark-up of the FY 2000 Budget Resolution.

March 17, 1999

(1) Lautenberg amendment providing a point of order against consideration of the tax reduction reconciliation bill called by the budget resolution until legislation is enacted extending the solvency of the Social Security and Medicare trust funds.

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

(2) Hollings amendment to continue federal revenue and spending at the Congressional Budget Office's current services baseline levels and pay down the Federal debt.

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) Conrad amendment to increase revenues relative to the Chairman's Mark by $458 billion, to require that any revenue reduction be offset with spending reductions or revenue increases, to create a Medicare Surplus Reserve, and to create a new 60-vote point of order in the Senate against legislation that would reduce that reserve.

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

(4) Snowe Sense of the Senate amendment that significantly reducing or eliminating the marriage penalty should be a component of any tax cut package reported by the Finance Committee and passed by the Congress during the budget reconciliation process.

Amendment adopted by a voice vote.

(5) Sarbanes Sense of the Senate that there is an urgent and ongoing requirement to improve security for United States diplomatic missions and personnel abroad, which should be met without compromising existing budgets for International Affairs.

Amendment adopted by a voice vote.

(6) Feingold-Grassley Sense of the Senate on access to Medicare home health services.

Amendment adopted by a voice vote.

(7) Durbin Sense of the Senate regarding the deductibility of health insurance premiums of the self-employed.

Amendment adopted by a voice vote.

(8) Murray amendment to reduce tax cut by $11 billion over ten years and increase education spending by the same amount for class size.
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

(9) Wyden amendment for deficit-neutral reserve fund for managed care plans that agree to provide additional services to the elderly.
Amendment adopted by a voice vote.

(10) Johnson and Boxer amendment regarding a deficit-neutral reserve fund for use of OCS receipts.
Amendment adopted (with Gramm second degree) by voice vote.

(11) Domenici (substitute to the Boxer amendment) Sense of the Senate that tax reductions should go to working families.
Amendment adopted by a voice vote.

(12) Feingold Sense of the Senate that the functional totals in the budget resolution assume that the Department of Defense will give priority to providing adequate resources to sufficiently fund the Active Guard/Reserves and Military Technicians at minimum required levels.
Amendment adopted by a voice vote.

(13) Murray, Feingold, Johnson, Snowe, Frist, & Grams Sense of the Senate regarding the unique effects that proposals to reform Social Security may have on women.
Amendment adopted by a voice vote.

(14) Snowe Sense of the Senate regarding increased funding for the National Institutes of Health.
Amendment adopted by a voice vote.

(15) Grams Sense of the Congress that the Administration should not begin implementation of

the Kyoto Protocol prior to Senate ratification.
Amendment adopted by a voice vote.

March 18, 1999

(16) Boxer Sense of the Senate that the provisions contained in this budget resolution assume that Congress will provide $600 million for the President's after school initiative in FY 2000.
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

(17) Johnson amendment to increase funding for veteran's health care by $2 billion annually with a corresponding reduction in defense spending.
Amendment defeated by:

Yeas: 11	Nays: 11
Grassley	Domenici
Lautenberg	Nickles
Hollings	Gramm
Conrad	Bond
Sarbanes	Gorton
Boxer	Gregg
Murray	Snowe
Wyden	Abraham
Feingold	Frist
Johnson	Grams
Durbin	Smith

(18) Grams Sense of the Senate amendment to extend the discretionary spending caps beyond 2002 at the current freeze level.

Amendment defeated by:

Yeas: 7	Nays: 15
Grassley	Domenici
Nickles	Bond
Gramm	Gorton
Gregg	Snowe
Frist	Abraham
Grams	Smith
Feingold	Lautenberg
	Hollings
	Conrad
	Sarbanes
	Boxer
	Murray
	Wyden
	Johnson
	Durbin

(19) Feingold and Murray Sense of the Senate (with a Domenici-Feingold Second Degree) that the aggregate and functional levels included in this budget resolution assume a $400 increase in the maximum Pell Grant award in FY 2000.

Amendment adopted by a voice vote.

(20) Snowe & Abraham Sense of the Senate that Congress shall reject any budget that would spend any portion of the Social Security surpluses generated in any fiscal year for any federal program other than Social Security.

Amendment adopted by:

Yeas: 21	Nay: 1
Domenici	Hollings
Grassley	
Nickles	
Gramm	
Bond	
Gorton	
Gregg	
Snowe	
Abraham	
Frist	
Grams	
Smith	
Lautenberg	
Conrad	
Sarbanes	
Boxer	
Murray	
Wyden	
Feingold	
Johnson	
Durbin	

(21) Conrad Sense of the Senate amendment regarding funding difficulties faced by tribal colleges (with Domenici amendment striking paragraph (a)2).
Amendment adopted by a voice vote.

(22) Grassley and Grams amendment for stopping the spread of illegal drugs.
Amendment adopted by a voice vote.

(23) Frist Sense of the Senate amendment regarding continuing federal investment in R&D.
Amendment adopted by a voice vote.

(24) Durbin Sense of the Senate amendment that discretionary spending reductions necessary to comply with the FY 2000 spending limits included in the 1997 Balanced Budget Act should be borne equally by both defense and non-defense programs.

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

(25) Lautenberg Sense of the Senate that Congress should adopt a budget that reserves the entire off budget surplus for Social Security each year and over fifteen year (substitute amendment to Bond's amendment).

Amendment tabled (motion by Domenici):

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	

(26) Bond amendment (with Domenici second degree) substituting the President's budget for the Chairman's mark.

Amendment defeated:

Yeas: 0	Nays: 22
	Domenici
	Grassley
	Nickles
	Gramm
	Bond
	Gorton
	Gregg
	Snowe
	Abraham
	Frist
	Grams
	Smith
	Lautenberg
	Hollings
	Conrad
	Sarbanes
	Boxer
	Murray
	Wyden
	Feingold
	Johnson
	Durbin

(27) Lautenberg amendment to increase revenues relative to the Chairman's Mark by $458 billion, to require that any revenue reduction be offset with spending reductions or revenue increases, and to create a Medicare Surplus Reserve.

