BUDGET

19990528 033

BUDGET OF THE UNITED STATES GOVERNMENT

Fiscal Year 1999

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B. DATE Report Downloaded From the Internet: 26 MAY 99

Report's Point of Contact: (Name, Organization, Address, Office Symbol, & Ph #:) BUDGET OF THE UNITED STATES GOVERNMENT EXECUTIVE OFFICE OF THE PRESIDENT OF THE UNITED STATES WASHINGTON, DC

D. Currently Applicable Classification Level: Unclassified

E. Distribution Statement A: Approved for Public Release

F. The foregoing information was compiled and provided by: DTIC-OCA, Initials: __PM__ **Preparation Date**: 26 MAY 99

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THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 1999 contains the Budget Message of the President and information on the President's 1999 budget proposals. In addition, the *Budget* includes the Nation's first comprehensive Government-wide Performance Plan.

Analytical Perspectives, Budget of the United States Government, Fiscal Year 1999 contains analyses that are designed to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective.

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

Historical Tables, Budget of the United States Government, Fiscal Year 1999 provides data on budget receipts, outlays, surpluses or deficits, Federal debt, and Federal employment covering an extended time period—in most cases beginning in fiscal year 1940 or earlier and ending in fiscal year 2003. These are much longer time periods than those covered by similar tables in other budget documents. As much as possible, the data in this volume and all other historical data in the budget documents have been made consistent with the concepts and presentation used in the 1999 Budget, so the data series are comparable over time.

Budget of the United States Government, Fiscal Year 1999—Appendix contains detailed information on the various appropriations and funds that constitute the budget and is designed primarily for the use of the Appropriations Committee. The *Appendix* contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It includes for each agency: the proposed text of appropriations language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the funds needed, and proposed general provisions applicable to the appropriations of entire agencies or group of agencies. Information is also provided on certain activities whose outlays are not part of the budget totals.

A Citizen's Guide to the Federal Budget, Budget of the United States Government, Fiscal Year 1999 provides general information about the budget and the budget process for the general public.

Budget System and Concepts, Fiscal Year 1999 contains an explanation of the system and concepts used to formulate the President's budget proposals.

Budget Information for States, Fiscal Year 1999 is an Office of Management and Budget (OMB) publication that provides proposed State-by-State obligations for the major Federal formula grant programs to State and local governments. The allocations are based on the proposals in the President's budget. The report is released after the budget and can be obtained from the Publications Office of the Executive Office of the President, 725 17th Street NW, Washington, DC 20503; (202) 395–7332.

AUTOMATED SOURCES OF BUDGET INFORMATION

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

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

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

http://www.access.gpo.gov/su_docs/budget/index.html

For more information on access to the budget documents, call toll-free (888) 293–6498.

GENERAL NOTES

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

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WASHINGTON 1998

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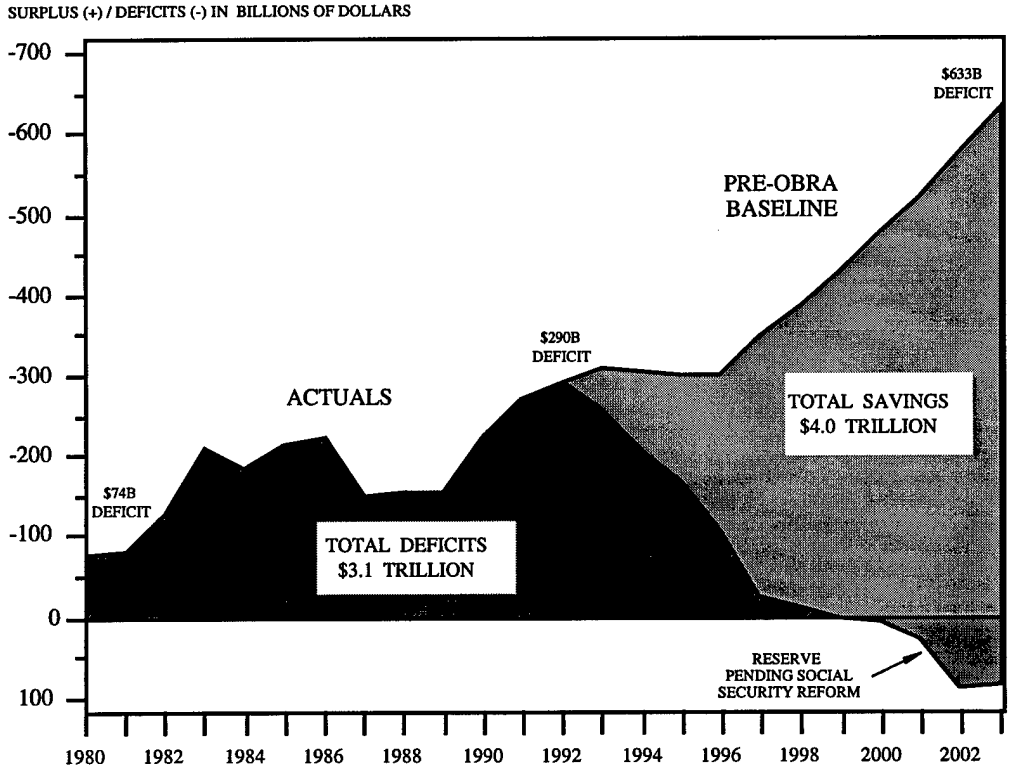
I. THE BUDGET MESSAGE OF THE PRESIDENT

Chart I-1. FINISHING THE JOB:
BALANCING THE BUDGET AFTER DECADES OF DEFICITS



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

Table I–1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT

(In billions of dollars)

	1997 Actual	Estimates										
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Receipts	1,579	1,658	1,743	1,794	1,863	1,949	2,028	2,123	2,227	2,329	2,444	2,566
Outlays	1,601	1,668	1,733	1,785	1,834	1,860	1,945	2,013	2,090	2,165	2,228	2,307
Reserve Pending Social Security Reform	NA	NA	10	9	28	90	83	109	137	164	216	258
Deficit (–)/Surplus	–22	–10	0	0	0	0	0	0	0	0	0	0

Errata
The numbers shown here for fiscal years 2004-2008 are incorrect.
Click here for a revised table.

THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The 1999 Budget, which I am submitting to you with this message, is a balanced Federal budget, marking the first such budget in 30 years and bringing an era of exploding deficits to an end.

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

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

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

In the public and private sectors, prospects for a budget surplus are spurring a wide array of ideas about how to spend it. At this point, the Government has not yet reached the surplus milestone, and I continue to believe strongly that we should not spend a surplus that we don't yet have.

More specifically, I believe that the Administration and Congress should not spend a budget surplus for any reason until we have a solution to the long-term financing challenge facing Social Security. With that in mind, my budget proposes a reserve for the projected surpluses for 1999 and beyond.

Preparing the Nation for a New American Century

Five years ago, my Administration took office determined to restore the American Dream for every American. We were determined to turn the economy around, to rein in a budget that was out of control, and to create a Government that once again would focus on its customers, the American people.

Five years later, we have made enormous progress. Our economy is strong, our budget is headed toward balance, and our Government is making noticeable progress in providing better service to Americans.

We are beginning to bring Americans together again, to repair the social fabric that has frayed so badly in recent decades. All across America, crime is down, poverty is down, and welfare is down. Incomes are rising at all levels, and a new spirit of optimism is sweeping through many of our urban and rural communities that are rebounding from decades of lost jobs and lost hope.

Now that we have turned the economy around, our task is to spread the benefits of our economic well-being to more Americans, to ensure that every American has the chance to live out his or her dreams. As we move confidently ahead as a Nation, we want to ensure that nobody is left behind.

A century ago, the economy shifted from agriculture to manufacturing, changing the way that Americans lived, the way they worked, the way they related to one another. Today, the economy is shifting once more, this time from manufacturing to services, information, technology, and global commerce.

We can ensure that every American fully enjoys the benefits of this exciting new age, but only if we continue to give people the tools they need and create the conditions in which they can prosper. That is what my budget is designed to do.

Creating a Bright Economic Future

When my Administration took office, the Nation was mired in economic problems. The economy had barely grown over four years, creating few jobs. Interest rates were high. Incomes remained stagnant for all but the most well-off. The budget deficit, which had exploded in size in the early 1980s, had reached a record $290 billion and was headed higher. Clearly, the Nation needed a new course.

We launched an economic policy with three central features that had never before been tried together: We set out to reduce the deficit, invest in the American people, and open up markets abroad. Only by pursuing all three elements could we restore the economy and build for the future.

My 1993 budget plan, the centerpiece of our economic strategy, was a balanced plan that cut hundreds of billions of dollars of Federal spending while raising income taxes only on the top 1.2 percent of Americans. By cutting unnecessary and lower-priority spending, we found the resources to cut taxes for 15 million working families while investing in education and training, the environment, and other priorities.

Five years later, we have cut the deficit dramatically, and this budget will finish the job by reaching balance and keeping the budget in balance for the foreseeable future. We have invested in the education and skills of our people, giving them the tools they need to raise their children and get good jobs in an increasingly competitive economy. We have expanded trade through global as well as bilateral agreements, generating record exports that create high-wage jobs for millions of Americans.

The economy responded almost immediately to our policies. When I announced my 1993 budget plan, interest rates fell, and they fell even more as I worked successfully with Congress to put the plan into law. These lower interest rates helped to spur the steady economic growth and strong business investment that we have enjoyed for the last five years. Our policies have helped create over 14 million jobs, while interest rates have remained low and inflation has stayed under control.

As we move ahead, I am determined to ensure that we stick with the policies that are working. We must maintain our fiscal discipline so that we not only reach balance, but also keep the budget in balance.

Improving Performance Through Better Management

We are balancing the budget the right way, by reducing the size and scope of our Government.

We have done more than just eliminate hundreds of Federal programs and projects. We have cut the civilian Federal work force by over 316,000 employees, giving us the smallest work force in 35 years. In fact, as a share of our total civilian employment, we have the smallest work force since 1931.

But we set out to do more than just cut Government. Under the leadership of the Vice President's National Performance Review, we set out to make Government work, to create a Government that is more efficient and effective, to create a Government focused on its customers, the American people.

We have made real progress, but we still have much work to do. We have reinvented parts of departments and agencies, but now we are determined to turn our agencies around from top to bottom. For 1999, the Vice President will lead an effort to improve the performance of agencies that interact most with the American people. We want to enable Americans not only to quickly enjoy better service from our Government, but to regain confidence in Government as well.

At the same time, I am determined that we will solve the very real management challenges before us. A good example is the challenge of ensuring that our computer systems can accurately process the year 2000 date change. I have directed my Administration to take the necessary steps to meet the problem head-on.

Preparing for the 21st Century

Nothing is more important to our future than education. It has become the dividing line between those who are moving ahead and those who are lagging behind. That is why I have devoted so much effort to ensure that we have a world-class system of education and training in place for Americans of all ages. Over the last five years, we have worked hard to ensure that every boy and girl is prepared to learn, that our schools focus on high standards and achievement, that anyone who wants to go to college can get the financial help to attend, and that those who need a second chance at education and training or a chance to improve or learn new skills can do so. My budget significantly increases funds to help children, especially in the poorest communities, reach challenging academic standards and makes further progress in implementing voluntary national tests. It proposes to build more classrooms and pay for 100,000 more teachers so that we can reduce class sizes. For higher education and training, my budget increases Pell Grants and other college scholarships from the record levels that we have already achieved; expands College Work-Study to a record one million students; streamlines student loan programs and cuts student fees; and expands access to job placement services, training, and related services for dislocated workers and others. Now that anyone who wants to attend college can find the means through Hope scholarships, Pell Grants, and other assistance that we worked so hard to enact, I want to provide the same universal opportunity for job training and re-training to those who need it.

Over the last five years, we have worked hard to help working families. We cut taxes for 15 million working families, provided a tax credit to help families raise their children, ensured that 25 million Americans a year can change jobs without losing their health insurance, made it easier for the self-employed and those with pre-existing conditions to get health insurance, provided health care coverage for up to five million uninsured children, raised the minimum wage, and provided guaranteed time off for workers who need to care for a newborn or address the health needs of a family member. Now, with my new Child Care Initiative, I am determined to provide the help that families need when it comes to finding safe, high-quality, affordable child care. Parents should know that, when they go to work, their children are in safe, healthy environments. I also propose to address the problems faced by a particular group of working families—legal immigrants. In signing the 1996 welfare reform law, I said that I would try to restore the cuts in benefits for legal immigrants that were not only harsh and unnecessary but that had nothing to do with the fundamental goal of welfare reform—to move people from welfare to work while protecting children. My budget restores Food Stamps to 730,000 legal immigrants and lets States provide health insurance to the children of legal immigrants.

This past year, we continued to improve health care for millions of Americans. We strengthened Medicare by extending the life of the trust fund until at least 2010, while we also invested in preventive benefits, introduced more choice of health plans, and strengthened our expanding array of activities to combat fraud and abuse. We extended health care coverage to up to five million uninsured children. We created the Advisory Commission on Consumer Protection and Quality in the Health Care Industry and we later endorsed its Health Care Consumer Bill of Rights. With this budget, I propose that we build on our achievements on a host of important fronts. I want to work with Congress to enact national bipartisan tobacco legislation; nothing is more potentially important to the health of our people, particularly children. My budget also proposes to expand health care coverage for some of the most vulnerable Americans aged 55 to 65, to enroll more eligible children in Medicaid, to provide for unprecedented levels of investment in health research, to expand access to powerful AIDS therapies, to expand access to cancer clinical trials, to increase funds for substance abuse treatment and prevention, and to help reduce health-related disparities across racial and ethnic groups.

Last year was a remarkable one for the environment, and I am determined to build on our progress. Led by the Vice President, the Administration reached an historic inter-

national agreement in Kyoto that calls for cuts in greenhouse gas emissions. We also issued new, more protective air quality standards to better safeguard public health, and we strengthened our citizens' right to know about toxic chemical releases. We continued to protect our natural treasures, such as Yellowstone National Park and Florida's Everglades, and to make further progress toward my goal of cleaning up 900 hazardous waste sites under the Superfund by the end of the year 2001. With this budget, I am proposing an Environmental Resources Fund for America that will support increases for many of our key environmental programs. It provides for more construction, maintenance, and land acquisition for national parks, forests, refuges, and other public lands; for a new effort to improve the quality of our water; for improvements to community drinking water and wastewater facilities; and for continuing our efforts to clean up abandoned hazardous waste sites. My budget also includes a new, five-year, $6 billion program to prevent global warming, and more resources to protect endangered species, control pollution, and preserve the global environment.

I am proposing a Transportation Fund for America, reflecting my commitment to provide the resources to ensure that our transportation infrastructure remains safe, integrated, and efficient enough to serve our growing needs. Investment in infrastructure is good for America because it helps grow the economy, improve safety and public health, strengthen our competitiveness abroad, support our national security, and increase the mobility, access, and choice for Americans who need to travel. We must build upon our vast network of roads, highways, and bridges to meet the demands of the next century for a system that links our various modes of travel, that is cleaner and safer, and that helps bring together and support our urban and rural communities. My budget maintains the Administration's record support for transportation, and the Fund includes all of the Transportation Department's highway, highway safety, transit, and air transportation programs.

Scientific and technological advances have created a world vastly different from the one our grandparents knew. They have helped generate huge leaps in the speed and economy of transportation, enormous increases in farm productivity, lightning-fast flows of information and services across national borders, and advances in treating and preventing diseases and protecting the environment. Because I am committed to America's continued leadership in science and technology, I am proposing a Research Fund for America, from which many of our important investments will flow. It includes record increases for the National Institutes of Health, higher funding for the National Science Foundation, new resources to address global climate change, and a wide variety of investments in basic and applied research. These investments are vital; they help to create new knowledge, train more workers, spur new jobs and industries, address our health care challenges, strengthen our understanding of environmental problems, better educate our children, and maintain a strong national defense.

Our anti-crime strategy is working. Serious crime is down five years in a row and, in 1996, we witnessed the largest drop in violent crime in 35 years. But, because crime remains unacceptably high, we must go further. My budget expands our community policing (COPS) program, which is already putting 83,000 more police on the streets toward my goal of 100,000 by the year 2000. The budget also proposes a new Community Prosecutors Initiative to help prosecutors prevent crimes from occurring, rather than simply prosecuting criminals after the fact. And it provides the necessary funds to prevent violence against women, to help States and Indian Tribes build prisons, and to address the growing law enforcement crisis on Indian lands. To boost our efforts to control illegal immigration, the budget provides the resources to strengthen border enforcement in the South and West, to remove illegal aliens, and to expand our efforts to verify whether newly hired non-citizens are eligible for jobs. To combat drug use, particularly among young people, my budget expands programs that stress treatment and prevention, law enforcement, international assistance, and interdiction. It continues to build on our innovative Drug Courts initiative, proposes School Drug Prevention Coordinators for our schools, sup-

ports local efforts that target drug-using offenders, expands drug testing, and strengthens our efforts to make our ports and borders more secure from drugs while disrupting drug trafficking organizations overseas.

Most Americans are enjoying the fruits of our strong economy. But while many urban and rural areas are doing better, too many others have grown disconnected from our values of opportunity, responsibility, and community. Working with State and local governments and with the private sector, I am determined to help bring our distressed areas back to life, to replace despair with hope. My budget expands my national service program, giving more Americans the chance to serve their country and help solve problems at the local level while earning money for college. I am proposing to create more Empowerment Zones and Enterprise Communities that offer tax incentives and direct spending to encourage the kind of private investment that creates jobs, and to provide more capital for lending through my Community Development Financial Institutions program. My budget also expands opportunities for homeownership, provides more funds to enforce the Nation's civil rights laws, maintains our Government-to-Government commitment to Native Americans, and strengthens the partnership we have begun with the District of Columbia.

Because America continues to have a tremendous stake in world affairs, my budget proposes the necessary funds to maintain national security, to conduct our diplomacy, to promote democracy and free markets abroad, and to increase exports. Last year, my Administration worked with Congress to increase international affairs spending. But, Congress faces an unfinished agenda to provide financial support for, and fulfill America's obligations to, a number of international organizations that benefit our economy and serve other objectives, including the International Monetary Fund (IMF), the United Nations system, and the multilateral development banks. Congress should continue to support the decisive action of the IMF as well as our leadership in that institution by providing the supplementary contingent IMF funding that the Administration has sought and replenishing the IMF's basic financial resources. Congress also should give the President traditional trade negotiating authority to help fuel our surging exports into the next century. To enhance national security, my budget maintains large-scale funding to support the Middle East peace process, continues assistance to Bosnia to carry out the Dayton Accords, supports NATO expansion, and increases aid to the New Independent States of the former Soviet Union to support the development of democracy and free markets. I am also proposing a major initiative to provide critical, targeted assistance to African countries that are undertaking difficult economic reforms, and my budget increases counter-narcotics aid to Latin American countries and supports the Summit of the Americas.

Our military serves as the backbone of our national security strategy, and I am committed to maintain a strong and capable military that protects our freedoms and our global leadership role as we approach the 21st Century. The budget continues the Administration's plan to complete the careful resizing of our military forces, to fully support military readiness, to strengthen quality of life programs for our armed forces, and to provide increased funding to modernize our forces as new technologies become available after the turn of the century. My budget reflects the recommendations of the Quadrennial Defense Review and of the Defense Department's recent Defense Reform Initiative to achieve a leaner, more efficient, and more cost-effective organization by improving management and business practices. To implement these improvements, the Defense Department will send legislation to Congress in conjunction with this budget, including a request for two more rounds of base closures and realignments.

Investing in the Common Good

Our commitment to balance the budget, and to keep it in balance, will mean that the Administration and Congress must use taxpayer dollars as wisely as possible. If we are to continue funding Federal programs, they will have to show that they are reaching the goals set for them. That is, they will have to show that they are well-run and that they can produce results.

In 1993, I actively supported, and was eager to sign, the Government Performance and Results Act. With this budget, I am delighted to send Congress what the law envisioned—the first comprehensive, Government-wide Performance Plan.

In developing this budget, the Administration for the first time could rely on performance measures and annual performance goals that are now included in agency Annual Performance Plans. We have made a good start on the process that the Administration and Congress outlined in enacting the 1993 law.

As we continue to implement this law, my Administration will focus more and more attention on how programs work, whether they are meeting their goals, and what we should do to make them better. We look forward to working with Congress on our shared goal of improving Government performance.

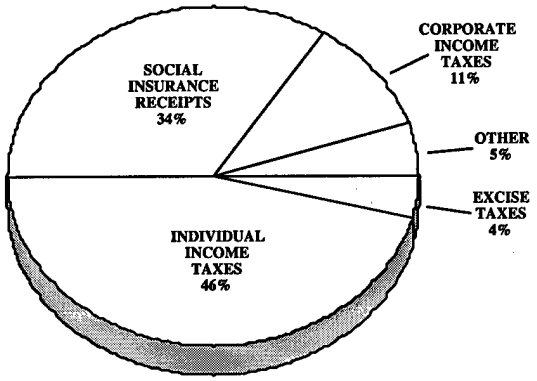
WILLIAM J. CLINTON

February 2, 1998

II. PREPARING THE NATION FOR A NEW AMERICAN CENTURY

THE FEDERAL GOVERNMENT DOLLAR
FISCAL YEAR 1999 ESTIMATES

WHERE IT COMES FROM...



WHERE IT GOES...

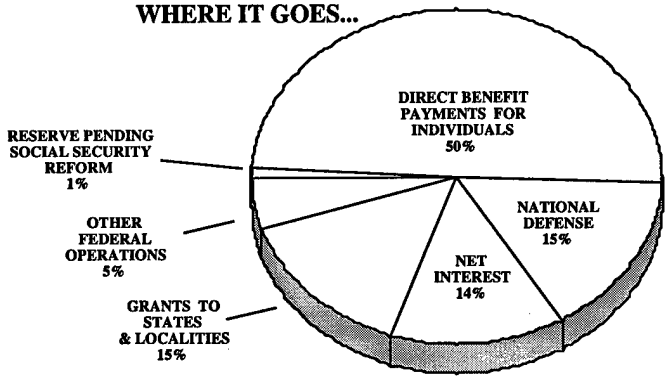


Table II–1. RECEIPTS, OUTLAYS, AND SURPLUS OR DEFICIT

(Dollar amounts in billions)

	1997 Actual	Estimates										
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Receipts	1,579.3	1,657.9	1,742.7	1,793.6	1,862.6	1,949.3	2,028.2	2,122.7	2,226.9	2,329.0	2,444.2	2,565.5
Outlays	1,601.2	1,667.8	1,733.2	1,785.0	1,834.4	1,859.6	1,945.4	2,013.4	2,090.2	2,164.6	2,227.9	2,307.0
Reserve Pending Social Security Reform	NA	NA	9.5	8.5	28.2	89.7	82.8	109.3	136.7	164.3	216.3	258.5
Deficit (–)/Surplus	–21.9	–10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On-Budget Deficit (–)	–103.3	–106.3	–95.7	–104.9	–94.1	–44.6	–62.8	–44.0	–33.8	–15.1	23.7	55.6
Off-Budget Surplus	81.4	96.3	105.3	113.5	122.3	134.4	145.5	153.3	170.5	179.4	192.6	202.9
		As Percentages of GDP										
Receipts	19.8	19.9	20.1	19.8	19.7	19.7	19.6	19.6	19.7	19.7	19.7	19.8
Outlays	20.1	20.0	20.0	19.7	19.4	18.8	18.8	18.6	18.5	18.3	18.0	17.8
Reserve Pending Social Security Reform	NA	NA	0.1	0.1	0.3	0.9	0.8	1.0	1.2	1.4	1.7	2.0
Deficit (–)/Surplus	–0.3	–0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On-Budget Deficit (–)	–1.3	–1.3	–1.1	–1.2	–1.0	–0.5	–0.6	–0.4	–0.3	–0.1	0.2	0.4
Off-Budget Surplus	1.0	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.6	1.6

Errata

The numbers shown here for fiscal years 2004-2008 are incorrect.

Click here for a revised table.

II. PREPARING THE NATION FOR A NEW AMERICAN CENTURY

Imagine an America in which every child has a world-class education; in which every family can fairly balance the demands of work and child-rearing; in which we lift living standards here and around the world; in which we learn to grow our economy and preserve the common environment which is our home; in which our oldest values of opportunity, responsibility and community guide us into a new time of greatest opportunity.

President Clinton
September 1997

It is, as the President said not long ago, "a time of genuine hope and earned optimism for America." A country that not many years ago was approaching the 21st Century with uncertainty now looks to it with strength and confidence, with the knowledge that we can make it a "New American Century."

The Administration's five years of hard work are paying off. Our economy is strong, our social health is improving, and our place as the world's undisputed leader for peace and freedom is unchallenged. Our Federal Government is leaner, more efficient, more effective, and more connected to the essential values that Americans share—opportunity, responsibility, and community.

Our economy has grown an average of three percent a year, helping to create over 14 million new jobs. Unemployment is below five percent, inflation is under control, and interest rates are low. Investment growth and consumer confidence are at their highest levels in a generation. Homeownership has hit record levels. And, after two decades in which family incomes remained essentially flat, we are making progress on this most intractable of economic problems as incomes have begun to rise at all levels.

Violent crime has dropped dramatically for five years in a row, and the 1996 drop was the largest in 35 years. The welfare rolls have dropped by record numbers. Poverty and teen birth rates are also down while, all across America, many of our poorest urban and rural communities are springing back to life.

Around the world, America remains the world's lone superpower in both military and economic terms. Our forces, our resources, and our international influence have helped to keep the peace in war-torn nations, nurture democratic capitalism in former communist countries, and open markets for our goods.

Perhaps most striking of all, the budget deficit continues to fall dramatically and, with this budget, the President proposes to reach balance in 1999, marking the first balanced budget in 30 years and an end to an era of continuous deficits that spiraled out of control through the 1980s and early 1990s.

Implementing the President's Agenda

Five years ago, the President took office against the backdrop of a sweeping economic transformation both at home and abroad that was already dramatically changing how Americans lived, how they worked, and how they related to one another. An economy that had shifted from agriculture to manufacturing a century earlier was shifting again, this time from manufacturing to information, technology, and global commerce, challenging the rhythms of American life.

In this new economy, Americans could no longer rely solely on their hard work to earn a good living. Now, they would need the skills to run the computers and other sophisticated equipment that had be-

come the engines of growth. More and more, what they earned in an increasingly competitive economy depended on their knowledge, their creativity, their sense of innovation.

In early 1993, as one Administration replaced another, the Federal Government seemed ill-prepared to meet the challenges that lay at the Nation's doorstep, paralyzed by a seemingly intractable quandary—how to reverse more than a decade of record-setting, and still rising, budget deficits and a soaring national debt.

In sheer dollars, the Nation had never seen anything like it. The deficit, which had grown to worrisome levels in the mid- to late 1970s, soared in the early 1980s—first to over $100 billion, then quickly to over $200 billion. America faced the prospect of $200 billion deficits "as far as the eye could see," in the words of David Stockman, President Reagan's Budget Director. Over the next decade, Presidents and Congresses, together or on their own, tried to bring the deficit under control, but a structural mismatch between revenues and spending continually out-paced their efforts.

Year after year, the task of cutting the deficit cast a shadow over domestic, defense, and international policy. In that era, virtually every policy proposal from the Administration, Congress, or the private sector first elicited the question, "How will it affect the deficit?" The sheer merit of a proposal (e.g., to grow the economy, to address a social problem) often fell victim to Washington's all-consuming calculation of short-run cost.

President Clinton understood the need for deficit reduction, and he exerted the leadership to get it. But he understood just as clearly that deficit reduction would not suffice. While reducing the deficit, he would also invest more in the skills and training of the American people, and he would push aggressively to expand markets for U.S. goods.

The President's 1993 economic plan, which he worked with Congress to enact, was the centerpiece of his strategy. It slowed the growth of entitlements, raised taxes almost entirely on the wealthiest 1.2 percent of Americans, and extended the "caps" on discretionary spending for five years. It cut taxes for 15 million working families and made 90 percent of small businesses eligible for tax relief. And it began an ongoing effort to invest in education and training and in research in order to boost productivity and, thus, promote higher living standards; to protect the environment and fight crime in order to improve the quality of life for all Americans; and to secure the funds for a global policy that has brought peace to certain troublespots and expanded markets for U.S. goods.

Reaping the Benefits

The three elements of the President's plan—(1) reducing the deficit; (2) investing in the future; and (3) opening markets to expand trade—were never before tried together, and the strategy met its share of skeptics. Opponents predicted that the deficit would rise, not fall, because the economy would sink into recession, or worse. Jobs would disappear, the critics said, while interest rates and inflation would soar.

What happened? All elements of the strategy worked beyond even the Administration's most optimistic hopes. Rather than generate higher deficits, the plan helped cut the deficit beyond expectations. Rather than prompt a recession, the plan helped cut interest rates, spurring steady growth, over 14 million new jobs, record exports, lower unemployment and inflation, less poverty, less welfare, and less crime.

No element worked better than the first—reducing the deficit. The fiscal shortfall had hit a record $290 billion in 1992, and the Administration projected that, without changes in policy, it would hit $347 billion in 1997. The President's 1993 economic plan was designed to reduce the accumulated deficits over five years by a total of $505 billion.

What neither the Administration nor anyone else fully anticipated was how well the economy and economic plan would work together. The plan reassured financial investors, helping to cut interest rates and, in turn, spur growth and jobs. With the economy booming, Federal revenues from corporate and personal income taxes have far exceeded expectations. And, for the same reason, the Federal Govern-

ment has spent less on unemployment and other benefit programs than it anticipated.

Higher-than-expected revenues and lower-than-expected spending closed the deficit gap more quickly than expected. The 1997 deficit came in at $22 billion, just 0.3 percent of the Gross Domestic Product (GDP). In dollar terms and as a share of GDP, it was the lowest deficit in a quarter-century. (For a full discussion of the President's economic policy, see Section III, "Creating a Bright Economic Future.")

Even within the framework of the President's 1993 economic program, with its annual "caps" on total discretionary spending and its pay-as-you-go rules for financing new entitlements and tax cuts, the Administration worked with Congress on significant investments in education and training, the environment, science and technology, law enforcement, and other priorities to help raise the standard of living and quality of life for average Americans, both now and in the future. For example:

- The President's commitment to expand Head Start put 830,000 disadvantaged children into the program in 1998, helping to prepare these children for school and making further progress toward the President's goal of putting a million children in Head Start by 2002.
- His investments in public schools have helped States and communities raise academic standards, strengthen accountability, connect classrooms and schools to the information superhighway, and promote public school choice by opening over 700 charter schools.
- His national service program has enabled over 100,000 Americans to earn money for college while helping children to read, working with parents to improve their kids' health, creating after-school and summer programs, patrolling the streets, and performing other vital community work.
- His historic investments in higher education, from his new Hope scholarships to his record increases in Pell Grants, are ensuring that anyone who wants to go to college can afford to go.
- His efforts to help older, dislocated workers buffeted by economic change have led to a wider array of Federal retraining benefits and services to which workers can more easily avail themselves.
- His children's health care initiative, the largest investment in health care for kids since Medicaid was created, will provide meaningful benefits to up to five million uninsured children.
- His investments in the environment have protected or restored some of the Nation's most treasured lands, such as Yellowstone National Park and the Everglades, provided the funds to conserve others, and accelerated toxic waste clean-ups.
- His investments in research are helping to build new high-powered supercomputers and to develop drugs that could extend the life expectancy of those with HIV and AIDS.
- His COPS program that supports community policing is putting 83,000 more police (out of 100,000 under the program) on the streets of America's communities, helping to reduce violent crime for five straight years.
- His investments in distressed urban and rural areas have leveraged billions of dollars in private investment, created thousands of jobs, and helped bring communities back to life.

Cutting the Size of Government

How could the Administration both cut the deficit dramatically and invest more in these and other priorities? Not only by building a strong economy that would boost revenues and lower spending on unemployment and other benefits, but also by cutting unnecessary or lower-priority spending, and, led by the Vice President's National Performance Review, by increasing the efficiency and effectiveness of our Government.

Since 1993, the Administration has worked with Congress to limit total discretionary spending, partly by eliminating hundreds of programs and projects. More broadly, in every budget year of this Administration, total spending has equaled a smaller share of

GDP than in any year of the previous two Administrations and, in 1999, spending will drop to 20.0 percent of GDP, its lowest level since the early 1970s. The Administration has cut the size of the Federal civilian work force by over 316,000 people, creating the smallest work force in 35 years and, as a share of total civilian employment, the smallest since 1931.

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

To be sure, the job is not over. For 1999, the Administration once again is turning its efforts to the next stage of "reinventing" the Federal Government. It plans to dramatically overhaul 32 Federal agencies to improve key services, such as improving student loan processing and speeding aid to disaster victims. It also plans to tackle critical challenges, such as ensuring that Government computers can process the year 2000 date change and making more Government services available electronically. (For a full discussion of the Administration's management agenda, see Section IV, "Improving Performance Through Better Management.")

Under the 1993 Government Performance and Results Act, Cabinet departments and agencies have prepared individual performance plans that they will send to Congress with the performance goals they plan to meet in 1999. These plans, in turn, form the basis for the first Government-wide performance plan, which the Administration is sending Congress along with this budget. [1]

[1] The plan describes the Administration's commitment to fiscal, management, and program performance. Thus, it includes the following sections of this budget—Section III, "Creating a Bright Economic Future"; Section IV, "Improving Performance Through Better Management"; and Section VI, "Investing in the Common Good: Program Performance in Federal Functions."

Reaching Balance While Investing in the Future

Though the 1993 President's economic plan had exceeded all expectations in restoring the Nation's fiscal health, the task of reaching balance would require one final push. That would come with the historic 1997 Balanced Budget Act (BBA), on which the President and Congress agreed last summer.

Along with saving $247 billion over five years, the Act also extended the solvency of Medicare's trust fund for at least 10 years while providing for the largest investment in higher education since the G.I. Bill in 1945, the largest investment in children's health care since the creation of Medicaid in 1965, and a $500-per-child tax credit for about 27 million working families. It also provided tax incentives to restore distressed urban and rural neighborhoods, launched a $3 billion Welfare-to-Work jobs initiative, and restored health and disability benefits to elderly and disabled legal immigrants.

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

Within tight constraints, the President proposes major initiatives that will continue his investments in high-priority areas—from helping working families with their child care expenses to allowing Americans from 55 to 65 to buy into Medicare; from helping States and school districts recruit and prepare thousands more teachers and build thousands more classrooms to addressing the worldwide problem of global warming. The budget pays for every initiative—in the President's words, "line by line, dime by dime."

Families and Children: For five years, the President has sought to help working families balance the demands of work and family, and he proposes a major effort to make child care more affordable, accessible, and safe. His Child Care Initiative provides tax breaks to help families pay for care; tax incentives to help businesses create or expand child care facilities; direct subsidies for over two million poor or near-poor children; increased funding for before- and after-school programs; and funds to help States enforce safety and quality, to train child care staff, to promote early childhood development, and to improve the health of young children in child care. Also to help working families, the President proposes tax incentives to encourage small businesses to create pension plans for more workers.

Health Care: The President has worked hard to expand health care coverage and improve the Nation's health. The budget gives new insurance options to hundreds of thousands of Americans aged 55 to 65 and proposes new initiatives to ensure that as many uninsured children as possible are covered. In addition, it provides for unprecedented investments in biomedical research at the National Institutes of Health; advocates bipartisan national legislation that would reduce tobacco use among the young; expands access to new AIDS therapies through the Ryan White program; enables more Medicare recipients to receive promising cancer treatments by participating more easily in "clinical trials"; expands substance abuse prevention and treatment activities; and enhances food safety. The budget also funds full participation in the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), which will provide benefits to 7.5 million people by the end of 1999.

Education and Training: The President has worked to enhance access to, and the quality of, education and training. The budget takes the next step—helping States and school districts to reduce class size by recruiting and preparing thousands more teachers and to build thousands more classrooms; and creating new Education Opportunity Zones to provide needed support for high-poverty, low-achieving urban and rural districts while holding them accountable to boost student achievement. The budget also proposes to move further toward the President's commitment to put a million disadvantaged children in Head Start by 2002; begin field testing voluntary national tests; mobilize and train reading tutors for children; help parents, teachers, and communities create more charter schools that are free of most State regulations; integrate technology into the classroom as we connect every classroom to the Internet; enable more Americans to serve their communities and earn money for college; expand college work-study to a million students; make it easier for parents and students to borrow and repay college loans; raise the maximum Pell Grant college scholarship to its highest level ever; expand assistance to workers dislocated as a result of global trade and technological change; increase G.I. bill educational benefits for veterans; and expand resources for veterans who lose their jobs.

The Environment: The Administration, which helped engineer the global agreement in Kyoto to address climate change, proposes to launch the U.S. effort with tax incentives and spending that will spur energy efficiency and help develop low-carbon emission energy sources. The proposal includes incentives for buying new, highly fuel-efficient cars; for investing in energy-saving equipment for commercial and residential buildings; for commuting by public transit or vanpool; and for developing innovative energy generation techniques, such as biomass, wind, and photovoltaics. The budget also would restore and rehabilitate national parks, forests, and public lands and facilities; expand efforts to restore and protect the water quality of rivers and lakes; continue efforts to double the pace of Superfund cleanups; extend the Brownfields initiative to promote local cleanup and redevelopment; better protect endangered species; continue to restore Florida's Everglades and California's Bay-Delta and protect Yellowstone National Park and California's Headwaters Forest; improve the roads through national parks; and expand the public's access to information about environmental conditions in their neighborhoods.

Research: The President has sought to tap the full potential of our boundless future by investing heavily in basic and applied research. Along with increasing funds for biomedical research at the National Institutes of Health, the budget would promote science and engineering research at the National Science Foundation; support space-related activities

that enhance our knowledge of Earth; invest in Federal-private ventures to more quickly develop cutting-edge technologies that create jobs; strengthen university-based research; invest in environmental research on safe food and clean air and water; expand support for energy efficiency and renewable energy programs; enable Americans to travel more safely, more quickly, and more efficiently; and put commercial industry's technical know-how and economies of scale to work for national defense.

Innovating to Invest

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

The funds are:

- The Research Fund for America, which includes a broad range of investments in knowledge, including programs of the National Institutes of Health, the Centers for Disease Control and Prevention, the National Science Foundation, the National Aeronautics and Space Administration, the Energy Department, the Commerce Department's National Institute of Standards and Technology, Agriculture Department research programs, the multi-agency Climate Change Technology Initiative, and other programs. The budget finances this Fund, in part, through receipts from tobacco legislation and savings in mandatory programs.
- The Environmental Resources Fund for America, which encompasses the multi-agency Clean Water Initiative; the new Land, Water, and Facility Restoration Initiative of the Interior and Agriculture Departments; the Agriculture Department's water and wastewater program for rural communities; and the Environmental Protection Agency's programs for cleaning up hazardous waste sites (within the Superfund) and upgrading clean water and safe drinking water infrastructure. The budget finances the Fund, in part, through an extension of Federal taxes that support the Superfund.
- The Transportation Fund for America, which includes the Transportation Department's highway, highway safety, and transit programs; the Flight 2000 free flight demonstration program; and the Federal Aviation Administration's programs, including Airport Grants. The budget finances the Fund, in part, through a new Federal aviation user fee.

Looking Ahead

In policy-making terms, the fiscal ground has shifted dramatically in Washington. No longer will the deficit hover like a dark cloud over all debate and decisions. No longer will it serve as a symbol of fiscal incompetence. No longer will it sap the public's confidence in its national leaders.

Five years into this Administration, the Nation has turned the corner. A budget that was out of control is now headed toward balance while investing in the American people and reflecting their values. As a result, an economy that was adrift is now strong, with the fundamentals in place to herald an era of continuing prosperity. A Government that lacked direction is now focused on providing better service, more efficiently, at lower cost.

To be sure, challenges remain on the fiscal front. For one thing, the path to balance is predicated on a continued adherence to budget discipline, as framed first by the 1993 economic program and, more recently, by the BBA. For another, the challenge of ensuring the financial solvency of Social Security and Medicare, on which tens of millions of Americans rely, stands not too far into the future.

In the public and private sectors, meanwhile, prospects for a budget surplus are spurring a wide array of ideas about how to use it. At this point, the Government has not yet reached the surplus milestone, and the

President believes strongly that "we should not spend a surplus that we don't yet have."

More specifically, he believes the Administration and Congress should not spend a budget surplus for any purpose until we have a solution to the long-term financing challenge facing Social Security. With that in mind, the budget proposes a reserve for the projected surpluses for the years 1999 and beyond.

III. CREATING A BRIGHT ECONOMIC FUTURE

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III. CREATING A BRIGHT ECONOMIC FUTURE

There is no doubt that the economic strategy we put in place in 1993 created the conditions for the extraordinary private sector growth we have all witnessed... Four straight years of deficit cuts have produced the economic expansion as well as real benefits for ordinary Americans: lower car payments, lower mortgage rates, lower credit card rates. This balanced budget will close a chapter in American history: years—decades in fact—when our people doubted whether Government could work for them and questioned whether our Nation could set and meet goals.

President Clinton
August 1997

For five years, the President has pursued a fiscal and economic policy that has shown remarkable results. Due largely to his 1993 economic plan, the budget deficit, which had hit a record $290 billion in 1992, is not only lower than even the Administration had expected, it's also at its lowest level in a quarter-century. The publicly held debt not only has stopped rising as a share of the economy, but actually has begun to decline. Now, this budget will finish the deficit-cutting job and mark a true milestone in American economic history—the first balanced budget in 30 years.

The President's commitment to lower deficits bore fruit right from the start. Long-term interest rates fell in 1993 and have remained relatively low, helping to spur record levels of business investment. Unemployment and inflation have both continued to fall, bringing the so-called "misery index"[1] to its lowest level in 30 years. The current economic expansion, already the third longest in U.S. history, shows no signs of ending, putting it on track to become the longest in the Nation's history.

Continuing its practice of using conservative economic assumptions, the Administration projects that growth will continue at a steady pace without inflation. Unemployment and interest rates will remain relatively low. Due both to a strong economic outlook and to the 1997 Balanced Budget Act (BBA), the President now proposes a balanced budget for 1999, three years earlier than expected. The economic and fiscal outlook for the longer term, until 2050, also has improved since last year.

Nevertheless, the coming retirement of the baby boom generation points up the need for long-term structural changes that will support the financial health of Social Security and Medicare and ensure that future generations share in the retirement and health security that senior citizens enjoy today.

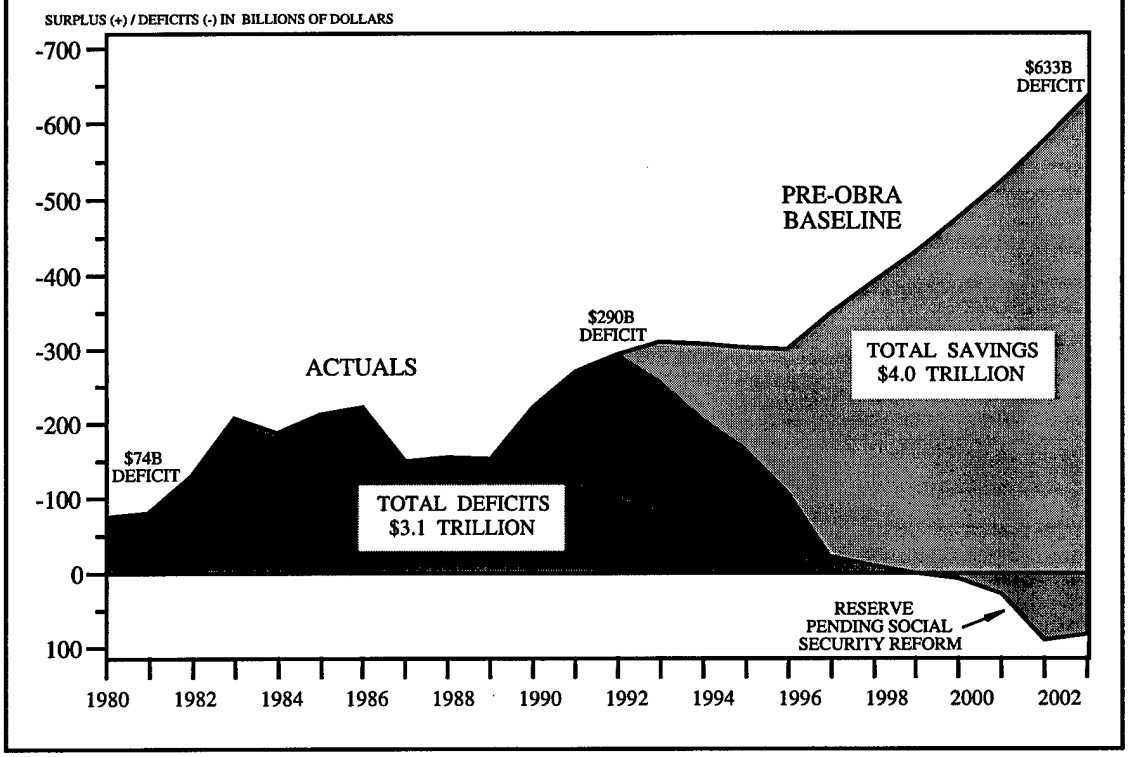
Budgetary Performance

By the time President Clinton took office, the deficit for the previous year, fiscal 1992, had hit a record $290 billion. For the 12 years up to then, annual deficits totaled $2.3 trillion. Never before had the Nation witnessed such an explosion of public debt. Moreover, without changes in policy, public and private forecasters projected that the deficit would keep rising, potentially pushing total public debt, future interest costs, and deficits into an upward spiral without limit (see Chart III–1).

The Administration set out, first and foremost, to cut this massive deficit and to put the budget and economy on a sound,

[1] Over 20 years ago, economist Arthur Okun developed the concept of a "misery index," calculated by adding together the unemployment rate and the rate of inflation, as measured by the Consumer Price Index.