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

(28) Wyden amendment to create a reserve fund that would allow revenue increases to pay for the cost of prescription drugs (substitute to Snowe amendment).

Amendment tabled (motion by Domenici):

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	

(29) Snowe amendment to create a Medicare and prescription drug benefit reserve fund (as modified by unanimous consent).

Amendment adopted:

Yeas: 21	Nays: 1
Domenici	Gregg
Grassley	
Nickles	
Gramm	
Bond	
Gorton	
Snowe	
Abraham	
Frist	
Grams	
Smith	
Lautenberg	
Hollings	
Conrad	
Sarbanes	
Boxer	
Murray	
Wyden	
Feingold	
Johnson	
Durbin	

(30) Conrad amendment to provide $500 million in funding in FY 2000 to reform the agricultural crop insurance system and to offset the increased spending by accelerating the sale of Governor's Isaland.

Amendment adopted by voice vote.

(31) Nickles Sense of the Senate disallowing precatory amendments to the budget resolution.

Amendment defeated:

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

(32) Final Passage

Measure Adopted by:

Yea: 12	Nay:10
Domenici	Lautenberg
Grassley	Hollings
Nickles	Conrad
Gramm	Sarbanes
Bond	Boxr
Gorton	Murray
Gregg	Wyden
Snowe	Feingold
Abraham	Johnson
Frist	Durbin
Grams	
Smith	

Amendments offered and withdrawn:

(1) Durbin amendment regarding deficit-neutral reserve fund to foster the employment and independence of individuals with disabilities.

(2) Nickles amendment regarding Social Security trust fund solvency.

VII. Additional and Minority Views

ADDITIONAL VIEWS OF SENATOR GORTON

The budget resolution passed by the Committee presents clear differences between Senate Republicans and the President, the Vice President and their supporters in Congress on saving Social Security, Medicare, tax relief, and abiding by the spending caps. Each of these distinctions received a great deal of attention during Committee consideration, rightfully so, and will likely generate further debate on the Senate Floor, in which I intend to actively participate. I especially look forward to the discussing Republican's plans to return non-Social Security surpluses to American taxpayers by tax reductions of $142 billion over five years and $778 billion over ten years versus the President's plan to increase taxes $96 billion and spend the surplus, creating 81 new government programs. The difference is clear: tax relief or more spending and more government programs.

My intent in filing Additional Views is to focus attention and elaborate on two of my top priorities: (1) the need to make a fundamental shift from the current federal education system that is focused on regulation and paperwork to one that makes learning the first priority and directs dollars and decision-making authority to the local level; and (2) standing up for and providing for my home state of Washington.

MAKING EDUCATION A PRIORITY

This resolution clearly reflects my view that new federal education funding should not be directed into our current system where taxpayer dollars fund federal and state bureaucracies. Instead we need to ensure that the taxpayers' investment makes it to the classroom and funds the education of our children, not simply the perpetuation of institutions. Education dollars and decision-making authority should be sent back where it belongs: our local schools. Parents, teachers and school officials in our local communities and states are in a better position to improve education for our children than federal bureaucracies. It is equally important that we ensure new funding does not add to the existing regulatory burden. Our teachers should be spending time in the classroom, not filling out paperwork. This progressive change from a system of one-size-fits-all federal programs focused on procedure and paperwork to one that is centered on children and learning first is my top priority. I am very pleased this budget resolution reflects the reality that true innovation in our education system will never happen in federal office buildings, that it will only happen when it's driven by parents and educators who look our children in the eye every day of the week and think about their families.

WASHINGTON STATE PRIORITIES

New funding for salmon recovery

The resolution assumes increased funding for salmon recovery efforts in the Pacific Northwest. The resolution also clearly states that these funds should be "efficiently and expeditiously directed to local communities and salmon restoration organizations."

I am pleased the resolution not only recognizes the need for additional federal funds for salmon recovery, but that it reflects my view that local communities and restoration organizations, and not federal agency officials, are in the best position and will make the best decisions regarding salmon restoration. For too long, the federal government has adhered to a "top-down" approach to salmon recovery. The result has been no more fish and $3 billion wasted.

Following the March 16th endangered and threatened species listings of nine salmon species in the Pacific Northwest, it is time for the federal government to let those who will be affected by these decisions make the recovery decisions. Salmon are a critical part of the Northwest way of life, so Northwesterners should decide how to fix this problem without being told how to do it from Washington, DC. A fundamental shift must be made from the current federal salmon restoration effort that is focused on dictates from Washington, DC, more bureaucrats, no accountability and money wasted to one that spends our tax dollars wisely, gets more fish into streams and has clear and measurable goals.

By establishing Northwest salmon recovery as a priority in this budget resolution, we have taken a significant step toward the appropriation of new funds for salmon restoration and conservation efforts at the local level.

Full funding for Hanford

The budget resolution includes language important to the Department of Energy's continuing mission at the Hanford Nuclear Reservation. The resolution assumes that the DOE's Environmental Management program is fully funded at the President's request level for FY 2000 and ensures that sufficient funds are provided in FY2000 and beyond to comply with cleanup agreements governing DOE sites, such as the Tri-Party Agreement on Hanford that was jointly entered into by the DOE, EPA and Washington state Department of Ecology.

Inclusion of this language represents the beginning of my efforts to ensure the Tri-Party Agreement is fully funded for FY2000. As a member of the Senate Appropriations Energy and Water Subcommittee, I will continue to work toward achieving full funding.

Rejecting the President's Antitrust Division spending increase

The budget resolution rejects the President's request for a 15 percent increase in funding for the Antitrust Division of the Department of Justice. I am pleased that the resolution reflects my view that additional spending by the Antitrust Division is unwarranted given the Division's unwillingness to provide a full accounting of current spending on the antitrust suit against Microsoft. As a member of the Senate Appropriations Committee, I will continue to oppose the President's requested increase unless the Attorney General provides satisfactory answers to questions I have submitted concerning the Antitrust Division's FY1999 spending.

New Seattle courthouse

The budget resolution maintains the FY1999 commitment made by the Congress to the construction/site-and-design of federal courthouses. The funding assumed in the resolution would provide the funds necessary for the construction of the long-awaited and much-needed new courthouse facility in Seattle. Now that this priority has been set, I will continue to work, as a member of the Appropriations Committee, for passage of real funding in FY2000 to construct the Seattle Courthouse on-schedule and without costly delay.

SLADE GORTON.

ADDITIONAL VIEWS OF SENATOR ABRAHAM

This budget represents the priorities our country needs to make as we embark upon a new era, one in which we have the fortunate problem of determining how best to utilize budget surpluses. The question now is, what shall we do with these surpluses? Well, we've seen the President's plan: Over $200 billion in new taxes, fees and other revenue raisers; at least 77 spending increases; a plan to trade IOUs back and forth to make it look like the Social Security system is being saved without instituting needed reforms; and a massive expansion of the Medicare entitlement without reforming the system first to make certain it can protect the people who now depend on it.

That program will not serve the public's best interests. It will not save Social Security, will not save Medicare, will not help the American people make ends meet and invest for their future. So it is with some relief that I turn to the Republican budget plan. As I see it, through this budget we accomplish four important goals:

- First, we preserve and protect Social Security and Medicare.
- Second, we reinvest in our national defense.
- Third, we increase and reform education spending.
- Finally, we secure economic growth into the next century by returning tax overpayments to the American people.

On the first goal, protecting Social Security, I have had the honor of working with the Chairman in crafting the Social Security Surplus Protection and Deficit Reduction Act. The bill creates a lockbox mechanism to ensure that Social Security funds are used to fix Social Security and only to fix Social Security. It further strengthens the off-budget treatment of the Social Security Trust Fund. It reduces debt held by the public by more than the President's Framework Proposal, and sets absolute limits on how on the levels of that debt. More importantly, it provides important statutory protection against raiding of the Social Security Trust Fund. It does this by forcing a 60 vote point of order against any bill or budget resolution that would raid the Social Security surplus.

This budget supports that bill and ensures that all of the Social Security surplus is protected for future Social Security benefits and any necessary reform. Unlike the President's budget that would spend almost $160 billion of the Social Security surpluses on new, non-Social Security programs, this budget makes sure every dollar of that surplus is protected from such raiding. In fact, I was proud to cosponsor an amendment to this budget, offered by Senator Snowe, that specifically stated the Congress should reject any budget that attempted to spend the surplus as did the President's. I am pleased that the vast majority of the Democrats on the Committee joined with Senator Snowe and myself, as well as the entire Republican membership, in supporting this amendment and rejecting the President's raiding of the Social Security system.

Many opposed to this budget because they did not believe it provided adequate protection for the future solvency of Medicare. However, considering a majority of the members of the Bipartisan Commission on Medicare Reform proposed a reform plan that would have saved over $100 billion in Medicare expenditures, the solution to Medicare's growing problems is not to throw more money at the problem, or to willy-nilly expand benefits. Rather, we must take a critical eye at how the program is currently structured to find ways to control the explosion in program costs we have suffered over the years, judiciously restructure the program to meet the critical needs faced by our seniors, and remember that simply pouring more money into the system will undermine any efforts we have to protect the Medicare system for current and future beneficiaries by taking away any incentive for reform.

I wish to point out that neither of the amendments offered by Senators Hollings and Conrad to shift over $380 billion of income tax revenue to some unspecified "Medicare Reserve Fund" would have done anything to extend Medicare's solvency past it's expected insolvency date of 2008. In fact, by serving as an impetus for more new spending and benefits expansion, it may very well have hastened the Medicare system's bankruptcy. This budget, however, provides over $300 billion more than the President's budget as well as setting aside an additional $132 billion that is available for Medicare should responsible reform legislation be presented. However, I supported the amendment offered by Senator Snowe to provide a reserve fund to allow for Medicare reform legislation, that could include prescription drug programs for lower- and moderate-income beneficiaries, while still maintaining the fiscal discipline for which we have fought so hard.

Next, our second goal is to rebuild and improve our military deterrent. This budget will accomplish that goal by increasing defense spending $445 billion over the next 10 years. Despite the end of the Cold War, the world remains a dangerous place. We face an increasingly powerful regime in communist China. We face a regime in North Korea that allows its own people to starve as it strives to develop nuclear weapons and the means to use them against Japan and even the American mainland. We face a number of threats around the globe even as this Administration has allowed our armed forces to fall into disrepair. Specifically, despite the increasing threat of ballistic missile proliferation, it is only this week that we have overcome the Administration's objections to constructing a viable missile defense, which will now need funds for it's completion.

Furthermore, since 1989 the defense budget has been cut literally in half as a share of national income. In concrete terms this means that the total size of our army has been reduced by 650,000 troops—that's more than the number of American troops it took to win the Battle of the Bulge. Further, our Air Force has lost more than half its aircraft, going from 1700 to 800. And the number of front-line, combat ships has shrunk by almost half since 1988, falling from its peak of 600 to only 327 today.

The equipment that remains is increasingly out of date. For example, many of our B–52 bombers were built over 40 years ago, and this Administration has no plans to replace them for another

40 years. So by 2040 we will have pilots flying planes older than their grandfathers. And it isn't just the equipment that is now substandard. This Administration has ruined our troops' way of life. Military pay has fallen so far behind that according to a report by Senator McCain released last October, 11,000 of our troops must go on food stamps just so their families can make ends meet.

Our military is desperately in need of additional funds, and that is why I opposed the amendment offered by Senator Durbin to cut defense spending. Our national security cannot afford additional cuts in defense. Likewise, considering this budget already allowed for an additional $1 billion in funds for the Department of Veterans Affairs health care system, I did not believe Senator Johnson's amendment to cut defense spending by $2 billion and shift it to Veterans health care was either prudent or necessary. However, considering we have now removed the "firewalls" between defense and non-defense discretionary spending, we can readdress defense spending levels in the future as necessary.