Chart III-1. FINISHING THE JOB: BALANCING THE BUDGET AFTER DECADES OF DEFICITS

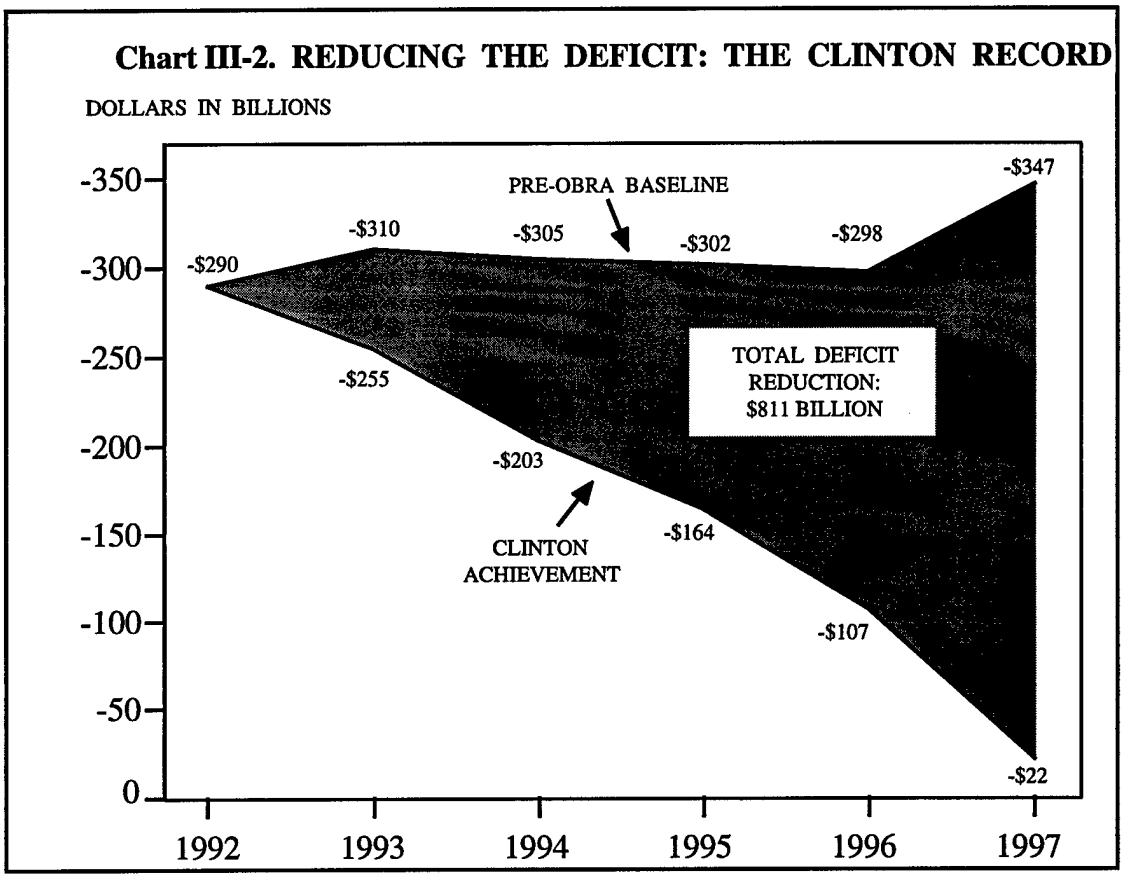


sustainable footing. To that end, the President proposed, and Congress enacted, the Omnibus Budget Reconciliation Act (OBRA) in 1993 as a solid first step toward fiscal responsibility. It has proved to be much more. In the last four years, cumulative deficits and accumulating debt have fallen more than twice as much as the Administration had conservatively projected.

Still, OMB and the Congressional Budget Office (CBO) agreed that the deficit would begin rising again without further action. Consequently, the President worked with Congress to finish the job, enacting the BBA in mid-1997 with the goal of reaching balance in 2002. The Administration now proposes a balanced budget in 1999. In addition, the Administration projects that, together, OBRA and the BBA will reduce the total deficits from 1993 to 2003 by $4.0 trillion—more than the deficits that the Government accumulated from 1981 to 1992.

The Administration has Exceeded Its 1993 Deficit Reduction Pledge: Upon OBRA's enactment, the Administration projected that it would reduce the accumulated deficits from 1994 to 1998 by $505 billion. Clearly, it will exceed that goal. (In fact, in the five years from 1993 to 1997, total deficits are $811 billion lower, as shown in Chart III-2). Each year, the deficit has been lower than the Administration had forecast before the year began. For 1997, the actual deficit of $22 billion was over $150 billion lower than what both OMB and CBO had forecast after OBRA was enacted. All told, the Administration now expects that, combined with a healthy economy, OBRA will reduce the accumulated deficits from 1994 to 1998 by more than twice the projected $505 billion.

The Administration has Ended the Debt Buildup of the 1980s: The Government finances its deficit by borrowing from the public, thereby accumulating its publicly held debt. As a share of Gross Domestic Product (GDP),



Federal debt held by the public[2] reached a post-World War II peak of 109 percent in 1946. Because the economy grew faster than the debt for the next few decades, the debt gradually fell to about 25 percent of GDP in the 1970s. But the exploding deficits of the 1980s sent it back up as a share of GDP. In dollar terms, publicly held Federal debt quadrupled, rising from $710 billion at the end of 1980 to $3.0 trillion by the end of 1992. As a percentage of GDP, it doubled, from about 25 percent to about 50 percent—wiping out all the progress achieved since 1956.

Had this Administration done nothing, the debt would have approached $7 trillion, or 70 percent of GDP, by 2002. Instead, working with Congress, the Administration reversed the debt build-up as a share of GDP, and it now projects that debt will fall below 40 percent of GDP in 2002 (see Chart III–3).

U.S. Budgetary Performance Is Among the World's Best: Counting all levels of government, the total U.S. budget deficit is smaller as a share of GDP than in all other G–7 countries[3] except Canada (see Chart III–4). The reason is not high taxes; the share of GDP devoted to taxes is lower in the United States than in any other leading country. Rather, the reason is relatively low public spending—even though this Nation has a much larger defense establishment than the other G–7 countries.

The Administration has Reduced the Federal Claim on the Economy: By 1992, Federal spending had reached 22.5 percent of GDP, topping its average of 21.2 percent from 1969 to 1997. But, in every budget year under this Administration, spending has equaled a smaller share of GDP than in any year of the

[2] This measure excludes debt held in Federal trust funds. At the end of 1997, the trust funds held over $1.5 trillion of debt that the Federal Government owes to itself. Thus, such debt is both a Government asset and a liability.

[3] The G–7 comprises the world's seven largest industrial powers: the United States, the United Kingdom, Germany, France, Japan, Italy, and Canada.

Chart III-3. DEBT HELD BY THE PUBLIC

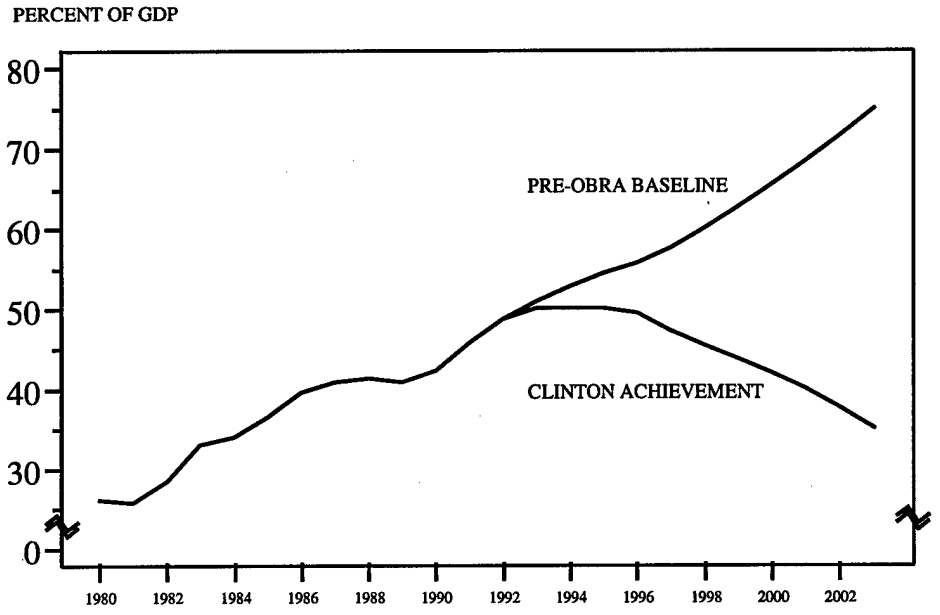
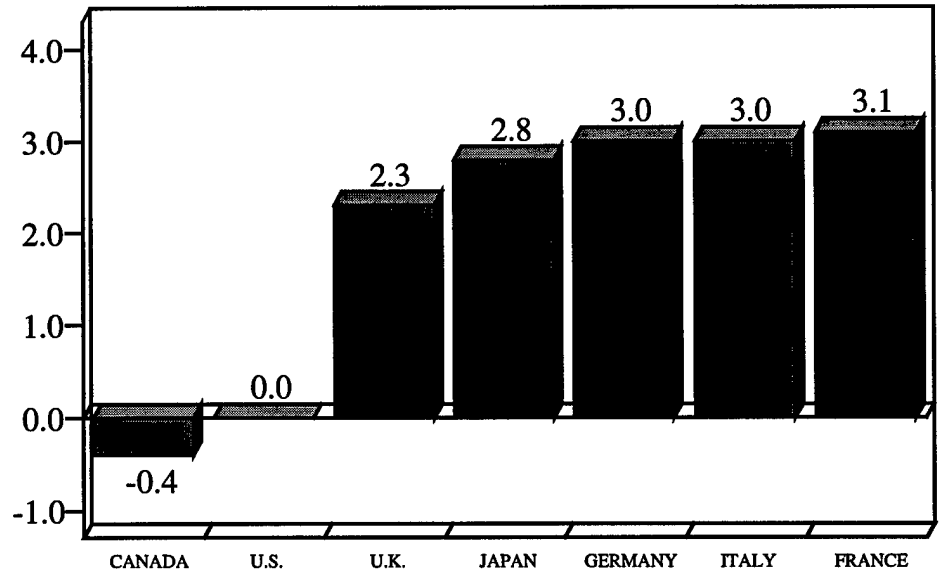


Chart III-4. 1997 GENERAL GOVERNMENT DEFICITS



Source: OECD, Economic Outlook, December 1997.

previous two Administrations. The Administration now projects that, by 1999, spending will fall to 20.0 percent of GDP, its lowest level since the early 1970s.

Federal Receipts are Higher than Projected, Mainly Due to Economic Growth: In the past five years, spending has been lower, and receipts higher, than the Administration had projected, leading to lower deficits than projected. With regard to the most recent, and quite extraordinary, fall in the deficit from $107 billion in 1996 to just $22 billion in 1997, the answer lies in a continuing surge in receipts and in spending that came in below expectations. That surge is rooted in an especially strong economy. Tax rates have remained constant since 1993.

Some economists predicted that the 1993 targeted tax rate increases on the top 1.2 percent of Americans would slow the economy and actually lead to lower tax collections, particularly among the well-to-do. In fact, tax revenues have soared since 1993—and the largest increases have come at the top. Total Federal receipts have risen nearly eight percent a year since 1992. Federal income tax revenues rose by nearly 25 percent from 1992 to 1995 (the last year for which we have data), but by nearly 50 percent for those with incomes above $200,000.

The President's balanced budget for 1999 results from a drop in spending of 2.5 percent of GDP since 1992 and an increase in revenues of 2.3 percent of GDP over the same period, driven by economic growth. Thus, 52 percent of the total deficit reduction has come from spending cuts, 48 percent from higher receipts.

Economic Performance

By reducing the Federal Government's demand for capital in the financial markets, a falling deficit has freed capital for private investment. At the same time, the promise of future budgetary stability has promoted business confidence. The fiscal improvement has enabled the Federal Reserve to maintain low, stable interest rates that, in turn, have helped prolong and strengthen the economic expansion. The surge in business investment of the last five years shows that these policies are working, and as the budget reaches balance, prospects for continued economic progress are excellent.

The Current Expansion Is the Third Longest: In January 1998, the economy recorded its 82nd straight month of growth, marking the third longest expansion in U.S. history (and the second longest in our peacetime history). If the economy continues to grow through the end of 1998, the current expansion will become the longest in peacetime history, surpassing that of the 1980s. If it continues to grow until February 2000, as most private forecasters expect,[4] the expansion will become the longest of all time, surpassing the 106-month expansion of the 1960s.

The Administration's Fiscal Policy Has Promoted a Sound Expansion: Unsustainable Federal deficits, in part, stimulated both of the longer post-war expansions—the first in the 1960s, the second in the 1980s (see Chart III–5). The economy expanded because the Government expanded, dragging the private sector along; when the Government removed its stimulus, the economy faltered.

In these earlier expansions, the fiscal stimulus came at different times. In the 1960s, the deficit was quite restrained early in the decade, but grew sharply after 1965. In the early 1980s, the "structural deficit"[5] soared to almost five percent of GDP. That large deficit helped pull the economy out of the deep recession of 1981–1982, but the Government's subsequent failure to curb it held up real interest rates, led to the financial problems that marked the end of the decade, and helped bring on the recession of 1990–1991.

In contrast, during the current expansion, the deficit has been shrinking and private investment has propelled the economy forward.

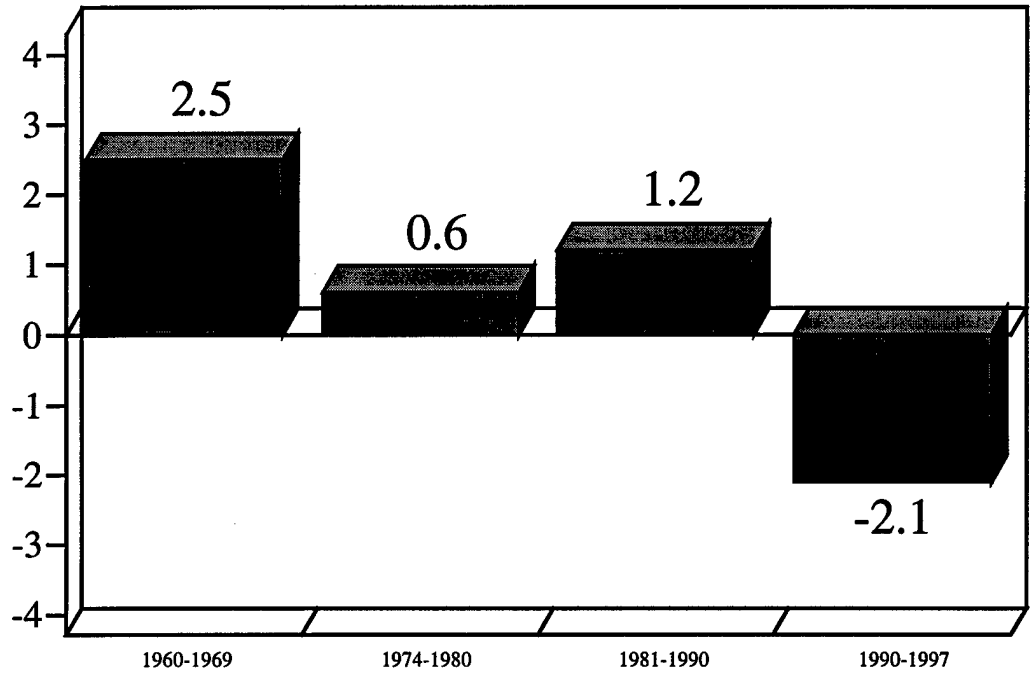
This Expansion is Led by a Strong Private Sector: Under this Administration, the economy has grown at a healthy, inflation-adjusted 3.0 percent a year. But, at least as important, private demand for goods and services has grown even faster than the economy as a whole—3.6 percent a year compared to

[4] According to the December *Blue Chip* survey.

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

Chart III-5. CHANGE IN STRUCTURAL DEFICIT AS A PERCENT OF POTENTIAL GDP

(During four longest postwar expansions preceding cyclical peak fiscal year to seventh following fiscal year)



Increase in CBO standardized-employment deficit as a share of potential GDP. Structural deficit is adjusted for deposit insurance, allied contributions to Desert Storm and spectum auctions. Potential GDP is an estimate of a high, standardized level of output over time.

3.0 percent from 1981 to 1989 and 1.3 percent from 1989 to 1993. The Federal Government's direct claim on GDP (mainly, defense and other discretionary spending, excluding transfer payments) has shrunk by 2.6 percent a year. Of the more than 14 million jobs created under this Administration, 93 percent have been in the private sector. In the 1980s, by contrast, the Federal Government's direct claim on GDP grew faster than the private sector's claim.

Why is the contrast important? Because when Federal demands spur economic growth, the economy is more vulnerable to sudden changes in Federal policy—as in the late 1980s when the Government shifted from a defense build-up to a build-down. Though appropriate as the Cold War ended, this shift prompted a painful economic adjustment in many regions. But, when an expansion is led by the investment decisions of thousands of firms and millions of people across the country, the economy is less vulnerable to the sudden swings that can arise from a single policy decision.

A Surge in Business Investment Fueled the Expansion: Since 1992, real business investment in equipment has expanded at an 11.8 percent average yearly rate—more than triple the 3.5 percent annual rate from 1980 through 1992.

Investment growth is important for two reasons:

- Investment adds to the economy's productive capacity, and a larger economy generates more income, leading to higher average living standards. In the final analysis, a stronger economy is a prerequisite to meeting the retirement costs of the baby-boom generation without unduly burdening future workers.
- New equipment embodies advanced technology, making workers who use the equipment more productive. Higher productivity permits larger wage increases without threatening higher inflation.

The "Misery Index" Has Dropped to its Lowest Level in 30 Years: Falling unemployment can "overheat" the economy, leading to higher inflation. In the current expansion, however, both unemployment and inflation have continued to fall, even after the expansion entered its seventh year. In November of last year, unemployment fell to 4.6 percent, its lowest level since 1973. Meanwhile, the core inflation rate (measured by the Consumer Price Index, or CPI, excluding volatile food and energy items), was running at a 2.2 percent annual rate, its lowest since 1966. At the end of 1997, the "misery index"—the sum of inflation and unemployment—was at its lowest level in 30 years (see Chart III–6).

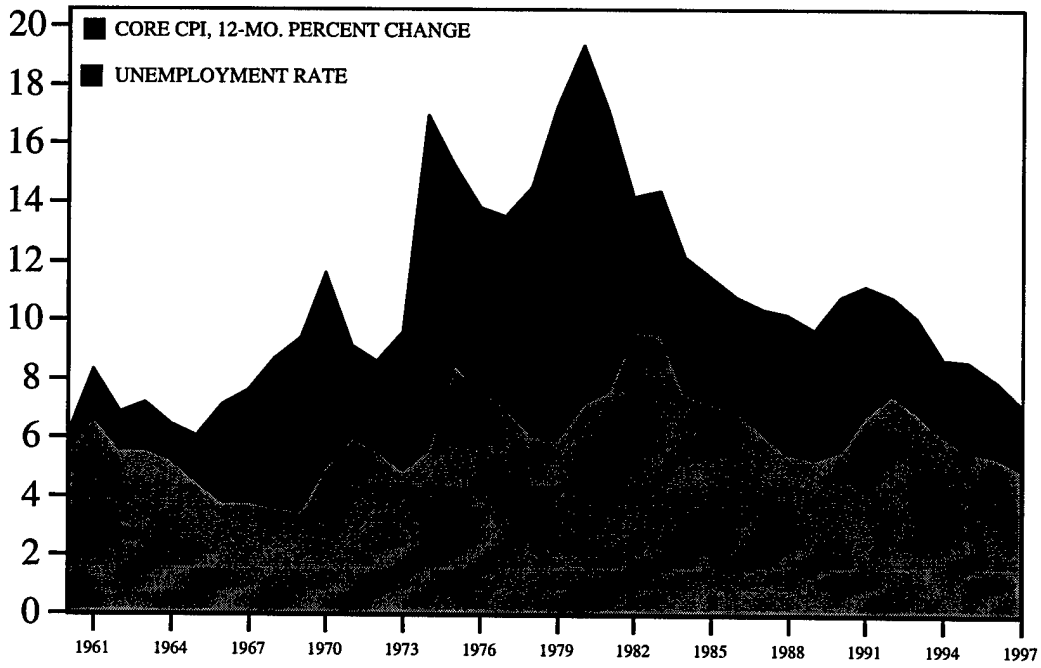
The Near-Term Economic Outlook, 1998–2008

The Administration expects the economy to continue to expand at a healthy rate without inflation. But, growth should moderate from its recent pace. In 1996–1997, real GDP grew at a 3.5 percent average rate, much faster than the economy has been able to sustain in recent decades without higher inflation. Even allowing for somewhat more moderate growth, general macroeconomic conditions would remain very favorable, with both unemployment and inflation remaining near their lowest levels in decades.

Though the economy remains strong, one potentially troublesome development is the financial dislocation in Asia. To maintain growth in the United States and to support stability in Asia, the Administration expects to propose a supplemental appropriation to replenish International Monetary Fund (IMF) resources and, as it did last year, to again propose to provide a contingent credit line to the IMF.

This budget relies on conservative economic assumptions that are close to the consensus among private forecasters, as well as to those of CBO. The Administration is confident that, as the budget reaches balance, the economy could perform even better. Under this Administration, the economy has consistently performed better in virtually all respects

Chart III-6. MISERY INDEX
(Unemployment rate plus inflation rate)



than the Administration or CBO had projected. But, for budget planning, the Administration continues to believe it is prudent to use conservative economic assumptions, the highlights of which include:

Real GDP: Real GDP growth averages 2.0 percent on a fourth-quarter-over-fourth-quarter basis through 2000. For 2001 to 2007, growth averages 2.4 percent a year, the Administration's estimate of potential sustained real growth. Starting in 2008, projected economic growth slows due to the shifting composition of the population. As Americans age, a smaller portion of them will likely be in the workforce. The Administration expects the resulting slowdown in the growth of hours worked to lower real GDP growth.

Unemployment: The civilian unemployment rate rises gradually, from 4.9 percent in 1998 to 5.4 percent in 2001, which is the Administration's conservative estimate of the threshold level of unemployment consistent with stable inflation in the long run.

Inflation: The CPI rises 2.2 percent in 1998–1999, then 2.3 percent a year in the following years. These projections include technical improvements in measuring the CPI. The price index for GDP rises 2.0 percent in 1998, 2.1 percent in 1999, and 2.2 percent in the following years. The gap between the two measures of inflation, which has been larger in the past, narrows due to recent and expected methodological improvements in both indexes. Without these improvements, measured inflation would rise slightly more.

Interest rates: Interest rates, already lower than a year ago, remain below levels of recent years as the budget approaches balance. The yield on 10-year Treasury notes reaches 5.7 percent by 2001; on a discount basis, the 91-day Treasury bill rate drops to 4.7 percent.

The Administration does not try to project the business cycle beyond the next year or so. The expansion will surely end at some point, though no signs of a downturn have emerged. But even allowing for future recessions, projected economic growth averages 2.4 percent from 2001–2007, and projected unemployment averages about 5.4 percent. In some years, growth will be faster and unemployment lower, while in others, growth and employment will fall short of these projections. But, because the Administration expects the growth and unemployment assumptions to hold on average over this period, they provide a sound, prudent basis for projecting the budget. Similarly, the Administration expects inflation and interest rates to average near the projections shown in Table III–1, although year-to-year fluctuations surely will occur.

Investing in Economic Statistics

Our democracy and economy demand that public and private leaders have unbiased, relevant, accurate, and timely information on which to base their decisions. But rapid changes in the economy and society, and funding levels that do not enable statistical agencies to keep pace with them, increasingly threaten the relevance and accuracy of America's key statistics.

Economic data, in particular, are not only key indicators for fiscal and monetary policy; they also underlie Federal, State, and local income projections, investment planning, and business decisions. In recent years, active public debate has focused on the measuring of GDP, CPI, and many other indicators that are widely used, explicitly and implicitly, in public and private decision-making. Small but essential investments to address these measurement issues will allow our statistical system to track the economy more accurately and, in the process, help both Government and the private sector better allocate their limited resources.

The budget proposes such carefully targeted investments, ranging from improvements in data (including statistics on service industries, construction, and State and local government), to the development of more accurate summary statistics from those data (such as GDP and the National and Personal Income estimates), to greater public access to Government data (including electronic distribution). These initiatives are documented in greater detail in Chapter 11 of *Analytical Perspectives,* "Strengthening Federal Statistics."

Table III–1. ECONOMIC ASSUMPTIONS[1]

	Actual 1996	Projections						
		1997	1998	1999	2000	2001	2002	2003
Gross Domestic Product (GDP):								
Levels, dollar amounts in billions:								
Current dollars	7,636	8,080	8,430	8,772	9,142	9,547	9,993	10,454
Real, chained (1992) dollars	6,928	7,187	7,357	7,503	7,652	7,820	8,008	8,199
Chained price index (1992 = 100), annual average	110.2	112.5	114.6	116.9	119.5	122.1	124.8	127.5
Percent change, fourth quarter over fourth quarter:								
Current dollars	5.6	5.5	4.0	4.1	4.3	4.6	4.6	4.6
Real, chained (1992) dollars	3.2	3.6	2.0	2.0	2.0	2.3	2.4	2.4
Chained price index (1992 = 100)	2.3	1.9	2.0	2.1	2.2	2.2	2.2	2.2
Percent change, year over year:								
Current dollars	5.1	5.8	4.3	4.1	4.2	4.4	4.7	4.6
Real, chained (1992) dollars	2.8	3.7	2.4	2.0	2.0	2.2	2.4	2.4
Chained price index (1992 = 100)	2.3	2.0	1.9	2.0	2.2	2.2	2.2	2.2
Incomes, billions of current dollars:								
Corporate profits before tax	677	729	754	768	790	805	830	851
Wages and salaries	3,633	3,868	4,057	4,237	4,424	4,623	4,840	5,068
Other taxable income[2]	1,693	1,786	1,859	1,915	1,975	2,046	2,128	2,213
Consumer Price Index (all urban):[3]								
Level (1982–84 = 100), annual average	157.0	160.7	164.1	167.7	171.5	175.5	179.5	183.6
Percent change, fourth quarter over fourth quarter	3.2	2.0	2.2	2.2	2.3	2.3	2.3	2.3
Percent change, year over year	2.9	2.4	2.1	2.2	2.3	2.3	2.3	2.3
Unemployment rate, civilian, percent:								
Fourth quarter level	5.3	4.8	5.0	5.2	5.4	5.4	5.4	5.4
Annual average	5.4	5.0	4.9	5.1	5.3	5.4	5.4	5.4
Federal pay raises, January, percent:								
Military[4]	2.6	3.0	2.8	3.1	3.0	3.0	3.0	3.0
Civilian[5]	2.4	3.0	2.8	3.1	3.0	3.0	3.0	3.0
Interest rates, percent:								
91-day Treasury bills[6]	5.0	5.0	5.0	4.9	4.8	4.7	4.7	4.7
10-year Treasury notes	6.4	6.4	5.9	5.8	5.8	5.7	5.7	5.7

[1] Based on information available as of early December 1997.

[2] Rent, interest, dividend and proprietor's components of personal income.

[3] Seasonally adjusted CPI for all urban consumers. Two versions of the CPI are now published. The index shown here is that currently used, as required by law, in calculating automatic adjustments to individual income tax brackets. Projections reflect scheduled changes in methodology.

[4] Beginning with the 1999 increase, percentages apply to basic pay only; adjustments for housing and subsistence allowances will be determined by the Secretary of Defense.

[5] Overall average increase, including locality pay adjustments.

[6] Average rate (bank discount basis) on new issues within period.

The Near-Term Budget Outlook, 1998–2003

The Administration projects that the budget will reach balance in 1999—ending an era of continuous deficits that lasted 30 years (see Chart III–7). By definition, projections are imprecise; the further into the future, the more imprecise. But, the Administration is committed to close the structural budget deficit and keep the budget in balance—as long as the economy maintains normal levels of unemployment.

The Outlook has Improved Since the Balanced Budget Act: Last summer, OMB and CBO both projected that the BBA would not produce a balanced budget until 2002. Since then, the budget outlook has improved. Economic growth has continued to exceed expectations, and inflation has remained low. The resulting changes in the Administration's economic and technical projections have reduced the projected deficits and moved the expected year of balance ahead to 1999 (see Chart III–8).

Chart III-7. BUDGET SURPLUS(+)/DEFICIT(-)

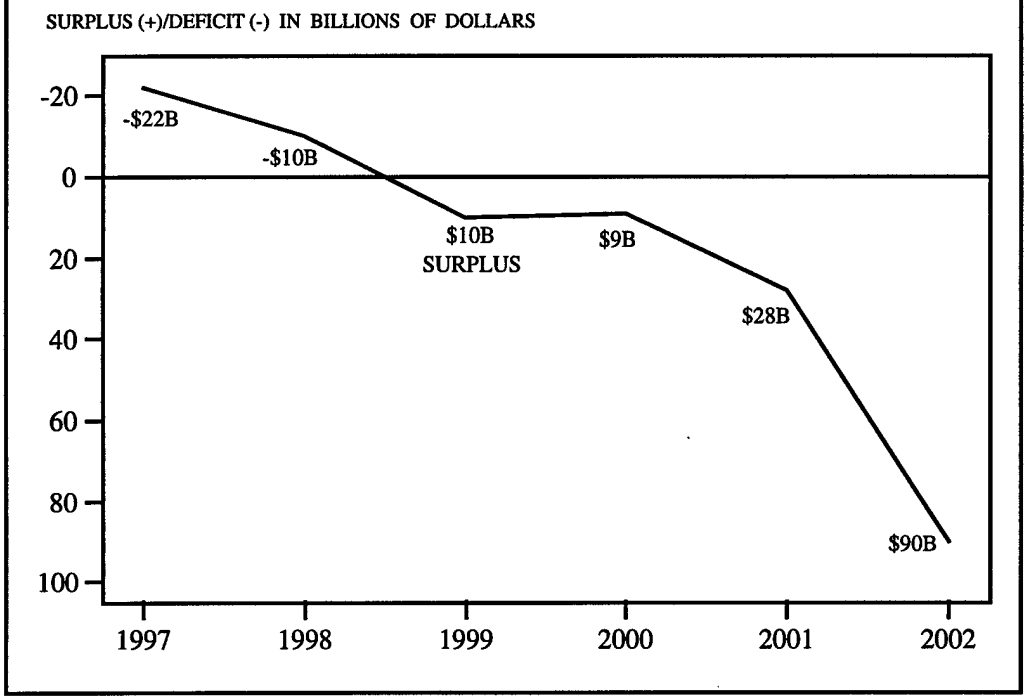
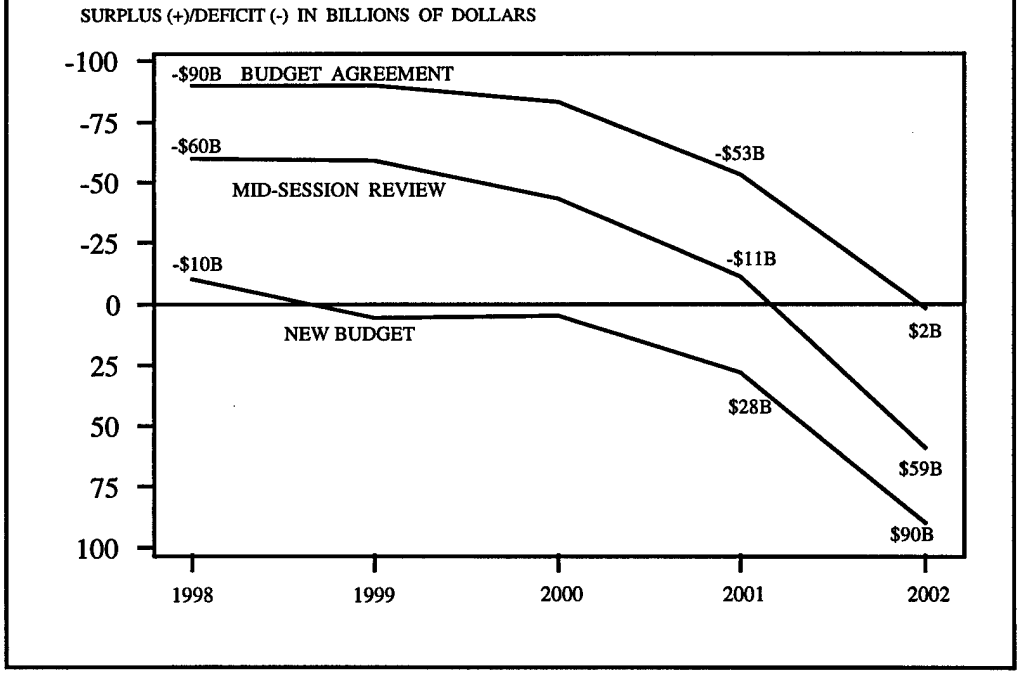


Chart III-8. CHANGES IN THE ESTIMATES OF THE BUDGET DEFICIT



IV. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

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IV. IMPROVING PERFORMANCE THROUGH BETTER MANAGEMENT

We had to reject the idea of those who say we should do nothing with Government and reject those who say we should try to do everything. Instead, we gave the American people a Government that is very much smaller, more focused, but more committed to giving people the tools and conditions they need to make the most of their lives.

President Clinton
October 1997

The President has challenged the Federal Government to do more with less—and with good reason.

Departments and agencies, which once could count on more funds from year to year, no longer can; indeed, with the Administration committed to balancing the budget, some agencies will get less.

Public demands for more and better services have not shrunk, however. Americans continue to want good schools, a clean environment, high-quality health care, and secure retirement benefits. Thus, the Government must satisfy these demands by managing better and improving the performance of programs.

The Administration has answered the call. Vice President Gore, working with the departments, agencies, and inter-agency working groups, and drawing on the expertise of the private sector, has led an unprecedented effort to cut the size of the Federal Government and make it more efficient and effective. Through these reinvention efforts, the Administration has saved $137 billion over the last five years.

The Administration has cut the civilian Federal work force by over 316,000[1] employees, creating the smallest work force in 35 years and, as a share of total civilian employment, the smallest work force since 1931. Almost all of the 14 Cabinet Departments have cut their work forces; only the Justice Department's work force is growing due to the Administration's expanded war on crime and drugs, while the Commerce Department's work force is growing due to the decennial census (see Charts IV–1 and IV–2).

But the work is not done, and the Administration has an ambitious agenda to continue reinventing Government so that it is more effective, more efficient, and more responsive to the American people. This section highlights the key parts of this "Management Agenda"[2]:

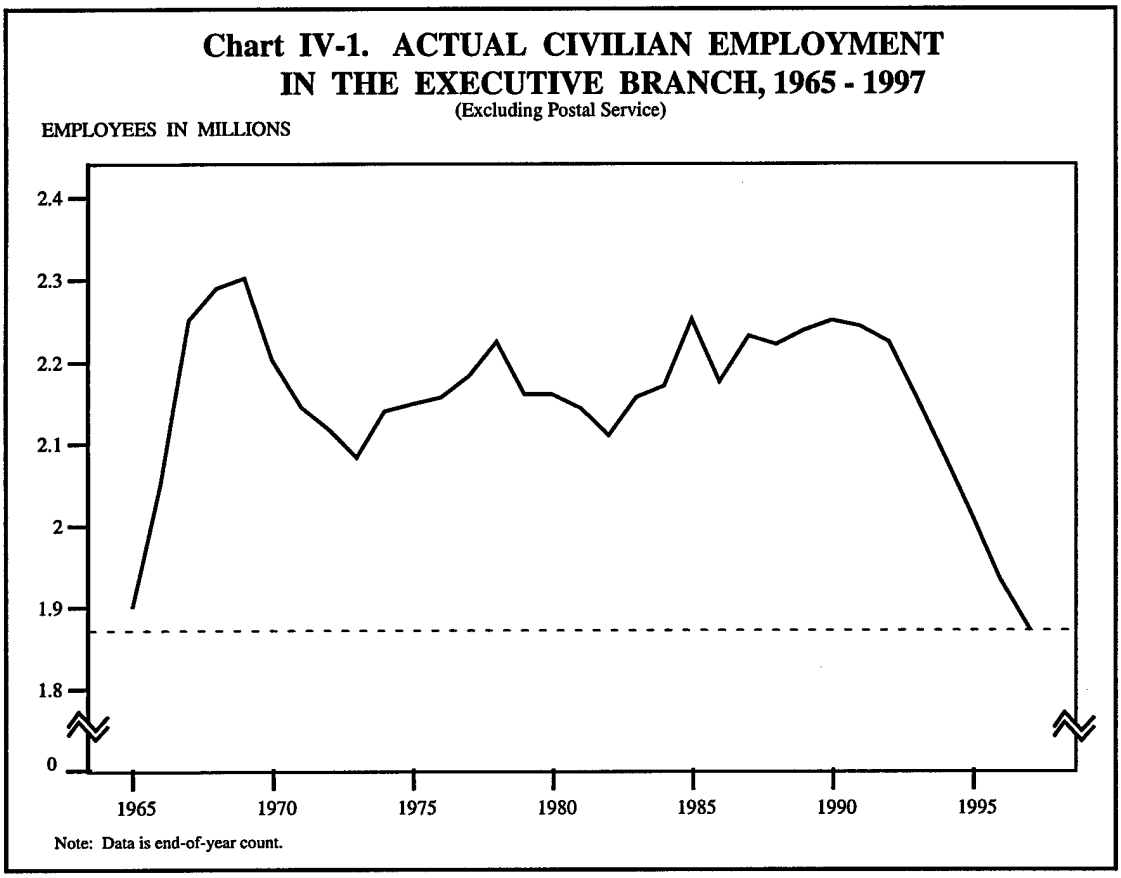
- The National Performance Review's (NPR) efforts to reinvent entire agencies;
- The Administration's top management objectives;
- The Administration's management support initiatives; and
- The activities of inter-agency working groups.

The NPR: Reinventing Agencies to Serve Americans

The NPR has introduced important changes across the Government that have improved services and cut costs—from streamlined drug approvals at the Food and Drug Administration to better customer service at the Social Security Administration; from procurement reforms that have saved $12.3 billion to the pending sale of the Naval Academy's 800-acre dairy farm in Annapolis, Md. Now, the NPR is moving from reinventing processes

[1] As of September 30, 1997.

[2] For more information on the issues discussed in Section IV, see the footnotes that list websites on the Internet.



within agencies to reinventing agencies in their entirety in order to create customer-oriented, results-driven organizations that focus on performance.

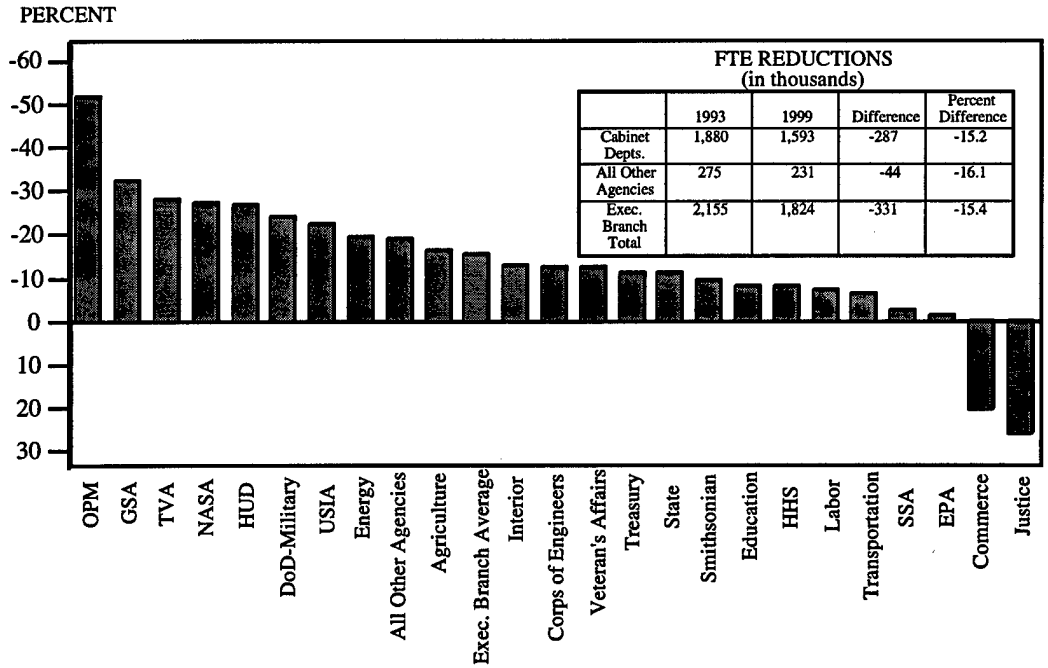
Over the next three years, the NPR will work with the agencies that interact most with individuals and businesses to improve performance and enable the American people to more quickly enjoy better service and regain their confidence in Government. Following the examples of America's best-run companies, the NPR will help these agencies align their management systems to better serve their customers. These agencies already have the key building blocks in place: strategic plans, annual performance plans, and budgetary resources. The next step is to better integrate their information technology, human resource systems, and service processes so that they better focus on customers.

In addition, the Vice President has challenged the leaders of 32 agencies, with over 1.4 million full-time equivalent (FTE) positions, to commit to achieving significant, concrete, measurable goals over the next three years. These "High Impact Agencies" include the Immigration and Naturalization Service, National Park Service, and Social Security Administration (see Table IV–1).

"You should focus your efforts in three areas—partnerships, the use of information technology, and customer service," the Vice President instructed the heads of these agencies last summer. "Yours are the agencies that shape the public's opinion of Government and can redeem the promise of self-government. Public cynicism about Government is a cancer on democracy. Reinvention isn't just about fixing processes, it's about redefining priorities and focusing on the things that matter."

Working with the NPR, these agencies have developed over 200 specific, measurable commitments that they will complete by the year 2000. They involve improving services

Chart IV-2. PROJECTED CIVILIAN FTE CHANGES ON A PERCENT BASIS, 1993 - 1999 CABINET DEPARTMENTS AND SELECTED INDEPENDENT AGENCIES



FTE REDUCTIONS (in thousands)

	1993	1999	Difference	Percent Difference
Cabinet Depts.	1,880	1,593	-287	-15.2
All Other Agencies	275	231	-44	-16.1
Exec. Branch Total	2,155	1,824	-331	-15.4

Notes: The Executive Branch total excludes Postal Service. The 1993 base, which is the starting point for calculating the 272,900 FTE reduction required by the Federal Workforce Restructuring Act, is 2.2 million.

in areas that Americans care about.[3] Major performance goals include:

- *Improving student aid delivery:* The Education Department will determine, within four days, the eligibility of students and families who apply for student aid electronically, cutting the processing time in half.
- *Speeding aid to disaster victims:* Through partnerships with Federal, State, local, and voluntary agencies, the Federal Emergency Management Agency will act on all requests to meet victims' needs for water, food, and shelter within 12 hours of a disaster event, with the intent to coordinate services within 72 hours of a Presidential declaration of disaster.
- *Finding the right agency on the first try:* The General Services Administration will restructure Federal listings in the blue pages of local telephone books, ensuring that Americans can find the Government service they need the first time they look.
- *Reducing time for clearance at U.S. airports:* Working with the Agriculture Department and the Customs Service, the Justice Department's Immigration and Naturalization Service will clear international passengers at airports in 30 minutes or less while improving enforcement and regulatory processing.
- *Reducing injury and illnesses in the workplace:* The Labor Department's Occupational Safety and Health Administration will cut injury and illness rates by a fifth in at least 50,000 of the most hazardous workplaces.
- *Increasing access to Federal recreation opportunities:* The National Park Service will create, with other Federal natural resource agencies, an integrated Nation-wide outdoor recreation information system that gives all Americans electronic access to information about recreation on Federal

[3] The NPR's home page, at www.npr.gov, links to the performance commitments of each agency.

Table IV–1. High Impact Agencies

Agriculture:
- Animal and Plant Health Inspection Service
- Food Safety and Inspection Service
- Food and Consumer Service
- Forest Service

Commerce:
- Bureau of the Census
- U.S. and Foreign Commercial Service/International Trade Administration
- Patent and Trademark Office
- National Weather Service

Defense:
- Acquisition Reform

Education:
- Student Financial Assistance

Environmental Protection Agency

Federal Emergency Management Agency

General Services Administration

Health and Human Services:
- Food and Drug Administration
- Administration for Children and Families
- Health Care Financing Administration

Interior:
- National Park Service
- Bureau of Land Management

Justice:
- Immigration and Naturalization Service

Labor:
- Occupational Safety and Health Administration

National Aeronautics and Space Administration

Office of Personnel Management

Small Business Administration

Social Security Administration

State:
- Bureau of Consular Affairs

Transportation:
- Federal Aviation Administration

Treasury:
- Customs Service
- Internal Revenue Service
- Office of Domestic Finance/Financial Management Service

U.S. Postal Service

Veterans Affairs:
- Veterans Health Administration
- Veterans Benefits Administration

lands, recreation use permits, and reservations.

- *Speeding Social Security information:* The Social Security Administration will provide overnight electronic Social Security number verification for employers. Today, verification can take up to two weeks.

Priority Management Objectives

The Administration plans to "provide management leadership to ensure the faithful execution of the enacted budget, programs, regulations, and policies," and to "work within and across agencies to identify solutions to mission critical problems."[4] For 1999, the Administration will focus on 22 key management objectives (see Table IV–2).

[4] See OMB's Strategic Plan, at www.whitehouse.gov/WH/EOP/OMB/Special_Emphasis/stratplan.html.

Table IV-2. PRIORITY MANAGEMENT OBJECTIVES

Inter-agency Objectives	
Year 2000	Manage the year 2000 computer problem in a timely and cost-effective manner to ensure that no critical Federal programs fail as a result of this problem.
GPRA	Implement the Government Performance and Results Act in a timely and compliant manner to improve agency program performance.
Financial Management	Present performance and cost information in a timely, informative and accurate way, consistent with Federal accounting standards. Assure the integrity of Federal financial information by completing audits and gaining unqualified opinions for all Chief Financial Officer Act agencies and on the Federal Government as a whole.
Information Technology	Improve the use of information technology and decrease the number of troubled investments in technology.
Selected Inter-Agency Systems	Improve the use of information technology and eliminate unnecessary duplication by developing a Simplified Tax and Wage Reporting System (STAWRS) and the International Trade Data System (ITDS). STAWRS will allow small businesses to file tax information electronically with the IRS instead of providing duplicate information to Federal, State, and local governments. ITDS will connect existing agency systems so that importers, exporters, and others involved in international trade will benefit from "one-stop shopping" for information collection and retrieval.
Acquisition Reform	Provide greater customer satisfaction through acquisition reform in terms of price, timeliness, quality, and productivity; increase use of performance-based service contracting.
Loan Portfolio Management	Improve loan portfolio management by encouraging the use of electronic loan origination, loan underwriting, and reporting on the status of major loan portfolios that will provide faster and more economical loan processing.
Debt Collection	Improve debt collection for major receivable accounts by effectively using the tools provided by the Debt Collection Improvement Act of 1996 (referral to private collection agencies, referral to Treasury for offset, and asset sales).
International Credit Programs	Improve agency loan management servicing, portfolio tracking and credit budgeting policies and procedures. More accurate financial records, which use consistent accounting standards, will result in improved repayment practices and increased collections. (The Agency for International Development, Overseas Private Investment Corporation, Export Import Bank, Defense Security Assistance Agency, Defense Export Loan Guarantee Program, and Agriculture have about $130 billion in outstanding loans and guarantees to foreign obligors.)
Statistical Programs	Strengthen the quality, utility, accessibility and cost-effectiveness of Federal statistical programs.
Regulation	Maximize the social benefits of regulation while minimizing the costs and burdens of regulation.

Table IV–2. PRIORITY MANAGEMENT OBJECTIVES—Continued

Agency-Specific Objectives	
Defense	Develop a plan with specific milestones to obtain an unqualified audit opinion on Defense's financial statement.
Defense	Increase outsourcing and privatization of military department infrastructure functions closely related to commercial enterprises, and of Defense Logistics Agency, Defense Finance and Accounting Service, and Defense Health Program functions.
Education	Modernize the management of student aid benefit delivery by reforming contracting, system development, and program oversight practices.
Energy	Use prudent contracting and business management approaches that emphasize results, accountability, and competition; improve timeliness; minimize costs; and ensure customer satisfaction.
Housing and Urban Development	Implement HUD's 2020 Management Reform Plan to: (a) restore public trust by achieving and demonstrating competence in implementing HUD's programs, and (b) restructure the way HUD operates to empower people and communities. Implementation of HUD's management reform plan began in June 1997 and will extend to 2002. HUD will periodically measure changes in its performance to assess the impact of reform.
Interior: Bureau of Indian Affairs	Seek to settle disputed tribal trust fund balances, make comprehensive reforms to the operation of tribal and individual Indian trust asset and trust funds management, and implement a recently introduced legislative proposal to consolidate ownership of highly fractionated Indian lands.
Transportation: Federal Aviation Administration (FAA)	FAA Reform: Implement a personnel system that, without increasing costs, empowers managers to effectively hire, reward, promote, discipline, and remove employees, while at the same time protecting employee rights. Implement a financial system that accurately relates services to costs that can be reflected in user charges. Reduce developmental risk and total life-cycle cost of FAA major information technology investment/air traffic control modernization systems.
Treasury: Financial Management Service (FMS)	Implement a number of changes at FMS to increase electronic payments, collections, and debt collection; and improve the accuracy and timeliness of Government-wide accounting and reporting.
Treasury: Internal Revenue Service (IRS)	Position the IRS to move forward with the Modernization Blueprint and undertake an incremental modernization, including year 2000 conversion, resulting in centralized data bases that would stimulate significant improvements in customer service, compliance and financial reporting.
Veterans Affairs	Work to consolidate infrastructure (hospitals, regional offices, data centers) where service improvements and efficiencies can be achieved.
Social Security Administration	Reduce the processing time for disability claims and appeals in the Disability Insurance and Supplemental Security Income programs at lower administrative cost with neutral impact on program costs.