The third goal achieved with this budget is to improve education. It does so by spending $28 billion more on primary and secondary education. And, unlike the President's proposals, it does so without attaching "Washington-knows-best" strings to this funding. We will distribute the dollars through block grants so that states and districts can decide for themselves how to spend it, based on their local needs. That is why I opposed the amendments offered by Senator Murray and Boxer to provide education funds with significant strings attached. Telling one community that needs to build schools that they can only use the federal funds for after-school programs, while telling another community that needs to develop after-school programs that it instead has to build schools does not help our students.

So, after protecting Social Security and Medicare, we must assure economic growth into the next century. Right now many people don't have the money to save. But this amendment provides the means to address this situation. Without using a single dollar from Social Security, over the next 10 years this budget will produce a $1.15 trillion surplus. That means Washington will be collecting $1.15 trillion in non-payroll taxes—beyond what even the biggest liberal spenders in Washington anticipated. I believe that is a tax overpayment. And those people who are making these overpayments, the taxpayers, ought to get a refund, a tax cut.

This budget envisions returning the bulk of that surplus—$778 billion—to the people. We have a number of options to choose from in delivering this tax cut or refund. We could cut marginal rates 10% across-the-board, expand the lower 15% rate so middle class people are not bumped into the higher 28% bracket, cut capital gains and death taxes, and we could expand tax incentives for savings and investment. Furthermore, I believe it is very important that we address the problems faced by our seniors with the onerous costs imposed by both the 1993 increase in Social Security benefits taxation imposed by the Clinton Administration, as well as the earnings test which forces able-bodied Seniors to stop working of force losing their benefits. It is my hope that we will seriously consider each of these proposals and pass a substantive, broad-based tax cut to give relief to the American people and our economy.

Finally, this budget positively addresses numerous initiatives I have pursued since I came to Congress. First, it provides the resources necessary to allow for full funding of the Drug Free Century Act and the Western Hemisphere Drug Elimination Act of 1998. This act and proposed legislation will put the fight back in our war on drugs. Furthermore, it specifically rejects the President's proposed redistribution of highway funding. The President's budget would divert $1.1 billion of extra highway funds to his own favored uses, costing Michigan over $31 million in lost federal funds. I appreciate the Chairman's steadfastness in keeping to the original TEA–21 distribution formulas. It is also important to point out that this budget provides the resources necessary to fully fund the Payment in Lieu of Taxes program at the authorized levels. This will ensure that local communities will not be unfairly burdened by the loss of their tax base when the federal government buys property. The demands these facilities place upon the local community are no different than owners that pay local taxes, and these communities need to be supported.

I am also pleased this budget rejects the President's attempted seizure of almost 60% of the states' tobacco settlement. Michigan would lose $776 million over the next five years, money to be used on scholarships for disadvantaged youths if this proposal were adopted. This budget resolution does not rely on these funds, and ensures the government operates on it's own money, not that stolen from the States. As the father of three young children I greatly appreciate the Committee's support in including full funding for state incentive grants for programs to educate and inspect the proper installation of child passenger safety seats.

There are a number of tax issues on this budget that I also want to address. I wish to personally thank the Chairman for removing any assumption of reinstating the onerous "luxury" tax on passenger vehicles. This tax imposes huge federal excise taxes on automobiles many of us would consider standard family vehicles, such as sports utility vehicles and light trucks that now represent about half of the domestic auto sales market. Likewise, I wish to thank the Committee for crafting a budget that rejects the Administration's ill-thought attempt to impose over $700 million in cargo taxes on America's maritime shipping industry through a "Navigation Assistance Fee." These taxes would have fallen disproportionately on Great Lake vessels putting our region's producers and manufacturers at an unfair disadvantage. However, I am concerned about the President's proposed tax on television broadcasters for simply broadcasting, and do not believe that this budget should be used as a vehicle for establishing this fee.

Overall, I believe we have put together a budget of which I am proud—one which shows our determination to do the people's business in the most efficient and least intrusive manner possible.

SPENCER ABRAHAM.

MINORITY VIEWS OF SENATOR LAUTENBERG

I strongly oppose this resolution for four primary reasons.

First, and most importantly, it fails to guarantee a single extra dollar for Medicare. Instead, it diverts funds needed for Medicare to pay for tax cuts, which probably will go disproportionately to the wealthy.

Second, it does nothing to extend the solvency of the Social Security Trust. In fact, it could block President Clinton's proposed transfer of surplus funds to help extend solvency.

Third, it is fiscally dangerous. The resolution proposes tax cuts that begin small, but that explode in the future, just when the baby boomers will begin to retire.

And fourth, it proposes extreme and unrealistic cuts in domestic programs. These could devastate public services if enacted. More likely, Congress will be unable to pass appropriations bills, and we will face a crisis at the end of this year that could lead to a complete government shutdown.

Let me address each of these problems in turn.

Medicare's Hospital Insurance Trust Fund is now expected to become insolvent in 2008. It is critical that we address this problem, and soon. We need to modernize and reform the program, to make it function more efficiently. But it is clear we also will need additional resources.

As part of an overall solution, President Clinton proposed allocating 15 percent of projected unified budget surpluses for Medicare. This would extend the solvency of the Trust Fund for another 12 years. Unfortunately, the budget resolution rejects that proposal. Instead of using projected surpluses for Medicare, it uses almost all of them for tax cuts, most of which probably will go to wealthier Americans.

The budget resolution does not specify the details of the tax cuts, which will be drafted later in the Finance Committee. However, the Chairman of the Finance Committee, Senator Roth, said recently that he wants to provide a 10 percent cut in tax rates. Under that proposal, the top one percent of Americans, those with incomes over $300,000—and average incomes of more than $800,000—would get a tax cut of more than $20,000. Meanwhile, those in the bottom 60 percent, with incomes under $38,000, would get $99. Other major GOP proposals for tax cuts, which involve estate taxes and capital gains taxes, are similarly regressive and unfair.

Giving away disproportionate tax breaks to the wealthy would be bad enough. But the GOP tax breaks would come at the direct expense of Medicare. And that's wrong.

Under the Republican plan, not one penny of projected surpluses is guaranteed for Medicare. The resolution does reserve about $100 billion for unspecified uses over ten years. However, that is far less than the $350 billion the President wants for Medicare over ten years. And, more importantly, none of the $100 billion is actually reserved for Medicare. In fact, the Chairman indicated that this amount may be used for unexpected emergencies or contingencies, and those alone could easily use up all this money. Emergency spending averages $9 billion per year, and could be expected to consume about 90 percent of this reserve.

The Republicans' refusal to provide additional resources for Medicare would have a direct impact on the millions of Americans who will depend on Medicare for their health care in the future. The resolution almost certainly would mean higher health care costs, higher copayments, higher deductibles, lower quality health care services, and probably fewer hopsitals—all because the Republicans insist on providing huge tax breaks for wealthier Americans.

During markup, I proposed an amendment that would have eliminated tax breaks for the wealthy and reserved these funds for Medicare, to put the program on a path toward solvency through 2020. The amendment posed a clear choice between Medicare and tax breaks benefitting those earning more than $200,000. Unfortunately, the Republicans sided with the wealthy and against Medicare, rejecting my amendment on a party line vote.

I also offered another amendment that simply would have deferred the GOP tax breaks until Medicare's solvency was extended for at least 12 years, and Social Security's long-term solvency was ensured. That amendment, too, was defeated on a party line vote. Again, the Republicans insisted that tax breaks for the wealthy should come first, before saving Social Security and Medicare.

Similarly, Senator Conrad and I developed an amendment to establish a Social Security and Medicare lock box, to protect these two programs. This amendment also was defeated on a party line vote. The amendment would have reserved all Social Security surpluses, and 40 percent of non-Social Security surpluses, to reduce the debt and help save Social Security and Medicare. The amendment was similar in many ways to a Social Security lock box proposed by the Republicans. However, the Republican lock box provides no protection for Medicare. In addition, the GOP scheme relies on a risky enforcement mechanism that could threaten a government default and block issuance of Social Security checks.

Beyond Medicare, the second major problem with the Republican resolution is that it does nothing to extend the solvency of the Social Security Trust Fund.

Currently, Social Security is projected to become insolvent by 2032. President Clinton is determined to extend solvency until 2075, and has proposed specific policies to get us to 2055, as certified by the Social Security actuaries.

Republicans have been critical of the President's proposals to invest in the private market, and to transfer debt held by the public to the Trust Fund. Unfortunately, they have proposed nothing in their place to increase the resources available to Social Security. In fact, their resolution is specifically designed to block the President's proposed transfer of surplus funds for Social Security.

The bottom line when it comes to Social Security is clear. President Clinton's budget extends solvency through the year 2055. The Republican plan does not add a single day.

The third major problem with the resolution is that it is fiscally dangerous.

The resolution calls only for small tax cuts in the first year or two. But the costs of those tax cuts explode in the future. By 2009, when the baby boomers will begin retiring, the tax cuts would drain the Treasury of more than $180 billion. That is not fiscally responsible.

The final problem with the Republican plan is that it includes extreme cuts in programs for Americans here at home.

Total nondefense discretionary programs would be cut in the first year from $266 billion this year, $246 billion in 2000. That looks like a 7.5% cut. But the real cut in most programs would be much deeper. Keep in mind that the resolution claims to increase or maintain funding for a handful of favored programs, like new courthouses, TEA–21, the census, the National Institutes of Health, and some crime and education programs. That leaves other unprotected programs facing cuts of more than 12% in the first year. Unprotected programs include, for example, environmental protection, national parks, the Federal Aviation Administration, Coast Guard, INS border patrol, the Federal Bureau of Investigation, NASA, job training, and Head Start.

What will cuts of this magnitude actually mean? Here are just a few examples, based on Administration estimates:

2700 FBI agents, 725 Border Patrol agents, and 780 DEA agents would be lost

102,400 fewer dislocated workers would receive training, job search assistance and support services.

34,000 low-income children would lose child care assistance.

1.2 million low income women, infants and children would lose nutrition assistance each month.

The Federal Aviation Administration would be cut by $679 million, leading to travel delays, weakend security, and lack of critical modernization technologies.

Roughly 21 Superfund toxic waste sites could not be cleaned up, needlessly jeopardizing public health.

Up to 100,000 children would lose the opportunity to benefit from Head Start.

About 70,000 training and summer job opportunities for youth would be lost.

These types of cuts are unacceptable. And yet, under this resolution, the problem gets dramatically worse in later years. By 2004, the nondefense reductions, relative to a freeze at 1999 spending levels, grow to about 28 percent.

Some Republicans have argued that these cuts are required because of the discretionary spending caps, which remain in effect through 2002. That is not true. Much of the problem for domestic programs is created because the resolution increases military spending by $18.2 billion over last year's level. Since all discretionary spending is now under a single cap, that extra money must come directly from domestic programs.

President Clinton also has made it clear that we should increase funding for high priority discretionary programs, such as education and the military, once we save Social Security first. By contrast, the Republican plan establishes unrealistically low discretionary spending levels that would apply regardless of whether we approve Social Security reform legislation. This would leave discretionary programs at 4.5 percent of GDP by 2009, down from 8.8 percent in 1990.

Clearly, the GOP's cuts in domestic programs are draconian and extreme. And they are not realistic. When it comes time to cut specific programs, Congress almost certainly will not follow through. The votes will not be there.

In other words, this budget resolution is a recipe for gridlock. The results could be disastrous. If we cannot pass appropriations bills, we face the prospect of yet another government shutdown. Nobody wants that, of course, but it could well happen.

Why, then, are we considering a budget resolution that even some Republicans admit cannot be implemented?