Agency managers have the primary responsibility to achieve these performance goals; they must actively and effectively carry out both inter-agency and agency-specific initiatives. OMB will help agencies develop specific measures[5] and implement detailed action plans to ensure that they make progress toward meeting these commitments.

The Government-wide management initiatives described below will help achieve several of these inter-agency objectives.

Year 2000 Computer Problem: The Administration is committed to ensuring that agency computer systems correctly process the year 2000. The report, "Getting Federal Computers Ready for 2000," which the Administration sent to Congress with last year's budget, outlines the Administration's strategy.[6] Agencies report quarterly on their progress, as does the Administration as a whole. The Administration's most recent report states that the estimated cost of addressing the problem stands at $3.9 billion; agencies have identified 8,589 mission-critical systems, 26 percent of which are compliant; and all agencies are renovating their systems. That report also establishes a Government-wide goal of completing the implementation of all mission-critical systems by March 1999. The budget proposes adequate funding to address the problem. For example, the Defense Department will spend $275 million and the Treasury Department will spend $312 million.

Government Performance and Results Act (GPRA): All agencies have sent Congress their strategic plans under the Results Act, and will be sending their annual performance plans as well after the budget is transmitted. Nearly 100 departments and agencies have prepared strategic plans and are preparing annual performance plans. By March 2000, these agencies will submit clear, concise annual performance reports on their progress toward the goals they set in their annual plans.

Agency Audited Financial Statements: For 1996, 22 of the 24 largest agencies have produced audited financial statements, as required by the Government Management and Reform Act (GMRA). On these statements, six agencies already have received unqualified opinions: the Energy Department, General Services Administration, National Aeronautics and Space Administration, Nuclear Regulatory Commission, Small Business Administration, and Social Security Administration. The Chief Financial Officers (CFOs) have projected when their agencies will issue unqualified and timely audited financial statements (see Table IV–3).

As part of a GMRA-authorized pilot program, 12 agencies are issuing Accountability Reports for 1997, enabling them to provide, in one place, reader-friendly information about their programs and operations, including their audited financial statements. In 1998, OMB and the CFO Council will conduct a final assessment of the pilot program and, based on the results, will work with Congress on legislation to turn the pilot into a permanent, Government-wide program. Twenty-one of the 24 agencies have committed to producing an Accountability Report for 1999.

[5] For information on performance measures for priority management objectives, see OMB's home page, at www.whitehouse.gov/WH/EOP/OMB/Special_Emphasis.

[6] For more information on the year 2000 issue and other information technology issues, see the Chief Information Officers Council web site (www.cio.fed.gov).

Table IV–3. Financial Statement Performance Goals

Financial Statements	1996 Actual	Estimate			
		1997	1998	1999	2000
Audits Completed	22	23	24	24	24
Agencies with Unqualified Opinion	6	12	16	21	23
Agencies with Unqualified and Timely Opinion	4	9	16	21	23

Government-Wide Audited Financial Statements: GMRA also requires the first Government-wide audited financial statements for 1997. The Government's ability to obtain an unqualified opinion on its Government-wide statements is hampered, however, by the lack of adequate financial management systems to capture the data that would satisfy Federal accounting standards requirements. OMB plans to work with the agencies to resolve these problems in time for the Government to receive such an opinion on its 1999 statements.[7]

Information Technology Investments: Investments in information technology can help Government to work better and cost less. For the best return on investment, agencies are following the successful practices of private firms—reengineering, creating disciplined capital programming processes, and developing information technology architectures—to ensure that the investments provide workable solutions to problems at a reasonable cost. (For performance information with regard to information technology investments for 1999 and beyond, see Table IV–4.)

Table IV–4. Program Performance Benefits From Major Information Technology Investments

(Budget authority, in millions of dollars)

Program/Project	1997 Actual	1998 Estimate	1999 Proposed	Program Performance Benefits[1]
Agriculture: Common Computing Environment.[2]	21	41	45	Allows "one-stop service" for farmers at local Agriculture Department offices.
Commerce: Advanced Weather Interactive Processing System.	100	117	69	Improves the accuracy of forecasts. Lowers the costs of generating forecasts through reduced staffing requirements. A component "The Advance Hydrological Prediction System" will provide 60-day flood warnings with 90-percent accuracy.
Commerce: Census 2000.	26	80	199	Reduces errors, the number of temporary employees needed, and publication costs.
Defense: Defense Message System.	154	197	207	Provides timely, reliable, accountable, and secure messaging and electronic mail directory services to tactical, organizational and individual users. Defense estimates lifecycle cost savings of over $600 million.
Education: Direct Student Lending.	141	187	220	Supports loan origination and servicing of a portfolio that will grow to more than $55 billion in 1999.
Education: National Student Loan Data System.	27	21	27	Improves the Government's collection of defaulted loans and integrity of participating institutions.
Education: PELL Grant Systems.	7	7	7	Distributes grant funds to institutions and supports sound financial management.
Education: Guaranteed Student Loan Data System.	23	24	30	Improves the Government's collection of defaulted loans.
Education: Student Aid Application System.	49	51	63	Assists institutions and students by providing a standardized way to determine financial aid eligibility.
Energy (DOE): Telecommunications Integrator Services (TELIS) contract.[3]	2	100	123	Lowers operating and maintenance costs and improves sharing of information by promoting interoperability of telecommunications systems.
Health and Human Services: Medicare Information Technology System.[4]	75	40	45	Simplifies and streamlines claims processing, eligibility, and managed care information systems while improving service to Medicare customers.

[7] For more information on financial management performance commitments, see the CFO Status Report and Five-Year Plan at the OMB web site (www.whitehouse.gov/WH/EOP/OMB/Finance/).

Table IV–4. Program Performance Benefits From Major Information Technology Investments—Continued

(Budget authority, in millions of dollars)

Program/Project	1997 Actual	1998 Estimate	1999 Proposed	Program Performance Benefits[1]
Health and Human Services: Federal Parent Locator Service, including the National Directory of New Hires and the Federal Case Registry.	25	28	29	Assists States in locating out-of-State, non-custodial parents who owe child support by matching quarterly wage, new hire, and unemployment insurance data with national registry of child support cases. This system will increase interstate collections by $3 billion over ten years.
Housing and Urban Development: Information Technology Investments.	48	90	90	Provides better internal controls and oversight of federal grants, verification of the eligibility of recipients, timely and accurate payment of funds, and oversight and servicing of FHA mortgages.
Interior: Automated Land Management Records System.	42	33	35	Improves the quality of, and access to, land, resources, and title information for public land managers and adjacent land owners.
Interior: American Indian Trust System.	3	4	10	Ensures that trust income is allocated based upon accurate land ownership information.
Justice: Integrated Automated Fingerprinting Identification System.	84	84	48	Allows the FBI to process routine identification requests in 24 hours and urgent requests in two hours.
Justice: National Criminal Information Center 2000.	8	.....	.....	Provides law enforcement agencies across the country real-time access to sophisticated databases on criminals and criminal activity.
Justice: Information Sharing.	.....	.....	50	Promotes sharing of investigative data bureauwide.
Labor: ERISA Filing Acceptance System.	6	3	([5])	Increases the speed, accuracy, and integrity of information that three agencies use to safeguard private pensions.
State: Diplomatic and Consular Systems Modernization.[6]	146	260	283	Improves delivery and management of information required by diplomatic and consular officers overseas to support the Nation's foreign policy goals and ensure U.S. border security.
Transportation: Federal Aviation Administration Air Traffic Control System Modernization.	1,233	1,306	1,410	Maintains and improves capability to promote the safe, orderly, and expeditious flow of air traffic. Reduces the accident rate by 80 percent of baseline levels by 2007.
Treasury: Information Technology Investments.	.....	325	323	Provides advanced funding for redesign of tax administration systems and operations, improving the timeliness and quality of taxpayer data, and thereby significantly enhancing customer service and collection activities. Increases automated calls answered from 16 million to 30 million.
Treasury: Treasury Communications System.[7]	129	187	200	Provides secure data transmission and information services worldwide for Treasury bureaus.
Treasury: Automated Commercial Environment.	12	11	56	Supports business process redesign, systems architecture, development, and implementation for systems to replace Customs' Automated Commercial System.
Veterans Affairs: VA Medical Enrollment System.	1	80	73	Allows automation of veterans' eligibility status and tracking of veteran demographics.
Environmental Protection Agency: Toxic Release Inventory System.	8	7	8	Helps to improve the environment by maintaining data related to certain toxic chemical uses. The data are available to EPA staff, State and local governments, educational institutions, industry, environmental and public interest groups, and the general public. This allows for search requests to be fulfilled within 48 hours 95 percent of the time.
National Aeronautics and Space Administration: Earth Observing System Data Information System.	235	210	257	Supports spacecraft control, science data processing, and Earth science data management, archiving, and distribution. Will archive 560 terabytes and deliver 3.4 million data products by end of 1999.

Table IV–4. Program Performance Benefits From Major Information Technology Investments—Continued

(Budget authority, in millions of dollars)

Program/Project	1997 Actual	1998 Estimate	1999 Proposed	Program Performance Benefits [1]
Social Security: Automation Investment Fund.	235	190	.....	Provides more than 2,400 workyears in productivity gains for SSA and State Disability Determination Services.
General Services Administration: FTS2001 Program.[8]	10	13	11	Beginning in 1999, will offer the Federal Government low-cost, state-of-the-art, integrated voice, data, and long-distance telecommunications. Replaces the FTS2000 contracts for similar services that expire in 1998.
Nuclear Regulatory Commission: Agency Document Access and Management System.	2	7	4	Implements workprocess improvement review and increases staff efficiency through improved information access and elimination of redundant data entry. Reduces maintenance costs by replacing aging legacy hardware and minimizing custom software.
Office of Personnel Management: Retirement System Modernization.	.....	2	5	Completes development of agency-wide information technology architecture and development of retirement system modernization program requirements.
Interagency: Simplified Tax and Wage Reporting System.	1	.....	2	Reduces employers' tax and wage reporting burden.
Interagency: International Trade Data System.	6	6	5	Reduces burden on exports and imports, speeds up shipments, and improves the quality of trade statistics.
Interagency: Data Center Consolidation.	.....	100	100	Saves money by requiring all Federal agencies to consolidate or collocate their data processing centers to fewer larger, more efficient, and cost effective locations, either within the Government or with a private sector provider.
Interagency: Land Mobile Radio Narrowbanding.[9]	.....	.....	130	Allows a 50-percent increase in number of radios that can operate in current spectrum, promoting interoperability among users.

[1] Required under the Clinger-Cohen Information Technology Management Reform Act.
[2] Previously called the Field Service Center Initiative
[3] Budget authority for non-DOE agencies using the TELIS contract vehicle is $1.5 million, $77 million, and $99 million in 1997, 1998, and 1999, respectively.
[4] Succeeds the Medicare Transaction System.
[5] 1997 and 1998 figures represent capital investment to set up the system. 1999 numbers are operational costs. For consistency, 1999 is zero for capital costs and $4.5 million in operational costs.
[6] Includes user fees and budget authority
[7] Funded through Treasury's working capital fund, not annual appropriations.
[8] Cost numbers are not budget authority, but agency contributions to the Information Technology Fund for expenses associated with the FTS2001 Program. These numbers do not include the cost of transitioning to the new contracts.
[9] Total of Departments of Justice, the Treasury, Agriculture, and Transportation investments.

Procurement: Changes in law and regulatory policy continue to help agencies get more value from what they buy, improving Government's performance along the way. With fewer Government-specific requirements to meet and with more flexibility, contracting officials can increasingly buy commercial items and, in the process, pay less while they gain access to the most current technology. Agencies can communicate more with industry and more directly link Government's needs to the market's capabilities. The Administration will build on these improvements so that Federal acquisition practices can match those of the most successful companies. For instance, by the end of 1999: 15 agencies will have a system in place to evaluate contractor performance on all non-exempt contracts over $100,000; agencies will make 60 percent of all transactions under $2,500 with the Government charge card; and OMB will work with agencies to increase, by 30 percent, the number of model performance-based service statements of work available for agency use.

Performance Based Service Contracting (PBSC): PBSC requires that, in procuring a service, the Government outline its needs in measurable, mission-related terms—not prescribe precisely how contractors do the work, and not describe its needs too vaguely. With PBSC, agencies pay for results, not effort or process, enabling contractors to determine the

best, most cost-effective ways to do the job. Preliminary results of a Government-wide PBSC pilot project show that it cut prices 15 to 20 percent while increasing Government's satisfaction with contractor performance. The Administration believes that PBSC offers great potential to reap savings and other benefits in the roughly $100 billion that the Government spends a year on service contracts. Agencies plan to convert about 1,000 contracts, valued at $20 billion, to PBSC over several years. In 1999, agencies project that they will convert at least 700 contracts, worth $9 billion, to PBSC.

Loan Portfolio Management: Because the Federal Government is the Nation's single largest source of credit, agency credit programs and performance measures should address each major phase of credit management—credit extension, account servicing, and special collection. For each phase of this new initiative, agencies will more widely use modern electronic business processes to improve customer service, cut costs, and improve collection. For credit extension, agencies will ensure that individuals and entities applying for credit are eligible in terms of income and are not delinquent on a Federal claim. For account servicing, agencies will work together to ensure that accurate monthly information is available on the status of loans. A consortium of single family loan programs run by the Departments of Housing and Urban Development, Agriculture, and Veterans Affairs will provide a forum for its program delivery partners to speed their use of electronic reporting on the status of accounts.

Debt Collection Management: The 1996 Debt Collection Improvement Act (DCIA) created more tools for the Treasury Department and individual agencies to reduce losses and increase collections. In the special collection phase, when a loan becomes seriously delinquent—over 180 days overdue—Treasury will help the agency by intercepting other Federal payments to the delinquent borrower and applying them to the delinquent account. Treasury can also cross-service debts that are over 180 days overdue by referring them to private collection agencies. A principle of sound credit management for most Federal loan programs is that once a loan is delinquent for over one year, the agency should sell the debt or write it off as uncollectible, as appropriate. The Federal Credit Policy Working Group will review write-off practices and redesign loan sales policy in order to cut the growth of delinquencies and boost Federal collections of delinquent debt. By January 1999, the Federal Credit Policy Working Group, in cooperation with the CFO Council, will work to reduce delinquencies by 10 percent and increase collections by $95 million from the 1997 level.

Management Support Initiatives

The activities described above do not encompass all of the Administration's management efforts. Indeed, the Administration continues to work on a host of other initiatives—from providing more Federal services electronically to improving the management of credit programs—that will help reach the goal of creating a Government that "works better and costs less."

Access America: This plan, which the Vice President is spearheading, is designed to make Government services available electronically to all Americans who seek them. More specifically, the plan calls for, among other things, conducting electronically those transactions that individuals, States, localities, businesses, law enforcement agencies, and others most often request; ensuring high standards of privacy and security for these transactions; and providing the necessary infrastructure and skills in Government to support the vision. A Government-wide task force is leading implementation efforts.[8]

Electronic Commerce Security: Electronic commerce is the use of computers and networks to buy and pay for goods and services, accept regulatory filings, and provide public services—making Government more convenient and cost-effective. For agencies and the public to enjoy those benefits, however, they must be sure that their information is going to whom it should—and to no one else. An important tool for providing that security is the digital signature, but the private institutions and the rules for managing those signatures are just emerging. Through efforts of the Government Information Technology Services Board and others, the Federal Government is aligning Federal electronic commerce security

[8] For further details, see www.gits.fed.gov.

practices with this emerging private infrastructure.

Data Center Consolidation: The Government can save money by consolidating large computer centers, thereby eliminating duplication in facilities, staff, computer hardware and software, and related services. Large-scale data processing service contracts, such as GSA's Virtual Data Center contract, make outsourcing for the related services sensible and cost-effective. OMB has directed agencies to significantly reduce the number of agency data centers to save substantial sums of money for the Government.

Budgeting for Results: In preparing the budget, the Administration had, for the first time, agency strategic plans, annual performance plans, and performance measures to help decide how to allocate resources. In general, however, the budget structure and charging practices do not make it easy to match costs with a specific program. First, the budget does not charge all of a program's resources to that program; instead, the budget subsidizes programs by paying for certain activities centrally. Second, not all budget accounts are as well-aligned as they might be with the programs they finance. As a result, in some cases, the quality of budgeting, management, and resource acquisition all suffer.

Good budgeting is predicated on the ability to compare costs and benefits, at least roughly, across all programs every year. In some cases, current practices distort such comparisons. Good management requires that managers focus on, and are held accountable for, getting the best results for the resources they have. Managers should be free to allocate resources as they see fit, and to obtain competitive, performance-oriented procurement.

To better integrate budgeting with performance planning and reporting, as GPRA envisions, OMB will work with agencies to review their budget account structures and, in consultation with the Budget Officers Advisory Council and the CFO Council, develop legislation to enable agencies to charge programs' accounts uniformly and comprehensively for the resources they use. As these proposals take shape, OMB will consult with the Congressional Budget Office, the General Accounting Office, and congressional committees on next steps.

Competition: Competition spurs efficiency. Federal agencies that provide administrative and other support services need the stimulus of competition to sharpen their skills, improve their performance, and cut their costs. As a result, for buying commercial goods and services, the Administration is encouraging agencies to consolidate common administrative services, and to compete those and other services with one another and with the private sector on a level playing field to provide the best deal for the taxpayer, in accordance with the March 1996 revised OMB Circular A–76 Supplemental Handbook. More competition will spur new technologies, new capital, and new management techniques to help improve performance, while creating greater opportunities for Federal and private employees and their customers. The Secretary of Defense, for instance, has announced that the department will evaluate over 41,000 FTE positions for their possible conversion to the private sector or other agencies in 1999, and evaluate over 150,000 FTE through 2001.

Error Reduction: The Administration is launching an effort to reduce errors in Federal programs that lead to waste, fraud, or abuse. Federal agencies will work together to identify common sources of error and enable the Government to develop more integrated solutions, thus saving money for the taxpayers. For 1999, the Administration will focus on increasing accuracy and efficiency in three areas: program eligibility verification; financial and program management; and debt collection.

- *Eligibility verification:* Many agencies run benefit and credit programs in which eligibility depends, at least in part, on an applicant's income or other financial resources, and other criteria, such as marital status and number of dependents. These programs include small business loans, student loans and grants, veterans pensions, rental housing assistance, income maintenance, nutrition support, and others. Generally, applicants must submit financial and other data on forms that agencies use to determine eligibility. When applicants provide false or erroneous information about their income or personal sta-

tus, they may receive benefits for which they are ineligible, and may deprive eligible applicants from the assistance they deserve. A better verification process for credit and benefit programs can reduce errors significantly and allocate resources more fairly.

- *Financial and program management:* Agencies often can address the sources of errors within programs by changing their financial or management practices. For example, transaction analysis software can help agencies identify improper billing trends or high-risk operations. In addition, agencies could recoup the interest lost due to overpayments to vendors by charging the vendors for those funds, and the Administration is drafting legislation to enable the Treasury Department to assess those charges. Also, more audits and other integrity initiatives will help agencies identify errors earlier. The biggest payoffs come when agencies prevent errors up front or quickly identify them before losses mount.
- *Debt collection:* Although most efforts to improve accuracy focus on prevention, some bad debt is inevitable. In trying to collect, agencies face the major obstacle of finding both the debtor and his or her employer. For example, the Education Department devotes about 70 percent of its collection efforts to locating debtors. Agencies could collect debt more effectively by better using data, subject to appropriate privacy protections, that's already in Government databases such as the National Directory for New Hires, which should be fully on line in early 1998 and which provides some of the Federal Government's most timely information for debt collection purposes.

Inter-Agency Working Groups: Using Network Management for Better Performance

The Administration relies on inter-agency groups to develop certain policies, and to identify and implement ways to better manage Federal resources. The groups meet regularly to initiate action, undertake projects, exchange information, set priorities, and recommend policy direction.

In 1993, President Clinton established the President's Management Council (PMC), comprising the Chief Operating Officers of the largest Federal departments and agencies, to improve management of the Executive Branch. The PMC has undertaken a number of initiatives, including:

- *Rightsizing:* Leading efforts to reduce the number of Federal civilian employees without unnecessarily disrupting the work force.
- *Procurement reforms:* Identifying performance measures to help agencies assess improvements in the procurement process, and supporting implementation of Electronic Commerce and Performance-Based Service Contracting initiatives.
- *Field office restructuring:* Identifying appropriate criteria for restructuring activities within agencies; and recommending various approaches to restructuring.
- *Overseas missions:* Implementing a cost-sharing process for foreign missions.
- *Labor-Management partnerships:* Supporting partnerships through continuous communication with union leaders; and fostering culture change at all organizational levels.
- *Customer service:* Facilitating the development of customer service standards in agencies and the delivery of Customer Service Reports.

The President's Council on Integrity and Efficiency (PCIE), comprising 27 Presidentially-appointed Inspectors General (IGs) and other key integrity officials, focuses on two main objectives:

- mounting collaborative efforts to address integrity, economy, and effectiveness issues that transcend individual agencies; and
- increasing the professionalism and effectiveness of IG personnel across the Government.

The PCIE, for example, has recommended controls for Federal electronic benefits pro-

grams and reviewed the next generation of Federal Government credit card programs. In addition to setting basic standards for IG investigations, audits, and inspections, the PCIE has confronted new challenges, from implementing the 1993 Government Performance and Results Act to developing the Federal Financial Statement Audit Manual.[9]

A reinvigorated Joint Financial Management Improvement Program (JFMIP) will use added resources to help agencies in financial systems improvement efforts. In 1999, JFMIP will revise the Federal Supply Schedule for Federal financial systems, and continue to develop systems standards and other guidance documents.

Table IV–5 lists the priorities of several other inter-agency working groups: the National Partnership Council, the CFO Council, the Chief Information Officer (CIO) Council, the Electronic Processes Initiative Committee, the Federal Credit Policy Working Group, and the Federal Procurement Council.

Table IV–5. PRIORITIES OF INTER-AGENCY WORKING GROUPS

National Partnership Council

President Clinton established the National Partnership Council in October 1993 to enlist the Federal labor relations program as an ally in reinvention, and to refocus Federal labor relations from adversarial litigation to cooperative problem solving. Among the NPC's key objectives for 1998 are the following:

- Bring high-level attention to partnership issues to ensure that partnerships are established and working effectively throughout the Federal Government.
- Continue to focus on partnerships experiencing problems and help them overcome barriers.
- Encourage partnerships to address major NPR objectives, such as increasing efficiency, improving service, and reducing cost.

Chief Financial Officers Council

Authorized by the CFOs Act, the CFO Council is a Government-wide body that addresses critical cross-cutting financial issues by working collaboratively. The Council consists of the CFOs and Deputy CFOs of the 24 largest Federal agencies and senior officials of OMB and Treasury. The CFO Council's priorities are:

- Improve financial management systems.
- Effectively implement the Government Performance and Results Act.
- Issue accounting standards and financial statements.
- Develop human resources and CFO organizations.
- Improve the management of receivables.
- Ensure management accountability and control.
- Modernize payments and business methods.
- Improve the administration of Federal assistance programs.

Chief Information Officers Council

The CIO Council's role includes: developing recommendations for information technology management policy, procedures, and standards; identifying opportunities to share information resources; and assessing and addressing the Federal Government's needs for an information technology work force. The Council consists of CIOs and Deputy CIOs from 28 large Federal agencies, two CIOs from small Federal agencies, and representatives from OMB and two information technology boards. The CIO Council's priorities are:

- Define an interoperable Federal information technology architecture.
- Ensure information security practices that protect Government services.
- Lead the Federal year 2000 conversion effort.
- Establish sound capital planning and investment practices.
- Improve the information technology skills of the Federal work force.
- Build relationships through outreach programs with Federal organizations, Congress, industry, and the public.

[9] For more on PCIE activities, see IGnet (www.ignet.gov).

Table IV-5. PRIORITIES OF INTER-AGENCY WORKING GROUPS—Continued

Electronic Processes Initiative Committee (EPIC)

The President's Management Council established EPIC to integrate end-to-end business processes electronically, with an emphasis on procurement and finance. EPIC consists of senior officials from DOD, the General Services Administration, Treasury, and OMB. The EPIC priorities are:

- Use a multi-purpose smart card to support reengineering of business and administrative processes.
- Integrate electronic buying and paying processes.
- Efficiently and effectively process intra-governmental transfers that contribute to unqualfied financial statements.

Federal Credit Policy Working Group

This inter-agency forum provides advice and assistance to OMB, Treasury, and Justice in formulating and implementing Government-wide credit management policy. Membership consists of representatives from the major credit and debt collection agencies and OMB. The Federal Credit Policy Working Group's priorities are:

- Effective implementation of the Debt Collection Improvement Act.
- Use of the Internet for credit management, especially for lending, underwriting, and portfolio status reporting.
- Sale of loan assets that are over a year delinquent.
- Review agency write-off practices and Government-wide policy.
- Improve prescreening of loan applications to validate eligibility and application data.

Federal Procurement Council

The Federal Procurement Council, which consists of the Senior Procurement Executives from major Federal agencies, meets regularly with OMB to discuss ways to improve the procurement process. The Federal Procurement Council's priorities are:

- Promote agency use of commercial buying practices by increasing the use of performance-based service contracting, past performance in administering current contracts and selecting new contractors, electronic commerce as an enabler, and other innovative buying strategies.
- Promote the Federal procurement work force's use of good business judgment within an adaptable system of flexible rules and procedures that allow professionals, working in a continuous learning environment, to use discretion.
- Collaborate with budget, financial, and information technology management offices to improve agency planning and management of capital asset procurement.
- Promote national socioeconomic procurement policies consistent with fostering the efficiency and effectiveness of the procurement system.
- Promote the use of a globally competitive industrial base, integrating facilities and operations serving the Government market with those serving the commercial market by reducing Government-unique requirements that restrict full integration.
- Increase customer satisfaction by routinely providing quality products and services, on time, and within budget.

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V. PREPARING FOR THE 21ST CENTURY

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1. INVESTING IN EDUCATION AND TRAINING

Americans want the best for our children. We want them to live out their dreams, empowered with the tools they need to make the most of their lives and to build a future where America remains the world's beacon of hope and freedom and opportunity. To do this, we must all make improving the quality of education in America one of our highest priorities.

President Clinton
September 1997

In today's fast-paced, increasingly competitive world economy, the most successful Americans are those with the skills to compete, making education more and more vital for all Americans. Tomorrow's workers face an even greater challenge. As technological innovations change the very nature of work, employers will demand even more highly skilled and flexible workers. The best-paying jobs increasingly will go only to those with education and training beyond high school.

For the most part, our Nation places responsibility for education and training on State and local governments, families and individuals, and the private sector. Nevertheless, the Federal Government plays a crucial role in supporting education and training, from pre-school through adulthood.

Over the last five years, the President has worked hard to expand Federal support in ways that help families, communities, and States ensure that every boy and girl is prepared to make the best use of education; that the education system enables every child to learn to his or her potential; that those who need resources to pay for postsecondary education and training can get them; that those who need a second chance at education and training, or a chance to improve or learn skills throughout their working lives, can get those opportunities; and that States and communities that receive Federal funds can use them more flexibly, with fewer regulations and less paperwork.

The budget proposes to significantly increase funding to help children, especially children in the poorest communities, reach challenging academic standards, and it proposes to make further progress in implementing voluntary national tests. At the same time, the budget proposes major new initiatives to help families and caregivers more effectively begin children's education; to help high-poverty, low-achieving school districts carry out reforms and hold schools accountable for improving student achievement; to raise the rate of school construction and renovation; to fund 4,000 school- and community-based sites for before- and after-school programs for children; to reduce class size by paying for 100,000 new teachers over the next seven years; to expand public school choice; to improve reading and mathematics achievement; and to improve the quality of teaching and the use of technology.

To ensure that Americans get the post-secondary education and training they need to succeed at work, the budget proposes to increase Pell Grants and other college scholarship awards; to expand College Work-Study to a record one million students; to streamline student loan programs and cut student fees; to continue implementing the Welfare-To-Work program; and to expand access to job placement services, training, and related services for dislocated workers and others. In addition, the budget proposes new initiatives to help colleges, high schools, and middle schools provide continuous mentoring and other services to encourage students

in high-poverty areas to stay in school and prepare for college; to explain the benefits of college and the availability of Federal student aid to students and their families; and to provide intensive help to jobless youth in high-poverty areas (see Table 1–1).

Elementary and Secondary Education

Federal programs help all children, especially those in high-poverty areas, achieve all they can. The budget increases support for most ongoing programs, and proposes new programs with substantial resources to supplement them. (For information on Head Start and other important education-related programs for young children, see Chapter 2, "Supporting Working Families.")

Voluntary National Tests: The President has proposed tests—in fourth grade reading and eighth grade mathematics—with which parents and schools can evaluate their students' achievement against challenging standards of performance, and against the achievements of children across the country and the world. The budget proposes $16 million to further develop the tests, which the States would administer.

New Teachers and Smaller Class Sizes: Soaring school enrollments have caused severe teacher shortages and classroom overcrowding. The budget provides $7.3 billion over five years to help States reduce class size in the early grades by recruiting and training teachers to teach effectively in small-class settings. Research in Tennessee and Indiana shows that reducing class size to 15–18 students in the early grades improves student achievement, particularly among low-income and minority students in inner cities.

Teacher Recruitment and Preparation: The budget provides $67 million, and $350 million over five years, to help improve the quality of teacher preparation programs at colleges and universities and address shortages of well-prepared teachers, particularly in urban and rural schools. In 1999, the proposal would fund 12 partnerships of exemplary teaching colleges and universities, urban and rural schools, and subsidiary colleges and universities with teaching programs. It also would fund at least 7,000 scholarships in 1999, and 35,000 over five years, to help recruit and retain teachers for urban and rural schools.

Education Opportunity Zones: Most school districts with children who are the furthest away from reaching challenging academic standards serve the poorest communities. The budget proposes new resources to help these districts if they adopt tough reforms to hold schools accountable for improving quality, expanding public school choice, ending social promotion, and showing real improvements in student achievement. About 50 high-poverty, low-achieving, urban and rural school districts would receive funds for at least three years, and schools that show significant learning gains could get funds for two more. The budget proposes $200 million for the initiative, and $1.5 billion over five years.

School Construction: A third of all schools across the country, with 14 million students, have one or more buildings that need extensive repair, according to the General Accounting Office. School districts also face the cost of upgrading schools to accommodate computers and modern technology, and of constructing new classrooms and schools to meet expected record enrollment levels over the next decade. The President proposes $5 billion in tax incentives over five years, and more than $10 billion over 10 years, to help States and school districts accelerate the pace of new construction or renovation projects. States and school districts will be able to leverage the Federal investment by amounts that are even greater.

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

The budget supports the following major programs that help achieve these goals, with a new focus on technology training for teachers, so that all new teachers entering the

Table 1-1. THE BUDGET INCREASES RESOURCES FOR MAJOR EDUCATION AND TRAINING PROGRAMS BY $11.6 BILLION, OR 32 PERCENT OVER 1998, AND BY A TOTAL INCREASE OVER 1993 OF 81 PERCENT

(Dollar amounts in millions)

	1993 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1993 to 1999
TAX EXPENDITURES:					
Hope Scholarships Credit	.....	205	4,160	+3,955	NA
Lifetime Learning Credit	.....	115	2,550	+2,435	NA
School Construction	.....	.....	215	+215	NA
Work Opportunity Tax Credit (Targeted Jobs Tax Credit in 1993)	160	280	406	+126	+154%
Welfare/Jobs Tax Credit	.....	10	41	+31	NA
Total, tax expenditures	**160**	**610**	**7,372**	**+6,762**	**+4,508%**
MANDATORY OUTLAYS:					
Welfare-to-Work Grants	.....	466	1,299	+833	NA
Early Learning Fund (see Chapter 2)	.....	.....	372	+372	NA
RECEIPTS FROM TOBACCO LEGISLATION:					
Class Size Reduction	.....	.....	1,100	+1,100	NA
DISCRETIONARY BUDGET AUTHORITY:					
Pre-School (see Chapter 2):					
Head Start	2,776	4,355	4,660	+305	+68%
Elementary and Secondary Education:					
America Reads Challenge:					
Department of Education	.....	.....	260	+260	NA
Corporation for National and Community Service	.....	64	153	+89	NA
Goals 2000	.....	491	501	+10	NA
Education Opportunity Zones	.....	.....	200	+200	NA
Education Technology	23	584	721	+137	+3,035%
Title I—Education for the Disadvantaged	6,709	8,022	8,496	+474	+27%
Eisenhower Professional Development	289	335	335	.....	+16%
Teacher Recruitment and Preparation	.....	.....	65	+65	NA
Special Education	2,966	4,811	4,846	+35	+63%
Bilingual and Immigrant Education	213	354	387	+33	+82%
Safe and Drug Free Schools and Communities	582	556	606	+50	+4%
Charter Schools	.....	80	100	+20	NA
After-School Learning Centers	.....	40	200	+160	NA
Postsecondary Aid:					
Pell Grants	6,372	7,345	7,594	+249	+19%
College Work-Study	617	830	900	+70	+46%
Other Campus-based Aid	764	779	709	−70	−7%
Early Awareness Information Campaign	.....	.....	15	+15	NA
Work Force Development:					
Learning Anytime, Anywhere Partnerships (Education and Labor Departments)	.....	.....	40	+40	NA
Opportunity Areas for Out-of-School Youth	.....	.....	250	+250	NA
Vocational Education	1,170	1,147	1,150	+3	−2%
Adult Education	305	361	394	+33	+29%
Veterans Employment Services and Training	167	164	264	+100	+58%
School-to-Work (Education and Labor Departments)	.....	400	250	−150	NA
Job Corps	966	1,246	1,308	+62	+35%
JTPA Low-income Adult Training	1,015	955	1,000	+45	−1%
JTPA Dislocated Worker Assistance	517	1,351	1,451	+100	+181%
Employment Service and One-Stop Centers	895	974	964	−10	+8%
Total, budget authority	**26,346**	**35,244**	**37,819**	**+2,575**	**+44%**
TOTAL RESOURCES (tax expenditures; receipts; mandatory outlays; and budget authority)	**25,506**	**36,320**	**47,962**	**+11,642**	**+81%**
STUDENT LOANS (face value of loans issued):					
Direct loans	.....	11,204	12,002	+798	+100%
Guaranteed loans	16,089	20,461	21,932	+1,471	+36%
Consolidation loans	1,540	6,574	6,116	−458	+297%
Total, student loans	**17,629**	**38,239**	**40,050**	**+1,811**	**+127%**
DEPARTMENT OF EDUCATION:					
Discretionary Budget Authority	23,694	29,559	31,156	+1,597	+31%

NA = Not applicable.

work force can use technology effectively in the classroom, and that there is at least one teacher who can serve as a technology expert in every school to help other teachers use technology.

- *Technology Literacy Challenge Fund:* In 1996, the President committed to securing $2 billion over five years to support education technology goals. Through this Fund, States receive formula grants for buying hardware, connecting to the Internet, training teachers, and developing and buying high-quality software. Through 1998, the Fund has received $625 million and, for 1999, the budget proposes another $475 million. In 1999, the Administration will encourage States to spend at least 30 percent of the Fund on teacher training in technology use.
- *Technology Innovation Challenge Grants:* The budget proposes $106 million for this program, which awards competitive matching funds to partnerships between schools and the private sector to implement innovative applications of educational technology.
- *Technology Training for Teachers:* The budget provides $75 million for new grants to States, teacher colleges, and others to help ensure that all new teachers can use technology effectively.
- *Community Computer Centers:* The budget proposes $10 million to help establish computer centers in low-income communities so that families that cannot afford to buy computers at home still have access to the technology, and their children will not fall behind classmates with home computers. These centers can help low-income families gain access to on-line job databases and distance learning opportunities.

America Reads: Last year, the President launched the America Reads Challenge, a multi-faceted effort to help States and communities ensure that all children can read well and independently by the end of third grade. The budget provides $260 million for the Education Department to help train reading tutors and coordinate after-school, weekend, and summer reading programs that are linked to in-school instruction; help train teachers to teach reading; and help parents help children prepare to learn to read. The budget also proposes a $89 million increase, to $153 million, for the Corporation for National and Community Service to recruit America Reads tutors through its AmeriCorps and related programs. Responding to the President's challenge, 838 colleges have pledged to use tens of thousands of federally-financed work-study positions for tutoring programs.

Mathematics Initiative: The Third International Mathematics and Science Study revealed that while the Nation's fourth grade students are performing above average in mathematics, eighth graders are performing below average. In response, the President asked the Education Department and the National Science Foundation to develop an initiative to help students meet challenging mathematics standards in the eighth grade. The budget proposes $37 million for this initiative, which will improve mathematics teaching through better teacher preparation and the use of effective instructional materials and technology.

Goals 2000: Enacted in 1994, Goals 2000 helps States set high standards for all children, and plan and implement steps to raise educational achievement. It builds on the National Education Goals, first articulated by the Nation's governors (led by then-Governor Clinton) and President Bush in 1989, which provide national targets but encourage States to develop their own means to achieve them. The budget provides $501 million for Goals 2000 (in which every State participates), $10 million more than the 1998 level.

Charter Schools: Charter schools introduce variety and choice into the public school system. Parents, teachers, and communities create the schools, and States free them from most rules and regulations. Charter schools now number over 700, and some are already producing higher student test scores and lower drop-out rates. The budget proposes $100 million for public charter schools, a $20 million increase over the 1998 level, to fund start-up costs for 1,300 to 1,500 schools and continue progress toward the President's goal of 3,000 charter schools by 2001.

Title I—Education for the Disadvantaged: Title I provides funds to raise the educational achievement of disadvantaged children. In 1994, the President proposed, and Congress adopted, legislation to focus Title I resources more on low-income children, to set the same high standards for those children as for all others, to hold schools accountable for progress toward achieving those standards, and to give States and schools greater flexibility in using Title I funds. The budget provides $8.5 billion, six percent more than in 1998, including $7.8 billion for grants with which school districts can provide educational services to over 10 million children in poor communities.

Comprehensive School Reform Demonstration: This program, which Congress enacted last year, will help nearly 3,500 schools Nation-wide implement effective, research-based school improvement models. The budget proposes $150 million for these demonstrations in high-poverty schools, a $30 million increase, and $25 million for similar demonstrations in other schools.

Safe and Drug-Free Schools and Communities: Since 1993, this program has provided a total of $3.1 billion to help 97 percent of all school districts implement anti-drug and anti-violence programs. The budget proposes $556 million, including $125 million in competitive grants for projects that use proven program designs in high-need areas. The budget also proposes $50 million for a new School Drug Prevention Coordinators program to ensure that half of all middle schools have a director of drug and violence prevention programs to monitor local programs and link school-based programs to community-based programs.

Special Education: Last year, the President signed into law amendments to the Individuals with Disabilities Education Act (IDEA) to help States improve educational results for children with disabilities by holding States accountable for performance and focusing resources on teaching and learning. The budget provides $4.8 billion for IDEA, including an increase of $20 million for the Infants and Families program and an increase of $10 million to expand State Improvement Grants to reach 35 to 40 States.

Postsecondary Education and Training

High school is the first key step to a good job. But it is only a first step. Those with more years of schooling consistently earn more over their working careers than those with only a high school degree. The cost of higher education can be imposing to many families, but Federal support through Pell Grants, work-study, student loans, Hope Scholarship credits, Lifetime Learning Credits, other tax benefits, and other programs now make college affordable for every American. The budget proposes to help even more young people go to college and to teach all families about the full range of Federal aid.

College Preparation and Attendance: The budget proposes a new $140 million initiative to help increase college participation among low-income students. It also proposes a $15 million College and Financial Aid Information program—a Nation-wide information campaign on the benefits of higher education and the availability of Federal resources.

Hope Scholarship Credits and Lifetime Learning Credits: Last year, the President proposed, and Congress enacted, new tax benefits for postsecondary education for low- and middle-income families. With Hope Scholarships, students in the first two years of college or other eligible postsecondary training can get a tax credit of up to $1,500 for tuition and fees. In 1999, an estimated 5.5 million students will receive $4.2 billion in tax credits. Under the Lifetime Learning Credit, students beyond the first two years of college, or those taking classes part-time to improve or upgrade their job skills, will receive a 20-percent tax credit for the first $5,000 of tuition and fees each year through 2002, and a 20-percent credit for the first $10,000 thereafter. In 1999, an estimated 7.2 million students will receive $2.5 billion in tax credits.

Pell Grants: The President proposes to raise the maximum Pell Grant award by $100, to $3,100—the highest ever—to reach 3.9 million low- and middle-income undergraduates. The budget provides $7.6 billion for Pell Grants, a $249 million increase over the 1998 level. In addition, in its reauthorization proposals for 2000, the Administration will

Investing in the Special Needs of Hispanic Americans

The education of Hispanic Americans requires special attention. Their high school drop-out rate, for example, is unacceptably high. Due in part to 1994 improvements in the way that children with limited English proficiency are served, Latinos now receive 32 percent of services under Title I (the largest elementary and secondary program), more than any other minority group. On top of other efforts to boost funding for programs that serve disadvantaged students, the budget targets funding to programs that show particular promise in addressing these needs. The funding increases include:

- $30 million, to a total of $150 million, for Comprehensive School Reform in high-poverty schools, providing grants for research-proven reform efforts to schools that have low achievement and high drop-out rates;
- $25 million, to $50 million, for Bilingual Education Professional Development, giving teachers the skills they need to help their students learn English and meet challenging academic standards;
- $53 million, to $583 million, for the TRIO programs that work with low-income high school and college students to encourage them to complete high school and attend, and graduate from, college;
- $16 million, to $28 million, for assistance for colleges and universities that serve large numbers of Hispanic students;
- $5 million, to $15 million, for the High School Equivalency Program for migrants and the College Assistance Migrant Program;
- $33 million, to $394 million, for Adult Education to expand services and improve English as a Second Language programs by identifying and disseminating proven and promising practices;
- $50 million, to $355 million, for Title I-Migrant Education, which provides additional educational assistance to migrant children; and
- $5 million for a Labor Department demonstration program to develop new training, and work and learning opportunities to help young migrant farm workers qualify for other job opportunities with career potential.

propose to expand Pell Grants to reach more low-income independent students and others.

Work-Study: In 1996, the President committed to expanding the Work-Study program to one million students by the year 2000. The budget reaches the goal one year early. In 1999, one million needy students would earn their work-study awards by helping their schools or surrounding communities. The budget provides $900 million—the highest level ever—a $70 million increase over the 1998 level.

Student Loans: An estimated 6.2 million people will borrow $40 billion through the Federal student loan programs in 1999. The Administration proposes to improve financial incentives in the Federal Family Education Loan program, which guarantees commercial loans through intermediaries known as guaranty agencies, and ensure continued innovation in the Direct Loan program, which provides capital directly to schools and students. The budget proposes to streamline the Government-guaranty system, to save money for students and families, and to improve services to both schools and borrowers.

A new interest rate structure for student loans, scheduled to take effect on July 1, 1998, may prompt some lenders in the Government-guaranteed loan system to withdraw rather than accept lower revenues. The Administration plans to work with Congress on a rate structure that ensures that students continue to enjoy access to loans but that still limits student costs.

Improving Student Loan Programs

The budget proposes reforms in both the direct and guaranteed student loan programs that will benefit students, taxpayers, and schools, as outlined below.

Providing More Benefits to Students

- Cut origination fees on new loans to students and parents to three percent, from four percent.
- Phase out origination fees for needy students.
- Require lenders to offer flexible repayment terms to borrowers.

Streamlining the Government-Guaranteed Loan System

- Establish performance agreements with guaranty agencies, with compensation tied to the amount and quality of work they perform.
- Recapture unneeded Federal funds held by guaranty agencies.

Improving Loan Management

- Ensure that both loan programs use private industry best practices, such as electronic loan origination and access on the Internet to loan balance information, to improve customer service, minimize defaults, and improve loan servicing.
- Standardize processes and data formats as much as possible in both Federal loan programs to increase efficiency and lower costs.

Innovations for Access and Retention among Low-Income Students, Especially Minorities: Although the Federal Government provides significant resources to finance higher education for everyone who needs the help, some groups of Americans, especially some minorities, still attend college at lower rates than others and drop out at higher rates. The budget provides $20 million for rigorously designed experiments to determine how to promote greater college attendance and completion among these groups.

Learning Anytime, Anywhere Partnerships: The budget proposes $40 million ($30 million in the Education Department, $10 million in the Labor Department) to enhance and promote distance learning opportunities (i.e., learning outside the usual classroom settings, via computers and other technology) for all adult learners. In Education, the program would fund partnerships among educational institutions, software developers, subject matter specialists, and private employers to develop new means of delivering distance learning, and of assessing competencies of distance learners. In Labor, the program would support information for job seekers, employers, and workers on the skills required for various occupations, and the training needed and available to acquire them.

Work Force Development

With college now affordable to every American through the broad array of Federal assistance, the Administration seeks to ensure that every adult has access to employment and training services. Adults who lose jobs and need new jobs or new skills to get those jobs, adults who are seeking jobs for the first time, or adults who want new skills to advance or change their careers need a broad array of financial and program supports—especially as workers strive to succeed in the fast-changing new economy.

To the extent that adults need resources for traditional education and certain job training, the major postsecondary programs (described earlier in this chapter) cover most of their need. All adults can get loan assistance to finance postsecondary degrees or certificates; all low-income adults seeking undergraduate degrees can get Pell Grants; and all low- and middle-income adults can get tax credits for job training and postsecondary education expenses under the Hope Scholarship and Lifetime Learning Credits.

In addition, all adults working in jobs covered by the Unemployment Insurance system are eligible, in accord with State laws, for income support when they lose jobs.

Many of them are also eligible for other income support if they lose jobs for specific reasons, such as the impact of certain trade policy. All adults can get job search assistance through One-Stop Career Centers, an Administration initiative of the last five years that has greatly improved the core Employment Service system and greatly improved employment services and job and labor market information. Adults also have increasingly greater access to job information through the Internet and will have still greater opportunities through the Learning Anytime, Anywhere Partnerships described earlier in this chapter. Nevertheless, the system for adults is not yet complete.

The budget proposes to build on the initiatives, enacted in 1997, that began the process of ensuring that State unemployment insurance funds will be sufficiently solvent in case of an economic downturn. The budget also proposes to improve the mechanisms to supplement regular unemployment insurance with Extended Benefits when individual States experience economic downturns.

Since 1993, the President has worked with Congress to more than double funding for dislocated worker training and employment assistance and is proposing major new investments in the employment and training needs of veterans. But, many adults need more than financial help for training or income support when they are between jobs. The system of programmatic support for these adults is primarily represented by the Job Training Partnership Act (JTPA), including its Dislocated Worker and Adult training programs. The Administration continues to believe that it is critical to restructure and streamline Federal work force programs so they can better serve workers and those who want to work. The Administration first proposed comprehensive reform in its 1995 GI Bill for America's Workers, and it is working closely with Congress to fashion major reform and streamlining of job training programs, vocational education, and adult education programs.

The Administration is committed to improve the system for adults so that, in time, all adults will be able to afford, and have access to, the training and job placement and related services they need. The budget proposes to make further progress toward this goal through the work force development proposals described below.

- *Dislocated Worker Training:* The budget proposes $1.5 billion, an increase of $100 million and nearly three times the amount available when the President took office, to provide readjustment services, job search assistance, training, and related services to help dislocated workers find new jobs as quickly as possible. Among the workers assisted by the program, and the proposed increase, are those displaced by trade and related causes.

- *Low-Income Adult Training:* The budget proposes $1 billion, an increase of $45 million, for the JTPA program that provides training for disadvantaged and low-income unemployed adults, including welfare recipients.

- *Welfare-To-Work:* To help reach the Temporary Assistance for Needy Families program's employment goal for welfare recipients, the Administration sought, and Congress provided, additional targeted funds for a new Labor Department welfare-to-work grants program. It will provide a total of $3 billion in 1998 and 1999 for formula and competitive grants to States and local communities to give long-term welfare recipients the job placement services, transitional employment, and job retention and support services they need to achieve economic self-sufficiency.

- *Adult Education:* This program helps almost four million educationally disadvantaged adults, including welfare recipients and immigrants, develop basic skills (including literacy), achieve their certification of high school equivalency, and learn English. The budget proposes $394 million, an increase of $33 million over the 1998 level.

- *One-Stop Employment Service:* The budget proposes $817 million for grants to the State Employment Service system, and $147 million to complete the initial development of the One-Stop Career Center system and to continue building America's Labor Market Information System. By the

end of 1999, all States will have received grants to implement One-Stop systems that streamline re-employment and career development activities by improving access to services for job seekers and employers.

- *Unemployment Insurance:* Experienced workers who lose their jobs generally are eligible for up to 26 weeks of unemployment benefits. Although benefits vary by State, the average benefit Nation-wide is nearly $200 a week. An estimated 8.3 million people will draw benefits in 1999. To make the system even more secure, the Administration will propose legislation in 1999 that will strengthen the unemployment insurance safety net so that benefits are available in the event of a recession, improve State administrative operations, and make the standby Extended Benefits program more responsive to State unemployment.
- *Trade Adjustment Assistance (TAA):* The budget includes several proposals to carry out the President's commitment to help trade-impacted workers by providing better access to training and income support: extending the TAA and NAFTA-Transitional Adjustment Assistance (NAFTA-TAA) programs for five years; expanding eligibility for TAA benefits to cover workers who lose jobs when plants or production shifts abroad; raising the statutory cap on training expenses; making training and income support more consistent across the TAA and NAFTA-TAA programs; and adding a contingency provision to ensure that the Federal Government has sufficient funds to finance any unexpected increase in benefit costs for eligible workers. The budget proposes to increase TAA programs by $737 million over five years.
- *Montgomery GI Bill (MGIB) and Veterans Training and Employment:* Over 400,000 veterans and reservists will receive education benefits under the MGIB Active-Duty program, which helps service members readjust to civilian life after military service, and the MGIB Reservist program. The budget proposes a 20-percent benefit rate increase for MGIB trainees—the most significant increase since the program's inception—raising the Active-Duty MGIB benefit to over $500 a month in 1999 for full-time enrollment, most of which is in colleges. Along with the MGIB benefit increase, for which the budget provides $1 billion over five years, the budget also proposes an increase of $100 million, and $500 million over five years, to expand the Labor Department's veterans employment and training programs.

Youth Programs: While continuing to improve the education of young people and eliminate financial barriers to postsecondary education and training for all, the budget continues support for State development of school-to-work systems and for Labor Department programs to help disadvantaged youth prepare for careers.

- *School-to-Work:* Funded and administered by the Education and Labor Departments, this initiative makes competitive awards to States and communities to build comprehensive systems that help young people move from high school to careers or postsecondary training and education. School-to-Work supports school reforms and ties between schools and employers, enabling young people to prepare for high-skill, high-wage careers; receive top-quality academic and occupational training; and pursue more postsecondary education or training. The budget proposes $250 million, $150 million less than the 1998 level, reflecting the gradual sunsetting of the program as States implement and sustain their own systems.
- *Youth Opportunity Areas:* Recognizing the special problems of out-of-school youth, especially in inner-cities and other areas where jobless rates can top 50 percent, the budget includes $250 million for competitive grants to selected high-poverty urban and rural areas with major youth unemployment problems. The Labor Department will award funds to those high-poverty areas, including federally-designated Empowerment Zones and Enterprise Communities, that submit applications showing that they have the best chance of substantially increasing employment among out-of-school youth. These "seed" funds will leverage State, local, and pri-

vate resources to employ youth in private sector jobs with good career opportunities. (For more information on Empowerment Zones and Enterprise Communities, see Chapter 8, "Strengthening the American Community.")

- *Summer and Year-Round Youth Employment and Training:* The summer jobs program gives hundreds of thousands of urban and rural disadvantaged youth their first work experience. The budget provides $871 million to finance 530,000 job opportunities for the summer of 1999, assuming that localities spend this flexible funding entirely on summer jobs. The budget also includes $130 million for the year-round program to help low-income youth—many of them in families on public assistance—who have dropped out of school, or are at risk of doing so, return to school or alternative learning programs. The budget would continue to permit local service delivery areas that receive both types of these funds to shift resources between the summer and year-round programs, as local needs dictate.
- *Job Corps:* The Job Corps provides intensive, work-related vocational skills training, integrated with academic and social education, and support services to severely disadvantaged young people in a structured residential setting. The budget proposes $1.3 billion, an increase of $62 million over the 1998 level, to open three to five new centers, fund opportunities for 70,000 young people, and maintain progress on quality improvements begun in 1998.

Child Labor Abuses

Responding to growing concern for the working conditions of children all over the world, the budget proposes $89 million to address the issue. Along with the proposed $50 million increase for Title I—Migrant Education, described earlier in this chapter, the budget proposes $39 million for a two-pronged attack on domestic and international child labor abuses.

International Child Labor Activities: The budget proposes a $27 million increase, to $30 million, for the Labor Department to enable the International Labor Organization's International Programme to Eliminate Child Labor to expand its work into more countries and industries. The proposed five-year, $150 million investment will help ensure that goods produced abroad for the U.S. market are not made with illegal child labor. The budget also proposes $3 million to enable the Customs Service to enforce the law banning the import of goods made with forced or bonded child labor.

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

Education and Employment for People with Disabilities

The budget proposes to maintain or increase most programs for people with disabilities, providing, for instance, a 16-percent increase for certain activities that enforce the Americans with Disabilities Act. The Administration will continue to press Congress to enact its proposal to help more people leave the disability rolls to return to work. In addition, the budget includes $2.4 million for an initiative to develop new policies to reduce barriers to employment for people with disabilities.

2. SUPPORTING WORKING FAMILIES

My friends, for centuries, over two now, the American Dream has represented a compact that those who work hard and play by the rules should be able to build better lives for themselves and for their children. In this time, and even more into the future, child care that is too expensive, unsafe or unavailable will be a very stubborn obstacle to realizing that dream. So let us commit ourselves to clearing the obstacle, to helping parents fulfill their most sacred duty, to keeping the American Dream alive for them and most important, for their children.

President Clinton
October 1997

The President has worked hard to improve the lives of working families, financially and otherwise.

The new Child Credit, coupled with a major expansion of the Earned Income Tax Credit (EITC) in 1993, provides significant tax relief for working families that are trying to raise their children and make ends meet. The Child Credit will help 26 million families a year, while the EITC expansion is already helping 15 million. Together, the Child Credit and the EITC will provide nearly $250 billion in tax relief from 1999 to 2003. In addition, the minimum wage increase that the President successfully sought gives a big financial boost to full-time, full-year minimum wage workers, raising the pay of each by $1,800 a year.

Other new policies enable parents to meet their families' health needs without risking their jobs, to change jobs without risking their health insurance, and to find health insurance for their children when they could not otherwise afford it. The Family and Medical Leave Act allows workers to take up to 12 weeks of unpaid leave to care for a newborn or adopted child, or to attend to their own health needs or those of a seriously ill family member. The Health Insurance Portability and Accountability Act protects an estimated 25 million Americans a year, allowing them to switch jobs without losing their health insurance. The self-employed and those with pre-existing conditions also will have an easier time finding and keeping their health insurance. The new Children's Health Insurance Program (CHIP), enacted as part of the 1997 Balanced Budget Act (BBA), will enable millions of low-income working families to more easily find health insurance for their children.

Nevertheless, one major area remains in which working families need more help—child care. For one thing, parents need more help when it comes to purchasing child care. For another, when they go to work, they should know that their children are in safe, healthy environments. By helping parents manage the twin demands of work and family, the President's Child Care Initiative, with its array of new benefits, is the logical next part of his agenda for working families.

In addition, the President proposes to address the problems faced by a particular group of working families—legal immigrants. The budget would restore Food Stamps to 730,000 legal immigrants, and let States provide health insurance under Medicaid and CHIP to the children of legal immigrants. As the President said at the time, the provisions of the 1996 welfare reform law that stripped legal immigrants of basic safety net protections were not only harsh and unnecessary, they also had nothing to do with the fundamental goal of welfare reform—to move people from welfare to work while protecting children.

Expanding Child Care

In 27 million families, both parents work or a single parent works. But, many of them who want safe, quality child care cannot find it or cannot afford it. As part of welfare reform, the Administration worked with Congress to increase spending on major child care programs by $4 billion over six years. With important new initiatives to make safe, quality child care more available and more affordable, the budget proposes $5.3 billion in tax incentives and $16.1 billion in new spending authority over five years—$2.7 billion in total assistance in 1999 alone (see Table 2–1).

The Child Care Initiative is designed to address the most important needs of working families: more affordable child care for middle- and low-income families; more safe sites for children after school and before parents come home; much greater enforcement of minimum health and safety standards for child care providers; better-trained child care providers; new help for families to use the latest research findings on early childhood development; and a strong research program on which to build for still better services.

More Affordable Child Care: The President proposes to make child care more affordable by expanding the Child and Dependent Care Tax Credit for middle-income families with child care costs, providing tax credits with which businesses can expand their child care resources, and increasing funds with which the Child Care and Development Block Grant can help more poor and near-poor children.

Child and Dependent Care Tax Credit: The Child and Dependent Care Tax Credit helps about six million families cover their child care costs each year. The budget proposes to expand the credit so that it offers more help for three million families with incomes below $59,000, providing nearly $5 billion in aid over the next five years.

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

Child Care and Development Block Grant: Federal child care funding has risen by nearly 70 percent under this Administration, providing child care services for over a million

Table 2–1. $21 BILLION OVER FIVE YEARS IN NEW RESOURCES FOR CHILD CARE

(In millions of dollars)

	Estimate					Total 1999–2003
	1999	2000	2001	2002	2003	
Spending:						
Discretionary Budget Authority:						
21st Century Community Learning Centers Increase	160	160	160	160	160	800
Provider Scholarship Fund	50	50	50	50	50	250
Standards Enforcement	100	100	100	100	100	500
Research	30	30	30	30	30	150
Apprenticeship	5	5	5	.....	.....	15
Head Start Increase	305	642	827	1,020	1,020	3,814
State Support Systems	5	5	5	5	5	25
Mandatory Budget Authority:						
Early Learning Fund	600	600	600	600	600	3,000
Receipts from Tobacco Legislation:						
Child Care and Development Fund Supplement	1,155	1,280	1,400	1,600	2,065	7,500
Tax Expenditures:						
Expansion of Child and Dependent Care Tax Credit	256	1,192	1,078	1,125	1,163	4,814
Tax Credits for Private Employers	38	77	108	124	131	478
Total	**2,704**	**4,141**	**4,363**	**4,814**	**5,324**	**21,346**

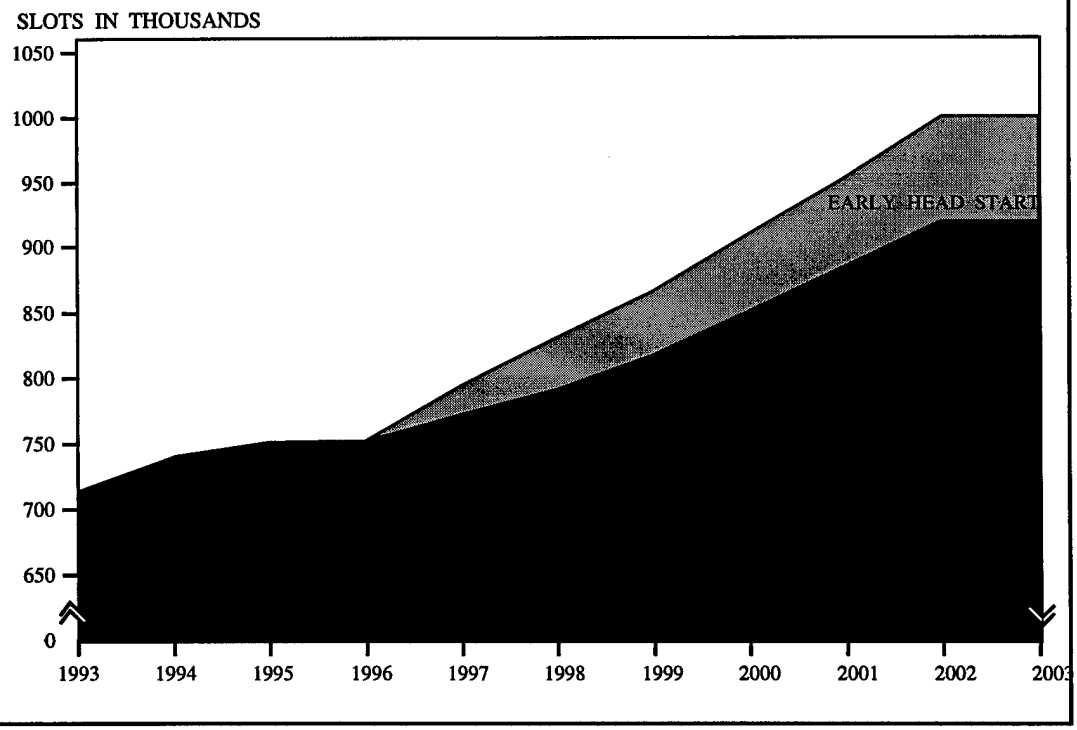
children from low-income working families or whose parents are moving from welfare to work. The budget would increase funds for the Child Care and Development Block Grant by $1.2 billion in new authority, to a total of $4.3 billion in 1999, and by $7.5 billion over the next five years, enabling the program to provide child care subsidies for 600,000 more poor and near-poor children in 1999. These new funds, combined with the child care funds provided in welfare reform, will enable the program to serve another million children over five years.

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

Early Learning Fund: The Early Learning Fund responds to the new scientific research presented at the White House Conference on Early Child Development and Learning in April 1997, indicating that a child's experiences in the first three years of life profoundly affect his or her brain development. The budget proposes $3 billion in spending authority over five years for the Fund, which would provide grants to communities for activities that improve early childhood education and the quality and safety of child care for children under five years old. For example, the money could go for parent education in child development, for helping child care providers become accredited, for home visits, and for reducing child-to-staff ratios in child care, as well as for innovative efforts to meet the developmental needs of children.

Head Start: Head Start, among the President's highest priorities, supports working families by helping parents get involved in their children's lives and providing services to the entire family. Since 1993, the President has worked with Congress to increase annual Head Start funding by 57 percent. In 1998, Head Start will serve 830,000 low-income

Chart 2-1. ONE MILLION HEAD START OPPORTUNITIES BY 2002



children, including up to 40,000 children under age three in the Early Head Start component that the President launched in 1995. The budget proposes to add 20,000 to 26,000 regular Head Start slots and 10,000 Early Head Start slots in 1999, making further progress toward the President's goal of enrolling a million children in Head Start by 2002. The budget also would expand Head Start funding by $3.8 billion over five years, providing $4.7 billion in 1999 and doubling the number of slots in Early Head Start by 2002 (see Chart 2–1).

School-Age Care: The President worked with Congress to expand 21st Century Community Learning Centers, enabling 400 schools in 1998 to open their doors before the school day begins or keep them open after the school day ends. The budget proposes a further expansion, and a requirement for matching funds, so that about 4,000 school-community partnerships across the country can implement before- and after-school programs. Instead of returning to empty houses, or playing on unsafe streets, up to 500,000 more children would be able to participate in safe, drug-free programs that combine learning, enrichment, and recreational activities. The budget proposes $800 million in new funds over five years, for a total of $1 billion.

Safety and Quality: The budget proposes to increase funds to help States enforce child care quality standards, and the President calls again for Congress to pass legislation to improve the safety of children by making it easier for States to conduct background checks on child care workers.

Standards Enforcement: Research and experience in the military child care program show that diligent enforcement of standards dramatically improves quality. The budget proposes $500 million over five years to help States enforce State and local child care health, safety, and quality standards. States would be able to help license and accredit child care providers and centers, increase unannounced inspections of child care centers and family day care homes, and develop local report cards that rank child care providers.

National Crime Prevention and Privacy Compact: The President has sent important legislation to Congress to improve the quality of child care and protect children's safety. This legislation—the National Crime Prevention and Privacy Compact—would make background checks on child care providers more efficient and accurate by eliminating State barriers to sharing criminal histories for non-criminal purposes.

More and Better Training for Child Care Staff: The budget proposes $250 million over five years for a new Child Care Provider Scholarship Fund, which the President announced at the White House Conference on Child Care. Along with State and local matching funds, the Scholarship Fund would provide over $300 million in scholarships over the next five years for up to 250,000 child care providers—improving the quality of child care for over half a million children. This proposal would boost the pay of providers who receive training and reduce the problem of high turnover by requiring that they stay in the field for at least a year. In addition, the budget would expand an apprenticeship program to finance the training of child care providers.

The Fund builds on the President's historic achievements over the last five years to promote lifelong learning, which include securing the largest increase in Pell Grant college scholarships in over 20 years, creating Hope and Lifetime Learning Tax Credits, expanding College Work-Study, creating the Direct Lending program that lets students repay their loans as a share of their income, and launching AmeriCorps to enable young people to earn money for college while serving their country. Every individual who needs financial support for postsecondary education can get it through these programs.

Families of Children with Disabilities: The budget proposes $5 million to help the families of children with disabilities. This new program would provide grants for States to expand and modify their State-wide support systems to help these families address such problems as inadequate child care options, missed job training and job opportunities, the loss of medical assistance, and teen pregnancy.

Research on Childhood Development and Child Care: Research on child care, and its dissemination, is critical for policy makers to make decisions about child care and for parents to know where to find quality child care and what to look for. The budget proposes $150 million over five years for a new Research and Evaluation Fund, which would provide consumer education, parent hotlines, and research activities to expand our knowledge of good policies and practices, including the types of child care settings, parent activities, and provider training that most benefit the early development of children. This fund would also support a National Center on Child Care Statistics as well as demonstration projects to test approaches to help new parents who choose to stay home with their newborns or newly adopted children.

Restoring Equity in Benefits for Legal Immigrants

The President believes that legal immigrants should have the same opportunity, and bear the same responsibility, as other members of society. Upon signing the 1996 welfare law, he pledged to work toward reversing the harsh, unnecessary cuts in benefits to legal immigrants that had nothing to do with the goal of moving people from welfare to work. As part of last year's BBA, the President worked with Congress to restore Medicaid and Supplemental Security Income (SSI) to hundreds of thousands of disabled and elderly legal immigrants.

Due to the 1996 law, however, many legal immigrants still cannot get Food Stamps and access to health care, including such vulnerable groups as families with children, people with disabilities, the elderly, and refugees and asylees. The budget provides $2.7 billion over five years to restore Food Stamps to vulnerable groups and to let States provide health care to the children of legal immigrants.

Food Stamps: For legal immigrant families with children, the budget would restore benefits without regard to when they entered the United States. For the elderly or people with disabilities, the budget would restore benefits to those who entered before Congress enacted the benefit cuts—similar to how the President and Congress restored Medicaid and SSI to legal immigrants last year. For refugees and asylees, the budget would lengthen their exemption to the Food Stamp ban from five to seven years. The Nation admits refugees and asylees for humanitarian reasons, and many may need more time to naturalize than the law allows. The budget also would exempt from the ban Hmong refugees from Laos who immigrated to the United States after the Vietnam conflict and certain Native Americans living along the Canadian and Mexican borders.

Health Care: The budget would let States provide health coverage to legal immigrant children under Medicaid and CHIP. Currently, States can provide health coverage to immigrant children who entered the country before the welfare law was enacted. But, immigrant children who entered after the law was enacted cannot get benefits for five years. Under this proposal, States could provide health coverage to those children through Medicaid or through their current CHIP allotment.

Continuing Support for Working Families

The Child Care Initiative and the proposals to restore benefits to legal immigrants build on a strong base of support for working families, which the President has worked with Congress to achieve over the past five years. That support includes a broad array of tax incentives to encourage and support work as well as legislation to, among other things, enable workers to care for a newborn and fulfill other family responsibilities; raise the minimum wage; enable workers to retain their health insurance; and provide health insurance to up to five million uninsured children. (For the broader discussion of the health care expansions, see Chapter 3, "Strengthening Health Care.")

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

- *EITC:* As an important part of moving people from welfare to work, the Federal Government can help ensure that those who work can support their children. The EITC, a tax credit that Congress created over 20 years ago, helps to meet this goal

by supplementing the earnings of working families. In his 1993 economic program, the President proposed, and Congress enacted, legislation to substantially expand the credit, helping 15 million low-income working families. The EITC will provide $150 billion of tax benefits over the next five years.

- *Child Credit:* The Child Credit, which the President proposed and Congress enacted as part of the 1997 Taxpayer Relief Act, helps working parents raise their children by providing $500 per child for all children under age 17. The credit, which will provide $98 billion in tax benefits over the next five years, will help 26 million families with over 40 million children.
- *Exclusion of Employer Contributions for Child Care Expenses:* The law lets parents exclude up to $5,000 of employer-provided child care expenses from their taxable income and Social Security earnings. The exclusion will provide over $5 billion in benefits over five years.
- *Tax Incentives for Work:* The budget proposes to extend through April 30, 2000 the Welfare-to-Work Tax Credit, which the President and Congress created as part of the Taxpayer Relief Act of 1997. It focuses on those who most need help—long-term welfare recipients—by letting employers claim a tax credit on the first $10,000 a year of wages that they pay, for up to two years, for workers they hire who were long-term welfare recipients. The credit is 35 percent on the first year's wages, rising to 50 percent on the second year's wages. In addition, the budget would extend through April 30, 2000 the Work Opportunity Tax Credit, which provides a credit of 40 percent on the first $6,000 of wages paid to members of eight more target groups.

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

- *Family and Medical Leave:* In early 1993, the President proposed, and Congress enacted, the Family and Medical Leave Act, which allows workers to take up to 12 weeks of unpaid leave to care for a new-

Table 2–2. $270 BILLION OVER FIVE YEARS IN SUPPORT FOR FAMILIES WITH CHILDREN [1]

(In millions of dollars)

	1997 Actual	Estimate						Total 1999–2003
		1998	1999	2000	2001	2002	2003	
Tax Expenditures								
Existing Law:								
Earned Income Tax Credit [2]	27,218	27,867	28,481	29,184	29,984	30,810	31,673	150,132
Child Tax Credit [3]	.....	3,592	19,714	19,926	19,679	19,471	19,170	97,960
Child and Dependent Care Tax Credit	2,515	2,510	2,510	2,505	2,500	2,500	2,495	12,510
Exclusion of Employer Contributions for Child Care Expenses [3]	860	910	950	995	1,040	1,085	1,135	5,205
Proposed Legislation:								
Expand Child and Dependent Care Tax Credit	.....	.....	256	1,192	1,078	1,125	1,163	4,814
Eliminate Household Maintenance Test for Dependent Care Tax Credit	.....	.....	10	67	71	74	78	300
Administrative Improvements and Simplification [4]	.....	.....	–118	–177	–181	–185	–189	–850
Total	**30,593**	**34,879**	**51,803**	**53,692**	**54,171**	**54,880**	**55,525**	**270,071**

[1] Does not include interaction effects between provisions.
[2] Includes effects on individual income taxes only.
[3] Includes tax expenditures and effect on outlays.
[4] Includes simplification of EITC foster child definition, clarification of the tiebreaker rule under the EITC, and clarification and expansion of math-error procedures.

born or adopted child, attend to their own serious health needs, or care for a seriously ill parent, child, or spouse—making it less likely that employees will have to choose between work and family.

- *Minimum Wage:* By 1996, the value of the minimum wage had neared a 40-year low. That year, however, the President worked with Congress to raise the minimum wage from $4.25 to $5.15 an hour in two steps, over two years. The first step, a 50-cent increase, took effect in October 1996; the second, a 40-cent increase, took effect 11 months later, on September 1, 1997. The 90-cent raise means $1,800 a year in higher earnings for full-time, full-year minimum wage workers. Millions of other low-wage workers making somewhat more than the new minimum also will benefit if employers raise their paychecks in step with the minimum wage increase—as they have done in the past.

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

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3. STRENGTHENING HEALTH CARE

[The Balanced Budget Act] strengthens our families by extending health insurance coverage to up to five million children... [The Act] honors our commitment to our parents by extending the life of the Medicare Trust Fund for a decade. It also provides structural reforms that will give Medicare beneficiaries more informed choices among competing health plans, authorizes a number of new anti-fraud provisions, and establishes a wide array of new preventative benefits.

President Clinton
August 1997

The past year has brought a number of improvements in health care that will benefit all Americans.

The 1997 Balanced Budget Act (BBA) represents a major step forward in the President's effort to improve and protect the Nation's health, especially for the almost 70 million vulnerable Americans who rely on Medicare and Medicaid. It strengthened the guarantee of quality health care for nearly 40 million Medicare participants by extending the life of the Medicare Trust Fund until at least 2010, investing in preventive benefits, introducing more choice of health plans, and strengthening our expanding array of activities to combat fraud and abuse. It strengthened Medicaid managed care quality standards and allowed States greater flexibility in designing their programs. And it provided an unprecedented $24 billion, through the State Children's Health Insurance Program (CHIP) and new Medicaid options, to cover up to five million children in working families—a population in which many have no insurance at all.

These wide-ranging efforts came just a year after the President and Congress enacted the Health Insurance Portability and Accountability Act (HIPAA), which the Administration is now implementing. HIPAA reformed the private insurance market to help people keep their health insurance when they change jobs and limited the ability of insurers to deny coverage due to pre-existing conditions. It also simplified health care paperwork, clarified that certain long-term care insurance policies are tax deductible, and, for the first time, created a new stable source of funding to control fraud. Also, combined with the 1997 Taxpayer Relief Act, HIPAA boosted the tax deduction for the self-employed, making it cheaper for self-employed persons to get health insurance. In addition, the Administration and Congress enacted legislation that ensured parity in annual and lifetime limits between mental and physical health benefits and required health plans to allow new mothers and their babies to remain in the hospital at least 48 hours following most deliveries.

To ensure that consumers continue to receive high-quality health care, the President created the Advisory Commission on Consumer Protection and Quality in the Health Care Industry early last year to advise him on changes occurring in the health care system and to recommend steps to ensure quality. In the fall, the Commission approved and the President endorsed a Health Care Consumer Bill of Rights, which includes the right to a choice of health care providers; access to emergency room treatments; participation in treatment decisions; assurance that patients are respected and not discriminated against; internal and external grievance and appeals processes; access to accurate, easily understood information; and confidential medical records.

These improvements occurred against a backdrop of dramatic change in the private health care marketplace. After rapid inflation in the 1980s and early 1990s, national health spending growth dropped to a record low of 4.4 percent from 1995 to 1996. A strong

economy, cost consciousness on the part of employers and consumers, and the shift to managed care contributed to this slowdown. In 1995, nearly 75 percent of workers with employer-based insurance were enrolled in managed care, a 22-percent increase since 1993. Nevertheless, the number of uninsured has continued to rise. Thus, the Nation's work is not done; we must guard against the return of rapidly growing health care costs and work to reduce the number of uninsured, while maintaining a high standard of quality.

With this budget, the Administration builds on the recent legislative achievements by committing to work with Congress on bipartisan tobacco legislation; proposing to expand health care coverage for some of the most vulnerable Americans aged 55 to 65; continuing the Administration's aggressive anti-fraud and abuse enforcement activities in Medicare and Medicaid; launching an aggressive outreach campaign to enroll eligible children who are not enrolled in Medicaid; proposing an unprecedented investment in health research; expanding access to powerful AIDS therapies; expanding access to cancer clinical trials; increasing funds for substance abuse treatment and prevention; and helping to reduce health-related disparities across racial and ethnic groups.

Adopting Bipartisan National Tobacco Legislation

The Administration has focused on improving public health—particularly children's health—by pursuing efforts to curtail tobacco use. In 1998, the Administration will work with Congress to enact comprehensive national tobacco legislation to reduce smoking, especially by youth. The President has outlined five key principles that must be at the heart of any national tobacco legislation:

- A comprehensive plan to reduce youth smoking, including: tough penalties on tobacco firms that continue to market to youths; price increases; public education and counter advertising; and expanded efforts to restrict access and limit appeal.
- Full authority of the Food and Drug Administration (FDA) to regulate tobacco products.
- Changes in how the tobacco industry does business, including an end to marketing and promotion to children and broad document disclosure.
- Progress towards other public goals, including a reduction of secondhand smoke; promotion of cessation programs; public health research; the strengthening of international efforts to control tobacco; and other urgent priorities.
- Protection for tobacco farmers and their communities.

In its final form, the legislation will result from extensive bipartisan negotiations between the Administration and Congress. The Administration proposes that the legislation provide for annual lump sum payments by tobacco manufacturers, with the amounts paid by each determined by formula. The budget assumes net Federal receipts from this legislation will total at least $10 billion in 1999, rising each subsequent year for a total of $65 billion between 1999 and 2003. These amounts are consistent with the President's call for an increase in per-pack cigarette prices of up to $1.50 (in constant dollars) over 10 years as necessary to meet the targets set to reduce youth smoking.

The budget applies the receipts from tobacco legislation to finance research into tobacco-related and other diseases through the National Institutes of Health; fund a cancer clinical trial demonstration project for Medicare beneficiaries; support smoking prevention efforts by the Centers for Disease Control (CDC); strengthen the FDA's enforcement programs; fund smoking cessation programs; expand outreach efforts to ensure that children eligible for health care coverage are enrolled; sponsor counter-advertising; protect tobacco farmers; and support other initiatives associated with national tobacco legislation. It proposes that States receive a substantial portion of the net receipts, partly through block grants that they can use to provide child care and reduce class size in schools, and partly through unrestricted funds. (For more information on what the budget proposes to finance through national tobacco legislation, see Table S–7 in "Summary Tables.")

Improving Access to Health Care Coverage

The budget proposes new initiatives to provide access to health insurance for the nearly two million people between 62 and 65 who do not have employer-sponsored insurance; those between 55 and 61 who have been displaced from their jobs; and retirees who have had their insurance terminated by a former employer. The budget also proposes to help States and small employers create voluntary health insurance purchasing cooperatives that will help individuals buy affordable health insurance.

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

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

The budget proposes three options that will help an estimated 300,000 members of this vulnerable population:

- *Allowing Americans between 62 and 65 to buy Medicare coverage:* The budget proposes to allow Americans between 62 and 65 to buy Medicare coverage by paying a premium based on an actuarially fair rate for that age group. The proposal is self-financing, because, over time, participants pay the full cost of their coverage. And it will give millions of older Americans the security of knowing that they have a health insurance option.
- *Expanding health insurance options for displaced workers:* Along with the 62-to-65 age group, the budget offers access to health insurance to displaced workers between 55 and 61—those who have lost or left their jobs due to plant or company closings or moves, slack work, or the abolishment of their positions or shifts. These workers often become uninsured, even if they had insurance on their last job. The budget proposes to allow displaced workers who were insured on their job but are now uninsured to buy Medicare coverage by paying a premium.
- *Protecting retirees whose retiree health benefits have been dropped:* In addition, retirees 55 to 65 whose employers have dropped their retiree health coverage will be allowed to buy in to employer continuation coverage (known as COBRA) by paying a premium.

Creating Voluntary Purchasing Cooperatives: The small group health insurance market does not function as efficiently as the large group market. As a result, small business employees and their families will more likely be uninsured and have more expensive premiums. Small businesses also have higher administrative costs and pay more for the same benefits as larger firms.

To help small businesses overcome these disadvantages, the budget includes $100 million in seed money over five years for selected States to establish voluntary purchasing cooperatives that will allow small employers

to pool their purchasing power and negotiate better rates for their employees.

Providing Cancer Clinical Trials for Medicare Beneficiaries

Less than three percent of cancer patients participate in clinical trials of new therapies. Many scientists believe that higher participation could lead to the faster development of therapies for more of those in need.

Moreover, the elderly, who are most likely to get cancer, often cannot participate in such trials because Medicare does not pay for such treatments until they are established as standard therapies. Americans over 65 make up half of all cancer patients, and are 10 times more likely to get cancer than younger Americans.

The budget would give more Americans access to these cutting-edge treatments and encourage higher participation in clinical trials by establishing a three-year, $750 million demonstration program, specifically for Medicare beneficiaries, to cover the patient care costs for those who participate in certain federally-sponsored cancer clinical trials. Although the Health Care Financing Administration (which administers Medicare) would run the demonstration, it would be funded by specified receipts from national tobacco legislation and, thus, would not draw upon Medicare's Hospital Insurance (HI) or Supplementary Medical Insurance (SMI) trust funds. The proposal includes an evaluation after three years to consider whether to expand the demonstration.

Promoting Program Integrity in Medicare and Medicaid

The Administration has worked hard to promote competition, reduce errors, and eliminate fraud in Medicare and Medicaid. The budget proposes efforts to strengthen our commitment to eliminate fraud and abuse and promote competitive pricing, including:

- Initiatives to combat Medicare fraud and abuse and, in turn, extend the life of Medicare's trust funds by enabling Medicare to pay market-oriented prices for prescription drugs; eliminating overpayments that facilities receive for drugs used to treat anemia; reforming outpatient mental health benefits; and requiring insurance companies to provide information to enable Medicare to make payments only when it is the primary payer.
- An initiative to expand Medicare's ability to use its market power to competitively negotiate rates with providers for selected Medicare procedures. By creating "Centers of Excellence," Medicare will be able to reduce its average cost while improving quality.

The Administration is also considering Medicaid incentive projects that measure errors and fraud in State Medicaid programs and develop performance measures related to such errors and fraud. These projects would help States identify problem areas in their Medicaid programs, target program integrity resources more effectively, and measure the success of their efforts to reduce errors and combat fraud.

Expanding Access to Children's Health Insurance

The new Children's Health Insurance Program enables States to extend health insurance coverage to as many as five million uninsured children. It builds on an already strong Medicaid program that the Administration has worked hard to protect. But with over three million uninsured children eligible for Medicaid, but not enrolled, important work remains.

To achieve the President's goal of working with the States to enroll as many children as possible, the budget contains several outreach proposals, costing $900 million over five years and financed by receipts from tobacco legislation, including:

- *Outreach in schools and child care sites:* The budget would allow school and child care center staff to enroll children into Medicaid temporarily on the presumption that they are eligible. This proposal would increase enrollment by expanding the network of individuals who can identify and enroll children, and inform families about the potential eligibility of their children. It also would enable Medicaid to cover the costs related to providing this temporary

coverage, rather than requiring States to cover the costs from their CHIP allotment.

- *Matching funds for outreach:* The budget proposes to expand the use of a special $500 million Medicaid fund—now aimed at outreach for children losing welfare—to fund outreach to all children.
- *Simpler enrollment:* The budget proposes to streamline the Medicaid application process by simplifying eligibility and encouraging the use of mail-in applications.

The budget contains other proposals to further promote the President's goal of reducing the number of uninsured children, including:

- *Aid for the territories:* The budget proposes $153 million in increased funding under CHIP for Puerto Rico and the other four territories, fulfilling the President's promise to provide more equitable funding for children's health care in the insular areas.
- *Health insurance for legal immigrant children:* The budget would give States the option to provide health coverage to legal immigrant children under Medicaid and CHIP. Currently, States can provide health coverage to legal immigrant children who entered the country before the 1996 welfare reform law was enacted. But immigrant children who entered *after* the law was enacted cannot get benefits for five years. Under this proposal, States could provide coverage to immigrant children through Medicaid or through their current CHIP allotment.

Promoting Public Health

The budget continues the Administration's commitment to invest in key public health areas. In particular, the budget proposes to expand health research; increase access to powerful AIDS therapies; discourage tobacco use among young people; enhance food safety; help reduce disparities in disease rates across racial and ethnic groups; improve substance abuse treatment and prevention; promote childhood immunizations; provide voluntary family planning to low-income women; reduce infant mortality; and improve health care quality.

Increasing Biomedical Research: Progress in biomedical research has ensured that many diseases that Americans faced a generation ago can now be prevented or treated. Smallpox has been eradicated from the world and polio is gone from the Western Hemisphere. Surgical procedures, such as organ transplants or cardiac pacemakers, can restore normal lives for those who once had few treatment options.

The scientific community is now poised to make even more advances that, with sufficient investment, could dramatically alter and improve the way we treat diseases. Several new technologies in medical research show great promise. Specifically, important strides in imaging technologies make it possible to visualize living cells and entire organs, providing new insights into the structure of disease; computer-based systems give scientists new tools to rapidly analyze vast amounts of new data; and the scientific community stands on the cusp of a host of breakthroughs in genetics that will enable scientists to map the entire human genome and revolutionize how we understand, treat, and prevent some of our most devastating diseases.

The budget proposes an unprecedented commitment in biomedical research that will lay the foundation for new innovations to improve health and prevent disease. It invests $1.15 billion in the National Institutes of Health (NIH)—the largest increase in history. Moreover, to ensure that the Nation continues to make important investments in biomedical research, the budget proposes—for the first time ever—sustained increases in the NIH over five years. By the year 2003, funding for biomedical research will increase to over $20 billion, or by nearly half.

Within the NIH increase, the budget provides for increased funding on cancer-related research. In 1999, NIH's cancer-related research will grow by 10 percent and, over the next five years, by almost two thirds. Though the Nation's death rate from cancer fell between 1991 and 1995—the first sustained decline since record-keeping began in the 1930s—nearly one in five people in the United States dies from cancer. The proposed investment in cancer-related research over

the next five years will enable NIH to make further advances in cancer prevention, detection, and treatment.

Making Quality Direct Services and Preventive Care Accessible to Special Populations: Direct health services and prevention activities translate the ground-breaking medical advances often produced by biomedical research into benefits such as disease prevention, medical cost reductions, and public health education. The budget proposes funding increases for the following health service and prevention activities, many of which help serve low-income and other vulnerable populations:

- *Ensuring access to powerful AIDS therapies through Ryan White HIV/AIDS Treatment Grants in partnership with the States:* The budget proposes a $100 million increase in Ryan White treatment grants to help States provide AIDS treatment, especially the powerful "combination therapy" AIDS drugs. While combination therapy offers tremendous hope to people with HIV, it also presents a tremendous challenge to AIDS services programs to make this hope available to all Americans living with HIV/AIDS. Many States spend a considerable amount of money on the AIDS Drug Assistance Program; others contribute little or nothing. The Federal Government, States, and the private sector all must rise to the challenge of meeting the future needs of people with AIDS. The Administration will work with Congress to develop revised matching requirements or other means of encouraging more State participation on behalf of people living with HIV/AIDS. The budget also includes a $65 million increase for grants to cities, States, and clinics for medical care, critical support services, and new ways to help people who are HIV-positive. In total, the budget proposes $1.3 billion in Federal spending for activities authorized by the Ryan White CARE Act, a 14-percent increase over 1998 levels and a 241-percent increase over comparable 1993 levels.
- *Reducing tobacco use among young people:* Tobacco is linked to over 400,000 deaths a year from cancer, respiratory illness, heart disease, and other health problems. Each year, a million young people become regular smokers, 300,000 of whom will die earlier as a result. In August 1996, the Administration approved an FDA regulation to cut tobacco use among young people in half over seven years. The budget includes $146 million of additional funds for tobacco-related activities in the CDC and the FDA—$46 million of which will pay for expanding CDC's existing State-based tobacco prevention activities, and $100 million of which will support FDA's outreach and enforcement activities.
- *Improving substance abuse prevention and treatment:* The budget continues to expand substance abuse prevention and treatment activities, enabling hundreds of thousands of pregnant women, high-risk youth, and other under-served Americans to get drug treatment and prevention services. The Substance Abuse and Mental Health Services Administration's Substance Abuse Block Grant (SABG) funds 40 percent of all the Nation's publicly-provided substance abuse treatment. To narrow the gap between those who are seeking treatment and those who can be accommodated by the public treatment system, the budget proposes a $200 million increase for the SABG. Along with continued support from the States, this increase would allow another 50,000 individuals a year to receive substance abuse treatment. This proposal also would help reduce the spread of AIDS by giving intravenous drug users increased access to substance abuse treatment programs.
- *Enhancing food safety:* American consumers enjoy the world's safest food supply, but too many Americans get sick from preventable food-borne diseases. The budget increases funding by $101 million, or 12 percent, over the 1998 level for the Administration's inter-agency food safety initiative, which created a national early warning system for food-borne illnesses and improved Federal-State coordination when food-borne disease outbreaks occur. The budget increase also expands food safety research, risk assessment capabilities, education, and surveillance activities, as well as food import inspections. Furthermore, the budget proposes to expand FDA's international inspection force to en-

sure that imported fruits and vegetables are as safe as those produced in the United States.

- *Helping to reduce racial disparities in health status:* Despite improvements in the Nation's overall health, continuing disparities remain in the burden of death and illness that certain minority groups experience. For example, the infant mortality rate for African-Americans is twice that of Caucasians. American Indian and Alaska Natives are about three times as likely to die from diabetes as other Americans. To address these and other disparities, the budget includes $80 million for health education, prevention, and treatment services for minority populations. Working with minority public health providers, advocates, and other consumer representatives, CDC will begin a new $30 million demonstration program to enable selected communities to develop innovative and effective approaches to address these disparities. Each community, chosen through a competitive grant process, would begin an intensive program to address one or more health areas with major disparities, such as infant mortality. The remaining $50 million will go to various public health programs that serve mostly minority and low-income populations.

- *Enhancing family planning:* The budget provides a $15 million increase, to $218 million, to support over 4,000 family planning clinics, a primary source of voluntary family planning services for low-income women Nation-wide. The increase would expand services to adolescents and enable grantees to better meet the rising demand for comprehensive services, such as screening, prevention, and education and counseling. Publicly subsidized family planning services help American women prevent over a million unintended pregnancies each year. The budget also includes $50 million in mandatory funding for States to conduct abstinence education projects to help reduce out-of-wedlock pregnancies.

- *Promoting full participation in the Women, Infants, and Children (WIC) program:* WIC reaches nearly 7.5 million women, infants, and children a year, providing nutrition assistance, nutrition education and counseling, and health and immunization referrals. WIC provides for prenatal care to those who would not otherwise get it, reducing the incidence of premature birth and infant death. As a result, Medicaid saves significant sums that it would otherwise spend in the first 60 days after childbirth. Largely because of funding increases in the last five years, WIC participation has grown by 30 percent, and the program now helps half of America's infants. The budget proposes $4.1 billion to serve 7.5 million people through 1999, fulfilling the President's goal of full participation in WIC.

- *Promoting childhood immunizations:* The budget proposes $973 million for the Childhood Immunizations Initiative, including the Vaccines for Children program and CDC's discretionary immunization program. As a result of the Administration's Childhood Immunization Initiative, the Nation exceeded its childhood vaccination goals for 1996, with 90 percent or more of America's toddlers receiving each basic childhood vaccine. The incidence of vaccine-preventable diseases among children, such as diphtheria, tetanus, measles, and polio, are at all-time lows. The budget also includes $47 million to eradicate polio—preventable through immunization throughout the world.

- *Improving health care quality:* The budget would double, to $30 million, the Department of Health and Human Services' health care quality activities to expand research on quality and put into practice the recommendations of the President's Advisory Commission on Consumer Protection and Quality in the Health Care Industry. The research will increase knowledge about how best to measure and improve the outcomes and quality of medical services, and reveal ways to encourage health care providers to use this information in their work.

- *Caring for veterans health needs through veterans medical care:* Continuing its commitment to veterans programs, the Administration proposes $17.7 billion for the Department of Veterans Affairs' (VA) health system. The funds will enable the VA to continue to restructure its health care system by increasing access and delivering quality care to our Nation's veterans.

4. PROTECTING THE ENVIRONMENT

> *There is a new understanding today in the world between the bonds that connect human beings and their natural environment. We know we have to preserve them, and we know that in the end economic development itself cannot occur unless the environment is preserved.*
>
> President Clinton
> May 1997

With the historic December 1997 international agreement in Kyoto calling for cuts in greenhouse gas emissions, the Administration capped a remarkable year of environmental successes. History has shown that the Nation does not have to choose between a strong economy and a clean environment. The President's policies have contributed to five years of both strong economic growth and a cleaner, healthier environment.

Along with the Kyoto Protocol, the Administration has issued new, more protective air quality standards to better safeguard public health and the environment, and has strengthened our citizens' right to know about toxic chemical releases. It has continued its efforts to protect our natural treasures, such as Yellowstone National Park, the Everglades, Grand Staircase National Monument, and the Headwaters redwoods, from environmental threats. It has secured $699 million in the Land and Water Conservation Fund for acquiring Headwaters Forest, the New World Mine near Yellowstone, and other high-priority land acquisitions to protect key natural, cultural, and historic resources. It has cleaned up more toxic waste sites in its first four years than the previous two administrations did in 12, and it is continuing to advance toward the President's goal of 900 site cleanups by the end of year 2001.

While Americans want a Government that helps protect the environment and our natural resources, they do not want to burden business unduly, choke innovation, or waste taxpayer dollars. If sensibly designed and flexibly implemented, environmental initiatives can cost less while providing unforeseen economic opportunities. Americans have met environmental challenges because we innovate, we compete, and we find solutions to problems in ways that promote entrepreneurship and strengthen the economy.

To implement his vision for the environment and our natural resources, the President is proposing an Environmental Resources Fund for America to support increases for many of the Nation's key environmental programs. The Fund provides for enhanced construction, maintenance, and land acquisition for national parks, forests, refuges and other public lands; a new multi-agency initiative to improve our Nation's water quality; infrastructure funding for community drinking water and wastewater facilities; and resources to clean up abandoned hazardous waste sites. The budget also includes a new, five-year $6.3 billion program to implement the President's commitment to prevent global warming, as well as increased resources to protect endangered species, carry out pollution control programs, and preserve the global environment.

Approaches for Environmental Success

Preventing Global Warming: In December, the United States reached an historic agreement with other nations to meet the challenge of global warming. The Kyoto Protocol establishes realistic, achievable, and binding commitments to reduce greenhouse gas emissions and reflects the Administration's commitment to use market mechanisms to tackle the problem in innovative and flexible ways.

Improving Air Quality: In July 1997, the Administration took the most far-reaching

steps in 20 years to improve our air quality by cutting smog levels and, for the first time ever, setting standards to lower the levels of fine particles in the atmosphere. These standards will prevent adverse health effects for people of all ages and may prevent up to 15,000 premature deaths a year.