The answer is simple. The Republicans are desperate to claim that they are for tax cuts. But they just do not know how to pay for them. They know they do not want to guarantee Medicare a single new dollar. But they still are not even close to identifying sufficient offsetting savings.

And so we are left with a fantasy budget. A budget that everybody knows is not worth the paper it's written on.

In the end, there is only one way out. The Republican Party has to get real. They cannot continue to insist on huge tax cuts if they are not willing to pay for them.

So, in sum, let me quickly recount the four reasons why I oppose this budget.

First, it does not guarantee a single additional penny for Medicare. Instead, it takes money needed for Medicare and uses it for tax cuts that will benefit the wealthy.

Second, it does nothing for Social Security. In fact, it doesn't extend Social Security's solvency by a single day.

Third, it is fiscally dangerous. It calls for huge tax cuts whose costs explode in the future, just when the baby boomers will be retiring.

And, finally, its cuts in domestic programs are extreme. If they were ever enacted, the would seriously disrupt important public services. But, more likely, Congress will never really approve them, and we will again be facing the disastrous threat of a government shutdown.

For all the reasons, I am deeply disappointed by this budget resolution. And I look forward to working with my colleagues to make badly needed improvements on the floor.

MINORITY VIEWS OF SENATOR HOLLINGS

With all the fevered talk of “surplus” from the White House and both sides of the aisle in Congress, it’s apparent Washington is drunk on unified budget moonshine. To sober-up the debate, I have repeatedly criticized the Republicans’ irresponsible tax cut proposals and my own party’s spending proposals. But the “goodtime” crowd continues to party on, dodging the truth and the fact that our federal government continues to run a deficit.

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. Only in Washington do people borrow money to create a surplus and expect praise.

The simplest way to understand what’s going on is to imagine a man who borrows on his Mastercard to pay down his Visa debt. He hasn’t changed his total debt at all; he’s just shifted debt from one part of his budget to another. That’s exactly the shell game the White House and the Republicans are playing with Social Security, using it to finance their free-spending ways and their irresponsible tax cuts. They claim their plans will pay down the national debt, but they actually will leave the Social Security trust fund high and dry and increase the national debt.

I’m not against spending money on good programs and giving Americans a tax cut, but not when our debt is increasing. In fact, I propose today to give Americans a $357 billion tax cut. How? By decreasing the national debt and the ruinous interest we pay on it. This year, interest on the national debt will total almost $1 billion a day. With that wasted money, I could save Social Security and Medicare and give the Republicans their tax cut and the Democrats their spending programs.

On March 17, I proposed an amendment to start us on the path to a balanced budget. By maintaining the 1998 budget plan, my amendment would have achieved a truly balanced budget by 2006. This is achieved by applying the surpluses to the debt and not for tax cuts or spending increases. Under my bill, beginning in 2006, the debt would decrease for the first time in decades—then, I would keep my word and jump off the Capitol dome. Sadly, the Republicans on the Committee voted against my amendment because it would have prevented them from looting the trust funds for their tax cuts.

Ask anyone in my state how to define a balanced budget, and he will tell you very simply, “spending no more than one earns.” According to this simple and correct definition of a balanced budget, this year’s budget is nowhere near balanced. Take away Social Security and other trust funds and you see that spending exceeds revenues this year by $100 billion. So in fact, although everyone is crying "surplus!," the national debt really increases $100 billion this year, sending interest costs even higher.

In addition to the fiscal policies contained in the budget resolution, I also am troubled by the process the Republican majority wants to use in this year's budget. The reconciliation process have been used sparingly in the past to improve the fiscal health of the budget. It was created to give the Senate a process for making difficult fiscal decisions—decisions that often required cutting popular programs and increasing taxes to balance the budget.

That is not the case this year. The Republicans want to use the reconciliation process to dramatically reduce revenues over the next ten years and impair the progress we have made so far in reducing the deficit and beginning to pay down the debt.

The budget resolution also would modify the pay-go point of order. Pay-go was required to insure the Senate would provide offsets to reduce taxes or increase spending. The modified budget resolution now will make it possible to cut taxes without a fiscal offset. By making it easier to use future surpluses to cut taxes instead of paying down the debt, this will eliminate the fiscal discipline that has reduced the deficit and contribute to the fiscal cancer eating away at America.

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 to stay the course we began in 1993. Neither the President's budget nor the Chairman's mark does these things.

ERNEST F. HOLLINGS.

MINORITY VIEWS OF SENATOR CONRAD

I opposed the Republican budget resolution for FY 2000 because it contains the wrong priorities for our nation. On the brink of the 21st century and in a new era of fiscal prosperity, this Republican budget looks to the past and repeats a failed fiscal policy—it slashes funding for important domestic priorities while providing tax cuts for the wealthy at the expense of Medicare. Those are the wrong priorities for our nation and they should be rejected.

Our nation's current economic prosperity has been painstakingly built over the last six years with tough fiscal choices. Through comprehensive deficit reduction packages in 1993 and 1997, we have put out nation's fiscal house in order. In 1993, President Clinton put forward an economic plan designed to begin the job of getting our deficit under control. A Democratic Congress passed that historic deficit reduction plan, and it worked. Six years later, the federal budget is balanced on a unified basis. The budget is also near true balance, 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 in 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 have created a virtuous cycle in the US economy, which is entering its eighth year of the current economic expansion.

Business investment continues to fuel our economic expansion. In addition, real GDP growth during 1998 was 4.3%, the strongest in more than a decade. Debt held by the public is projected to decline dramatically under current law and federal spending as a share of the economy is at its lowest level in 25 years. The unemployment rate is at its lowest peacetime level in 41 years and the inflation rate is at its lowest level in 33 years.

The challenge before us now is to look to the long term, to strengthen and protect Social Security and Medicare for future generations. Unfortunately, the Republican resolution does not guarantee one extra penny for Medicare over the next ten years. I offered an amendment during the markup to reserve $376 billion of non-Social Security surpluses over the next ten years for Medicare. That amendment would have provided Medicare with the resources it needs to stay solvent and help support reform; it put Social Security and Medicare first, not tax cuts for the wealthy.