Reflecting the Administration's approach to regulatory decision making, however, the President directed that the Environmental Protection Agency (EPA) implement the standards in ways that will maximize common sense, flexibility, and cost-effectiveness. He directed that implementation maintain the progress underway toward cleaner air, reward early action to reduce air pollution, employ regulatory flexibility to minimize economic impacts, and recognize the substantial lead time needed to implement the new fine particle standard. Further, the President directed EPA to complete a new science review of the standard before imposing any new controls to meet it.

Restoring the Everglades: The budget supports the continued Federal, State, local and Tribal efforts to implement the restoration project for the South Florida ecosystem, which the Administration began in 1993 and Congress authorized in the 1996 Water Resources Development Act. In 1999, the Army Corps of Engineers will complete the Central and Southern Florida Comprehensive Review Study, providing long-term direction for restoration efforts.

In December 1997, Vice President Gore announced the Government's intent to purchase (with non-Federal partners) 50,000 acres of land (known as the "Talisman" tract) on the northern edge of Everglades National Park. This land, formerly used for sugar farming, will serve as a critical buffer zone between the Everglades and the sugar plantations to the north, helping to re-establish the essential natural flow of water into the Everglades and improve water quality.

Along with better water flows and water management, the budget recognizes the need for scientific guidance and land acquisition to restore the Everglades' hydrologic functions, providing a steady funding source for these needs. The budget proposes $282 million, 24 percent more than Congress approved in 1998, continuing the Administration's support for the Everglades Restoration Initiative to accelerate the restoration effort and provide the steady funding source for land acquisition, science, and modified water delivery.

Saving Yellowstone Park: To protect Yellowstone National Park, the Federal Government agreed in August 1996 to acquire Crown Butte, Inc.'s interest in the New World Mine, whose development posed a severe environmental threat to Yellowstone's unique landscape and wildlife resources. In 1998, the Administration sought, and Congress provided, $65 million to proceed with this agreement, which will preserve one of the crown jewels of the National Park System. Crown Butte will dedicate $22 million to clean up contamination at the site from earlier mining activities. The Administration is working with Crown Butte and other parties to complete the acquisition.

Protecting Headwaters Forest: In 1998, the Administration sought, and Congress provided, $250 million to acquire the Headwaters Forest in northern California, the largest privately-owned stand of ancient redwoods. As part of the acquisition, the Administration is committed to ensuring that Headwaters and its threatened and endangered inhabitant species are protected. As a result, the Administration is developing, and has made significant progress on, a scientifically and technically sound habitat conservation plan and an environmental impact statement. The Federal Government and State of California expect to acquire Headwaters by March 1999.

Preserving Other Natural Resources: As part of last year's budget agreement with Congress, the Administration secured $699 million in 1998 for priority Federal land acquisitions and exchanges. After financing the top two priorities—protecting the Headwaters Forest and saving Yellowstone—$362 million remained to invest in other priorities for parks, forests, refuges, and public lands. The Administration is considering potential acquisitions to restore the Elwha River in Olympic National Park, protect bison winter habitat outside Yellowstone, acquire the Baca Ranch in New Mexico, add lands to the Santa Monica Mountains National Recreation Area, complete the Appalachian Trail, and preserve key Civil War battlefields.

Targeting the Conservation Reserve Program (CRP): In this Agriculture Department (USDA) program, landowners establish long-term conservation practices on erodible and environmentally sensitive land in exchange for 10 to 15 years of rental payments. The 16.1 million acres accepted into the CRP in March 1997, out of 23.2 million acres that farmers bid, will increase the environmental benefits by nearly 85 percent for every dollar spent, compared with earlier CRP sign-ups. At the same time, program costs are falling, with the Department paying 21 percent less per acre—saving over $1.6 billion over the life of the program. Within the CRP, the Conservation Reserve Enhancement Program targets priority lands to better address water pollution and protect endangered species.

Protecting Roadless Areas and Improving the Forest Road System: The 73 million acres without roads in our National Forests have outstanding ecological, aesthetic, and social value. They are often the refuge of last resort for rare species and the source areas of municipal water supplies. The Forest Service is working to meet public access needs in an ecologically sensitive manner, ensuring that we protect these roadless areas for future generations. At the same time, the extensive Forest Service road system is rapidly eroding—risking public safety and contributing to environmental damage in some national forests. The budget proposes $218 million, a 20-percent increase over the 1998 level, for investments in road maintenance and reconstruction, road closures and obliteration, and watershed improvements that are critically important to salmon, water quality, and other resource management goals. The budget also proposes to eliminate the timber purchaser road credit program, and provide a stable payment to counties that is not linked to timber harvest volume.

Enhancing Citizens' Right to Know: The Administration continues to expand the information available to citizens on substances being released into their neighborhoods. In the decade since community right-to-know legislation went into effect, the law has helped spur a 43-percent cut in toxic emissions by industry. In April 1997, the Administration increased by 30 percent the number of facilities covered by adding seven sectors that must report under the program. This expansion comes on top of a 1995 rule that nearly doubled the number of toxic chemicals that facilities must report.

Redeveloping Contaminated Land: The Administration has established a Brownfields National Partnership, bringing together the resources of over 15 Federal agencies to help empower and revitalize communities. The Partnership is just one piece of the Administration's efforts to help thousands of communities clean up and redevelop Brownfields—abandoned pieces of land, usually in inner cities, that are highly contaminated from previous industrial use. The Partnership—which includes a $300 million Federal investment—will leverage an expected $5 billion to $28 billion in private investment, support up to 196,000 jobs, and protect up to 34,000 acres of undeveloped "greenfield" areas outside of cities.

Restoring the Presidio of San Francisco: The Administration has established a Government corporation, known as the Presidio Trust, to rehabilitate and lease hundreds of unused buildings in the Presidio of San Francisco, once a military base and now a national park. The Presidio Trust will restore these houses and offices in a manner consistent with park purposes, then lease them to families and businesses. To cut taxpayer costs, the budget provides for the Presidio Trust to borrow $25 million from the Treasury in both 1999 and 2000 to fund these improvements, and repay the money through future lease receipts.

Making the Endangered Species Act (ESA) Work: Administration reforms have improved the way the ESA works. Habitat Conservation Plans (HCPs), for example, give State, local, and Tribal governments and the private sector the flexibility to protect endangered species and conserve habitat, while allowing for development. HCPs will cover an estimated 7.3 million acres by the end of 1998. The Administration is also providing earlier protection for species to preclude their listing as endangered. For instance, the Federal Government has entered into 40 Candidate Conservation Agreements (CCAs) with private landowners or State and local governments, providing benefits to over 200 species and preventing the listing of five.

Environmental and Natural Resource Investments

The budget proposes to boost funding for high-priority environmental and natural resources programs by five percent, compared to 1998 levels (see Table 4–1).

Reducing Greenhouse Gases and Promoting Energy Efficiency: Last fall, the President announced a nine-point plan to begin addressing climate change, including a five-year package of tax incentives and research and development spending to spur energy efficiency and help develop low-carbon energy sources. With the historic agreement in December 1997 to reduce greenhouse gas emissions, the President now proposes a $6.3 billion package of tax incentives and research spending. The budget provides $1.7 billion in 1999 for the Climate Change Technology Initiative, nearly doubling the 1998 level, as a down-payment on the President's five-year commitment. (For a more detailed discussion of the Administration's climate change efforts, see Chapter 6, "Promoting Research.")

Creating the Environmental Resources Fund for America: The budget proposes the Environmental Resources Fund for America, an innovative financing mechanism for environmental initiatives. It provides $7.7 billion, 14 percent more than in 1998, for many key environmental restoration programs and is financed, in part, by the proposed renewal of taxes that support the Superfund program. The Fund includes:

- *Land, Water, and Facility Restoration Initiative:* National parks, refuges, forests, and public lands are the heart of the Nation's natural, cultural, and historical legacy. As custodians of these resources, Federal land management agencies face growing demands to invest more to restore lands and rehabilitate an aging infrastructure of public facilities and trails. These needed investments would protect wildlife habitat, maintain historic sites, and preserve the many national treasures, from the Acadia National Park in Maine to Independence Hall to the California Desert, that constitute our legacy for future generations. The budget proposes a $92 million, or eight percent, increase for construction and maintenance for national parks, forests, refuges, public lands, and Indian schools, with which the agencies will focus on top priorities and control costs through better management. It also includes a broad initiative to invest more in land acquisition and historic preservation—a 43-percent increase in spending over the next five years from the Land and Water Conservation Fund and a 12-percent increase from the Historic Preservation Fund.
- *Clean Water and Watershed Restoration Initiative:* Commemorating the 25th anniversary of the Clean Water Act, the Vice President last October announced a Clean Water Initiative—an action plan to focus on three remaining challenges to restore and protect the Nation's waterways: (1) preventing polluted runoff; (2) protecting public health; and (3) ensuring community-based watershed management. USDA and EPA are leading an inter-agency task force to develop the plan by February 14, 1998, relying on better coordination and targeting of Federal activities and resources, public participation, and innovative approaches to pollution control.

  The budget includes $568 million, a 35-percent increase over the 1998 level, for this multi-agency initiative, including more mandatory funding for USDA's Environmental Quality Incentives Program to help farmers prevent polluted runoff; for the Forest Service and the Interior Department to better address water quality problems on Federal lands; for EPA to provide grants to States to implement water quality improvement projects; for the National Oceanic and Atmospheric Administration (NOAA) to help States and local communities protect their coasts from the pollution that leads to degradation; for Interior's U.S. Geological Survey and USDA to increase water quality monitoring and research, with a focus on nutrient pollution; and for the Army Corps of Engineers to begin a new riverine ecosystem initiative—"Challenge 21"—to plan and implement projects that restore watersheds while providing flood hazard mitigation for communities.

Table 4–1. ENVIRONMENTAL/NATURAL RESOURCES HIGH-PRIORITY PROGRAMS

(Discretionary budget authority unless otherwise noted; dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
Climate Change Technology Initiative (DOE, EPA, USDA, DOC, HUD):	743	819	1,713	+894	+109%
Spending	(743)	(819)	(1,292)	(+473)	+58%
Tax Incentives	.....	.....	(421)	(+421)	NA
Environmental Resources Fund for America (EPA, USDA, DOI, DOC, Corps)	6,361	6,722	7,672	+950	+14%
Priority Land Acquisition (BBA):	.....	699	.....	NA	NA
Headwaters (CA)	.....	(250)	.....	NA	NA
New World Mine (MT)	.....	(65)	.....	NA	NA
Environmental Protection Agency (EPA): Operating Program	3,109	3,328	3,603	+275	+8%
Subtotal, All EPA	6,799	7,361	7,771	+410	+6%
Department of the Interior (DOI):					
National Park Service Operating Program	1,155	1,246	1,321	+75	+6%
Bureau of Land Management Operating Program	674	685	726	+41	+6%
Fish and Wildlife Service Operating Program	525	595	676	+81	+14%
Geological Survey Water Quality Initiative	138	134	156	+22	+16%
Subtotal, DOI (Select programs)	2,492	2,660	2,879	+219	+8%
Department of Agriculture (USDA):					
Forest Service Operating Program	1,321	1,348	1,418	+70	+5%
Natural Resources Conservation Service Operating Program	693	694	742	+48	+7%
Environmental Quality Incentives Program (Mandatory)	200	200	300	+100	+50%
Wetlands Reserve Program (Mandatory)	118	176	127	–49	–28%
Conservation Reserve Program (Mandatory)	1,691	1,860	1,718	–142	–8%
Subtotal, USDA (Select programs)	4,023	4,278	4,305	+27	+1%
Land & Water Conservation Fund (LWCF) (DOI/USDA)	159	270	270	.....	.....
Department of Energy (DOE):					
Energy Conservation and Efficiency (gross)	570	612	809	+197	+32%
Solar and Renewable Energy R&D (net)	247	272	372	+100	+37%
Federal Facilities Cleanup (Environmental Management Program)	5,995	5,849	6,124	+275	+5%
Subtotal, DOE (Select programs)	6,812	6,733	7,305	+572	+8%
Department of Defense (DOD):					
Cleanup	1,994	2,140	1,924	–216	–10%
Environmental Compliance/Pollution Prevention/Conservation	2,293	2,466	2,281	–185	–8%
Environmental Technology	207	219	170	–49	–22%
Subtotal, DOD (Select programs)	4,494	4,825	4,375	–450	–9%
Department of Commerce (DOC)/National Oceanic and Atmospheric Administration (NOAA):					
Fisheries and Protected Species	295	319	326	+7	+2%
Ocean and Coastal Management	130	172	175	+3	+2%
Ocean and Atmospheric Research	228	240	234	–6	–3%
Subtotal, DOC/NOAA (Select programs)	653	731	735	+4	+1%
Department of Transportation (DOT):					
Congestion Mitigation and Air Quality	807	1,257	1,260	+3	+*%
Environmental Enhancements	426	568	561	–7	–1%
Subtotal, DOT (Select programs)	1,233	1,825	1,821	–4	–*%
Endangered Species Act (DOI/NOAA)	102	107	153	+46	+43%
Partnership for a New Generation of Vehicles (DOE, DOC, NSF, EPA, DOT)	234	227	277	+50	+22%
U.S. Global Change Research (NASA, DOE, NSF, DOC, others)	1,818	1,867	1,864	–3	–*%
GLOBE—Global Environmental Education (DOC, NASA, EPA, NSF)	13	12	14	+2	+17%
Montreal Protocol (State/EPA)	40	40	55	+15	+38%
Global Environment Facility (Treasury) [1]	35	48	300	+252	+525%
Multilateral and Bilateral Assistance (International Assistance Programs/USAID)	246	312	322	+10	+3%
Total [2]	**28,313**	**30,086**	**31,500**	**+1,414**	**+5%**

NA = Not applicable.
* Less than 0.5 percent.
[1] 1999 includes $192.5 million for payments in arrears.
[2] Total adjusted to eliminate double counts, mandatory spending, and tax incentives; 1998 estimate excludes one-time priority land acquisition.

In addition, the budget proposes $143 million for California Bay-Delta watershed restoration activities, the fully authorized amount and a 69-percent increase over 1998 funding. The program will continue focusing on basic investments to begin restoring this important ecosystem, with a special emphasis on acquiring critical wetlands habitat, managing flood plains, enhancing fish passage, and improving habitat along the Sacramento River.

- *Water Quality Infrastructure:* The budget proposes $775 million in capitalization grants for Drinking Water State Revolving Funds (SRFs), which make low-interest loans to help municipalities meet the requirements of the Safe Drinking Water Act Amendments. These funds will help ensure that Americans have a safe, clean drinking water supply—our first line of defense in protecting public health. EPA also proposes $1.1 billion in capitalization grants to Clean Water SRFs to help municipalities comply with the Clean Water Act, thus helping to reduce beach closures and keeping our waterways safe and clean.

  These levels for the two SRFs make progress toward the Administration's goal of providing sufficient capital for the funds to offer $2.5 billion a year in financial assistance to municipalities over the long run. In addition, the budget proposes targeted wastewater funds for areas facing unique circumstances—$50 million for Boston Harbor, $100 million for Mexican border projects, and $15 million for Alaskan Native villages.

- *USDA Water 2000:* The budget provides funds for USDA's Water 2000 initiative—to bring safe drinking water to rural communities with some of the Nation's most serious problems of water availability, dependability, and quality—within its $1.3 billion for rural water and wastewater loans and grants. With proposed Rural Community Advancement Program funding four percent above the 1998 levels, the Administration expects to fund 250 systems in 1999. Since the effort began in 1994, USDA has invested almost $1.3 billion in loans and grants on high-priority Water 2000 projects Nation-wide.

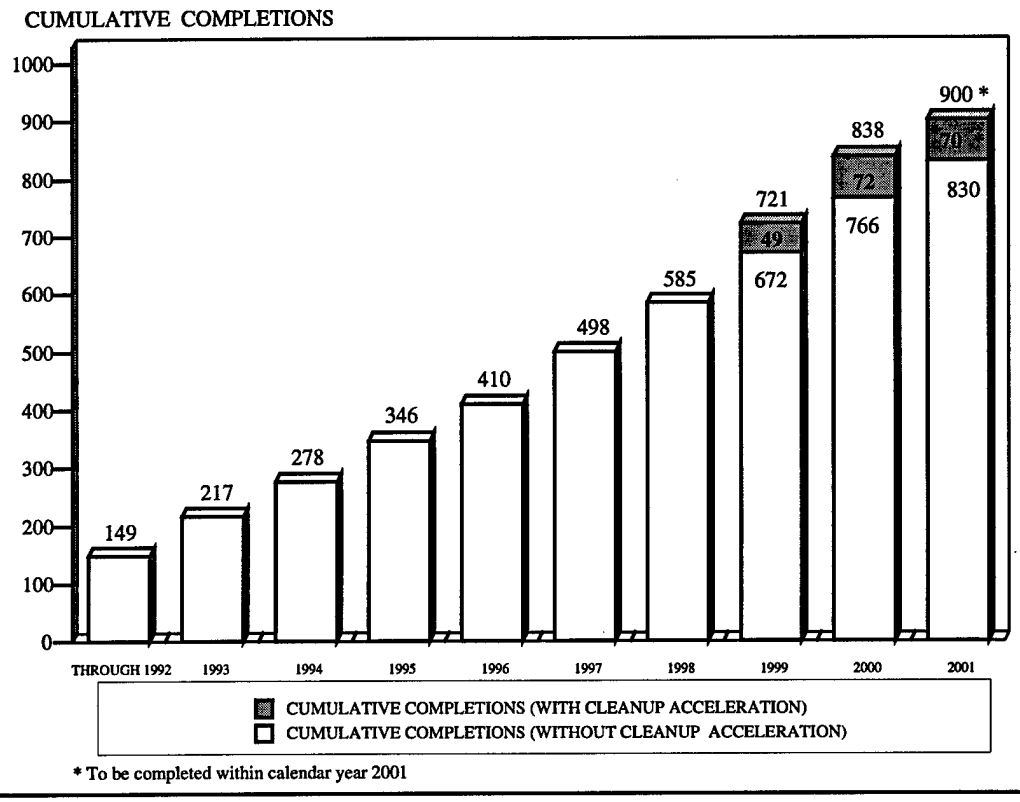
- *Superfund Cleanups:* The budget proposes $2.1 billion for Superfund, a 40-percent increase over the 1998 level. Combined with continuing administrative reforms, these funds will help meet the President's pledge to double the pace of Superfund cleanups. The Administration proposes to clean up another 400 sites within the next four years, meaning that about two-thirds of the Nation's worst toxic waste dumps would be cleaned up by the end of the year 2001 (see Chart 4–1).

Extending the Brownfields Redevelopment Initiative: The budget proposes to extend the President's Brownfields initiative, which promotes local cleanup and redevelopment, bringing jobs to blighted areas. First, EPA would receive $91 million for grants to communities for site assessment and redevelopment planning and for revolving loan funds to finance clean-up efforts at the local level. Second, the Department of Housing and Urban Development would receive $50 million, $25 million more than in 1998, to leverage State, local, and private funds for redeveloping the cleaned-up sites and creating jobs. The President also proposes to extend the targeted tax incentive to spur Brownfields cleanup.

Enhancing Endangered Species Act Efforts: The budget proposes a $36 million increase, to $113 million, for the Interior Department's endangered species program, mainly for the Administration's new reforms to encourage private landowners to protect species. The program is designed to increase the number of cooperative partnerships between the Federal Government and States, localities, and private parties to recover listed species and prevent the need to list more. The budget also proposes a $10 million increase, to $40 million, for NOAA's endangered species program, mainly focused on habitat conservation planning.

The budget increases funds to develop HCPs, make grants to States for land acquisition tied to HCPs, and provide incentive payments to landowners for safe harbor agreements. The funds will double the acreage that HCPs cover; improve the way HCPs are developed and implemented; extend CCAs between the Federal Government and landowners or State and local governments to protect 80 more species; keep 20 species off the endangered

Chart 4-1. MAJOR PROGRESS IN SUPERFUND CLEANUPS



species list; stabilize or improve the status of 60 percent of listed species; and declassify or delist 30 threatened and endangered species.

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

Within the operating program, the budget proposes increases of $145 million as part of the President's water quality initiative to address polluted runoff; $115 million for research and conservation programs to cut greenhouse gas emissions; and $65 million to establish a new network to monitor fine particulate matter. It also proposes significant investments to improve Americans' right-to-know about toxic threats, by making information available for the 75 largest metropolitan areas in the country, and to address significant environmental health risks to children.

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

Supporting the Global Environment Facility (GEF): U.S. participation in the GEF is a cornerstone of our foreign policy on the environment. The GEF has become the world's leading institution for protecting the global

environment and avoiding economic disruption from climate change, massive extinction of valuable species, and dramatic collapse of the oceans' fish population. The $300 million proposal for 1999 includes $193 million for contributions previously due and $107 million for the initial contribution to the GEF's second four-year replenishment program, from 1999 to 2002. U.S. funding for these items is crucial if the Nation hopes to continue influencing GEF's policies and lending strategies.

Expanding the Federal Facilities Clean-up and Compliance: The Federal Government continues to address the huge challenge of cleaning up Federal facilities contaminated with radioactive or hazardous waste. The Energy Department (DOE) faces the most complex and costly problems from over 40 years of research, production, and testing of nuclear weapons and reactors. The Defense Department's (DOD) problems, meanwhile, include hazardous wastes like those found at industrial and commercial sites.

The budget proposes $6.1 billion for DOE's Environmental Management program, including $277 million for the Uranium Enrichment Decontamination and Decommissioning Fund. The budget also proposes $517 million to continue to privatize waste remediation at such sites as the Hanford (WA) and Idaho facilities, through which DOE pays for the delivery of treated waste that meets approved specifications. Privatization will help speed cleanups, reduce health risks, and cut costs at these sites.

DOD, which operates one of America's most diverse and successful environmental programs, is focusing its efforts on reducing relative risk at its active and closing installations. As of early 1998, it is conducting studies or clean-ups at 688 military installations and 2,721 formerly-used properties. Moreover, it has determined that 14,399 sites require no further action. DOD also is making progress in its compliance and pollution prevention, conservation, and environmental technology programs. The budget proposes $4.4 billion for all DOD environmental activities; the decrease compared to the 1998 level is largely due to the completion of several one-time projects and of clean-ups at several closed bases. The Administration is committed to making all current and former DOD property safe and clean.

5. INVESTING IN INFRASTRUCTURE

I think it's important also to point out that as we invest in... bridges and roads and transit systems, we are also building a bridge to a cleaner environment. We're building a bridge from welfare to work. We're building a bridge to sustainable communities that can last and grow and bring people together over the long run.

President Clinton
March 1997

For America to continue prospering in the 21st Century, its transportation infrastructure must be safe, integrated, and efficient enough to serve the Nation's growing commerce and mobility demands.

This Nation has the world's most extensive transportation system, with a transportation infrastructure that includes 3.9 million miles of public roads, 180,000 miles of railroad track operated by freight railroads, 25,000 miles of commercially navigable waterways, 5,500 public use airports, 1.4 million miles of privately operated oil and gas pipelines, and over 6,000 transit systems.

Investment in infrastructure is good for America, spurring economic growth; improving safety and public health; enhancing U.S. competitiveness globally; increasing mobility, access, and transportation choice for all Americans; and supporting our national security. To ensure that our national transportation system can meet the demands of the 21st Century, we must build upon the infrastructure we have today and improve its quality to meet tomorrow's need for a system that is intermodal, cleaner, and safer, and that promotes sustainable and inclusive communities. And we must focus our resources through innovative mechanisms, such as the President's new Transportation Fund for America.

Creating the Transportation Fund for America

The budget proposes a new Transportation Fund for America to highlight the importance of investing in transportation and maintaining the Administration's record levels of transportation spending. The Fund includes all of the Transportation Department's highway, highway safety, transit, and air transportation programs.

- *Highways and Bridges:* The Fund includes $21.5 billion for the Federal-aid Highways program to maintain and improve the nearly 955,550 miles of eligible roads and bridges. The increased highway and bridge funding in recent years has kept pace with maintenance requirements and reversed the deterioration of our transportation system. On the Interstate system, for example, both pavement and bridge conditions have improved in the 1990s. In addition to traditional grant programs, the Fund provides the resources for innovative approaches to address infrastructure needs. Under the State Infrastructure Banks program, the Federal Government helps States underwrite debt issuance for highway and transit projects. The new Transportation Infrastructure Credit Enhancement Program provides grants to improve the financing for nationally significant projects, including public-private partnerships.

- *Environment:* The Federal Highway Administration's Transportation Enhancements and Congestion Mitigation and Air Quality Improvement Programs, for which the Fund includes a combined $1.8 billion, address the environmental impacts of transportation by funding bike trails, transit projects, pedestrian facilities, historic preservation projects, water pollution mitigation, beautification projects, and more. These efforts can improve air quality and

help reduce the number of days when air pollution exceeds National Ambient Air Quality Standards.

- *Highway Safety:* The Fund includes $406 million for the National Highway Traffic Safety Administration (NHTSA), a 22-percent increase over the 1998 level, which will fully fund the Presidential Initiative to Increase Seat Belt Use Nation-wide; the President's Initiative on Drugs, Driving and Youth; and the President's Partnership for a New Generation of Vehicles. These programs help fulfill the President's goal of promoting public health and safety by reducing transportation-related deaths and injuries, and the proposed funding will enable NHTSA to expand the Federal Government's partnership with other levels of government, private organizations, and citizens. NHTSA will continue to work with the medical and health communities to focus on the significant public health implications of highway fatalities and injuries and the associated economic costs to society.

- *Transit:* The Fund provides $4.6 billion for transit infrastructure, including $3.7 billion in formula grant funds to maintain and expand transit systems in urban, small urban, and rural areas. Nation-wide, the elderly, people with disabilities, and economically disadvantaged individuals rely heavily on these systems. The Fund includes $876 million for major capital investments, providing the resources to meet the Administration's full funding grant commitments to construct new, or expand existing, transit systems.

- *Air Transportation:* The Fund includes $9.7 billion for Federal Aviation Administration (FAA) programs, a seven-percent increase over the 1998 level. It includes $5.6 billion, a six-percent increase, to continue operating the world's safest air traffic control system; $2.1 billion, a 14-percent increase, to buy next generation equipment for the system; and $290 million, a 46-percent increase, to research ways to make the system safer, more secure, and more efficient. It also provides $1.7 billion in grants to improve the Nation's airports.

Building an Intermodal System

Americans do not view transportation through the lens of individual modes, such as highways, trains, or marine or air travel. Rather, they expect transportation to deliver results—moving people and goods from point to point. Infrastructure investment builds and maintains the individual links in the transportation chain and forges them together into an effective intermodal network.

The budget proposes a record Federal investment of nearly $30 billion in transportation infrastructure—airports, highways, transit, and trains—continuing the trend of rising investments in infrastructure under this Administration. In 1999, infrastructure investment would rise to a level that is 42 percent higher than the annual average of $21.1 billion from 1990 to 1993, and 13 percent higher than the annual average of $26.6 billion from 1994 to 1998 (see Table 5–1). These increases have helped address demands arising from the greater movement of people and goods in a growing economy.

Table 5–1. AVERAGE ANNUAL TRANSPORTATION INFRASTRUCTURE INVESTMENT

(Appropriations, obligation limitations and exempt obligations; dollar amounts in millions)

	1990–1993 Annual Average	1994–1998 Annual Average	1999 Proposed	Percent Change: 1990–1993 Average to 1999	Percent Change: 1994–1998 Average to 1999
Infrastructure Investment	21,145	26,575	29,982	+42%	+13%

Surface Transportation: Surface transportation programs account for much of the Federal, State, and local transportation infrastructure investment dollar. The 1991 Intermodal Surface Transportation Efficiency Act (ISTEA) broke new ground by giving States and localities more flexible and innovative funds for these programs. Over the past six years, the results have become clear:

- The percentage of pavement in poor condition on the National Highway System fell from 11.3 percent in 1993 to 8.9 percent in 1996.
- State and local officials have used flexible funds to target improvements in mobility, economic development, and air quality through projects that selectively foster pedestrian, bicycle, and transit-supportive land uses. Local decisions have directed $3.2 billion into transit investments—funds that might otherwise have been restricted to highways, regardless of local needs.
- Overall, the expansion of transit systems and purchase of transit vehicles expanded transit capacity by 3.5 percent from 1993 to 1995. Transit investments also have leveraged local development and redevelopment by improving public access to major job centers and fostering land use that supports commercial activity. Transit also eases congestion and pollution by slowing the rate of growth of auto traffic.

The Administration's proposed National Economic Crossroads Transportation Efficiency Act (NEXTEA) builds on these successes and significantly enhances the Nation's ability to promote intermodal development. NEXTEA authorizes $175 billion for surface transportation programs from 1998 to 2003, and increases core highway program authorizations by more than 30 percent over ISTEA levels. NEXTEA provides even greater flexibility for States and localities to target funds to projects—such as passenger rail, intercity bus, and transit—that best meet community needs.

The budget and reauthorization proposals for the Federal Highway Administration give State and local officials maximum flexibility to meet their local priorities. The budget provides $22.4 billion to maintain the highways critical to interstate transportation. In addition, it proposes $250 million to leverage private financing for new transportation infrastructure projects. Of the $250 million, $150 million would capitalize State Infrastructure Banks that enable States to underwrite bonds, enhance credit, and make loans. The other $100 million would fund the Infrastructure Credit Enhancement grants to improve the financing of public-private projects of national significance. The Alameda Corridor, first funded in 1997, is an example of a public-private project that will improve national competitiveness by contributing to efficiency in domestic handling of international shipments in and out of the Ports of Los Angeles and Long Beach.

The budget also proposes a $4.6 billion investment in transit infrastructure. Relying on the NEXTEA program structure, the Administration proposes to combine the Discretionary Bus and Fixed Guideway Modernization programs with the Formula Grants program, giving transit properties maximum flexibility to meet their capital needs. Of the transit investments, $100 million would go for the new Access to Jobs and Training Program, designed to establish partnerships between transportation and human service providers to support new transportation links to entry-level jobs.

Border Gateway Pilot Program: In NEXTEA, the Administration proposes a special border program to improve transportation at international border crossings and along major trade transportation corridors. The proposed $540 million Border Gateway Pilot Program ($90 million a year) would develop and implement coordinated, comprehensive border crossing plans and programs, thus promoting the efficient and safe use of border crossings within defined international gateways.

Passenger Rail: Investments in passenger rail are a critical piece of our Nation's transportation infrastructure. The Administration proposes over $600 million to fund the National Railroad Passenger Corporation, known as Amtrak. This discretionary funding, combined with over $2.2 billion available to Amtrak under the Taxpayer Relief Act, represents

historic levels of Federal capital support for passenger rail.

The 1998 Amtrak Reform and Accountability Act, Amtrak's first reauthorization since 1992, provides for its most comprehensive restructuring since the early 1980s. Amtrak is a vital component of our national transportation services in densely populated corridors, such as the Northeast; on medium- and short-haul routes; and on trans-continental routes linking cities across the Nation. In many areas of rural America, it is the only transportation alternative to the automobile. With the available funds, Amtrak would be able to make needed capital improvements, including replacing its aging car fleet, upgrading its tracks, and rehabilitating stations and maintenance facilities Nation-wide. With these improvements, Amtrak would be able to attract new customers and better serve the ones it has. The budget also maintains the Administration's commitment to end Federal operating assistance to Amtrak by the year 2002.

New high-speed operations in the Northeast corridor between Boston and Washington are a key part of this greatly improved rail service. As part of its $621 million request for Amtrak, the Administration proposes $200 million for the Northeast Corridor Improvement Project to significantly expand the flexibility that travelers enjoy. By the end of 1999, with the completion of electrification between New Haven and Boston, the entire Boston-to-Washington corridor would operate as high-speed rail. In 2000, the Washington-New York market would have two-hour-and-45-minute service, while the New York-Boston market would have three-hour service, compared to current service times of three hours and four-hours-and-20-minutes, respectively. Travelers accustomed to the surface-airport-surface intermodal connections to and from urban centers along the Northeast corridor would have a realistic alternative of walk-aboard, business-center-to-business-center rail service.

Air Transportation—National Airspace System (NAS) Modernization: As air travel grows from 600 million to an estimated one billion passengers a year by 2010, demand for air traffic control (ATC) services will outstrip the NAS' current capacity. At the same time, equipment for the ATC system, although still safe, is reaching the end of its useful life. As a result, ATC modernization is one of the Administration's highest transportation infrastructure priorities.

In its February 1997 report to the President, the White House Commission on Aviation Safety and Security, led by Vice President Gore and known as the Gore Commission, highlighted the need for increased aviation investment. It noted that "inefficiencies in the system cost airlines in excess of $3 billion in 1995—costs ultimately paid by passengers." To address these inefficiencies, the Commission recommended that a "modernized system (be) fully operational by the year 2005."

The budget is an important step toward achieving this goal. It proposes about 10 percent average annual increases in aviation capital modernization funding over the next five years. For 1999, the budget invests $2.1 billion in modernization, compared to the $1.9 billion that Congress enacted in 1998. It supports continued replacement of air traffic control computers at the Nation's busiest airports and en-route centers, and maintains the safety and integrity of existing systems until they are replaced. It also promotes the development of prototype software tools to allow air traffic controllers to route traffic more efficiently. By 2003, the projected capital modernization budget totals $3.2 billion (see Table 5–2).

The budget makes longer-term investments in developing advanced navigation, communications, and decision support technology in pursuit of a revolutionary operational concept known as "free-flight." It includes more than $300 million over five years for the Flight 2000 Demonstration Program to test and validate the equipment and procedures needed to shift from traditional ground-based air traffic control to more collaborative air traffic management. Also, as the Gore Commission recommended, the budget proposes $100 million in 1999 to purchase 88 explosives detection systems, 125 trace detection devices, 85 carry-on-baggage x-ray machines, and as many as 100 hardened cargo containers for passenger jets.

Table 5–2. FEDERAL AVIATION ADMINISTRATION MODERNIZATION AND OPERATIONS FUNDING

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	2003 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
Modernization	1,938	1,875	2,130	3,185	+255	+14%
Operations	4,953	5,337	5,631	6,839	+294	+6%

In addition, the budget proposes significant increases for FAA operations. It increases funding by six percent, to $5.6 billion, to ensure the continued safe and efficient operation of the National Airspace System and fully fund Gore Commission recommendations (see Table 5–2). The budget provides funds for 185 new air traffic controllers, 150 new maintenance technicians, and 45 more safety inspectors, and more funds to operate and maintain newly acquired systems, expand the aging-aircraft inspection program to cover non-structural systems, develop a standard safety database to share information in accident prevention programs, and perform airport vulnerability assessments.

As aviation funding rises in the next five years, the budget assumes that direct user fees will support more of this investment. Over time, excise taxes will give way to more efficient service-based charges. By 2003, direct user fees, which encourage better system management and more accurately reflect system use, would fund the NAS completely.

Airport Grants: About 3,300 large and small airports are eligible for Federal capital grants to help build runways and make other capital improvements that enhance capacity, safety, security, and noise mitigation. The budget proposes $1.7 billion for the Airport Grants Program that, along with State and local funds, supplements airport revenues that fund 84 percent of the development costs of commercial service airports. These revenues include about $1.1 billion a year in local passenger facility charges, authorized in 1990 and paid by passengers to improve the aviation facilities they use. The collections go directly to the local airports for improvement projects.

Promoting a Cleaner and Safer America

In recent years, the Nation has recognized that we have limited ability to add new physical capacity to our transportation system. Furthermore, the effects of new physical capacity on the environment and the quality of our lives are often unacceptable: air and noise pollution, congestion, community disruption, and loss of land for alternate uses are just a few examples. We also must ensure that, as our transportation system expands, we improve the way we protect our families from the hazards of travel.

Safer Roads: Transportation safety, an Administration priority, is an integral component of investment in our highway transportation system. The highway and vehicle safety programs that NHTSA administers reduce fatalities and injuries. The economic cost to society of motor vehicle crashes is an estimated $150 billion a year, according to an analysis of 1994 NHTSA data. NHTSA's programs have played a significant role in saving over $30 billion of additional economic costs that would otherwise accrue.

The budget increases funding for NHTSA programs by 22 percent above 1998 levels, fully funding the Presidential Initiative for Increasing Seat Belt Use Nation-wide. This Initiative is designed to increase seat belt use from the current 68 percent to 85 percent in 2000 and 90 percent in 2005. It reflects a broadened, more intensive public education program involving public and private partnerships, and more State participation in enacting strong laws and effectively enforcing them. NHTSA's outreach program and State participation are designed to reduce alcohol and drug-related fatalities and injuries. Further,

NHTSA's research and vehicle programs employ engineering and marketing approaches to improve vehicle safety and enhance our highway safety and infrastructure.

Intelligent Transportation Systems (ITS): In our surface modes, the broad range of technologies that the Administration is developing, testing, and installing under the ITS program hold the promise of meeting greater traffic demand with existing facilities; reducing congestion; and improving safety. ITS programs can also increase personal mobility, cut freight costs, and allow firms to develop customized transportation solutions. Together with the local flexibility that ISTEA offers, these programs helped hold peak-hour congestion growth on urban interstate highways to 2.5 percent from 1990 to 1995, despite greater annual increases in vehicle travel.

Congestion Mitigation and Air Quality Improvements (CMAQ): To make America's transportation system more environmentally sensitive, the budget proposes $1.3 billion for the CMAQ program, which funds many innovative infrastructure projects to improve the Nation's air quality and reduce congestion. Transit investment and bicycle- and pedestrian-oriented infrastructure projects have provided commuting and recreation alternatives in many of our heavily populated urban areas, and coordinated responses to congestion have enabled local communities to reduce emissions.

Maritime Efficiency: America's roads and railways stop at the border, but our economic and national security interests extend across the globe. Our ports and waterways tie America to the rest of the world. The Coast Guard is developing the Port and Waterway Safety System to improve shipping control and increase safety in major U.S. ports. Investments in maritime Differential Global Positioning Systems and in the national VHF-FM communication system will move vessels more safely and efficiently through our waterways. The Coast Guard is also modernizing its capital assets by replacing 37 World War II-era buoy tenders with 30 technically advanced, minimally-manned vessels that can more efficiently maintain our 50,000 public navigational aids as well as respond to oil spills.

Further, the Maritime Administration administers the Title XI loan guarantee program that, since 1994, has guaranteed the construction of 296 ships and six shipyard modernization projects, totaling over $2.1 billion. The budget, which proposes over $500 million for Title XI loan guarantees, reflects the Administration's support for this valuable program and represents the President's continued commitment to maintain a strong, viable U.S. merchant marine and shipbuilding industry.

Investing in Sustainable and Inclusive Communities

Americans use their transportation system more and more because our infrastructure investment, in the form of transit, passenger rail, and bus systems, gives them a host of options. It particularly benefits those who cannot travel by automobile or other private vehicle due to income, disability, or age.

Community-Oriented Transportation: Since 1993, the Administration has provided $52 million in transit funding to 21 communities in order to foster community-oriented, customer-friendly transportation facilities and services. The Livable Communities Initiative (LCI) enhances the impact of transportation investments by leveraging State and local funds, using flexible highway funds and other eligible sources. For example:

- One successful LCI initiative in Atlanta led to better pedestrian access to transit stations and the construction of three new gateways to the Atlanta University Center, improving ridership, safety, and access to jobs, and providing new community service and educational opportunities.
- Another LCI project, the Los Angeles Neighborhood Initiative, led to transit-related improvements that attracted neighborhood investment, played a leading role in the city's redevelopment, and helped cut the crime rate by 19 percent.

In addition, from 1994 to 1998, the Administration has provided $2.1 billion to the States to fund Transportation Enhancement projects, and the budget proposes $561 million for 1999. This funding supports transportation-related recreational trails, historic preservation, water pollution mitigation, and economic development activities designed to im-

prove the quality of life in our communities. Other Federal grants will continue to relieve aircraft noise problems by helping to soundproof or relocate residences and public buildings in runway approach zones.

Welfare-to-Work: Transportation infrastructure plays a critical role in welfare reform. The Administration seeks to strengthen the vital connection between transportation and employment through its Access to Jobs and Training Initiative. The budget provides $100 million to develop new and supplementary transportation to enhance the access that welfare recipients and other economically disadvantaged persons have to jobs and support activities. More generally, the Administration seeks to forge public-private partnerships that can help get people to the jobs that may lie outside their immediate neighborhoods.

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6. PROMOTING RESEARCH

I ask you to simply imagine that new century full of its promise, molded by science, shaped by technology, powered by knowledge. These potent transforming forces can give us lives fuller and richer than we have ever known... If we are to make the most of this century, we—all of us, each and every one of us, regardless of our background—must work to master these forces with vision and wisdom and determination. The past half-century has seen mankind split the atom, splice genes, create the microchip, explore the heavens. We enter the next century propelled by new and stunning developments.

President Clinton
May 1997

Scientific and technological advances have left few facets of life untouched. Great leaps in the speed and economy of transportation, enormous increases in farm productivity, global flows of information and services, advances in health treatment and prevention and in environmental protection—all these changes have created a world at the dawn of the 21st Century that is vastly different from the world our grandparents knew. As numerous studies show, technological innovation and scientific discovery have been responsible for at least half of the Nation's productivity growth in the last 50 years, generated millions of high-skill, high-wage jobs, and substantially improved the quality of life in America.

The Federal Government has played an important role in spurring and sustaining this scientific and technological advance. Among other feats, Government-sponsored research and development (R&D) has put Americans on the moon, explored the oceans, harnessed the atom, devised more effective treatments for cancers, found the remains of lost civilizations, tracked weather patterns and earthquake faults, and discovered the chemistry of life. No other country in history can match America's record of achievement in science and technology.

Because these investments have paid such rich dividends, and because the next century will bring new challenges, opportunities, and problems that science and technology can help address, continued U.S. leadership in science and technology is a cornerstone of the President's and the Vice President's vision for America. Thus, the budget strengthens these vital investments, contributing substantially to many of the Administration's broader goals by creating new knowledge, training more workers, catalyzing new jobs and industries, addressing health challenges, enhancing our understanding of and ability to address environmental problems, improving the education of our children, and maintaining a strong national defense. The centerpiece of the Administration's continuing commitment is the proposed Research Fund for America, from which many of the research dollars will now flow.

But Federal funds are not limitless. Thus, agencies are working to make smarter, better science and technology investments, guided by two fundamental principles.

- First, agencies are focusing on potentially high-payoff research that could have substantial public benefit, but is too high-risk or long-term for the private sector. The Federal Government, in partnership with States, universities, and industry, supports a balanced mix of basic and applied research and technology development, given that scientific discovery and technological innovation are intricately interwoven. The Federal Government also supports international partnerships that benefit our scientists, leverage our investments, and address complex, global problems.

- Second, agencies are focusing more on the performance and results of science and technology investments, rather than just dollars spent. They are also pursuing improvements in efficiency, where possible, through innovations in government laboratories, university grants, and private contracts.

Research Fund for America

The budget proposes a Research Fund for America—reflecting the President's commitment to ensuring long-term stability and growth for non-defense research programs—that will support a wide range of Federal science and technology activities. The budget proposes $31 billion for the Fund, representing an eight-percent increase for these programs over the 1998 level and a 32-percent increase by 2003 (see Chart 6–1 and Table 6–1).

National Institutes of Health (NIH): The Fund supports an unprecedented commitment to biomedical research, laying the foundation for new innovations to improve health and prevent disease. It provides an increase of $1.15 billion for the National Institutes of Health (NIH), the largest ever, to a proposed $14.8 billion funding level that will support greater research on diabetes, brain disorders, cancer, drug demand reduction, genetic medicine, disease prevention strategies, and the development of an AIDS vaccine.

NIH's highest priority continues to be investigator-initiated, peer-reviewed research project grants. To ensure that the United States continues to invest heavily in biomedical research, the budget proposes, for the first time, sustained increases for the NIH over five years. By the year 2003, funding for biomedical research would increase to over $20 billion, or by nearly 50 percent.

Climate Change Technology Initiative (CCTI): The Fund includes a five-year research and technology initiative to reduce the Nation's emissions of greenhouse gases. Led by the Energy Department (DOE) and the Environmental Protection Agency (EPA), the effort also includes activities of the National

Chart 6-1. RESEARCH FUND FOR AMERICA

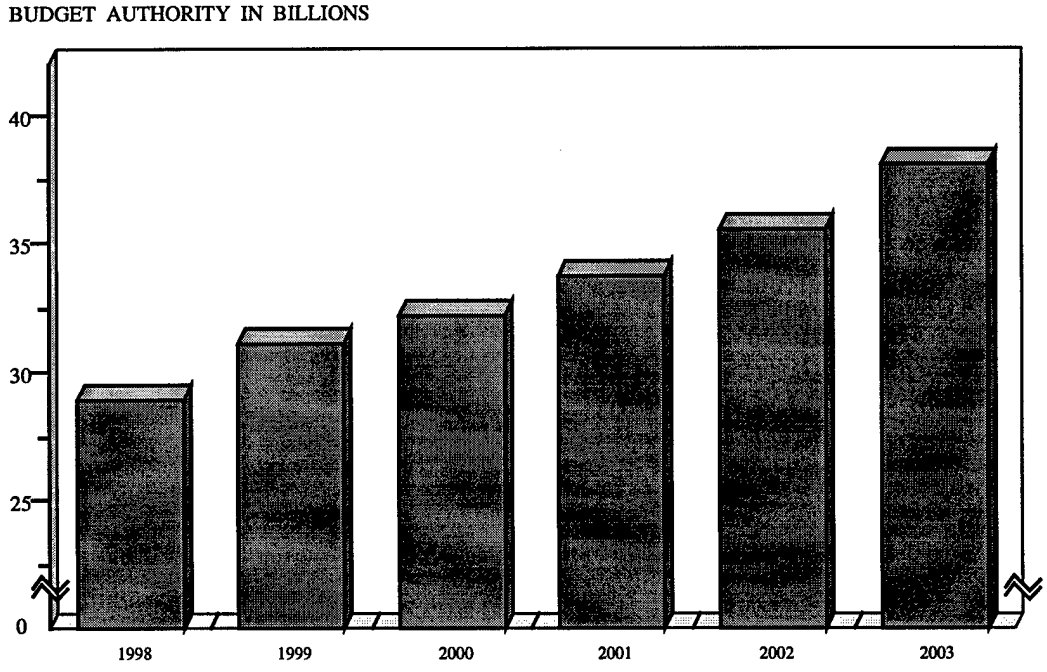

Table 6-1. RESEARCH FUND FOR AMERICA

(Budget authority, dollar amounts in millions)

	1998 Estimate	1999 Proposed	2003 Proposed	Percent Change: 1998 to 1999	Percent Change: 1998 to 2003
Health and Human Services:					
National Institutes of Health	13,648	14,798	20,188		
Agency for Health Care Policy and Research	.....	46	56		
Centers for Disease Control and Prevention	.....	25	30		
Agency total	13,648	14,869	20,274	+8%	+48%
National Science Foundation (NSF) [1]	3,366	3,710	4,183	+10%	+24%
Department of Energy:					
Science Program	2,236	2,296	2,420		
Fusion Research	232	228	200		
National Spallation Neutron Source	.....	157	195		
Agency total	2,468	2,681	2,815	+9%	+14%
National Aeronautics and Space Administration:					
Space Science	2,034	2,058	2,568		
Earth Science	1,417	1,372	1,407		
Advanced Space Transportation Technology	417	389	490		
Aeronautics Research and Technology	920	786	775		
Agency total	4,788	4,605	5,240	–4%	+9%
Department of Agriculture:					
CSREES Research and Education	430	423	423		
Economic Research Service	53 [3]	56	56		
Agricultural Research Service (ARS)	745	770	770		
Forest Service Research	188	195	195		
Agency total	1,416	1,444	1,444	+2%	+2%
Department of Commerce:					
Oceanic and Atmospheric Research	278	251	251		
National Institute of Standards and Technology [2]	563	600	689		
Agency total	841	851	940	+1%	+12%
Department of Interior: U.S. Geological Survey	759	807	796	+6%	+5%
Environmental Protection Agency: Office of Research and Development	538	487	578	–9%	+7%
Department of Veterans Affairs: Medical Research	272	300	300	+10%	+10%
Department of Education: Education Research	.....	50	50	NA	NA
Climate Change Technology Initiative:					
Energy	729	1,060	1,144		
Environmental Protection Agency	90	205	241		
Housing and Urban Development	.....	10	.....		
Agriculture (ARS and Forest Service)	.....	10	21		
Commerce	.....	7	8		
Multi-agency total	819	1,292	1,414	+58%	+73%
Total	**28,915**	**31,096**	**38,034**	**+8%**	**+32%**

[1] NSF data excludes $63 million per year in Function 054, Defense-related activities.