In terms of our nation's budget priorities, Congress has an important decision to make. Should we give away the surplus in tax cuts for the wealthy? Or should we save the surplus to buy down the Federal debt, extend the solvency of Medicare, and still provide room for targeted tax cuts and investments in education, health care, the environment and other priorities? To me, the choice is clear. We must honor our commitment to the seniors of America.

That does not mean we don't need to reform Medicare. I think everybody understands that we need to take action to put Medicare on a sound financial footing. I have cast tough votes to improve the long term solvency of Medicare in the past, and I am prepared to do so in the future. But we must ensure that whatever we do to put Medicare on a sound financial footing also preserves affordable access to high quality health care. Our seniors deserve nothing less.

Despite the misplaced priorities contained in the FY 2000 budget resolution, I must point out that the resolution does make a down payment on providing resources that are necessary for agriculture. I was pleased to work on a bipartisan basis to ensure a portion of the funding necessary for our farmers was included in the budget.

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 of high prices, but an era of low ones. We're now in the second 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.

Part of the reason we passed an agricultural relief bill last year and established programs to assist farmers and ranchers suffering from repeated years of disaster was that a flaw in the crop insurance system was discovered and became painfully clear. Since we engaged in major crop insurance reform in 1994, some areas, including regions in my own State of North Dakota, experienced an unprecedented series of natural disasters. Our farmers saw the worst winter storm in 50 years, followed by the worst flood in 500 years, followed by widespread agricultural field flooding, followed by the worst outbreak of crop disease in recent memory.

During the last five years, many farmers have seen their crop yields drop below normal every year and as a result, their Actual Production Histories—the basis of crop insurance coverage—has dwindled to practically meaningless levels. Crop insurance has begun to fail as a risk management tool. Legislation recently introduced by Senators Kerrey and Roberts, which I cosponsored, the "Crop Insurance for the 21st Century Act," S. 529, will solve some of the problems with our current crop insurance system.

I am pleased that the FY 2000 budget resolution provides $6 billion for agriculture, and that the Budget Committee unanimously adopted an amendment I offered to ensure that $500 million will be available for crop insurance reform in FY 2000. But fixing the crop insurance system is not enough. We must also take bipartisan action to restore some form of a farm income safety net. I would argue that we're several billion dollars short from a system that adequately manages risk.

I hope we can work in a bipartisan way during this year's budget process to reform crop insurance and restore an adequate farm safety net for our nation's producers.

KENT CONRAD.

MINORITY VIEWS OF SENATOR JOHNSON

I oppose the Republican Budget Resolution because it supports the wrong priorities.

1998 was an exceptional year in this country's modern economic history. We enjoyed the first budget surplus in 29 years and the economy exceeded expectations and continued to expand in the face of international instability—unemployment remained low; wages continued to increase; welfare recipients declined; home ownership increased; and interest rates remained low. 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 2000 budget is our first test of how we will handle existing and future surpluses to ensure long-term economic growth and stability, and it is a test too important to coming generations for us to fail. 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 $20 billion in FY 2000. Finally, while the resolution increases funding for some programs and protects others from cuts, the bottom line is that discretionary programs such as agriculture, head start, law enforcement, and many other critically important programs could be cut by more than 12% under the Republican Budget Resolution. I support preserving the discretionary caps and acknowledge that the caps force many tough decisions on discretionary spending priorities. However, I firmly believe that we can do a better job of balancing discretionary priorities than what is included in the Republican Budget Resolution.

VETERANS

I have great concern regarding an injustice to our nation's veterans that I believe demands serious attention by Congress and the Clinton Administration.

For the fourth consecutive year, the Clinton Administration has proposed a flat-line appropriation for veterans' health care in its FY 2000 budget request. In a memo to Secretary of Veterans Affairs Togo West, Under Secretary for Health Dr. Kenneth Kizer expressed concern that the Administration's FY 2000 requested budget "poses very serious financial challenges which can only be met only if decisive and timely actions are taken." He indicates that cuts must be made now to preclude even deeper cuts such as "mandatory employee furloughs, severe curtailment of services or elimination of programs, and possible unnecessary facility closures." Dr. Kizer also states that ". . . changes are absolutely essential if we are to prepare ourselves for the limitations inherent in the proposed FY 2000 budget."

I have met with several representatives of South Dakota's veterans' organizations who have expressed their concern that the VA's flat-lined health care budget is causing mandatory reductions in outpatient and inpatient care and VA staff levels. Additional funding for VA health care is imperative to keep up with medical inflation, COLAs for VA employees, new medical initiatives that the VA wants to begin (Hepatitis C screenings, emergency care services), long term health care costs, and funding for homeless veterans.

I was pleased that the Chairman's Mark includes an additional $1 billion for veterans health care and commend Chairman Domenici for his commitment to our nation's veterans. Although Chairman Domenici's proposed funding increase will help relieve some of the VA's budgetary constraints, I believe that more needs to be done. The veterans community has requested that VA health care needs to be augmented by $3 billion over last year's funding levels to ensure the provision of accessible and high quality services to veterans. That is why I offered an amendment that would raise VA health care by an additional $2 billion. My amendment would have offset this increase in VA health care by utilizing elevated funding levels in military spending above and beyond what the Clinton Administration has requested—I support an increase in defense, but I also support a much-needed increase in veterans health care and believe that we need to do both. The nation's top veterans groups (AMVETS, Blinded Veterans Association, Disabled American Veterans, Paralyzed Veterans of America, Veterans of Foreign Wars and Vietnam Veterans of America) voiced their strong support for my amendment in a letter that I have shared with members of the Committee.

Although my amendment failed on an 11–11 vote, I remain dedicated to providing adequate funding for VA health care. I will continue to live up to my obligation to South Dakota's veterans and ensure that they are treated with the respect and honor that they so richly deserve.