[2] Does not include Manufacturing Extension Partnership.

[3] Excludes transfer in 1999 of research function from Agriculture Department feeding programs.

Institute of Standards and Technology (NIST) and the Departments of Agriculture (USDA) and Housing and Urban Development (HUD). The budget proposes a combined $2.7 billion increase over five years for these agencies for R&D on energy efficiency, renewable energy, and carbon-reduction technologies. The budget also proposes $3.6 billion in tax incentives over five years to stimulate the adoption of more efficient technologies in buildings, industrial processes, vehicles, and power generation.

An example of efforts to develop breakthrough technologies to cut greenhouse gases and improve energy efficiency is the Partnership for a New Generation of Vehicles—a Government-industry effort to develop an attractive, affordable car that meets all applicable safety and environmental standards and is up to three times more fuel efficient than today's cars, reaching roughly 80 miles per gallon. The budget proposes a similar Government-industry effort to develop more efficient heavy truck engines. Other key parts of the CCTI are Government-industry partnerships on energy-efficient technologies for commercial buildings and homes; stronger labeling and efficiency requirements for appliances and office equipment; the deployment of new technologies in the industrial sector to capture waste heat and convert it into electricity; and R&D spending and incentives for renewable energy sources like biomass, wind, photovoltaics, and fuel cells (See Tables 6–2 and 6–3)

National Aeronautics and Space Administration (NASA): The Fund supports several ongoing activities, including: $2.1 billion for Space Science, a program that has outperformed all expectations in 1997 with the highly successful Mars Pathfinder mission; $1.4 billion for Earth Science (formerly Mission to Planet Earth), which explores the influence of natural processes and human activities on the environment, and which will launch the first of NASA's new generation of Earth Observing System Satellites, known as AM–1, in 1998; $389 million for Advanced Space Transportation Technology, including funds for the X–33 and X–34 reusable launch vehicle technology demonstrations; $786 million for NASA's Aeronautics Research and Technology programs, including Aviation Safety R&D; and $760 million in future-year funds to support launch vehicles that would lower NASA's launch costs.

National Science Foundation (NSF): The Fund provides $3.7 billion, 10 percent more than in 1998, for NSF, whose broad mission is to promote science and engineering research and education across all fields and disciplines. NSF supports nearly half of the non-medical basic research conducted at academic institutions, and provides 30 percent of Federal sup-

Table 6–2. CLIMATE CHANGE TECHNOLOGY INITIATIVE (AGENCIES)

(In millions of dollars)

Selected Agencies	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Dollar Change: 1999 to 2003
Discretionary Budget Authority:					
Energy	657	729	1,060	+331	+1,899
Environmental Protection Agency	86	90	205	+115	+677
Housing and Urban Development	.....	.....	10	+10	+10
Agriculture	.....	.....	10	+10	+86
Commerce	.....	.....	7	+7	+38
Subtotal, budget authority	743	819	1,292	+473	+2,710
Tax Incentives	.....	.....	421	+421	+3,635
Total Initiative	**743**	**819**	**1,713**	**+894**	**+6,345**

Table 6–3. CLIMATE CHANGE TECHNOLOGY INITIATIVE (SECTORS)

(In millions of dollars)

Key Sectors	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999
Discretionary Budget Authority:			
Buildings	146	264	+118
Industry	156	216	+60
Transportation	246	356	+110
Electricity	220	332	+112
Carbon Sequestration and Cross-Cutting Research	.....	42	+42
Policy Analysis, Market Incentives	6	26	+20
Program Direction	45	57	+12
Total	**819**	**1,292**	**+473**

port for mathematics and science education. Because most NSF awards go to colleges and universities, they not only generate knowledge, they also train the next generation of scientists and engineers.

Department of Energy: The Fund provides the resources for DOE's science research and nuclear fusion programs, for constructing the National Spallation Neutron Source, for the international partnership on the Large Hadron Collider, and for DOE research under the Climate Change Technology Initiative (discussed earlier in this chapter).

Department of Agriculture: The Fund provides $777 million for the Agricultural Research Service, $33 million more than in 1998, and $56 million for the Economic Research Service, which conduct a broad range of food, farm, and environmental research programs. The budget also provides $423 million for Cooperative State Research, Education, and Extension Service (CSREES) programs, including $130 million for the National Research Initiative, a 34 percent increase over the 1998 level. CSREES provides grants for agricultural, food, and environmental research, and for higher education. National Research Initiative competitive research grants improve the quality and increase the quantity of USDA's farm, food, and environmental research. The budget proposes a Food Genome Initiative to expand efforts to understand the genomes of important plants, animals, and microbes. In addition, it increases funding for the Forest Service's Forest and Rangeland Research program to conduct research on sensitive and complex natural resource management issues, forest health restoration, wildland fire fuels reduction, wildlife habitat restoration, alternative uses of forest and rangeland resources, and inventory and monitoring methods.

Department of Commerce's NIST: The Fund provides $260 million for NIST's Advanced Technology Program (ATP), growing to $399 million by 2003, to promote unique, rigorously competitive, cost-shared R&D partnerships between Government and private industry to more quickly develop high-risk technologies that promise significant commercial payoffs and widespread economic benefits. The Fund also provides $340 million for NIST's Standards and Technology Laboratories, including $300 million for ongoing programs and new initiatives in disaster mitigation, semiconductors, and trade-related standards and $40 million to build an Advanced Measurement Laboratory on the NIST campus in Gaithersburg, Md.

Department of Commerce's National Oceanic and Atmospheric Administration/ Office of Oceanic and Atmospheric Research (OAR): The Fund provides $251 million for OAR to conduct research to provide the scientific basis for national policy decisions in areas such as climate change, air quality, and stratospheric ozone depletion, as well as

research to promote economic growth through efforts in marine biotechnology and environmental technologies.

Department of the Interior's U.S. Geological Survey (USGS): The Fund provides $807 million for science that directly supports natural resource and environmental decision making. Increases for USGS support research on pollutant transport in ground water; enhanced understanding of species habitat; and improved monitoring of water quality, species habitat, and natural hazards. USGS plans to use its mapping, remote sensing, and natural resources monitoring capabilities to develop new ways to improve the availability and dissemination of domestic natural disaster hazards information, as well as to support NASA's Earth Observing System satellites.

EPA: The Fund provides $487 million for EPA's Office of Research and Development (ORD), which performs most of EPA's research and provides a sound scientific and technical foundation for environmental policy and regulatory decision-making. ORD also provides technical support to EPA's mission, integrates the work of its own scientific partners, and provides leadership in addressing emerging environmental issues.

Department of Veterans Affairs' Medical Research: The Fund provides $300 million—about a third of the Department's overall research program of nearly $1 billion—for clinical, epidemiological, and behavioral studies across a broad spectrum of medical research disciplines.

Department of Education: The Fund includes $50 million a year for five years for the Education Research Initiative, a partnership between the Education Department and the National Science Foundation—consistent with recommendations by the President's Committee of Advisors on Science and Technology, the National Academy of Education, and the National Research Council's Committee on the Federal Role in Education Research. The initiative will support large-scale research focused on the best approaches to raising student achievement through, for example, learning technologies and innovative approaches to reading and mathematics instruction that take advantage of the latest research findings on brain function and learning.

Department of Health and Human Services' (HHS) Agency for Health Care Policy and Research (AHCPR): The Fund provides $46 million for AHCPR to support research on the outcomes and effectiveness of clinical treatments, health care quality, and the organization, financing, and delivery of health care. AHCPR works primarily through peer-reviewed grants to academic health centers, universities, and non-profit research organizations.

HHS' Centers for Disease Control and Prevention (CDC): The Fund includes a $25 million increase for CDC's population-based research activities to provide new peer-reviewed grants that will enable academic centers to perform population-based research to help prevent diabetes, heart disease, workplace injuries, and cancers.

Science and Technology Highlights

Federal investments in science and technology contribute to the Administration's economic, educational, health, environmental, and national security goals. Along with programs of the Research Fund for America, the budget proposes increases for a host of other important activities. (For total Federal R&D funding, see Table 6–4; for science and technology highlights, see Table 6–5.)

Increasing Total Support for Science and Technology: The budget marks the sixth straight year that the President has proposed increases in R&D—at $78.2 billion, $2 billion or three percent more than in 1998. The budget also provides an increasing share for civilian R&D investments, which comprise 48 percent of the total.

Boosting Funding for Basic and Applied Research: The budget proposes $17 billion for basic research and $16.4 billion for applied research—increases of $1.2 billion and $848 million, respectively, over 1998. These investments, which include increases of nine percent for NIH, 11 percent for NSF, and 11 percent for DOE, reflect the Administration's commitment to obtaining knowledge that will provide future economic and social benefits and improve our ability to meet economic needs without adversely affecting health and the environment.

Table 6–4. RESEARCH AND DEVELOPMENT INVESTMENTS

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
By Agency:					
Defense	37,238	37,430	37,010	–420	–1%
Health and Human Services	12,941	13,836	15,136	+1,300	+9%
National Aeronautics and Space Administration	9,348	9,752	9,501	–251	–3%
Energy	6,234	6,477	7,174	+697	+11%
National Science Foundation	2,463	2,607	2,893	+286	+11%
Agriculture	1,562	1,559	1,552	–7	+*%
Commerce	978	1,079	1,080	+1	+*%
Transportation	612	676	775	+99	+15%
Interior	592	609	631	+22	+4%
Environmental Protection Agency	564	637	631	–6	–1%
Veterans Affairs	588	608	670	+62	+10%
Other	883	928	1,106	+178	+19%
Total	74,003	76,198	78,159	+1,961	+3%
By R&D Type:					
Basic Research	15,017	15,773	16,966	+1,193	+8%
Applied Research	14,393	15,553	16,401	+848	+5%
Development	42,352	42,474	42,161	–313	–1%
Equipment	688	721	837	+116	+16%
Facilities	1,553	1,677	1,794	+117	+7%
Total	74,003	76,198	78,159	+1,961	+3%
By Civilian Theme:					
Basic Research	13,927	14,673	15,811	+1,138	+8%
Applied Research	10,348	11,244	11,772	+528	+5%
Development	7,896	8,010	8,229	+219	+3%
Equipment	542	577	693	+116	+20%
Facilities	1,243	1,252	1,318	+66	+5%
Subtotal	33,956	35,756	37,823	+2,067	+6%
By Defense Theme:					
Basic Research	1,090	1,100	1,155	+55	+5%
Applied Research	4,045	4,309	4,504	+195	+5%
Development	34,456	34,464	34,057	–407	–1%
Equipment	146	144	144	.....	.....
Facilities	310	425	476	+51	+12%
Subtotal	40,047	40,442	40,336	–106	–*%
By R&D Share:					
Defense	40,047	40,442	40,336	–106	–*%
Civilian	33,956	35,756	37,823	+2,067	+6%
Total	74,003	76,198	78,159	+1,961	+3%
Civilian (percent)	46%	47%	48%	NA	NA
R&D Support to Universities	**12,682**	**13,633**	**14,471**	**+838**	**+6%**
Merit (Peer) Reviewed R&D Programs	**21,438**	**22,689**	**24,324**	**+1,635**	**+7%**

NA = Not applicable.
* Less than 0.5 percent.

Strengthening University-Based Research: University-based research—a mixture of basic and applied science, development, equipment procurement, and facilities investment—is key to America's future. While fostering innovation and expanding the scientific frontier, university-based research also trains the next generation of scientists and engineers. The budget proposes $14.5 billion, an increase of $838 million over 1998.

Table 6–5. SELECTED PROGRAM HIGHLIGHTS

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
National Aeronautics and Space Administration:					
International Space Station	2,149	2,301	2,270	–31	–1%
Department of Commerce:					
Manufacturing Extension Partnership	95	114	107	–7	–6%
National Telecom. and Info. Admin. NII Grants	21	20	22	+2	+10%
Department of Transportation:					
Intelligent Transportation System Initiative	235	326	250	–76	–23%
Flight 2000 Demonstraton Program	.....	.....	90	+90	NA
Department of Defense:					
Dual Use Applications Program/Commercial Operations and Support Savings Initiative	123	120	158	+38	+31%
Advanced Concept Technology Demonstrations	57	77	116	+39	+50%
National Science and Technology Council Initiatives:					
U.S. Global Change Research Program:					
Health and Human Services	4	4	5	+1	+25%
National Aeronautics and Space Administration	1,369	1,417	1,372	–45	–3%
Energy	109	108	113	+5	+5%
National Science Foundation	166	167	187	+20	+12%
Agriculture	57	58	59	+1	+2%
Commerce	62	62	71	+9	+15%
Interior	29	29	29	.....	.....
Environmental Protection Agency	14	15	21	+6	+40%
Smithsonian	7	7	7	.....	.....
Tennessee Valley Authority	1	.....	.....	.....	.....
Subtotal	1,818	1,867	1,864	–3	–*%
Large Scale Networking and High-end Computing and Computation: [1]					
Defense	.....	.....	187	NA	NA
Health and Human Services	.....	.....	107	NA	NA
National Aeronautics and Space Administration	.....	.....	91	NA	NA
Energy	.....	.....	128	NA	NA
National Science Foundation	.....	.....	310	NA	NA
Commerce	.....	.....	22	NA	NA
Environmental Protection Agency	.....	.....	5	NA	NA
Subtotal	.....	.....	850	NA	NA
Partnership for a New Generation of Vehicles	234	227	277	+50	+22%
Emerging Infectious Diseases	314	339	370	+31	+9%

NA = Not applicable.

*Less than 0.5 percent.

[1] Meaningful comparisons between 1999 and earlier years are not possible because of significant program restructuring.

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

Investing in Innovation to Create New Jobs and Industries: Many of the new jobs created under this Administration have been high-tech, high-wage jobs in industries like biotechnology and computing. The budget maintains a strong investment in technology to foster these high-priority, civilian science

and technology industries and jobs. Along with funding the ATP program as part of the Research Fund for America, the budget continues funding for Manufacturing Extension Partnerships to help small businesses become more competitive by adopting modern technologies and production techniques, and for high performance computing research.

Investing in Environmental Research: Environmental research is critical for developing the scientific understanding and technological tools to allow the Nation to enhance environmental quality for current and future generations. The budget supports vital research on safe and clean food, air, and water, and on ecosystem management, biological diversity, and ozone depletion. The budget increases support for energy efficiency and renewable energy programs, and for programs to help us understand, prepare for, and mitigate the effects of changing climate conditions and natural disasters. These investments provide a scientific basis for developing cost-effective environmental policies, create the knowledge base for citizens to make wise environmental decisions, and enable new and better approaches to environmental protection.

Investing in a 21st-Century Education: Information technology has revolutionized America's businesses, but has not yet had as profound an effect in America's classrooms. Through the President's Education Technology Initiative, the Federal Government is helping to ensure that America's classrooms are equipped with modern computers and connected to the Internet, that educational software becomes an integral part of the curriculum, and that teachers will be ready to use and teach with technology. Federal science and technology investments contribute to these goals; they include the Education Research Initiative—a joint Education Department and NSF partnership (described earlier in this chapter)—and NSF's activities in Knowledge and Distributed Intelligence. (For more discussion of education technology, see Chapter 1, "Investing in Education and Training.")

Investing in Research to Keep Our Nation Secure: The budget furthers the Administration's investments in defense research to ensure that our military maintains its technological superiority. The budget also supports programs to keep nuclear weapons out of the hands of terrorists, use science-based techniques to ensure the safety and reliability of our nuclear weapons stockpiles, support research in critical infrastructure protection, and promote global stability by bolstering strong international science and technology partnerships. The budget also supports the Dual Use Applications Program (DUAP), which puts commercial industry's technical know-how and economies of scale at the service of national defense.

Other Program Highlights

The Administration continues to support a wide variety of science and technology programs at individual agencies.

NASA International Space Station: With the first launch to assemble this unique orbital laboratory only a few months away, the budget includes $2.3 billion to keep subsequent assembly missions on schedule. It also includes funds in later years to minimize the risk and cost of the project. NASA is developing the Space Station with the European Space Agency, Japan, Canada, and Russia.

Department of Commerce:

Manufacturing Extension Partnership: The budget proposes $107 million for this Nationwide network of 75 centers and 300 field offices that offer technical assistance and information about the newest business practices to help the Nation's 382,000 smaller manufacturers compete more effectively, leading to stronger economic growth and job creation.

National Telecommunications and Information Administration's National Information Infrastructure Grants Program: The budget proposes $22 million for grants to fund innovative projects that demonstrate how information technology can improve the delivery of educational, health, and other social services. These grants are highly competitive and have stimulated several hundred million dollars in non-Federal matching funds.

Department of Transportation:

Intelligent Transportation System (ITS) Initiative: The budget proposes $250 million for the ITS initiative—a package of tech-

nologies to enhance the safety and efficiency of our surface transportation infrastructure. The budget includes $100 million for the Deployment Incentives program, which will begin the Nation-wide deployment of "intelligent infrastructure," such as interactive traffic signals and traveler information systems.

Flight 2000 Demonstration Program: Responding to recommendations of the White House Commission on Aviation Safety and Security, the budget proposes $90 million for the Flight 2000 Demonstration Program, which will test and validate equipment and operating procedures over Alaska and Hawaii. The program will lead to a revolution in air traffic control known as "free-flight," which promises significant savings and will allow travelers to reach their destinations more safely, quickly, and efficiently.

Department of Defense (DOD):

DUAP and Commercial Operations and Support Savings Initiative (COSSI): The budget proposes $158 million to develop dual-use technologies and adapt cost-saving commercial technology for military uses, enabling DOD to use commercial technologies, products, and services more widely. The military services would fund most of DUAP and COSSI directly, reflecting Administration efforts to increase the services' direct involvement in all phases of the programs.

Advanced Concept Technology Demonstrations (ACTDs): The budget proposes $116 million for demonstrations to quickly harness technology and innovation for military use, at less cost. ACTDs bring technology experts and military operators together early in system development to eliminate communication barriers, improve the management of development programs, and address key warfighter challenges. ACTDs focus on three key objectives: to evaluate the military utility of new technology applications before committing to buy them; to develop corresponding battlefield operation concepts and doctrine in order to use new capabilities as wisely as possible; and to provide new capabilities to combat forces. Forty ACTDs are now under way, while six have been completed.

National Science and Technology Council Interagency Initiatives

Science and technology is a primary focus of many Federal agencies. The National Science and Technology Council provides the management oversight that will ensure efficient and effective inter-agency coordination for key science and technology initiatives that involve multiple agencies, such as:

U.S. Global Change Research Program (USGCRP): The budget proposes $1.9 billion to increase understanding of climate change and variability, atmospheric chemistry, and ecosystems. USGCRP results help develop climate change policies. The 1997 launch of the Tropical Rainfall Measurement Mission satellite will provide previously unavailable, detailed, and accurate rainfall measurements, filling a significant gap in our understanding of the Earth system. In 1998 and 1999, USGCRP will launch more satellites, and will focus on investigating regional climate changes.

Large Scale Networking and High-end Computing and Computation: The budget provides $850 million for this R&D effort, originally called High Performance Computing and Communications, which the Administration has restructured to focus on clearer goals, milestones, and performance measures. As part of this effort, the budget provides $110 million for the Next Generation Internet Initiative, which will create a research network that is 100 to 1,000 times faster than today's Internet, and invests in R&D for smarter, faster networks that support new applications, such as telemedicine, distance learning, and real-time collaboration.

Partnership for a New Generation of Vehicles: The budget proposes $277 million, a 22-percent increase over 1998, for this cost-shared, industry partnership, which centers on three research goals: to develop advanced manufacturing techniques; to use new technologies for near-term emissions improvements; and to develop production prototype vehicles three times more fuel-efficient than today's cars, with no sacrifice in comfort, performance, or price. Federal funding focuses mainly on the third goal. The program will lead to "concept cars" in the year 2000 and production prototypes in 2004.

Emerging Infectious Diseases: The budget proposes $370 million, nine percent over the 1998 level, for research on new tools to detect and control emerging infectious diseases and on the biology and pathology of infectious agents.

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7. ENFORCING THE LAW

We said that we had to keep being tough on criminals, but we had to do some intelligent things. We said that we had to punish people more, but we have to give children something to say yes to, and we've had five years of declining crime rates and last year the biggest drop in violent crime in 35 years.

President Clinton
July 1997

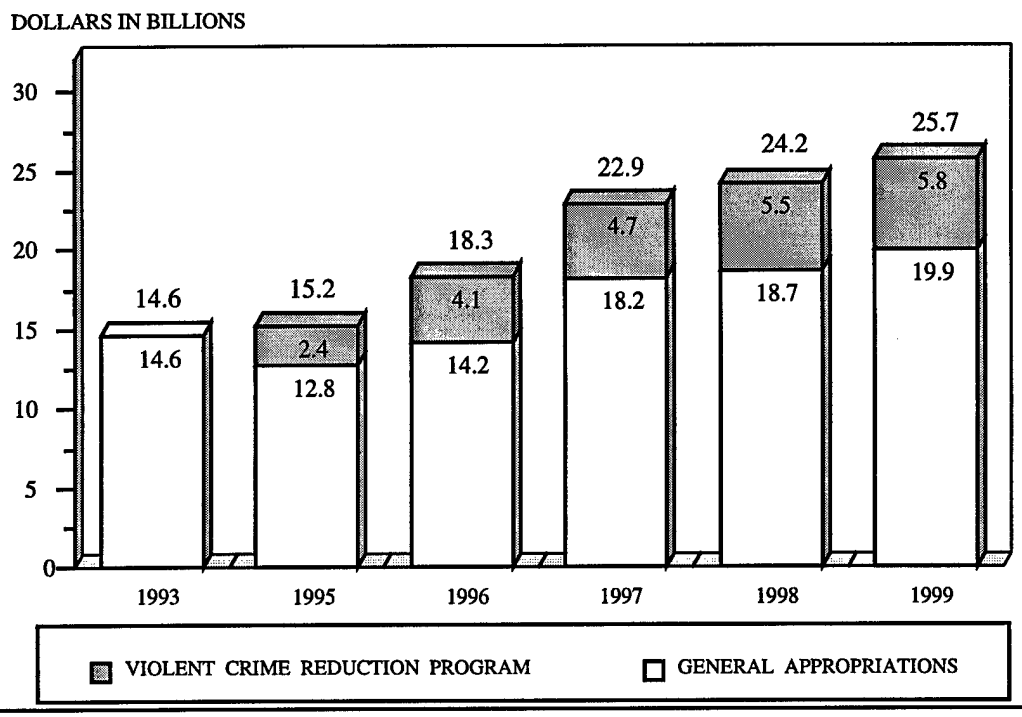
Over the past five years, the Administration has made significant progress in cutting crime across the Nation. The strategy has been simple: put more community police officers on the streets to involve citizens in partnerships with the law enforcement authorities; impose punishments that fit the crime for people who break the law; and develop prevention programs to give children alternatives to crime and drugs and a chance for a positive future. The results have been extraordinary—five years of falling crime rates and, in 1996, the biggest drop in violent crime in 35 years.

Although crime remains mainly a State and local responsibility, the last five years show that the Federal Government can play an important role in reducing crime. The budget continues the Administration's aggressive anti-crime efforts, with a particular emphasis on reducing juvenile crime and violence. It builds on the success of community-based efforts such as the Community Oriented Policing Services (COPS) program, which will put 100,000 more police officers on the street by the year 2000, with a new Community Prosecutors Initiative to help prosecutors reorient their emphasis from simply processing cases to addressing quality-of-life issues and preventing crimes from occurring in the first place. The budget also proposes funds to prevent violence against women, help States and Indian Tribes build prisons, and address the growing law enforcement crisis on Indian lands.

The budget strengthens the Administration's aggressive efforts to control illegal immigration by targeting resources to stop those who want to enter the United States illegally, detain and quickly remove those who slip by, and make it harder for illegal immigrants to get jobs. It proposes to strengthen border enforcement in the South and West, increase efforts to identify and remove incarcerated illegal aliens, and expand efforts to verify the employment eligibility of newly hired non-citizens.

The budget also continues the Administration's commitment to combat drug use, particularly among young people. It devotes resources to youth prevention programs in order to change permissive attitudes toward drugs and reverse the trend of increased drug use by youth. The budget proposes to expand programs that stress treatment and prevention, domestic law enforcement, international assistance, and interdiction. It continues to build on the innovative Drug Courts initiative, provides $50 million for a new School Drug Prevention Coordinators initiative, and proposes $85 million for drug testing and treatment of those in the criminal justice system. It also provides increased funds for targeted interdiction efforts that enhance port and border security and disrupt drug trafficking overseas. The budget increases spending for drug control efforts by about $1.1 billion, to $17.1 billion.

Chart 7-1. DISCRETIONARY ANTI-CRIME BUDGET HISTORY



Fighting Crime

The budget proposes $25.7 billion to control crime, a $1.5 billion increase over 1998 (see Chart 7–1). Of the total, $5.8 billion would go for programs authorized in the 1994 Crime Act, an increase of $300 million over 1998 (see Table 7–1). While enhancing Federal anti-crime capabilities, the budget seeks to empower States and communities, which play the central role in controlling crime, particularly violent crime.

Community Policing: The cornerstone of the President's program to fight crime, particularly violent crime, is his plan to place 100,000 more police officers on the streets by 2000. Putting the idea of community policing into action, the program seeks to cut crime, violence, and disorder by applying proven, effective programs and strategies. The COPS initiative will fund almost 83,000 more police officers by the end of 1998 and, for 1999, the budget proposes $1.4 billion to put 16,000 more officers on the street. COPS also enables local law enforcement agencies to buy sophisticated crime equipment and hire support personnel, which, in turn, enable communities to deploy more officers.

Community Prosecutors Initiative: Community prosecution is the natural next step to community policing. The budget provides $50 million, on a competitive basis, for local prosecutors' offices to work directly with neighborhood residents, join forces with police and other criminal justice agencies to solve local crime problems, and shift their emphasis from simply processing cases to preventing crimes from occurring in the first place.

Law Enforcement on Indian Lands: Homicide and violent crime rates on Indian lands are rising, even as crime rates in the rest of the country fall. Indian lands have only 1.3 police officers per 1,000 citizens, compared with the average of 2.9 officers per 1,000 citizens in non-Indian areas with similar population density. Moreover, jails on Indian lands fall far short of basic standards in such areas as staff and inmate safety. The budget proposes a $182 million initiative within the Jus-

Table 7–1. VIOLENT CRIME REDUCTION PROGRAM SPENDING BY FUNCTION

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
Prevention:					
Violence Against Women	259	415	415	.....	.....
Drug Courts	30	30	30	.....	.....
Residential State Prison Drug Treatment	30	63	72	+9	+14%
Drug Testing/Drug Treatment	.....	.....	85	+85	NA
Juvenile Justice Substance Abuse Prevention	.....	.....	5	+5	NA
Other Prevention Programs	34	27	28	+1	+4%
Subtotal, Prevention	353	535	635	+100	+19%
State and Local Assistance:					
Community Policing	1,420	1,430	1,420	–10	–1%
Incarceration of Violent Offenders	670	721	711	–10	–1%
Prosecutors/Violent Youth Courts	.....	.....	210	+210	NA
Incarceration of Undocumented Criminals	330	420	350	–70	–17%
Other State and Local Assistance	789	873	673	–200	–22%
Subtotal, State and Local Assistance	3,209	3,444	3,364	–80	–2%
Federal Law Enforcement Assistance:					
Department of Justice	1,002	1,350	1,609	+259	+19%
Department of the Treasury	89	131	132	+1	+1%
Judicial Branch	30	40	60	+20	+50%
Subtotal, Federal Law Enforcement	1,121	1,521	1,801	+280	+18%
Total, Violent Crime Reduction Program Spending	**4,683**	**5,500**	**5,800**	**+300**	**+5%**

NA = Not applicable.

tice and Interior Departments to address the public safety crisis in Indian country by strengthening Indian country law enforcement in such areas as the number of officers per capita and the quality of detention facilities, primarily through anti-crime grants to Indian jurisdictions.

Violence Against Women: Violence against women is a continuing problem. Studies show that law enforcement intervention often breaks the cycle of domestic violence, preventing subsequent incidents. The budget proposes $415 million to maintain efforts to combat gender-based crime. Funding for these programs will also enable States to further expand outreach to previously under-served rural, Indian, and other minority populations.

Juveniles: The budget proposes $291 million for ongoing programs to fight juvenile crime and $95 million to support more local community prevention programs such as mentoring, truancy prevention, and gang intervention. To prevent young people from becoming involved in the juvenile justice system, the budget expands programs that provide supervised afternoon and evening activities for youth. These programs include $200 million for community schools, supervision, and youth services grants, an increase of $40 million over 1998.

Gangs: The President has worked hard to crack down on violent youth gangs and to keep guns out of the hands of criminals and away from children. He launched a tough Anti-Gang and Youth Violence Strategy to help communities hire more prosecutors and probation officers, and to keep schools open later when youth crime rates peak. The budget provides $100 million for prosecutorial initiatives to target gangs and $50 million for court-related activities such as more probation and parole officers and special court programs to expedite youth violence and gun cases.

- *Youth Crime Gun Interdiction Initiative:* The budget provides $28 million to crack down on illegal gun traffickers in 27 cities. Of the $28 million, $12 million would go to trace firearms used by youth in crimes and give law enforcement the crucial investigative leads about the sources of these firearms, and $16 million would go to hire over 160 new agents of the Treasury Department's Bureau of Alcohol, Tobacco, and Firearms to help follow up on these leads.
- *Safe Streets Task Forces:* The budget proposes $105 million to continue the Safe Streets program, which blends the efforts of the FBI and other Federal law enforcement agencies with those of State and local police departments to investigate street crime and violence.

Crime in Public Housing: The budget also targets violence in public housing, proposing $310 million to support anti-drug and anti-crime activities, including Operation Safe Home and the One Strike, You're Out program.

- *Operation Safe Home:* The Department of Housing and Urban Development's Offices of Public and Indian Housing and Inspector General jointly administer Operation Safe Home, which brings together residents, managers, and various Federal and local law enforcement agencies to rid public housing communities of crime.
- *One Strike, You're Out:* The President believes that public housing is a privilege, not a right, and residents who commit crime and peddle drugs should be evicted immediately.

Fraud in Agriculture (USDA) Programs: USDA estimates that over $50 million a year in Food Stamps go illegally to convicted felons and prison inmates, and that a sizable number of retailers who accept Food Stamps make money off of them illegally. The budget includes $23 million to crack down on fraud and abuse in Food Stamps and other USDA programs, such as child nutrition, rural rental housing, and emergency and disaster assistance payments.

Violent Offenders: The Administration seeks to ensure that convicted violent offenders serve at least 85 percent of their sentences behind bars. The budget proposes $711 million in State and Tribal grants to build new prisons and jail cells under the Violent Offender Incarceration and Truth in Sentencing (VOI/TIS) Program; the 1999 funding level finances about 9,500 new prison beds. The VOI/TIS proposal also would provide $150 million to reimburse States for the costs of incarcerating criminal aliens and $25 million to improve State and local correctional facilities that hold Federal prisoners and detained illegal aliens.

Terrorism: While acts of domestic terrorism have been isolated events, such as the Oklahoma City and World Trade Center bombings, the Administration has sought more Federal resources to ensure the safety and security of the public and the Government from these violent and devastating criminal acts. The budget builds on the President's 1997 Antiterrorism/Counterterrorism/Security initiative by providing $6.7 billion to combat terrorism, of which $4.3 billion would support the Defense Department's (DOD) terrorism-related and force protection efforts. While much of the proposed funding continues current terrorism-related programs in physical protection and law enforcement activities, the budget also funds initiatives in the following high-priority areas:

- *Weapons of Mass Destruction Terrorism:* The budget proposes $16 million for the Justice Department to improve State and local response capabilities to weapons of mass destruction, and increases of $49 million for DOD domestic preparedness and response capabilities; $7 million for the Energy Department's emergency response capabilities for nuclear terrorist events; and $2 million for the Department

of Health and Human Services' Metropolitan Medical Strike Teams, which handle the medical response to an incident involving weapons of mass destruction.

- *Cyber Crime/Critical Infrastructure:* To improve the Government's ability to detect and counter cyber crime and other threats to the Nation's critical infrastructure, the budget proposes $27 million to enhance the investigative and prosecutorial efforts of the FBI, the U.S. Attorneys, and the Justice Department's Criminal Division, and $37 million to enable the Justice Department's Counterterrorism Fund to support critical infrastructure protection efforts. The budget also supports DOD's and other agencies' critical infrastructure-related research and development programs.
- *Aviation Security:* The budget provides an increase of over $110 million to the Federal Aviation Administration for explosives detection security equipment and cargo screening research and development—supporting recommendations of the White House Commission on Aviation Security and Safety.

Technology Improvements: Technology improvements give law enforcement agencies the tools to fight crime. The Communications Assistance for Law Enforcement Act ensures that law enforcement agencies can conduct court-authorized wiretaps as the Nation converts from analog to digital communications technology. With $114 million available in 1998 to help develop the technology changes to provide this capability, the budget proposes $100 million in 1999 to continue the effort. The budget also proposes $100 million to enable the Treasury and Justice Departments to upgrade their wireless communications systems' efficiency, security, and compatibility with the radio systems of State and local public safety agencies.

Meeting the Challenges of Immigration

The Administration has sought to control our Nation's borders and stop illegal entry. Working through the Immigration and Naturalization Service (INS), it has reversed decades of neglect with an aggressive border control strategy. Since 1993, the Administration has added over 3,800 new Border Patrol agents—almost doubling the agent workforce—and introduced innovative border deterrents and advanced technology to stop illegal entry along the Nation's Southwest border.

As a Nation of immigrants, the United States will continue to welcome those who seek legal entry and refugees who seek protection. In 1997, the Nation welcomed nearly one million new naturalized U.S. citizens. INS is redesigning the naturalization process to meet the challenges of processing over a million new applications for citizenship a year in a way that ensures uncompromising integrity.

Since 1993, working with Congress, the Administration has increased INS funding by 148 percent. The budget, which proposes $4.2 billion for INS, 10 percent more than in 1998, continues to support efforts to advance border control, improve illegal alien detention and removal capabilities, and achieve efficient processing of those seeking citizenship (see Table 7–2).

Border Control and Enforcement: By the end of 1998, Border Patrol agents will number over 7,800, a 98-percent increase over the 3,965 who patrolled the Nation's 5,000 miles of border in 1993. With more agents needed to fill enforcement gaps and enhance Border Patrol presence along the Southwest border—especially in border States like Texas, New Mexico, and Arizona—the budget proposes to add 1,000 new Border Patrol agents (see Chart 7–2).

The budget maintains the Administration's commitment to "force-multiplying" technologies, including ground sensors, high-resolution color and infrared cameras, and state-of-the-art command centers, which will increase the effectiveness of these agents and enable INS to better control the border. Agents will be able to shift their focus from observing the border to responding to known border incursions and raiding smuggler operations and holding areas. Multi-year funding for these force-multiplying technologies will have the equivalent effect of adding over 1,300 agents to the Southwest border.

The budget provides funds to expand border fencing and barriers, install permanent light-

Table 7–2. IMMIGRATION AND NATURALIZATION SERVICE FUNDING BY PROGRAM

(Budget authority, dollar amounts in millions)

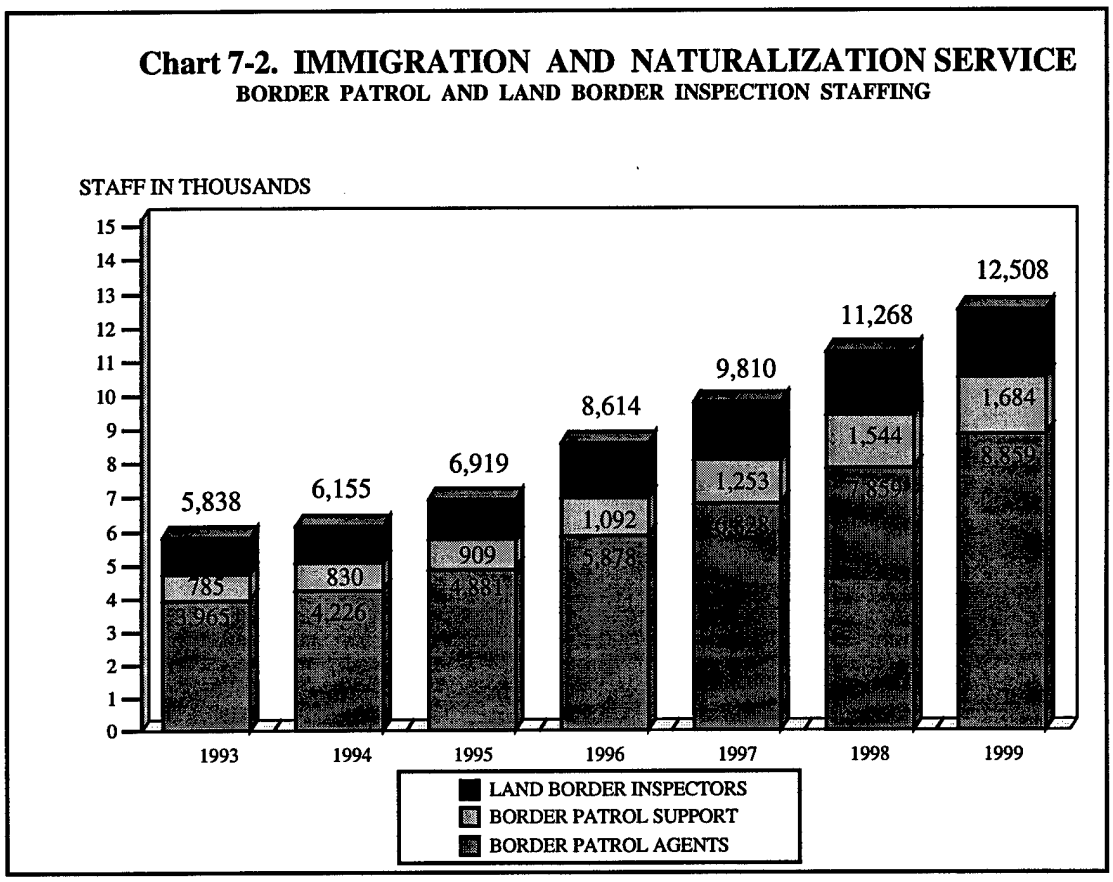
	1993 Actual	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
Appropriated Funds:						
Border Patrol	354	730	877	998	+121	+14%
Investigations and intelligence	142	254	269	305	+36	+13%
Land border inspections	83	151	168	182	+14	+8%
Detention and deportation	161	476	428	554	+126	+29%
Program support and construction	227	564	600	684	+84	+14%
Subtotal, Apropriated Funds	967	2,175	2,342	2,723	+381	+16%
Fee Collections and Reimbursements:						
Citizenship and benefits	308	626	787	827	+40	+5%
Air/sea inspections and support	255	355	427	486	+59	+14%
Immigration support	.....	11	242	152	–90	–37%
Subtotal, Fee Collections and Reimbursements	563	992	1,456	1,465	+9	+1%
Total, Immigration and Naturalization Service resources	**1,530**	**3,167**	**3,798**	**4,188**	**+390**	**+10%**

ing, and construct support roads along the Southwest border. These deterrents help control the border by increasing the chances that Border Patrol agents will apprehend those trying to enter illegally. Since 1993, INS has added over 189 infrared night scopes, 4,675 ground sensors, 63 miles of fencing, and 17 miles of border lighting, and has added or improved over 1,000 miles of roads to help control drug trafficking, alien smuggling, and illegal entry. The budget provides funds for another nine miles of border lighting and additional fencing, and for maintaining border deterrents now in place.

Border Patrol and Detention Construction: Over the past year, INS has focused on meeting its infrastructure needs by building more Border Patrol stations, border enforcement checkpoints, and detention facilities. The budget supports INS' construction program by providing funds to build and renovate eight Border Patrol stations, construct four new highway checkpoint systems and a rail yard inspection facility, and expand detention capabilities at four facilities.

Detention and Removal of Illegal Aliens: The Administration is committed to removing those who have entered the country illegally. With the resources of the past two years, INS has focused on removing criminal aliens held in Federal, State, and local facilities to ensure these criminals are not allowed back on the street. In 1997, INS removed 111,794 aliens, including 50,165 criminal aliens. It estimates that it will remove over 127,300 aliens in 1998, and 134,900 in 1999. The budget supports INS' detention program by proposing a $90.8 million increase for facility, transportation, and bedspace improvements to detain and swiftly remove those who have entered illegally.

State and Local Alien Incarceration: Through the State Criminal Alien Assistance Program (SCAAP), the President has provided unprecedented help to reimburse State and local governments for the costs of incarcerating illegal criminal aliens. In 1997, the Federal



Government provided $500 million to reimburse 47 States and over 200 localities—covering most costs associated with incarcerating aliens in non-Federal facilities. The budget continues this commitment, providing $500 million for reimbursements. The Federal Government plans to ensure that States and localities receiving SCAAP funds fully cooperate with INS in its efforts to expedite criminal alien removals.

Citizenship and Benefits: INS estimates that with so many more people now seeking to naturalize, the Nation will welcome about a million new citizens a year over the next few years. To process new applications, INS is reengineering the naturalization process and plans to have significant pieces of its redesigned system in place by spring 1998. It will ensure that applicants are: (1) given accurate and timely information; (2) processed through the system correctly; and (3) adjudicated swiftly and fairly. The system will also ensure that INS is handling each case—from initial request through oath-taking—responsively and with uncompromising integrity. INS also plans an extensive community outreach effort that will target immigrant population centers to ensure that they are served efficiently.

Organization and Structure: The final report of the Commission on Immigration Reform called for major changes in how the Federal Government sets and implements immigration policy. In particular, it urged a separation of the enforcement and benefit functions that INS now performs.

The Administration has studied these and other reform proposals and is developing a plan to enhance immigration law enforcement while improving the delivery of immigration services and benefits. It recognizes that enforcement and benefits are interrelated and, thus, neither should be addressed without the other in mind. The plan, however, will make Federal immigration activities more efficient and effective by separating enforcement and benefit and service operations—both in headquarters and in the field—thereby strengthening accountability and lines

of authority. In addition, the plan will enhance coordination among Federal agencies involved in immigration and establish greater accountability within each agency. Together, these reforms within individual agencies and across the Government will support and sustain the Administration's progress over the last five years in enforcing our immigration laws and fulfilling the Nation's commitment to its immigration heritage.

Combating Drug Abuse and Drug-Related Crime

Drug use and drug-related crime cost our society about $67 billion a year[1] and poison the schools and neighborhoods where our youth strive to meet their full potential. Illicit drug trafficking thrives on a culture of crime, violence, and corruption throughout the world. Drug use is a major contributing factor in the spread of AIDS and other deadly diseases. All Americans, regardless of economic, geographic, or other position in society, feel the effects of drug use and drug-related crime.

The budget proposes $17.1 billion for drug control programs, a seven-percent increase over 1998, including increases for all elements of the fight against drug use, such as drug treatment and prevention, especially for children and adolescents; domestic law enforcement; international programs; and interdiction (see Table 7–3).

Community-Based Prevention: The budget proposes $2.4 billion for drug prevention programs, 12 percent more than in 1998. Although drug use among youth fell steadily, and dramatically, in the 1980s, teenage drug use has since increased and anti-drug attitudes have softened—due partly to drug glamorization in the media and highly publicized drug legalization efforts. The Administration remains committed to sending a single "no use" message to America's youth.

- *National Youth Anti-Drug Media Campaign:* The Office of National Drug Control Policy, in conjunction with other Federal, State, local, and private experts, is developing a $195 million national media campaign, including paid advertisements, targeting youth and their parents on the consequences of illicit drug use. Anti-drug messages have already aired in 12 target cities and on the Internet.
- *Safe and Drug Free Schools and Communities Program:* Students can reach their full potential only in safe, disciplined learning environments. The Safe and Drug Free Schools and Communities program helps 97 percent of school districts implement anti-drug and anti-violence programs in schools. The budget proposes $556 million for this program, including $125 million in competitive grants to high-need areas that use proven program designs.
- *School Drug Prevention Coordinators:* The budget provides $50 million for a new School Drug Prevention Coordinators program to ensure that half of the Nation's middle schools will have a knowledgeable director of drug and violence prevention programs. These coordinators will ensure that local programs are effective and link

[1] "Substance Abuse: The Nation's Number One Health Problem," Key Indicators for Policy, Institute for Health Policy, Brandeis University (1993).

Table 7–3. DRUG CONTROL FUNDING

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
Demand reduction	4,943	5,376	5,867	+491	+9%
Supply reduction	10,090	10,601	11,203	+602	+6%
Total, Drug Control Funding	**15,033**	**15,977**	**17,070**	**+1,093**	**+7%**

school-based prevention programs to community-based programs.

- *Drug Free Communities Act:* The budget proposes $20 million for activities under this Act, which helps increase citizen participation in our efforts to reduce substance abuse among youth and provides funds to help community anti-drug coalitions carry out their important missions.

Drug Intervention: The budget proposes $3.4 billion to treat drug abuse, seven percent more than in 1998. The Administration realizes that an effective treatment system must confront drug abuse where the challenge is the hardest—in the streets of urban, suburban, and rural drug markets, and in the criminal justice system. Closing the treatment gap between those who could benefit from substance abuse treatment and the current capacity of the public treatment system remains a top priority. These chronic drug users consume a disproportionate amount of illicit drugs and inflict a disproportionate share of drug-related costs on society.

- *Substance Abuse Treatment:* The budget provides $3.4 billion for substance abuse treatment activity, seven percent more than in 1998. The increase is based not only on the need to close the treatment gap, but on a body of evidence showing that treatment is the most cost-effective way to reduce drug abuse. These efforts will enable hundreds of thousands of pregnant women, high-risk youth, and other under-served Americans to get drug treatment services.

- *Drug Courts:* The budget proposes $30 million for Drug Courts. In an effort to break the cycle of drugs, crime, and violence, these courts present an alternative to incarceration for people who commit non-violent crimes and express a desire to participate in, and would benefit from, rehabilitative drug treatment. Drug Courts encourage serious commitment to the treatment process through graduated sanctions such as increased drug-testing and supervision, and, when necessary, incarceration.