AGRICULTURE

I want to express my appreciation to Chairman Domenici for attempting to provide some relief to agriculture in his mark. Farmers and ranchers are struggling to survive in a crumbling rural economy where the value of crops are expected to be 24 percent lower in 1999 than they were in 1996, while production expenses continue to increase. The prospects for improvement in major crop prices during 1999 are dim according to both the Congressional Budget Office and the Food and Agricultural Policy Research Institute. Agricultural producers are also facing severe limitations on their ability to compensate for low crop prices through the sale of other farm commodities. Beef, pork, and sheep producers have been suffering losses for a long period of time and face continuing low livestock prices in a market that is neither free nor fair. The global financial crisis has seriously limited U.S. agricultural exports and exacerbated a glut of commodities in the world market. Notably, farm exports, commodity prices and farm income are all significant below the levels predicted when the "Freedom to Farm Bill" was enacted in 1996.

As the key assumptions underlying the 1996 farm bill have not been borne out by real world developments, the lack of adequate farm income protection has become painfully evident.

I am pleased that this Committee addressed one part of the all important safety net for our family farmers. The Chairman included a reserve fund for agriculture in his mark and the Committee approved a bipartisan amendment which I cosponsored to the budget resolution which provides $500 million for the crop insurance program in 2000. Improved crop insurance coverage is necessary for farmers in the future. It plays an increasingly important role in securing credit from a lender. It also resembles the only tool an individual farmer has in managing risk and realizing a safety net.

When Congress reformed crop insurance in 1994, the underlying goal was to avoid the need for both crop insurance and ad hoc disaster programs. This dual-track program caused fiscal and political problems. The need for Congress to enact a crop loss disaster program last year uncovered some shortcomings in the ability for crop insurance to provide adequate protection for farmers, especially when multiple years of natural disasters combined with low crop prices to create an agricultural crisis in the heartland. The funding provided in this budget resolution for crop insurance improvements represent a commitment to maintaining a strong crop insurance program, a goal which I support.

However, improvements to crop insurance must also coincide with improvements to the overall farm program. Crop insurance is part of that program, but not a substitute for it. I look forward to working on reforming our nation's farm program to provide greater marketing flexibility to farmers.

INDIAN SCHOOL CONSTRUCTION

Equitable education for Indian children on and off the reservation is one of my highest priorities and I know that the chairman shares my commitment to addressing this problem. I want to give credit where credit is due and commend the Chairman for his inclusion of funding for Indian school construction in his mark. I have focused on this issue throughout my service in Congress and am pleased that we have made modest progress in recent years.

The BIA schools are in a unique situation since they are federal property and are therefore the responsibility of the federal government. Of the 173 BIA-maintained school facilities nationwide, 23 are located in South Dakota. In January of 1998, the General Accounting Office confirmed the backlog in BIA school repair and replacement at $754 million. The GAO found that Indian school facilities operated by the BIA are generally in poorer physical condition compared to other schools nationally, even inner-city schools. In fact, 62 percent of BIA schools have at least one building in need of extensive repair or replacement, compared to 33 percent of all schools nationally and 38 percent of central-city schools.

Allowing the continued deterioration and decay of tribal schools through lack of funding would violate the government's commitment and responsibility to Indian nations, and would only slow the progress of self-sufficiency. I continue to believe that the federal obligation to tribes must be maintained, and that the most fundamental of all of our treaty and trust responsibilities is equitable education for Indian children. Consequently, I am extremely pleased that Chairman Domenici included generous assumptions for Indian school construction efforts in his mark. I look forward to working with him to ensure the funding becomes a reality.

TRIBAL COLLEGES

I strongly supported the amendment offered by Senator Conrad regarding the importance of tribal colleges and the inadequate funding levels for these important institutions. The tribal colleges do not receive state funds for their core operations and are the most poorly funded higher education institutions in the United States. Funding for these institutions has failed to keep pace with their rising enrollment. Nonetheless, the colleges have proven themselves to be successful educators playing a pivotal role in their communities. They have succeeded in educating Native Americans where mainstream colleges have failed. Tribal Colleges' track records on student retention, matriculation, ongoing education and job placement are unparalleled, and their training and academic curricula have contributed considerably to the economic base of their reservations.

With welfare reform and its resulting implications, the tribal colleges will take on a new importance in helping welfare recipients on our nation's reservations attain long-term self-sufficiency. Likewise, the children of those students moved from welfare to work will themselves be more likely to finish high school and pursue post-secondary programs.

ENVIRONMENT

We have an opportunity this year to reach a bipartisan agreement to increase funding for several land, water, and wildlife conservation programs. Several proposals to establish mandatory funding for conservation programs using Outer Continental Shelf receipts are under bipartisan discussion on Capitol Hill. All propose significant steps to support the restoration, preservation and conservation of our natural resources, and I truly think that bipartisan agreement to address some of the critical needs of our environment exists.

However, the authorizing communities have acknowledged that the discussions and efforts to reach a compromise on the different conservation proposals will not go very far if the Budget Committee does not take action on this issue. Consequently, I am extremely pleased that the Committee approved an amendment offered by Senator Boxer and myself, to establish a reserve fund for OCS receipts which could be used for increased conservation efforts. As a member of the Energy and Natural Resources Committee, I am optimistic that the Budget Committee's action will provide an incentive for Senators to seek a compromise on the various legislative proposals. I look forward to working with my colleagues to find a workable compromise which will help ensure the long-term preservation and restoration of our nation's natural resources.

BUREAU OF RECLAMATION

I would also like to commend Chairman Domenici for his willingness to work with me to include Committee Report language that recognizes the need to increase the Bureau of Reclamation's construction budget. The Bureau has been faced with deep cuts in its construction budget in recent years, forcing the Bureau to drag out construction of badly needed water projects and costing the federal government much more in the long run. This inefficient and costly approach must end. I will continue to work with Chairman Domenici and my colleagues on the Appropriations Committee to commit the necessary resources to the Bureau of Reclamation's construction budget so the Bureau can move forward in a cost efficient manner to complete the critically important water projects that are currently under construction, as well as meet the future needs facing the Bureau of Reclamation.

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