Domestic Drug Law Enforcement: The budget proposes $8.8 billion for drug-related domestic law enforcement, four percent more than in 1998, to help bolster community-based law enforcement efforts, shield the Southwest border from illicit drugs, target major domestic organizations trafficking in heroin, and enhance coordination among Federal, State, and local law enforcement agencies. The budget proposes an increase of $13 million, or 30 percent, for the Drug Enforcement Agency (DEA) to enhance domestic anti-heroin efforts. The Federal Government will continue its focus on providing leadership and training; facilitating multi-agency cooperative efforts through the High Intensity Drug Trafficking Areas program, the Southwest border initiative, and other efforts; and offering incentives to States and localities to use the most effective drug control methods.

- *Methamphetamine:* Methamphetamine is quickly becoming the growth drug of the 1990s. The DEA trains its agents, as well as State and local law enforcement agencies, to seize clandestine methamphetamine laboratories. The budget proposes to continue the DEA's anti-methamphetamine efforts with a $25 million increase, more than doubling the 1998 figure.

International Programs and Interdiction: The Administration's comprehensive approach to combating drug use includes an enhanced international strategy, making it harder for drug-criminals to smuggle illicit drugs into the United States. The budget includes funds to upgrade interdiction efforts along the Southwest border and in the Caribbean, and to provide heightened assistance to foreign governments to curtail drug cultivation and production.

- *Source Nation Efforts:* Internationally, the United States focuses primarily on interdiction in source countries and transit zones, disrupting the drug organizations and their production, marketing, and money laundering structures. The budget proposes to increase funding for counternarcotics programs in Peru to $50 million, 66 percent more than in 1998, to continue illicit coca crop eradication efforts and support alternative crop development. It proposes increased funding for counternarcotics programs in Colombia to $45 million, 50 percent more than in 1998, to

continue enhanced coca, opium poppy, and marijuana crop eradication efforts. And it proposes $247 million, 20 percent more than in 1998, to provide training, logistics, equipment, intelligence, and communications support to source nations, mainly Columbia, Peru, and Bolivia.

- *Southern Tier of the United States:* The Administration remains committed to shielding the Nation's Southern tier from the drug threat. The budget proposes to enhance the Customs Service's border enforcement efforts at land and sea ports-of-entry by providing $54 million for advanced technology, which includes automated targeting systems and non-intrusive inspection systems, to improve narcotics interdiction. The budget further solidifies the interdiction effort by providing $104 million for another 1,000 border patrol agents and an increase of $36 million, or nine percent over the 1998 level, for the Coast Guard's interdiction activities.

8. STRENGTHENING THE AMERICAN COMMUNITY

We need to say that in the poorest neighborhoods of this country, people still have a chance to start a business, free enterprise still has a chance to take hold, people still have a chance to build a framework of community. And if we can't do that when the economy is strong, when can we do that? We have to do that.

President Clinton
August 1997

Most Americans are enjoying the fruits of our strong economy. Poverty, welfare, and unemployment are down. Incomes and home-ownership are up.

But progress is not uniform. While many urban and rural areas are doing better, too many others have grown disconnected from opportunity and prosperity, and their isolation—the poor from the well-off, the jobless from those who work, those from one race or ethnicity from those of another—threatens to fray the fabric of our culture.

In the early 20th Century, cities fueled America's economic growth. Still today, their future, and that of rural areas, remains central to our future as a Nation and, thus, to the future of all Americans, no matter where they live or work. We must connect residents of distressed neighborhoods to the jobs and opportunities of the regional marketplace, and replace economic distress with opportunity.

The Administration believes the Federal Government can, and should, work with States, localities, businesses, non-profits, schools, families, and individuals to help create opportunities and offer incentives for addressing local problems. Across the Nation, the Government is working in partnership with other governments and institutions, whether to encourage volunteerism through the National Service program or provide communities with economic and tax incentives to encourage private investment through the Empowerment Zones and Enterprise Communities initiative.

In the Nation's capital, the Administration is making a special effort to make Washington, D.C. a city of which all Americans can be proud. Having worked with Congress to restructure the Federal Government's relationship to the District last year, the Administration is focusing on how Federal departments and agencies can provide the District with technical help in such areas as education and law enforcement.

National Service

National Service builds strong communities, educates children, develops citizen responsibility, and expands educational opportunity. The Corporation for National and Community Service, established in 1993, encourages Americans of all ages and backgrounds to help solve community problems and provides opportunities to engage in community-based service. The budget proposes $781 million for the Corporation, a 14-percent increase over 1998, with the increase targeted to the President's America Reads initiative—an effort through which volunteer tutors will help children read well and independently by the end of the third grade.

AmeriCorps enables young Americans of all backgrounds to serve in local communities through programs sponsored by local and national nonprofits. Participants serve full- or part-time, generally for at least a year. In return, they earn a minimum living allowance set at about the poverty level of a single individual and, when they complete their service, they earn an education award to help pay for postsecondary education or

repay student loans. Over 100,000 individuals will participate through AmeriCorps's first four years, and the budget supports an AmeriCorps program of 56,000 members in 1999. The AmeriCorps program includes Volunteers in Service to America (VISTA) and the National Civilian Community Corps (NCCC).

Among other national service programs:

- Service-learning programs supported by Learn and Serve America grants engage students from kindergarten through college to serve their communities and learn citizenship. The budget proposes to fund opportunities for more than a million students.
- The National Senior Service Corps provides opportunities for citizens age 55 and older to use their time and talents to meet community needs. The budget funds the Retired and Senior Volunteer Program, the Foster Grandparent Program, and the Senior Companion Program, enabling more than half a million older Americans to serve.

Most important of all, national service participants are getting things done.

- In one Tennessee project, AmeriCorps members helped improve the health of 500 children by advising parents on proper nutrition and early childhood health, assessing family health risks, and increasing access to health education.
- In Washington State, AmeriCorps members helped cut violent crime in one housing project by 30 percent through a program that addresses juvenile crime, gang activity, school success, and youth homelessness. The program offers a late-night program for 400 high-risk youth, a street school that operates six days a week, out-of-school time activities for K–12 youth, and a program to enhance student success in schools.
- In New York City, a team of 30 older Americans that works directly with children through tutoring and mentoring has developed literacy programs, encouraged parent and grandparent involvement, led community service events for the children, organized afterschool and summer programs, and recruited additional volunteers.

Empowerment Zones (EZs) and Enterprise Communities (ECs)

As part of his 1993 economic program, the President proposed, and Congress enacted, the Empowerment Zones and Enterprise Communities program. Communities develop a strategic plan to help spur economic and community development and expand opportunities for their residents, and in return they receive Federal tax benefits, social service grants, technical assistance, and more flexibility in how they use Federal funds.

EZs and ECs are parts of urban or rural areas with high unemployment and high poverty rates. For EZs, the Federal Government provides tax benefits for businesses, and offers grants to community groups for job training, day care, and other purposes. For ECs, the Government provides grants to community groups for the same array of purposes. Both EZs and ECs can apply for waivers from Federal regulations, enabling them to better address their local needs. In addition, special set-asides from Agriculture Department rural development programs are available to rural EZ/ECs.

The 1994 competition for the first round of EZ and EC designations generated over 500 applications and created new local partnerships for community revitalization—even in communities not chosen. The 105 selected communities made well over $8 billion in private-public commitments (in addition to the promised Federal resources), bringing greater economic opportunity to both distressed urban and rural areas.

The Kentucky Highlands rural EZ, for instance, is using $11 million of EZ funds to expand the amount of development venture capital available in its borders. From the $5.6 million obligated to date, the EZ has leveraged $38 million in additional capital for 11 new manufacturing enterprises that have created 575 jobs and committed to create another 1,600. In the six urban EZs, the private sector has made or committed over $2 billion in new investment, bringing greater opportunity to those cities. The Detroit

Celebrating the Millennium and America's Treasures

The new White House Millennium Council will lead the country in a celebration of the new millennium—initiating and recognizing national and local projects and efforts that contribute to the celebration in educational, creative, and productive ways. By stressing the creative achievements and accomplishments of Americans in exploration, innovation, and discovery, and by educating Americans, especially children, about our history, democracy, and civil society, the Council can help ensure that these values and traditions endure into the next century. The Council will work with Federal agencies, Congress, States, Tribes, elected officials, communities, citizens, and private and non-profit organizations to recognize the Nation's historical accomplishments, reflect on the forces shaping our society, and encourage thoughtful planning for the future.

The budget proposes $50 million for the National Park Service Historic Preservation Fund, working with the Council, to help public and private entities to commemorate the Millennium. These funds will support one of the most important tasks facing America at the turn of the century—to preserve America's treasures for future generations. These treasures include the historic buildings, sites, documents, objects, manuscripts, photographs, works of art, maps, journals, still and moving images, and sound recordings that document and illuminate our Nation's history and our cultural heritage.

The budget also funds important cultural institutions and programs. It provides the resources to complete the Mall Museum of the National Museum of the American Indian, a public-private partnership between the Federal Government and the Native American community that will open to the public in 2002. It also provides increased funds to help the Smithsonian address the backlog of needed repairs at several of its major museums, such as the National Museum of Natural History. In addition, the budget provides funds for the Kennedy Center to continue major interior renovations that will permit greater access by the disabled persons and better use of its space. Finally, the budget provides increases for cultural institutions, such as the Smithsonian and the National Endowment of the Arts, to digitize portions of collections and, in turn, enhance public access to them.

EZ alone has supported thousands of new jobs, helping to drop the city's jobless rate from 11 percent to 8.7 percent since 1994. In a recent report card on EZs in general, Standard and Poor's, the credit rating agency, concluded that, "when executed successfully, [EZs] can contribute to the local economy and lead to an improvement in the issuer's credit rating."

But many communities that were not designated as EZs or ECs lack the seed capital to begin their revitalization efforts. Thus, in last year's budget, the President proposed a second round of EZs/ECs to stimulate further private investment and economic opportunity in distressed urban and rural communities and to connect residents to available local jobs. Congress authorized 22 additional EZs, and made qualified businesses in these EZs eligible for tax incentives, including up-front deductions for qualifying capital investments, new tax-exempt facility bonds, a new deduction for environmental remediation costs, and a new tax credit for holders of qualified Zone education "academy" bonds. This budget proposes flexible block grant funds, $100 million per urban EZ and $40 million per rural EZ over 10 years, to complement the tax incentives and encourage comprehensive planning to revitalize these distressed areas.

The program will continue to challenge communities to develop their own comprehensive, strategic plans for revitalization, with input from residents and a wide array of community partners. The Administration will invest in communities that develop the most innovative plans and secure significant local commitments. It will offer a competitive application process to stimulate the public-private partnerships needed for large-scale job creation, business opportunities, and job connections for families in distressed communities. Also, communities will receive priority consideration for funds from Federal economic development programs and for waivers of Federal requirements from the President's Community

Empowerment Board, which the Vice President chairs. The upcoming competition will build on the President's Brownfields initiative, which promotes the clean-up and redevelopment of contaminated industrial and commercial sites. (For more information on the Brownfields program, see Chapter 4, "Protecting the Environment.")

Community Development Lending

The Community Development Financial Institutions (CDFI) Fund, which the President proposed and Congress established in 1994, expands the availability of credit, investment capital, financial services, and other development services in distressed urban and rural communities. By creating and expanding a diverse set of CDFIs, the Fund helps develop new private markets, create healthy local economies, promote entrepreneurship, restore neighborhoods, generate tax revenues, and empower residents. The Fund represents a new approach to community development that uses limited Federal resources to leverage significant private sector and local resources, promotes self-sustaining CDFIs, and catalyzes new community lending and investment activity by conventional financial institutions.

CDFIs provide a wide range of financial products and services, such as mortgage financing to first-time home buyers, commercial loans to start or expand small businesses, loans to rehabilitate rental housing, and basic financial services. CDFIs include a broad range of institutions—e.g., community development banks, low-income credit unions, community development loan and venture capital funds, and microenterprise loan funds.

The budget proposes $125 million for the CDFI Fund, a $45 million increase over the 1998 level; the new funds would expand a training and technical assistance initiative and, in part, help accelerate the development of a secondary market for community development loans. To date, the CDFI Fund has received requests for almost $500 million in assistance—over six times the amount available—from over 400 applicants. In 1997, the Fund chose 48 CDFIs to receive $38.3 million in financial and technical assistance. In addition, the Fund awarded $17 million to 55 traditional banks and thrifts for increasing their activities in economically distressed communities and investing in CDFIs.

The Fund can dramatically leverage private funds in distressed communities. For example, its $3 million investment in Self-Help of Durham, N.C., helped leverage $24 million in mortgage financing and commercial lending. In addition, the Fund can strengthen CDFIs themselves and expand their ability to lend and invest. The Santa Cruz Community Credit Union is using $1 million from the Fund to open a new branch to serve mostly low-income, Hispanic residents of Watsonville, California. With a $1 million loan from the Fund, the Tlingit-Haida Regional Housing Authority will begin home mortgage lending in southeast Alaska's three urban areas—providing one of the first sources of affordable mortgage loans to Alaska Natives in these markets.

The budget also provides $400 million for the Department of Housing and Urban Development's (HUD) Economic Development Initiative, including the resources for a new Community Empowerment Fund to support economic development efforts and help create a secondary market for HUD's Community Development Loan Guarantee (Section 108) program. Through grants and loans, this new program would help State and local governments standardize the underwriting and documentation of loans to businesses in distressed areas, and expand credit for economic and community development lending.

Urban and Rural Development

The Administration has worked to give communities flexible tools to develop affordable housing, revitalize their economies, and promote equal housing opportunity for all.

Hoping to reverse a decline in homeownership, for instance, the Administration in 1994 launched an unprecedented partnership with 58 key public and private organizations to form a National Homeownership Strategy. The partners are reducing barriers to homeownership by cutting mortgage closing costs and down payment requirements; simplifying the process of financing home purchases and repairs; and opening markets for women, minorities, central-city home buyers, and others traditionally locked out of conventional

Enforcing Civil Rights

Federal civil rights laws reflect the Nation's respect for core values that bind together diverse segments of the American community. These laws protect Americans' rights to equal access to educational opportunities and equal opportunity in the workplace, and their rights to live where they want and practice the religious faith they choose. As the population grows more and more diverse, the Nation must continue to ensure that all of its citizens have the same chance to prosper.

Federal civil rights agencies enforce our laws against discrimination. Effective enforcement promotes the economic well-being of Americans who seek good jobs, a better education for their children, and the chance to become self-sufficient. The Nation must enforce its civil rights laws fairly, consistently, and aggressively, and that requires adequate funding for these agencies.

The budget proposes $602 million for civil rights enforcement agencies, an increase of $86 million, or 17 percent, over the 1998 level, including the necessary funds to improve compliance; expand the use of alternative dispute resolution methods; improve information systems; and develop better data collection capabilities for research and enforcement.

The budget provides a 15-percent increase, to $279 million, for the Equal Employment Opportunity Commission to more quickly resolve private sector complaints; a 70-percent increase, to $52 million, for the Department of Housing and Urban Development to crack down on housing discrimination; and a 10-percent increase, to $72 million, for the Justice Department's Civil Rights Division to better coordinate Federal civil rights enforcement and to expand investigations and prosecutions of police brutality and violations of the Americans with Disabilities Act. (For more information on these initiatives, see Chapter 12 of *Analytical Perspectives,* "Civil Rights Enforcement Funding.")

lending markets. Along with a strong economy and low interest rates, this effort has helped boost homeownership to 66 percent—an all-time high; 5.8 million Americans have become homeowners under this Administration, including record numbers of minorities.

But the job is not done. Homeownership in central cities and among women, minorities, and lower-income Americans hovers at or below 50 percent. Consequently, to boost homeownership among these groups, the budget proposes $25 million for a Neighborhood Reinvestment Corporation pilot program to help renters with solid payment track records own their own homes. The budget also proposes a Home Loan Guarantee program to allow States to use HOME funds to leverage private loans for large-scale, affordable housing developments in distressed areas. To expand housing opportunities and combat discrimination, the budget proposes that HUD fund fair housing enforcement using paired testers—a proven method to detect discrimination—in 20 communities in order to develop local indices of discrimination, identify and pursue violations of fair housing laws, and promote new community fair housing enforcement initiatives.

To spur the private sector to develop more affordable rental housing for low-income Americans, the budget proposes a major expansion of the Low Income Housing Tax Credit, which will help develop another 150,000 to 180,000 affordable housing units over the next five years. Currently, the credit helps develop 75,000 to 90,000 affordable units a year. The proposal, which will cost $1.6 billion over the next five years, will restore the value of the tax credit, which has eroded over the last decade due to an increase in building costs. The credit helps to reduce the cost of rent by an average of $450 a month for the average housing credit renter who, in turn, earns $13,300 a year.

For public housing, the Administration has advanced the most profound changes in over a generation, replacing the most dilapidated developments with smaller scale, affordable housing and portable vouchers; restoring management excellence to troubled housing agencies; providing incentives for tenant self-sufficiency; and strengthening occupancy and

eviction rules. The budget builds on the progress by supporting efforts to demolish 54,000 of the worst public housing units in the next three years and replace them with portable subsidies or newly constructed mixed income housing. The budget also proposes $283 million for 50,000 portable housing vouchers for families seeking to move from welfare to work. Local housing agencies that work in partnership with State and local welfare agencies will get the flexibility to design programs to serve welfare families for whom housing assistance is critical for getting and retaining jobs.

Because their needs are so different, no single approach will help both urban and rural communities. The Administration has proposed to give States, localities, and Tribes more flexibility in how they use USDA's Rural Development grants and loans for businesses, water and wastewater facilities, and community facilities such as day care centers and health clinics. The 1996 Farm Bill authorized this approach through a new Rural Community Assistance Program (RCAP), combining 12 separate USDA programs into a Performance Partnership that can tailor assistance to the unique economic development needs of each rural community. The budget proposes $2.9 billion in loans and grants for RCAP, four percent more than in 1998, and the full flexibility that the 1996 Farm Bill envisioned.

The budget also boosts funding for the Commerce Department's Economic Development Administration (EDA). The EDA would create an Office of Community and Economic Adjustment Assistance to work directly with communities adversely affected by major plant closings and international trade agreements and increase the number of grants available to communities.

Government-to-Government Commitment to Native Americans

The Administration honors its government-to-government relationship with Tribes by protecting critical, reservation-level programs, turning back congressional threats to Tribal sovereignty, and bringing together government leaders and resources to address important Tribal concerns. The budget protects these priorities and proposes more assistance to combat crime, foster educational opportunities, and promote environmental conservation. The budget proposes $7.8 billion, four percent more than in 1998, for Government-wide programs addressing basic Tribal needs and encouraging self-determination (see Table 8–1).

A joint law enforcement initiative of the Interior (DOI) and Justice Departments, for which the budget proposes $182 million in 1999, will address sharply increasing crime rates in Indian country with more resources for drug and youth crime prevention programs, police investigators and officers, Tribal courts, and detention facilities. The Administration also proposes a new school construction initiative and more resources for school operations; education opportunity zones; early intervention partnerships; child care; technology to link schools, classrooms, and libraries; and teacher preparation and recruitment. Finally, the Interior and Commerce Departments recently issued a Secretarial Order to assist Tribes in promoting healthy ecosystems and developing conservation measures.

DOI's Bureau of Indian Affairs (BIA) and the Health and Human Services Department's Indian Health Service (IHS) comprise nearly

Investing in the Delta Region

The budget proposes $26 million to apply the successful economic development model of the Appalachian Regional Commission (ARC) to help 219 distressed counties in the seven-State Lower Mississippi Delta Region, which has suffered from persistently high poverty and low economic growth for much of the past 40 years.

The ARC's Federal-State partnership is a proven economic development tool that embodies balanced, equitable fiscal decision-making and that could dramatically improve the economic viability of the Delta Region.

Table 8–1. GOVERNMENT-WIDE NATIVE AMERICAN PROGRAM FUNDING

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
BIA	1,639	1,702	1,844	+142	+8%
IHS [1]	2,351	2,431	2,476	+45	+2%
All other	2,925	3,357	3,507	+150	+5%
Total	**6,915**	**7,490**	**7,827**	**+337**	**+4%**

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

two-thirds of Federal funding for Native American programs.

For the BIA, the budget proposes $1.8 billion, eight percent over the 1998 level, including a five-percent increase for Tribal priority allocations, to meet basic local needs and improve the quality of life of a growing population; build strong Tribal governments; promote Tribal self-sufficiency; and fulfill the Federal trust responsibility to Native Americans. Over 90 percent of BIA operations funding goes for basic, high-priority reservation-level programs such as education, social services, law enforcement, housing improvement, and natural resource management.

For IHS, the budget proposes $2.5 billion, a two-percent increase over the 1998 level, enabling IHS to continue to uphold the Federal Government's responsibility to promote the health of American Indian and Alaska Native people, communities, and cultures by providing quality curative and preventive medical care. In some cases, IHS is the only source of medical care available on remote reservation lands.

IHS facilities continue to provide quality medical care. The budget proposes funds to help construct the Keams Canyon Service Unit on the Hopi reservation and a replacement for the Fort Defiance Hospital, an antiquated facility, on the Navajo reservation. In addition, the $30 million a year in diabetes-related funding that IHS receives under the new Children's Health Insurance Program will help alleviate complications from diabetes, such as blindness, foot amputation, and End Stage Renal Disease among American and Alaskan Natives.

BIA and IHS will continue to promote Tribal self-determination through local decision-making. Tribal contracting and self-governance compact agreements now represent half of BIA's operations budget, and over a third of IHS' budget. The self-governance agreements, which give Tribes greater flexibility to administer Federal programs on reservations, will likely grow in number to 74 in BIA in 1999, a 16-percent increase from 1998. BIA and Tribes are negotiating to permanently implement the self-governance program, ensuring its strong future and continued growth.

Finally, after Tribal consultations on its December 1996 report, DOI submitted its "Recommendations of the Secretary of the Interior for Settlement of Disputed Tribal Accounts" to Congress in November 1997. This proposal reflects the Administration's commitment to resolve disputed Indian trust fund account balances through informal dispute resolution. The budget also supports the recently introduced Indian Land Consolidation Act Amendments, to address the problem of highly fractionated land ownership by individual Indians on reservations. Also, within the Administration's three-pronged approach to address trust fund-related issues, the budget supports DOI's Office of Special Trustee's trust fund management improvement

project to resolve problems in individual Indian accounts, convert to a commercial-grade accounting system, and strengthen the management of the underlying trust assets.

The District of Columbia

As President Clinton told congregants at Metropolitan Baptist Church in Washington, D.C. recently, the Administration is committed to being "a better neighbor" to the District of Columbia.

The President's comprehensive plan for the District, which Congress largely funded last year, was an important step along the way. By relieving the District of major financial burdens that it should never have had, the plan lays the groundwork for the District to restore its fiscal health.

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

- *Criminal Justice:* The Federal Government now funds D.C.'s Court System and other key elements of the District criminal justice system, including the incarceration of sentenced felons and supervision of all adult offenders.
- *Medicaid:* The Federal Government has assumed the role typically played by both Federal and State governments under this health insurance program, paying 70 percent of Medicaid spending in the District (compared to the previous 50 percent).
- *Pensions:* The Federal Government is resuming responsibility for an estimated $5.9 billion unfunded pension liability that it transferred to the District in 1979.

In exchange, the Federal Government eliminated its annual payment to D.C., which totaled $660 million in 1997, though it provided a one-time, $190 million payment for District operations in 1998.

Under the President's plan, the District government estimates that it will save about $200 million in 1998 alone. To balance its budget in 1998 and maintain balance thereafter, the District plans to launch major management reforms, cut spending, and finance part of its $528 million accumulated deficit.

The Administration—through its departments and agencies—will continue to provide technical help and other assistance to the District in specific areas, such as education and law enforcement. The budget, for instance, proposes $20 million to help D.C. public schools implement reforms that hold the promise of improving student achievement, including expanding summer school, training teachers and principals, and placing reading specialists in every school.

The upcoming year is a pivotal one for the Federal and District governments to implement the landmark changes in their relationship, and for D.C. to implement vital management reforms. The Administration, which strongly supports the District's right to self-governance, is committed to do its part, and it proposes to pay for certain special expenses that arise from District implementation of the President's plan in the areas of District Corrections, Courts, and Offender Services Agency operations.

Moreover, the budget proposes to build on last year's plan by providing $100 million for economic development initiatives, including $50 million to fund an economic development entity created by the District; $25 million to make the proposed Washington Convention Center more accessible to the public through Washington's Metro subway system; and $25 million to fund management reform initiatives to improve the city's economic development infrastructure.

Expanding Public Television

The budget provides $450 million over five years to help the public broadcasting system make the transition to digital technology, which will greatly expand educational, community service, and cultural programming. New digital technology will set the stage for four to six more channels and new innovative television applications, including high definition and interactive television.

These funds—for the Corporation for Public Broadcasting and the Commerce Department—will ensure that public broadcasting can take advantage of the transition while continuing to meet four core principles: education, non-commercialism, universal access, and localism in the digital era.

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9. ADVANCING UNITED STATES LEADERSHIP IN THE WORLD

Nations are now setting the international ground rules for the 21st Century, laying a foundation for security and prosperity for those who live within them, while isolating those who challenge them from the outside. This system will develop and endure only if those who follow the rules of peace and freedom fully reap their rewards. Only then will our people believe that they have a stake in supporting and shaping the emerging international system.

President Clinton
September 1997

Americans have a tremendous stake in world events. The establishment of democracy and market economies in the former Soviet bloc, the safe disposal or storage of weapons of mass destruction in Russia and elsewhere, the identification and control of deadly tropical diseases in Africa, and the maintenance of healthy economies in Asia and Latin America—all of these are important to the security, health, and prosperity of the American people.

American diplomacy, implemented through international affairs programs, is the means by which the United States leads abroad on many important issues. For several years, the resources that Congress provided were inadequate to ensure that leadership. In 1998, however, the Administration and Congress worked successfully to build major bipartisan support for an increase in international affairs spending, including special legislative provisions to facilitate support of international financial institutions and the United Nations (UN) and other international organizations.

Despite welcome congressional action on international affairs programs, an unfinished agenda remains in areas critical to U.S. national interests. Most striking, the Federal Government must provide more resources for key programs. To support continued U.S. economic growth, Congress should continue to support the decisive action of the International Monetary Fund (IMF) and U.S. leadership in that institution by providing the supplementary contingent IMF funding that the Administration sought and replenishing the IMF's basic financial resources. For the UN, whose Security Council deals with security issues from Iraq to Bosnia, and for related international organizations dealing with such issues as health and labor conditions, Congress should take steps to pay $1 billion in U.S. arrears on treaty-mandated contributions. Congress should also continue to pay off arrears to the multinational development banks and the Global Environment Facility (GEF), which total $638 million.

In the area of trade, where the growth in exports has been so critical to our recent economic prosperity, Congress should give the President traditional negotiating authority to help fuel our surging exports into the next century. Congress also should enact legislation promoting trade with Africa and the Caribbean Basin. The Administration proposes more export financing to take advantage of opportunities emerging in regions such as the New Independent States (NIS) of the former Soviet Union and to match the government financing offers of other countries. The Administration also proposes to maintain or expand programs that support democracy and free market economic systems in the former communist countries and in Africa by encouraging trade and investment, not only for America's security but also for creating sources of future export demand.

In providing $19.6 billion for regular international affairs programs and $502 million for arrears, the budget proposes an activist approach to advance U.S. leadership around the world (see Table 9–1). It would complete last year's unfinished business and target funding increases to the most effective programs to achieve foreign policy objectives, rejecting outmoded activities and poorly-performing projects. This request would strengthen U.S. leadership and benefit the American people, while costing just a third of one percent of our national income.

Protecting American Security and Promoting Democracy

Protecting America's key strategic interests remains a timeless goal of our diplomacy. As we move toward the 21st Century, we have a great opportunity to expand the scope of democracy, further ensuring that our interests remain unthreatened. Facing the dilemmas of peacekeeping, regional crises, and economic change, the international community has generally been unable to act effectively without the United States as a leader and a full partner. Advancing U.S. interests in a global economy brings expanded missions to our diplomacy, our trade strategy, and our assistance programs. A less-orderly world also creates new challenges to our security—such as the proliferation of weapons of mass destruction, international terrorism and crime, narcotics, and environmental degradation.

Developments in the NIS will prove important to U.S. national security. Progress in most of those countries toward democracy and free markets has been steady, but sometimes slow and uneven. In Russia, the key to regional security, a freely elected government is gradually creating the legal framework and governmental infrastructure for democracy and a sound economy. Across the NIS, America's continued leadership will be key to maintaining international support for this crucial transition.

The budget proposes $925 million for assistance to the NIS, 20 percent above the 1998 level. These funds will advance work under the Partnership for Freedom program

Table 9–1. INTERNATIONAL DISCRETIONARY PROGRAMS

(Budget authority, dollar amounts in millions)

	1997 Actual	1998 Estimate	1999 Proposed	Dollar Change: 1998 to 1999	Percent Change: 1998 to 1999
International development and humanitarian assistance [1]	6,494	7,036	7,427	+391	+6%
International security assistance	5,980	6,044	6,159	+115	+2%
Conduct of foreign affairs [1]	3,890	3,741	4,146	+405	+11%
Foreign information and exchange activities [2]	1,116	1,134	1,134	.....	.....
International financial programs	670	619	782	+163	+26%
Subtotal, International discretionary programs	**18,150**	**18,574**	**19,648**	**+1,074**	**+6%**
Multilateral Development Bank arrears	.....	360	502	+142	+39%
International Organization arrears [3]	.....	100	.....	NA	NA
Total, including Arrears	**18,150**	**19,034**	**20,150**	**+1,119**	**+6%**

ANA = Not applicable.

[1] Excluding arrears payments.

[2] Pursuant to Section 309(g) of the Foreign Relations Authorization Act, 1994 and 1995, the President hereby determines that continuation of funding for Radio Free Asia for 1999 is in the interest of the United States.

[3] The Administration will transmit its request for arrears later.

to use trade and investment measures, private sector partnerships, and cooperation with non-governmental organizations to stimulate free market economic growth. One new activity is the Presidential Management Training Initiative, to which Presidents Clinton and Yeltsin recently agreed, that will enable NIS business managers to receive training and internships with U.S. firms, benefitting the managers, the firms, NIS economies, and U.S. foreign policy.

After nearly a decade of U.S. and international support, the transition to democracy and free markets in Central and Eastern Europe has been remarkably successful. Our assistance to the governments of most of the countries in the northern portion of the region has ended, or will soon. These countries are moving toward economic integration with the United States and Western Europe. Last year's highlight was NATO's decision to accept three countries—the Czech Republic, Hungary, and Poland—as members. As a result, the budget will provide over $100 million in security assistance to help integrate these countries' military forces and to aid other potential candidates for NATO membership. In addition, this budget projects increases in NATO's three common-funded budgets for the coming years to reflect certain costs associated with NATO's enlargement. In December, NATO estimated that the costs of enlargement that it will bear within these three budgets will be about $1.5 billion over the next 10 years, of which the United States will pay about one-quarter, or less than $40 million a year on average during this period, from Defense Department funds.

The budget proposes $465 million in economic aid for Eastern Europe and the Baltic States, $225 million of which would support the firm U.S. commitment to see the Dayton Accords fully implemented for Bosnia. Assistance to Bosnia will complement the continuation of U.S. troops in that troubled nation, particularly by financing training and other support for local police to foster effective, fair, and professional public safety forces. Economic assistance will strengthen the emergence of a vital private sector. The Bosnians are beginning to realize the benefits of free markets, and we must strongly foster their nascent prosperity to demonstrate that a return to hostilities will hurt all Bosnians.

For the other southern-tier countries of Eastern Europe, U.S. assistance will apply the lessons learned elsewhere in the region to accelerate economic reform, particularly in Romania, where the United States has offered a reform-oriented partnership with the newly elected government. During the Cold War, private civil institutions in Eastern Europe eroded greatly, and fully reconstructing them within the short time since then has not been easy. Thus, the budget proposes to create an innovative $100 million Civil Society Trust Fund, financed half by Federal funds and half by private contributions, mainly from foundations. In countries where our official aid has ended, the Fund will foster grass roots political activity and viable non-governmental organizations.

Our strategic interest in peace in the Middle East is as strong as ever. The peace process has achieved much already. The need for reconciliation remains urgent, and America continues to play a unique leadership role in the effort to craft a durable, comprehensive regional peace. The budget proposes $5.3 billion for security assistance to sustain the Middle East peace process. The assistance program provides $100 million for the third year of a Middle East Peace and Stability Fund that will provide aid mainly to Jordan in recognition of that country's needs and King Hussein's important continuing contributions toward peace and reconciliation.

The rest of our security assistance programs are designed to support peace and democracy in countries and regions where our leadership has helped those processes emerge. Under the budget, economic support funding for Haiti would double, to $140 million, to ensure the success of that country's hard-won democracy. The budget also would support reconciliation and peace in Guatemala and strengthen the capacity of African governments to provide regional peacekeeping on that troubled continent.

Ensuring America's Leadership in the International Community

Following World War II, the United States assumed a unique leadership role in building international institutions to bring the world's nations together to meet mutual security, economic, and humanitarian needs. We sponsored and provided significant funding for the UN, NATO, the IMF, and the World Bank, along with other specialized regional security and financial institutions that became the foundation of international cooperation during the Cold War.

To ensure financial stability for this international community, members of many of the UN and related international organizations (IOs) entered into treaties or similar instruments committing them to pay specified shares (or, "assessments") of IO budgets. Congress ratified these agreements, making them binding on the United States. For the multilateral development banks (MDBs—that is, the World Bank, its regional development bank partners, and the GEF), the developed countries, including the United States, make firm commitments to regular replenishments of their resources, in our case subject to the congressional authorization and appropriations processes.

By 1997, America's leadership in this international institutional network had seriously eroded due to past congressional cuts in appropriations needed to meet our assessments and commitments. The resulting arrears to the IOs had accumulated to almost $1.5 billion, and arrears to the MDBs were nearly $900 million. In the 1998 budget, the Administration proposed to pay off the bulk of our arrears on assessments over two years if the IOs undertook budget and management reforms, including lowering the U.S. annual assessment percentage in the future. It also proposed to pay off MDB arrears over three years in light of program and management reforms already under way.

As part of last year's bipartisan budget agreement, Congress provided room in the budget resolution to pay most of the accumulated arrears while still funding ongoing international affairs programs at an adequate level. Under this arrangement, Congress cleared over a third of the Nation's MDB arrears. The Administration and Congress also developed bipartisan support for authorizing legislation to clear many of the assessment arrears over three years in return for specified IO reforms, and Congress passed an initial 1998 appropriation of $100 million, subject to enacting the authorization. But the legislation stalled, thus undermining U.S. diplomatic efforts to achieve budgetary reforms and leading to a serious loss of U.S. credibility in the UN and other IOs.

With the U.S. failure to address its sizable arrears, the UN General Assembly in December 1997 established assessment rates for the next three years without reducing the U.S. percentage. Due to a major U.S. diplomatic effort, however, UN members agreed to reconsider the three-year decision in June 1998—provided that the United States resolves its arrears situation. To effect UN rate changes, the Administration and Congress must enact legislation by May 1998. The Administration will shortly transmit a proposal that seeks early legislative action to pay over $1 billion of the $1.5 billion of accumulated arrears. The proposal will give the Administration the statutory flexibility it needs in June to reduce our assessment rates and achieve other key reforms over the next two years. The Administration is prepared to work with Congress to shape the legislation. In addition, Congress must appropriate $931 million to meet 1999 assessments—more than would have been required if Congress had passed last year's authorizing package.

In addition, the budget proposes $502 million to continue the planned payoff of MDB and GEF arrears and $1.15 billion to pay current commitments to these institutions, which provide most of the assistance to those poor countries around the world that are undertaking promising economic reforms. The United Sates has convinced the MDBs to do more, while asking less from the American taxpayer. As a result of recent negotiations, U.S. commitments for all the MDBs have been cut by 40 percent and are now below what we once paid for the World Bank's International Development Association affiliate alone.

Supporting International Monetary Programs

As the world becomes more economically integrated, the smooth functioning of its monetary system becomes more critical to every nation's economy. Severe disruptions in Asian economies demonstrate the world-wide impact of crises in major economies. Even the U.S. economy is not immune, despite its size, strength, and depth. The Administration is having urgent consultations with Congress on the most effective means to foster an early, tenable return to more stable international monetary conditions.

For 1998, the Administration proposed a one-time appropriation to a special international facility, the New Arrangements to Borrow (NAB). With credit commitments from 24 other nations, including most industrialized countries and several emerging market economies, NAB would provide a set of contingent credit lines to supplement IMF resources, if necessary, when a monetary crisis in one or more countries threatens the entire system. Congress did not enact the appropriation. These funds are urgently needed as a reserve in case the emergency demands on IMF quota resources deplete the IMF's liquidity so much that it cannot maintain international monetary stability.

As the global economy and capital markets expand, the IMF's basic (quota) resources must rise so that it can carry out its ongoing responsibilities to promote monetary stability and healthy economies. Since its inception in 1945, the IMF has played a major role in fostering the unprecedented growth in world prosperity. Recent IMF programs to provide crisis assistance in Asia have drawn heavily on the Fund's quota resources. The United States needs to provide its share of the IMF's proposed $87 billion increase in regular resources so that the IMF can continue to meet members' anticipated demands while coping with additional exceptional calls under current crisis conditions should they arise. In consultation with Congress, the Administration expects to request a 1998 supplemental appropriation of $14.5 billion for a U.S. quota increase for the IMF and of $3.4 billion for the U.S. credit commitment to the NAB. Because they are monetary exchanges, neither the quota increase nor the credit commitment to the NAB would entail budget outlays.

Increasing American Prosperity Through Trade

The Administration remains committed to opening global markets and integrating the global economic system, which has become a key element of continuing economic prosperity here at home. This goal is increasingly central to America's diplomatic activities. The Administration is helping to lay the groundwork for sustained, non-inflationary growth into the next century by implementing the North American Free Trade Agreement and the multilateral trade agreements concluded during the Uruguay Round. Specifically, the Administration is working hard to ensure that America receives the full benefit of these agreements, as recently illustrated by the December 1997 conclusion of a key agreement on financial services.

To promote more mutually-beneficial trade relationships, the Administration last year proposed fast track legislation to give the President authority to negotiate trade agreements on which Congress would get a simple up-or-down vote, without amendments that would require renegotiation. Such trade agreements would further promote U.S. export growth, creating high-wage jobs for Americans. Congress should give the President this traditional negotiating authority.

The Administration also will propose to extend the Generalized System of Preferences, which cuts tariffs on many imports from the developing countries, beyond its current expiration date of June 30, 1998, and to give expanded trade benefits to the eligible countries under the Caribbean Basin Initiative. Also, as part of a larger trade and investment initiative for Africa, the Administration will propose special trade benefits to African countries that are reforming their economies to encourage economic growth.

As various trade agreements offer opportunities for exports, the demand for trade finance and investment support increases. The main U.S. trade finance agency, the Export-Import Bank, has expanded its direct and guaranteed loans and export insurance to countries that

Investing in Trade Promotion

Trade plays a growing role in the U.S. economy. A third of America's economic growth of the last five years has come from trade, while exports of manufactured goods, high-technology products, and agricultural goods have risen by over 40 percent. Exports grew to 11.4 percent of Gross Domestic Product (GDP) in 1996, compared to 4.8 percent in 1960, while imports grew to 12.6 percent in 1996, compared to 4.3 percent in 1960. Today, exports support over 11 million U.S. jobs—including one in five manufacturing jobs—and have generated nearly two million new jobs in the past four years alone.

But the Nation has huge opportunities for further growth. While America accounts for 22 percent of the world's wealth, it has only four percent of its consumers. The greatest export opportunities lie in the emerging market economies of Latin America, Asia, the Middle East, Africa, Central and Southern Europe, and the New Independent States of the former Soviet Union. Middle- and lower-income countries accounted for 80 percent of the rapid U.S. export growth of the past eight years.

Trade barriers in these new markets often remain high, however, while some developed nations provide export subsidies to their home-grown businesses. U.S. trade promotion programs are designed to open foreign markets, combat foreign subsidies, finance and insure U.S. trade and investment where the private sector does not, provide information, develop foreign markets, and provide government-to-government advocacy.

This budget invests heavily in trade promotion. It provides substantial increases for the Export-Import Bank, which finances U.S. exports, and funds the Overseas Private Investment Corporation, which insures U.S. investments abroad. In addition, the budget proposes increases for the Commerce Department's International Trade Administration, which promotes U.S. trade through its Export Assistance Centers and overseas foreign commercial offices. The multi-agency Africa Initiative and higher funding for the Agency for International Development will help foster growing economies and future trading partners. Also, the budget proposes to extend the Generalized System of Preferences and to provide expanded trade benefits for Caribbean Basin Initiative countries.

cannot get import financing at reasonable terms and to match the government export financing offers of other industrialized countries. The Bank expects particularly heavy demand from the NIS for exports that will benefit both the U.S. and the countries that receive them, and contribute to economic and political reform across the NIS. The budget proposes $825 million for the Bank, 18 percent above the 1998 level. It also continues support for the investment insurance and finance programs of the Overseas Private Investment Corporation, which also increase exports, and for the Trade and Development Agency's (TDA) grants for feasibility studies of capital investments abroad that can generate follow-on exports. A special TDA program will focus on creating trading opportunities in China. In addition, the budget provides an 18-percent increase, to $20 million, for the Commerce Department's Market Access and Compliance Unit, whose members monitor trade agreements and identify compliance problems.

Supporting Development Assistance

Development assistance through the MDBs and, bilaterally, through the U.S. Agency for International Development (USAID) helps many of the poorest countries give their peoples more effective governments and higher living standards. This assistance, including projects that create the conditions for economic growth, promote democracy, enhance human health, and provide basic education, serves long-term U.S. interests and diminishes the need for short-term crisis intervention.

The Administration has streamlined USAID lending as well, focusing it on countries most vigorously committed to the reforms that will generate sustainable development. The budget proposes $1.8 billion for USAID's development assistance programs. Along with ongoing African aid programs, the budget proposes $30 million of special development

aid programs to support the broader trade and investment initiative for the continent. In addition, the budget proposes $35 million in special debt relief to African countries eligible for the initiative. Complementing these programs, another $35 million of security assistance will go to the Great Lakes region in the interior of Africa to promote the rule of law and conflict prevention among the warring parties there, thus creating political conditions favorable to achieving the economic growth that the area so badly needs.

The Peace Corps has helped spur the development of many countries while promoting better understanding among nations, and the American people strongly support the program. The budget proposes $270 million, 20 percent more than in 1998, to enable the agency to begin increasing the number of volunteers abroad—with the goal of 10,000 volunteers by the year 2000.

Leading the Response to New International Challenges

Another fundamental goal, and an increasing focus of our diplomacy, is meeting the new transnational threats to U.S. and global security—the proliferation of weapons of mass destruction, drug trafficking and the spread of crime and terrorism on an international scale, unrestrained population growth, and environmental degradation.

In 1997, the Administration sought and obtained Senate ratification of the Chemical Weapons Convention, which will begin imposing controls on a class of destructive weapons not well regulated in the past. Congress has not ratified the Comprehensive Nuclear Test Ban Treaty, which the Administration transmitted in September 1997 and which is so important to our national security. U.S. diplomacy and law enforcement activities are playing a key role in preventing the spread of weapons of mass destruction to outlaw states such as Libya, Iraq, Iran, Syria, and North Korea. In addition, U.S. support for such organizations as the International Atomic Energy Agency and the Korean Peninsula Energy Development Organization is critical to meeting our non-proliferation goals.

U.S. bilateral assistance programs are critical to tackling other important transnational problems. Our international counter-narcotics efforts are making continued progress in drug-producing countries. After several years of cutting deeply the Administration's funding proposals for counter-narcotics, Congress has begun providing the requested increases in order to cut the supply of illegal drugs, particularly cocaine. The budget proposes a 20-percent increase in anti-drug funding, to $255 million, which will permit the United States to intensify its efforts to curb cocaine production in the Andean countries by offering growers attractive economic alternatives.

In addition, USAID development assistance and U.S. contributions to international efforts, such as the GEF, support large and successful programs to improve the environment and reduce population growth. The GEF works closely with the MDBs, promoting sound responses to climate change, depletion of the ozone layer, and the extinction of species. The United States is the recognized world leader in promoting safe, effective family planning projects.

Conducting and Administering Diplomacy

Effective diplomacy is the critical foundation for meeting our foreign policy goals. The budget supports a strong U.S. presence at over 250 embassies and other posts overseas, promoting U.S. interests abroad and protecting and serving Americans by providing consular services. The basic work of diplomacy at these posts—the reporting, analysis, negotiations, and other efforts that often go unnoticed—are at the core of all U.S. foreign policy achievements, allowing us, among other things, to anticipate and prevent threats to our national security as well as discover new opportunities to promote American interests. The overseas posts also serve as the administrative platform for the many other U.S. agencies with personnel abroad, from USAID to the Departments of Defense, Justice, and the Treasury.

In 1997, the Administration took two major steps to improve the management of our diplomacy. First, a new management system, the International Cooperative Administrative Support Services, will more fairly allocate—

among all agencies with an overseas presence—the administrative costs that the State Department used to bear on its own. Agencies, in turn, will be able to use the administrative services that most suit them. Second, the State Department will reengineer its procurement system, eliminating cumbersome procedures, providing services much quicker, and significantly cutting costs.

The budget proposes $2.8 billion for the State Department to maintain its worldwide operations, take major steps to modernize its information technology and communications systems and ensure year 2000 compliance, and accommodate security and facility requirements at posts abroad. It proposes two major initiatives—construction of a new embassy building in Berlin, where U.S. personnel have been in temporary facilities since their move to the new German capital, and an embassy and related facilities in Beijing, where current arrangements are inadequate to house the representation appropriate to diplomacy with an important world power and to ensure security.

Finally, the Administration expects Congress to enact legislation in early 1998 to implement its proposal to consolidate the Arms Control and Disarmament Agency and the U.S. Information Agency into the State Department, thus better integrating arms control and public diplomacy into the mainstream of foreign policy.

10. SUPPORTING THE WORLD'S STRONGEST MILITARY FORCE

There will always be threats to our well-being, to the peaceful community of nations to which we belong. Indeed, in the years ahead, we will see more and more threats that cross national borders—terrorism, weapons of mass destruction proliferating around the world, the growth of organized crime and drug trafficking. We will have to find new ways to meet these security threats.

President Clinton
November 1997

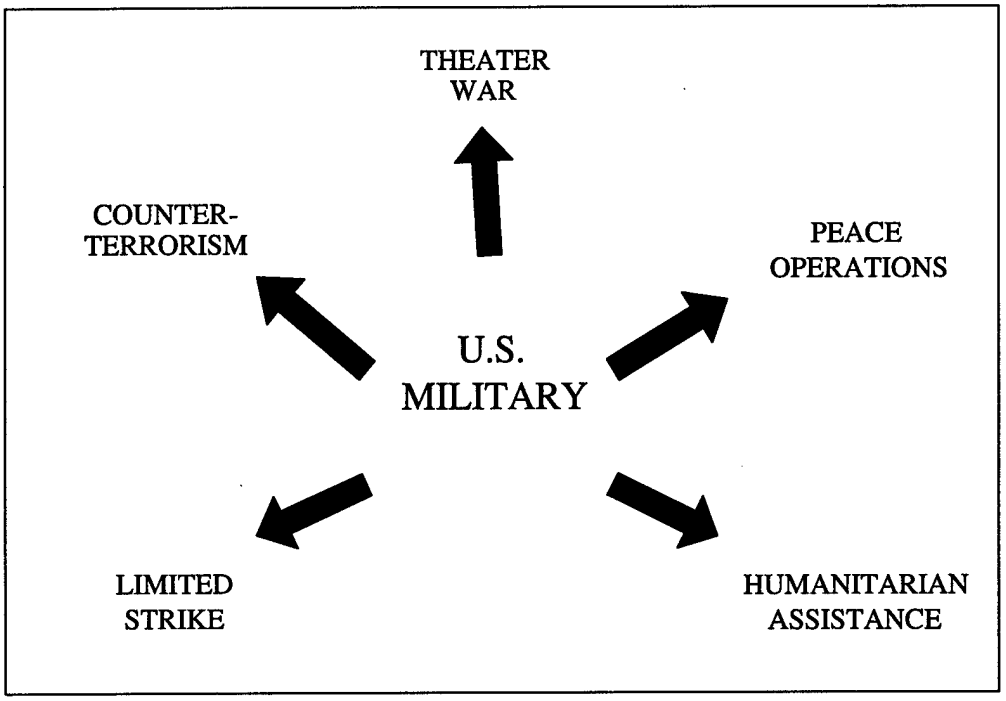
As the world's most powerful fighting force, our Nation's military serves as the backbone of U.S. national security strategy, safeguarding America's interests, deterring conflict, and securing the peace. Maintaining a strong and capable military remains essential to protecting our freedoms and ensuring America's global leadership role as we approach the 21st Century.

As the security partner of choice for many countries in all regions of the world, America remains the "indispensable nation" of the post-Cold War era. Consistent with our global responsibilities, the U.S. military must deter our adversaries and reassure our friends and allies that America is prepared to put force behind the defense of its interests. American forces must prevail when committed to combat: they must be ready to meet the threat of major theater war; they must be prepared for newly emerging threats, such as the proliferation of weapons of mass destruction; they must be able to undertake demanding contingency or humanitarian operations; and they must be supported by a modern defense infrastructure that utilizes efficient management and business practices.

This Nation has built, and the Administration continues to support, a military second to none. But while the United States remains the only nation with the combat, logistical, mobility, intelligence, and communications capabilities to conduct effective military operations worldwide, we must continue to prepare for tomorrow's challenges. The Department of Defense (DOD) recently completed the Quadrennial Defense Review (QDR), a strategic plan to ensure that our forces remain capable of executing the full range of global military operations into the next century. Consistent with the QDR, the defense program embraces three key elements:

- *Shaping the international environment:* Along with diplomacy and economic initiatives, the U.S. military plays an essential role in shaping the international security environment. U.S. forces are involved in a wide variety of activities that bolster our own national security and the security of others. Such activities include overseas deployments and programs that reduce or eliminate the nuclear, biological, and chemical capabilities of other countries. These important efforts, which the budget supports, make it less likely that our military will be committed to combat.
- *Responding to the full spectrum of crises:* Despite U.S. efforts to prevent conflict, our forces at times must respond to crises in order to protect our national interests, demonstrate U.S. resolve, and reaffirm the Nation's role as global leader. As Chart 10–1 shows, U.S. forces must be able to address the full spectrum of possible military crises, including smaller-scale contingency missions, counterterrorism operations, and major theater wars.
- *Preparing now for an uncertain future:* While maintaining the capability to confront today's dangers, we must continue to transform our military to meet

Chart 10-1. POSSIBLE MILITARY OPERATIONS



emerging threats. But, in the face of near-term demands to protect U.S. interests within the constraints of available resources, we must pursue this transformation prudently. The budget provides resources for a focused modernization effort to replace aging systems in order to incorporate cutting-edge technologies. In addition, the budget continues the Administration's emphasis on reengineering our military's infrastructure to support U.S. warfighters in a faster, better, less-costly manner.

The budget fully supports the recommendations of both the QDR and of DOD's recently released Defense Reform Initiative (DRI), a plan to achieve a leaner, more efficient, and more cost-effective organization through improved management and business practices. To implement these business improvements, DOD will submit legislation to Congress in conjunction with the budget—including legislation for two more rounds of base closures and realignments, in 2001 and 2005. In a constrained fiscal environment, retooling DOD to achieve greater efficiencies will save funds that can go to modernize U.S. military forces (see Table 10–1).

Providing the Necessary Funding

For DOD, the budget proposes discretionary funding of $258.4 billion in budget authority and $253.9 billion in outlays for 1999. The budget continues the Administration's plan, as reaffirmed by the QDR, of completing the careful resizing of U.S. military forces, fully supporting military readiness, enhancing quality of life programs, and increasing funding to modernize our forces as new technologies become available after the turn of the century. Over this period, the budget reflects savings from lower estimates of inflation, which will go to finance increases in counterproliferation, counterterrorism and counter-drug programs, and new weapons procurement.

Table 10–1. MILITARY FORCE TRENDS

	Cold War (1990)	1999	2003 Target
Army:			
Divisions (active/National Guard)	18/10	10[1]/8[2]	10[1]/8[2]
Air Force:			
Fighter wings (active/reserve)	24/12	12+/7+	12+/8
Navy:			
Aircraft carriers (active/training)	15/1	11/1	11/1
Air wings (active/reserve)	13/2	10/1	10/1
Total battle force ships[3]	546	314	306
Marine Corps:			
Divisions (active/reserve)	3/1	3/1	3/1
Wings (active/reserve)	3/1	3/1	3/1
Strategic nuclear forces:			
Intercontinental ballistic missiles/warheads	1,000/2,450	550/2,000	500/500[4]
Ballistic missile submarines	31	18	14[4]
Sea-launched ballistic missiles/warheads	568/4,864	432/3,456	336/not over 1,750[4]
Heavy bombers	324	89[5]	92[5]
Military personnel:			
Active	2,069,000	1,395,800	1,365,500
Selected reserve	1,128,000	877,100	837,100

[1] Plus two armored cavalry regiments.
[2] Plus 18 separate brigades (15 of which are at enhanced readiness levels).
[3] Includes active and reserve ships of the following types: aircraft carriers, surface combatants, submarines, amphibious warfare, ships, mine warfare ships, and combat logistics force and other support ships.
[4] Upon entry-into-force of START II.
[5] Does not include 95 B-1 bombers dedicated to conventional missions.

Preparing Military Forces in the Post-Cold War Era

Providing Humanitarian and Disaster Assistance: Given its global presence and unique capabilities, America's military is often asked to respond to international disasters and human tragedies. Such responses may come at the direction of U.S. commanders, who can respond quickly to regional problems, or at the President's direction when he determines that DOD is the appropriate agency to provide U.S. support. The proposed $63 million for the Overseas Humanitarian, Disaster, and Civic Aid account, an increase of $16 million over the 1998 level, will allow DOD to provide critical humanitarian and disaster assistance to support U.S. interests without cutting into the resources available for readiness. Of the $63 million, $34 million will support the President's initiative to expand the U.S. Humanitarian Demining Program.

Executing Counter-drug Programs: DOD participates fully in the President's National Drug Control Strategy, designed to stem the flow of illegal drugs into the country and reduce demand. DOD fulfills its primary missions—to eliminate foreign and domestic drug supply sources and prevent drugs from entering the country—by detecting and monitoring ships and aircraft moving drugs to the United States, supporting domestic and foreign law enforcement, collecting and analyzing foreign intelligence, and supporting the activities of the National Guard under State counter-drug programs. DOD continues to fight illegal drug use in the military through prevention, education, and testing. The budget proposes $883 million for DOD's counter-drug efforts.

Shaping the Environment Through Arms Control and Cooperative Threat Reduction: The Cooperative Threat Reduction Program (also called the Nunn-Lugar Program) helps build a safer world by dismantling nuclear forces, securing nuclear weapons and materials, and destroying chemical weapons in the former Soviet Union. The budget proposes $442 million to continue this vital program. The President also remains strongly committed to reducing the threat from weapons of mass destruction through existing or anticipated arms control agreements. Over the past five years, the Administration has worked hard to implement the START I treaty; bring the START II treaty into force; oversee the ratification of, and begin to implement, the Chemical Weapons Convention; indefinitely and unconditionally extend the Nuclear Nonproliferation Treaty; and obtain the signing of the Comprehensive Test Ban Treaty (CTBT). The START II treaty awaits Russia's approval, after which the President plans to seek a subsequent agreement to further reduce warhead levels.

Ensuring Successful Contingency Operations: U.S. forces have provided leadership in contingency operations that support our interests. As in previous years, the budget proposes funding for ongoing contingency operations in Southwest Asia in the Overseas Contingency Operations Transfer Fund; for 1999, the budget proposes $747 million to fund the Southwest Asia operations. Congressional approval would allow DOD to avoid redirecting funds from operations and maintenance programs to contingency operations, thereby helping to maintain the readiness of our force.

While the President has announced his intention that United States forces participate in a NATO follow-on force in Bosnia, starting in July 1998, NATO has not yet finalized the exact structure required for the force. Consequently, DOD has not been able to determine the specific American contribution to that force. Once NATO makes these force structure decisions, the Administration will send Congress a supplemental funding request to cover the additional costs, as prescribed by the 1998 National Defense Authorization and DOD Appropriations Acts.

Countering the Proliferation of, and Defending Against, Weapons of Mass Destruction: The President remains committed to developing capabilities to locate and neutralize nuclear, biological, and chemical weapons before they can be used, and to protect U.S. troops against their effects. The budget proposes over $800 million for the effort. High-priority activities include gaining the means to identify and destroy underground production and storage sites, refining methods to detect and track weapons shipments, and improving the means to detect and identify biological warfare agents. In response to the emerging terrorist threat of chemical or biological attacks on American cities, the budget also funds improvements to domestic preparedness and response capabilities.

Protecting our Forces and Combating Terrorism: The protection of U.S. service members, deployed or at home, against the threat of terrorism is a fundamental task. The budget proposes $3.9 billion to fully fund DOD's programs to combat terrorism, including routine force protection. The resources will improve our preparedness to respond to a terrorist attack that employs weapons of mass destruction, and enable DOD to continue a comprehensive vulnerability assessment program to identify additional force protection needs.

Developing Technologies to Defend Against Strategic Ballistic Missiles: The budget proposes $963 million to continue developing a national missile defense to protect the United States from a limited ballistic missile attack. This contingency capability will allow DOD to deploy an effective system rapidly if a threat should emerge sooner than U.S. intelligence now estimates.

Developing and Deploying Defenses Against Theater Ballistic Missiles: The budget proposes over $2.4 billion to develop and deploy systems to defend against missiles that directly threaten U.S. and allied forces deployed to specific theaters. While the funding is primarily for research and development of advanced systems to meet future threats, it includes $343 million to procure an advanced version of the Patriot missile and $43 million for the Navy's Area Theater Missile

Defense System that can be deployed immediately.

Maintaining the Nation's Nuclear Deterrent: Although funding for nuclear forces is at its lowest level in over 30 years, these forces remain an essential component of our military capability. Within treaty-imposed limits, their primary mission is to deter nuclear attack against the United States and its allies, and to convince potential adversaries that they will never gain a nuclear advantage against our Nation.

The budget proposes $4.5 billion for the Department of Energy (DOE) to maintain confidence in the safety, reliability, and performance of the nuclear weapons stockpile. DOE will perform this mission without underground nuclear testing to comply with the proposed CTBT. To make up for the loss of testing, DOE plans to build new nonnuclear test facilities while upgrading the computer models it uses to predict the performance of nuclear weapons. The budget includes: $284 million to continue construction of the National Ignition Facility at the Lawrence Livermore National Laboratory; $518 million, $140 million more than in 1998, for the Advanced Strategic Computing Initiative; and $157 million for a new source of tritium for nuclear weapons.

Modernizing Our Military Forces

Addressing the Modernization Imperative: Modernizing weapons systems is critical to the future readiness of U.S. military forces. In the 1970s and 1980s, the Nation invested heavily in a wide range of equipment—including fighter aircraft, attack submarines, surface ships, attack helicopters, and armored vehicles—enabling us to reduce weapons purchases, and total defense spending, in the early 1990s as we cut the size of U.S. forces after the Cold War. But the equipment bought in the prior two decades, the backbone of today's forces, is aging and must be replaced. When complex military equipment ages, it becomes costlier and more difficult to maintain and operate. More importantly, the decisive military advantage that new, superior equipment provides will help reduce casualties and may permit a quick, successful resolution of conflict. For these reasons, weapons system modernization continues to be a high Administration priority.

The QDR determined that the Nation needs roughly $60 billion a year in weapons procurement funding, beginning in 2001, to modernize U.S. forces. The budget provides $48.7 billion for the 1999 procurement program, $3.9 billion more than the 1998 level, and achieves the $60 billion goal by 2001. In addition, the budget funds basic and applied research and development of advanced technologies that will lay the groundwork for procuring next-generation systems and that are vital to the Nation's engineering, mathematics, and computer science efforts.

Modernizing Ground Forces: In the near term, Army modernization emphasizes digitization of battlefield systems (discussed later in this chapter) and upgrades to existing combat equipment so that our ground forces will have a clear advantage over potential opponents. The Army will extend the useful life and improve battlefield performance of primary combat systems, such as the Abrams tank, the Bradley Fighting Vehicle and the Apache Longbow helicopter, by integrating new navigation and data transfer technology, improving weapons and targeting systems, and increasing vehicle protection systems.

The centerpiece of the Marine Corps modernization program is the V–22 tilt-rotor aircraft that will replace the CH–46 and CH–53A/D helicopters now used to transport troops and equipment. The V–22's increased range, payload, and speed will significantly enhance Marine Corps tactical operations.

A sometimes overlooked, but no less important, part of ground force modernization is the replacement of aging combat support systems such as trucks. The Army is replacing its fleet of medium trucks by procuring new models, while the Marines have undertaken a truck remanufacturing program.

In the long term, ground force research and development programs aim to take advantage of leaps in technology to enhance mission-essential equipment. Critical programs, which will lead to procurement in the middle of the next decade, include the Army's Comanche helicopter for armed reconnaissance, the Crusader self-propelled artillery howitzer, and

the Marines' Advanced Amphibious Assault Vehicle.

Modernizing Naval Forces: The budget continues procurement of several ship classes, including three DDG–51 Aegis destroyers, a New Attack Submarine, and an LPD–17 Amphibious Transport Dock Ship. The Navy budget continues advance funding for the major refueling overhaul of the second Nimitz-class nuclear aircraft carrier to enable the ship to stay in service another 25 years. The Navy also will procure long-lead material to construct the last Nimitz-class nuclear aircraft carrier. In addition, the Navy is undertaking long-term development efforts to design next generation destroyers and carriers, to be procured in the middle of the next decade. Both of these new ship classes will operate at lower costs and will be more capable than their predecessors by taking advantage of innovative technologies.

Along with new ships, the Navy will continue to develop and procure highly-capable weapons for a number of missions. For defense against missiles and aircraft, the budget continues procurement of Standard Missiles. It also continues procurement of Tomahawk cruise missiles for use against land targets. The budget supports investments in the Ship Self-Defense System to provide close anti-air defense for surface ships, and in gun and missile technologies to improve the Navy's delivery of fire support for marines and soldiers ashore.

Modernizing Air Forces: For the United States to maintain its ability to dominate battles in the next century, substantial investment in new tactical combat aircraft is necessary. The budget supports three new aircraft programs. First, it continues low rate production of the F/A–18E/F Super Hornet, which will become the Navy's principal fighter/attack aircraft in the next decade. Second, the procurement of the first two F–22 Raptors, the Air Force's new air superiority fighter, will begin in 1999. Full-rate production of the F–22 should come early in the next century. Third, research and development into new materials and manufacturing processes for the Joint Strike Fighter (JSF) will continue. The JSF is DOD's largest, most ambitious tactical aircraft program and is designed to produce a family of aircraft for the Air Force, Navy, and Marine Corps. It is scheduled to start replacing about 3,000 aging aircraft (F–16s, F/A–18C/Ds and AV–8Bs) in 2005.

The budget also funds a major effort to improve the weapons carried by combat aircraft. Joint missile procurement programs include the Advanced Medium Range Air-to-Air Missile and the Joint Standoff Weapon. Procurement continues for the Joint Direct Attack Munition—an inexpensive guidance kit, which transforms unguided bombs into precision guided munitions. In addition, the Navy's program to upgrade existing Harpoon missiles into Standoff Land Attack Missiles Expanded Response continues in 1999. The budget also funds research and development into various munitions programs of the future, such as the AIM-9X Sidewinder missile for short range air-to-air combat, and the Joint Air-to-Surface Standoff Missile.

To help ensure continued access to space, DOD plans to develop the Evolved Expendable Launch Vehicle program with industry, enhancing U.S. competitiveness in the space launch market and providing DOD with more efficient, economical access to space.

Establishing Information Dominance: America's preeminence in using information on the battlefield has helped us establish the world's strongest military. The commander who can better observe and analyze the battle while disseminating highly accurate information to his forces has a powerful advantage over the adversary. Joint Vision 2010, DOD's vision for the future, focuses on the continued development of command, control, communications, computers, intelligence, surveillance, and reconnaissance capabilities. This effort will enhance the accuracy of weapons and allow for the more effective use of forces. The Army plans to "digitize" a division by the year 2000—that is, equip it so that accurate, timely information about the battle can be transferred rapidly between U.S. forces. The budget includes funding for Navy and Air Force automated command and control systems and land and space-based communications networks. It also includes funds for battlefield surveillance assets, such as unmanned aerial vehicles, and navigation systems, like the Global Positioning System for all military departments. The

budget provides funds to purchase national sensors (e.g., satellites) to help our leaders better anticipate, monitor, and respond to crises. These assets will play a key role in both military operations and national security decision-making, and will enable commanders to more effectively direct the battle and respond to threats.

Supporting the President's Initiatives on Landmines: To implement the policy that the President outlined last September, DOD is accelerating its research and development on demining technology and on alternatives to anti-personnel landmines. The budget proposes $40 million for these efforts.

Maintaining Military Readiness

Ensuring Adequate Resources for Readiness: Maintaining high levels of readiness is our top defense priority. To allow U.S. forces to accomplish a wide range of missions, the budget provides full funding for key operations and support programs, including unit training activities, recruiting and retention programs, joint exercises, and equipment maintenance. In addition, DOD continues to monitor its current and future military readiness through the Senior Readiness Oversight Council and the Joint Monthly Readiness Review process. These efforts enhance the Department's ability to ensure that critical readiness programs receive sufficient resources and that our forces remain prepared to accomplish their missions and achieve our Nation's military strategy.

Enhancing the Quality of Life of Military Personnel: The Administration is strongly committed to strengthening the quality of life of military personnel, which is important for retaining and recruiting high-quality personnel. The budget proposes a 3.1 percent pay raise, effective January 1999, to help ensure that military compensation remains competitive with private sector wages. The budget includes substantial funding to improve the quality of health care, military housing, and child care programs. Enhancements to family support programs can help reduce the stresses associated with military life, such as frequent family separations. The budget also increases funding for improving educational activities for military and eligible civilian dependents, including the construction and maintenance of schools and support for the President's School Technology Initiative, which has the long-range goal of putting one computer in every classroom for every four students and one for every teacher.

Managing Our Defense Resources More Efficiently

Implementing Management and Business Practice Reform: Under the DRI and other efforts, DOD continues to implement improvements to its management and business practices, including increased privatization and outsourcing of support functions, personnel reductions associated with infrastructure and support activities, greater use of electronic commerce, and expanded use of government purchase cards. A new inter-agency working group will help to identify and eliminate impediments to business practice reform.

Outsourcing and Privatizing: DOD has begun to implement an aggressive outsourcing and privatization program for its infrastructure and support activities, including base utility services, general base operations, family housing, logistics support, training, property maintenance, and distribution depots. These efforts will save an estimated $6.4 billion over the next five years and improve support for U.S. troops.

Eliminating Excess Infrastructure: DOD has facilities that it no longer needs because infrastructure reductions have lagged behind force reductions. Excess facilities drain resources that could otherwise go to modernization, readiness, and quality of life. To address the problem, DOD will send legislation to Congress to seek two more rounds of base closures and realignments, in 2001 and 2005.

Improving Financial Management: The Administration remains committed to reforming DOD's financial management activities and systems, and has developed a comprehensive strategy to do so. The Administration has identified shortcomings in such areas as contractor overpayments, fraud detection and controls, and standardized finance and accounting systems. The Department is taking significant steps to improve the integrity of its financial practices. For example, DOD has cut the category known as problem disbursements from a total of $34.3 billion in June 1993 to $9.2

billion in June 1997. Such steps will provide managers with more accurate and timely financial information.

Streamlining the Civilian Work Force: Since 1993, DOD has cut its work force by nearly 22 percent, or about 201,000 positions, and it will continue to streamline its civilian work force while maintaining quality. As the QDR and DRI recommended, DOD plans to implement further reductions of 97,000 full-time-equivalent civilian positions. During this drawdown, DOD will provide transition assistance for affected employees.

Implementing the Information Technology Management Reform Act (ITMRA): Also known as the Clinger-Cohen Act, the ITMRA is designed to help agencies improve mission performance by effectively using information technology. One example is the Global Command and Control System, which supports U.S. forces by improving their ability to process and transfer critical military information quickly and accurately. The Secretary of Defense has established a DOD Chief Information Officer Council to manage DOD's annual $11 billion information technology budget and provide advice on ITMRA-related issues. In addition, DOD is continuing to restructure its work processes while applying modern technologies to maximize the performance of information systems, achieve a significant return on investments, cut costs, and produce measurable results.

VI. INVESTING IN THE COMMON GOOD: PROGRAM PERFORMANCE IN FEDERAL FUNCTIONS

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11. OVERVIEW

The commitment of the President and Congress to balance the budget—and keep it in balance—means that, if all Federal programs want to continue receiving funds, they will have to distinguish themselves by demonstrating good, measurable performance. Policy makers will have to allocate resources to programs that can prove they are well-run and can successfully produce results.

The Administration's focus on results is not new. As the Administration said in last year's budget:

> Led by Vice President Gore's National Performance Review, the Administration has made real progress in creating a Government that, in the words of the NPR, "works better and costs less." We have eliminated layers of bureaucracy, cut paperwork burdens, scrapped thousands of pages of regulations and, most important, improved service to Government's customers—the American people.

The President's commitment to better performance was a key reason that he actively supported, and eagerly signed, the 1993 Government Performance and Results Act (GPRA). In this budget, the Administration highlights three aspects of performance:

- Fiscal performance (see Section III, "Creating a Bright Economic Future");
- Management performance (see Section IV, "Improving Performance Through Better Management"); and
- Program performance, which is contained in this section.

Together, these sections constitute what GPRA contemplated—the Nation's first comprehensive, Government-wide Performance Plan.

The performance of Government programs is inextricably linked to the fiscal and economic environment and the management framework in which they operate. The President's commitment to not only balance the budget but to invest in the future while improving public management—to do more with less—has prompted the Administration to maintain or expand programs that demonstrate good performance.

Often, experts look at performance only across single organizational units, such as departments or agencies. In this section, the budget categorizes activities according to budget "functions" in order to group similar programs together and begin to present the relationship between their goals. This year, for the first time, the Administration relied heavily on key performance measures and annual performance goals that were drawn from agency Annual Performance Plans. They were first articulated in the context of the long-term goals and objectives in the Strategic Plans that agencies submitted to OMB and to Congress in September 1997.

In preparing this budget, the Administration studied the measures and goals of the Annual Performance Plans and took a hard look at what the public is getting for what it is financing. Thus, the Administration has made a good start on the process that GPRA envisioned. Nevertheless, more work remains. Agencies will modify Annual Performance Plans to reflect changing circumstances and resource levels, the plans will provide a backdrop for further discussion about allocating resources, and the President's future budgets will contain new and better information.

The Administration looks forward to working with Congress and other stakeholders to use these tools to create better performance.

Table 11-1. FEDERAL RESOURCES BY FUNCTION

(In billions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
NATIONAL DEFENSE:							
Spending:							
Discretionary Budget Authority	266.2	268.6	271.6	277.0	284.8	288.1	298.0
Mandatory Outlays:							
Existing law	-1.2	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0
Credit Activity:							
Direct loan disbursements	.....	*	.....	0.2	0.3	0.3	0.3
Guaranteed loans	.....	*	0.2	0.2	1.2	1.2	1.2
Tax Expenditures:							
Existing law	2.1	2.1	2.1	2.1	2.2	2.2	2.2
INTERNATIONAL AFFAIRS:							
Spending:							
Discretionary Budget Authority	18.2	19.0	20.2	19.2	18.9	18.8	18.8
Mandatory Outlays:							
Existing law	-3.8	-4.5	-4.1	-3.8	-3.6	-3.4	-3.2
Credit Activity:							
Direct loan disbursements	1.8	2.1	2.0	2.8	1.8	1.5	1.5
Guaranteed loans	13.0	12.8	12.2	12.7	13.4	13.9	13.9
Tax Expenditures:							
Existing law	7.1	7.7	8.3	9.0	9.6	10.3	11.0
Proposed legislation	.....	.....	-0.6	-1.4	-1.5	-1.5	-1.6
GENERAL SCIENCE, SPACE, AND TECHNOLOGY:							
Spending:							
Discretionary Budget Authority	16.6	17.9	18.5	18.5	18.7	19.0	19.1
Mandatory Outlays:							
Existing law	*	*	*	*	*	*	*
Tax Expenditures:							
Existing law	1.1	2.6	1.4	1.1	0.9	0.8	0.8
Proposed legislation	.....	0.4	0.8	0.6	0.3	0.1	*
ENERGY:							
Spending:							
Discretionary Budget Authority	4.2	2.8	3.5	3.2	3.1	3.0	3.0
Mandatory Outlays:							
Existing law	-3.4	-2.8	-4.6	-3.3	-3.3	-3.3	-3.3
Credit Activity:							
Direct loan disbursements	1.0	2.0	1.6	1.4	1.3	1.3	1.5
Tax Expenditures:							
Existing law	2.0	2.0	2.0	2.1	2.0	2.0	1.9
Proposed legislation	.....	-*	0.4	0.6	0.6	0.8	1.2
NATURAL RESOURCES AND ENVIRONMENT:							
Spending:							
Discretionary Budget Authority	22.4	23.2	22.6	22.3	22.0	22.0	22.3
Mandatory Outlays:							
Existing law	0.1	1.1	0.7	0.8	0.7	0.5	0.7
Proposed legislation	.....	.....	0.2	0.2	0.3	0.3	0.3
Credit Activity:							
Direct loan disbursements	*	*	*	*	*	*	0.1
Tax Expenditures:							
Existing law	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Proposed legislation	.....	.....	-0.1	-0.1	-0.1	-0.1	-0.1
AGRICULTURE:							
Spending:							
Discretionary Budget Authority	4.2	4.3	4.1	3.9	3.9	3.9	3.8
Mandatory Outlays:							
Existing law	5.0	6.4	7.0	6.8	5.4	5.4	5.6
Proposed legislation	.....	.....	-0.2	-0.3	-0.2	-0.2	-0.2
Credit Activity:							
Direct loan disbursements	6.4	7.4	8.7	8.5	7.7	7.2	6.9

Table 11-1. FEDERAL RESOURCES BY FUNCTION—Continued

(In billions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Guaranteed loans	4.0	7.3	6.9	6.9	6.9	6.9	6.9
Tax Expenditures:							
Existing law	0.7	0.7	0.7	0.8	0.8	0.8	0.8
COMMERCE AND HOUSING CREDIT:							
Spending:							
Discretionary Budget Authority	2.8	3.2	3.3	5.1	2.9	2.9	2.9
Mandatory Outlays:							
Existing law	-17.6	0.2	0.7	7.1	8.2	8.4	7.7
Proposed legislation	.....	-*	-0.3	-0.4	-0.4	-0.4	-0.4
Credit Activity:							
Direct loan disbursements	8.7	2.7	1.5	1.4	1.3	1.3	1.3
Guaranteed loans	180.1	190.5	200.7	203.8	205.9	206.4	210.4
Tax Expenditures:							
Existing law	186.9	183.6	182.7	188.7	196.1	203.5	210.3
Proposed legislation	.....	-0.3	-0.4	-0.4	-0.3	-0.3	-0.4
TRANSPORTATION:							
Spending:							
Discretionary Budget Authority	38.7	41.4	41.8	42.3	42.6	43.1	43.7
Mandatory Outlays:							
Existing law	2.3	2.4	2.2	2.2	1.9	1.2	1.8
Proposed legislation	.....	*	0.1	0.1	0.1	*	-*
Credit Activity:							
Direct loan disbursements	0.2	0.2	0.2	*	*	*	*
Guaranteed loans	0.3	0.5	0.5	0.5	0.5	0.5	0.5
Tax Expenditures:							
Existing law	1.4	1.4	1.4	1.5	1.5	1.6	1.6
Proposed legislation	.....	.....	*	*	*	*	*
COMMUNITY AND REGIONAL DEVELOPMENT:							
Spending:							
Discretionary Budget Authority	13.0	8.7	9.2	8.0	7.8	7.7	7.8
Mandatory Outlays:							
Existing law	0.3	-0.1	-0.4	-0.4	-0.1	-0.2	-0.5
Proposed legislation	.....	.....	*	0.1	0.1	0.2	0.2
Credit Activity:							
Direct loan disbursements	2.2	2.2	2.0	2.3	2.4	2.3	2.3
Guaranteed loans	0.9	1.8	2.0	2.0	2.2	2.3	2.3
Tax Expenditures:							
Existing law	1.4	1.7	1.9	2.0	2.0	1.9	1.7
Proposed legislation	.....	.....	*	*	0.1	0.2	0.2
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:							
Spending:							
Discretionary Budget Authority	42.5	46.4	48.6	49.1	49.4	49.3	48.9
Mandatory Outlays:							
Existing law	13.7	13.1	12.1	11.2	10.9	10.1	12.1
Proposed legislation	.....	-0.2	1.8	2.9	3.5	4.0	4.4
Credit Activity:							
Direct loan disbursements	10.3	13.3	13.7	14.5	15.3	16.1	17.0
Guaranteed loans	19.5	25.1	25.7	27.3	28.8	30.4	32.0
Tax Expenditures:							
Existing law	27.4	33.8	57.3	59.5	61.1	62.9	64.6
Proposed legislation	.....	*	1.0	2.9	3.2	2.8	2.7
HEALTH:							
Spending:							
Discretionary Budget Authority	25.1	26.4	27.5	28.3	29.2	30.5	33.0
Mandatory Outlays:							
Existing law	100.9	106.3	115.0	122.4	131.6	141.3	152.4
Proposed legislation	.....	.....	*	0.1	0.2	-0.1	-0.1

Table 11-1. FEDERAL RESOURCES BY FUNCTION—Continued

(In billions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Credit Activity:							
Direct loan disbursements	*						
Guaranteed loans	0.1	0.2	0.1	*	*		
Tax Expenditures:							
Existing law	75.5	80.6	85.9	91.5	97.6	104.4	112.1
MEDICARE:							
Spending:							
Discretionary Budget Authority	2.6	2.7	2.6	2.6	2.6	2.6	2.7
Mandatory Outlays:							
Existing law	187.4	195.4	204.7	214.2	230.1	232.5	253.4
Proposed legislation			–0.1	–*	–0.2	–0.3	–0.3
Credit Activity:							
INCOME SECURITY:							
Spending:							
Discretionary Budget Authority	22.7	31.9	33.0	36.7	37.8	39.0	40.3
Mandatory Outlays:							
Existing law	191.4	198.4	210.0	219.7	227.6	233.7	243.1
Proposed legislation		0.1	1.5	1.8	2.3	2.6	2.7
Credit Activity:							
Direct loan disbursements	0.1	0.1	*	*			
Guaranteed loans	*	*	0.1	0.1	0.1	0.1	*
Tax Expenditures:							
Existing law	101.4	104.0	103.7	105.6	106.5	107.6	109.1
Proposed legislation		*	0.1	0.2	0.3	0.3	0.3
SOCIAL SECURITY:							
Spending:							
Discretionary Budget Authority	3.5	3.2	3.2	3.2	3.2	3.2	3.2
Mandatory Outlays:							
Existing law	362.3	378.1	392.8	409.2	427.0	446.9	467.4
Proposed legislation			*	0.1	0.1	0.2	0.2
Tax Expenditures:							
Existing law	23.6	24.8	26.0	27.2	28.4	29.8	31.3
VETERANS BENEFITS AND SERVICES:							
Spending:							
Discretionary Budget Authority	18.9	19.0	18.9	18.9	18.9	18.9	19.6
Mandatory Outlays:							
Existing law	20.7	24.0	24.4	25.4	26.7	30.8	31.9
Proposed legislation			–0.2	–0.4	–0.9	–4.3	–3.9
Credit Activity:							
Direct loan disbursements	1.3	2.0	0.2	0.2	0.2	0.2	0.1
Guaranteed loans	24.3	24.8	23.4	22.9	23.4	22.8	23.3
Tax Expenditures:							
Existing law	3.0	3.1	3.3	3.5	3.7	3.9	4.2
ADMINISTRATION OF JUSTICE:							
Spending:							
Discretionary Budget Authority	22.9	24.2	25.7	24.6	24.4	24.6	25.1
Mandatory Outlays:							
Existing law	0.1	1.4	0.6	0.3	0.1	0.2	0.2
Proposed legislation		*	0.1	0.1	*	*	*
Credit Activity:							
GENERAL GOVERNMENT:							
Spending:							
Discretionary Budget Authority	11.8	12.5	13.0	12.1	12.2	12.0	12.1
Mandatory Outlays:							
Existing law	0.7	0.4	1.0	1.2	0.9	0.9	1.0
Proposed legislation			3.5	4.0	4.7	5.1	5.5
Credit Activity:							
Direct loan disbursements	0.2						

Table 11–1. FEDERAL RESOURCES BY FUNCTION—Continued

(In billions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Tax Expenditures:							
Existing law	47.2	49.2	51.0	52.9	54.8	56.7	58.5
Proposed legislation	.....	.....	*	0.1	0.1	0.2	0.2
NET INTEREST:							
Spending:							
Mandatory Outlays:							
Existing law	244.0	242.7	241.8	236.5	233.5	227.1	220.6
Proposed legislation	.....	.....	*	*	*	*	*
Tax Expenditures:							
Existing law	0.9	1.0	1.0	1.1	1.1	1.2	1.2
ALLOWANCES:							
Spending:							
Discretionary Budget Authority	.....	.....	3.2	.....	.....	.....	.....
Mandatory Outlays:							
Credit Activity:							
UNDISTRIBUTED OFFSETTING RECEIPTS:							
Spending:							
Mandatory Outlays:							
Existing law	–50.0	–46.4	–42.5	–45.8	–47.2	–55.5	–48.3
Credit Activity:							
FEDERAL GOVERNMENT TOTAL:							
Spending:							
Discretionary Budget Authority	536.3	555.4	570.6	575.0	582.5	588.6	604.2
Mandatory Outlays:							
Existing law	1,053.0	1,115.2	1,160.5	1,202.8	1,249.5	1,275.7	1,341.6
Proposed legislation	.....	–*	6.5	8.4	9.8	7.1	8.4
Credit Activity:							
Direct loan disbursements	32.2	32.0	29.8	31.3	30.5	30.2	30.9
Guaranteed loans	242.3	262.9	271.6	276.5	282.5	284.4	290.6

* $50 million or less.

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12. NATIONAL DEFENSE

Table 12–1. FEDERAL RESOURCES IN SUPPORT OF NATIONAL DEFENSE
(In millions of dollars)

Function 050	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	266,180	268,598	271,616	276,957	284,786	288,090	298,048
Mandatory Outlays:							
Existing law	–1,169	–997	–1,035	–1,033	–1,020	–1,009	–978
Credit Activity:							
Direct loan disbursements	.....	7	.....	175	345	319	334
Guaranteed loans	.....	20	176	216	1,236	1,164	1,205
Tax Expenditures:							
Existing law	2,080	2,095	2,120	2,140	2,160	2,180	2,200

The Federal Government will allocate over $271 billion in 1999 to defend the United States, its citizens, its allies, and to protect and advance American interests around the world. National defense programs and activities ensure that the United States maintains strong, ready, and modern military forces to promote U.S. objectives in peacetime, deter conflict, and if necessary, successfully defend our Nation and its interests in wartime.

Over the past half-century, our defense program has deterred both conventional and nuclear attack on U.S. soil, and brought a successful end to the Cold War. Today, the United States is the sole remaining superpower in the world, with military capabilities unsurpassed by any nation. As the world's best trained and best equipped fighting force, the U.S. military continues to provide the strength and leadership that serve as the foundation upon which to promote peace, freedom, and prosperity around the globe.

Department of Defense (DOD)

The DOD budget provides for the pay, training, operation, basing, and support of U.S. military forces, and for the development and acquisition of modern equipment to:

- Shape the international environment by sustaining U.S. defense forces at levels sufficient to undertake our strategy of engagement, and conducting programs to reduce weapons of mass destruction, prevent their proliferation, and combat terrorism;
- Respond to the full spectrum of crises by deploying forces overseas and maintaining capabilities to mobilize forces stationed on U.S. soil;
- Prepare for an uncertain future by giving U.S. forces the military hardware that employs the best available technologies; and
- Ensure that the U.S. military remains the world's most prepared and capable force by sustaining force readiness levels and reengineering business practices to improve operations.

To achieve these objectives, DOD sustains the following capabilities.

Conventional Forces: Conventional forces include ground forces such as infantry and tank units; air forces such as tactical aircraft; naval forces such as aircraft carriers, destroyers, and attack submarines; and Marine Corps expeditionary forces. The Nation needs conventional forces to deter aggression and, when

that fails, to defeat it. Funds to support these forces cover pay and benefits for military personnel; the purchase, operation, and maintenance of conventional systems such as tanks, aircraft, and ships; the purchase of ammunition and spare parts; and training.

Mobility Forces: Mobility forces provide the airlift and sealift that transport military personnel and materiel throughout the world. They play a critical role in U.S. defense strategy and are a vital part of America's response to contingencies that range from humanitarian relief efforts to major theater wars. Airlift aircraft provide a flexible, rapid way to deploy forces and supplies quickly to distant regions, while sealift ships allow the deployment of large numbers of heavy forces together with their fuel and supplies. The mobility program also includes prepositioning equipment and supplies at sea or on land near the location of a potential crisis, allowing U.S. forces that must respond rapidly to crises overseas to quickly draw upon these prepositioned items.

Strategic Nuclear Forces: Strategic nuclear forces are also important to our military capability. They include land-based intercontinental ballistic missiles, submarine launched ballistic missiles, and long-range strategic bombers. Within treaty-imposed limits, the primary mission of strategic forces is to deter nuclear attack against the United States and its allies, and to convince potential adversaries that they will never gain a nuclear advantage against our Nation.

Supporting Activities: Supporting activities include research and development, communications, intelligence, training and medical services, central supply and maintenance, and other logistics activities. In particular, the Defense Health Program provides health care through DOD facilities as well as through the CHAMPUS medical insurance program and TRICARE—its companion program.

DOD Performance

DOD has identified broad objectives and key performance indicators and quantitative measures that will determine whether it is achieving its major goals.

Shaping the International Environment: DOD's first goal is to shape the international environment by participating in international security organizations, such as NATO, and improving our ability to work cooperatively with our friends and allies. Such efforts are designed to promote regional stability and security, and reduce the threat of war. Their failure could lead to a major conflict affecting U.S. interests.

Evaluating DOD's performance in this area includes an assessment of:

- The ability of U.S. forces to enhance and sustain security relationships with friends and allies, enhance coalition warfighting, promote regional stability and support U.S. regional security objectives, deter aggression, and prevent or reduce the threat of conflict. For example, in 1999, the United States and Russia will conduct one Joint Theater Ballistic Missile Defense command post exercise.
- DOD's success in implementing threat reduction programs and arms control agreements, including inspection, verification, and monitoring programs.
- DOD's achievement of the force structure objectives of the Quadrennial Defense Review (QDR).

Responding to the Full Spectrum of Crises: DOD must be able to respond to the full spectrum of crises, from small-scale contingencies to two nearly simultaneous major theater wars.

In 1999, DOD and the relevant services will meet the following performance goals:

- The Air Force will maintain 20 Air Force Fighter wing equivalents, four air defense squadrons, 89 strategic bombers, and 550 intercontinental ballistic missiles.
- The Navy will maintain 11 aircraft wings and 314 battle force ships, including 12 aircraft carriers and 18 ballistic-missile submarines.
- The Army will maintain four active corps headquarters, 18 active and National Guard divisions, two active armored cavalry regiments, and 15 National Guard enhanced readiness brigades.
- The Marine Corps will maintain three active and one reserve divisions, three active

and one reserve wings, and three active and one reserve force service support groups.

Overseas presence, mobility, and the sustaining of a capable force structure are all key to DOD's ability to respond effectively to crises. DOD's effectiveness will be determined, in part, by the ability of U.S. forces "forward deployed" (that is, on site around the world) and those deploying from U.S. bases to rapidly converge at the scene of a potential conflict to deter hostilities and protect U.S. citizens and interests in times of crisis.

- In the Pacific, DOD will deploy one Army division, one Marine expeditionary force, two Air Force fighter wing equivalents, one Navy carrier battle group, and one amphibious ready group with an embarked Marine expeditionary unit.
- In Europe, DOD will maintain one Army armor division and one Army mechanized infantry division, two Air Force fighter wing equivalents, one carrier battle group, and one amphibious ready group with an embarked Marine expeditionary unit.
- In Southwest Asia, DOD will deploy at least one Air Force fighter wing equivalent, one carrier battle group, and one amphibious ready group with an embarked Marine expeditionary unit, in addition to materiel prepositioned in the region.

The amount of sealift and airlift capacity must be sufficient to meet deployment timelines for deterring and defeating large-scale, cross-border aggression in two distant theaters in overlapping time frames, and to sustain U.S. forces engaged in two major theater wars.

- In 1999, DOD will attain an organic strategic airlift capability of 26.5 million ton miles a day and will attain a surge sealift capacity of 7.8 million square feet.

Preparing Now for an Uncertain Future: U.S. forces must maintain a qualitative superiority over potential adversaries by pursuing a focused procurement and research and development program. Achieving this goal depends on ensuring that:

- DOD will acquire modern and capable weapon systems and will deliver them to U.S. forces in 25 percent less time, while ensuring that costs do not grow more than one percent a year by the year 2000 and meeting required performance specifications.

Remaining the World's Most Ready and Capable Force: Attaining this goal depends on four elements: ensuring the readiness of military units; retaining and recruiting high-quality personnel; strengthening and enhancing quality of life programs for military members and their families; and providing equal opportunity throughout the armed services.

DOD has identified specific milestones to measure progress in each area, such as the amount of training that individual units accomplish, the availability and operability of equipment, and the achievement of recruiting and retention goals.

- Several factors determine overall unit readiness, such as training, quality and availability of equipment, and number of personnel and, in 1999, DOD will ensure that all of its units meet their specified readiness goals.
- On average, the Army will attain 800 tank miles a year; the Air Force will achieve 20 flying hours per crew a month; the Marine Corps will fully execute its mission training syllabus; and the Navy will execute 50.5 deployed and 28 non-deployed ship steaming days per quarter.

In 1999, DOD also will:

- Recruit 191,300 new members of the armed services, obtain 60 percent of recruits from the top half of those tested for service, and achieve a 50 percent enlisted retention rate after the first term.
- Achieve all of its projected targets for its civilian work force reductions.

Exploiting the Revolution in Military Affairs: DOD will follow the strategy of Joint Vision 2010, developed by the Chairman of the Joint Chiefs of Staff, to transform U.S. forces for the future, and it will exploit emerging information technologies to reshape the way it fights and prepares for war.

Reengineering DOD's Infrastructure: DOD must develop new, innovative approaches to manage and reduce infrastructure costs. Following the end of the Cold War, the United States began a major reduction of its military forces. DOD's cuts in infrastructure costs, however, have not kept pace. To make further cuts, DOD plans to adopt innovative management techniques and technological practices. In addition, DOD will submit legislation to Congress proposing two more rounds of base closures and realignments in 2001 and 2005.

DOD has identified specific goals around which to focus the reform of business affairs.

By 1999, DOD will:

- Produce a Facility Strategic Plan to guide the acquisition, operation, maintenance, repair, renovation, and replacement of its physical plant.

By 2000, DOD will:

- Ensure that U.S. forces can achieve visibility of 90 percent of DOD materiel assets, while resupplying military peacekeepers and warfighters and reducing the 1997 average order-to-receipt time by half.
- Dispose of $2.2 billion in excess National Defense Stockpile inventories and $3 billion in unneeded Government personal property, while reducing supply inventory by $12 billion.
- Simplify purchasing and payment by using purchase card transactions for 90 percent of all DOD micropurchases, while reengineering the requisitioning, funding, and ordering processes.
- Create a world-class learning organization by offering 40 or more hours a year of continuing education and training to DOD's acquisition-related work force.
- Complete the disposal of half of the surplus real property, while privatizing 30,000 housing units.
- Cut paper acquisition transactions by half from 1997 levels through electronic commerce and electronic data interchange.
- Eliminate layers of management by streamlining processes, while cutting DOD's acquisition-related work force by 15 percent.

Department of Energy (DOE) Performance

DOE contributes to our national security mainly by reducing the global danger from nuclear weapons and other weapons of mass destruction. DOE is committed to maintaining confidence in the nuclear weapons stockpile without testing, as required under the Comprehensive Test Ban Treaty; to strengthen the nuclear nonproliferation regime; to work with states of the former Soviet Union to improve control of nuclear materials; to develop improved technologies to detect, identify, and respond to the proliferation of weapons of mass destruction and illicit materials trafficking; and to aggressively clean up the environmental legacy of nuclear weapons programs.

The budget proposes $12.1 billion to meet DOE's national security objectives, of which $6.1 billion is for ongoing national security missions to support DOD and other agencies.

DOE will achieve the following performance goals:

- Maintain and refurbish specific warheads in 1999, and certify that standards for safety, reliability, and performance of the nuclear weapons stockpile are met.
- Develop advanced simulation, modeling, and experimentation technologies to replace underground testing by 2004, including installing a computer system capable of three trillion operations per second in 1999.
- Dismantle about 500 nuclear weapons.
- Jointly, with Russia, test and demonstrate technologies to dispose of surplus weapons plutonium and begin to develop a pilot scale plutonium conversion system in Russia, design a full-scale pit disassembly and conversion facility, and procure mixed-oxide irradiation services in the United States.
- Complete 85 percent of the development of the next generation nuclear reactor plant for the Navy's new attack submarine.

The remaining $6 billion of DOE's national security funding addresses the environmental legacy of nuclear weapons activities.

DOE will meet the following performance goals:

- Reduce the number of geographical sites requiring high-risk environmental cleanup from 87 to 42 by the end of 1999.
- Close one high-level waste storage tank at the Savannah River site; and
- Stabilize and safely store or dispose of radioactive and hazardous wastes, including 37 tons of spent fuel, 134,000 cubic meters of low-level waste, about 150 canisters of high-level waste, 0.3 tons of plutonium at the Hanford site, and initial shipments of transuranic wastes at the Waste Isolation Pilot Plant, which will be opened for disposal in May 1998.

Other Defense-Related Activities

Other activities that support national defense and that are implementing performance measurement include programs involving the:

- Coast Guard, which supports the defense mission through overseas deployments for engagements with friends and allies, port security teams, boarding and inspection teams for enforcing U.N. sanctions, training, aids to navigation, international icebraking, equipment maintenance, and support of the Coast Guard Reserve;
- Federal Bureau of Investigation, which conducts counterintelligence and surveillance activities;
- Maritime Administration, which helps maintain a fleet of active, military useful, privately owned U.S. vessels that would be available in times of national emergency;
- Arlington National Cemetery, which is developing an expansion plan for using contiguous land sites that will be vacated by the Army, Navy, and Marine Corps; and
- Selective Service System, which is modernizing its registration process to promote military recruiting among registrants. This spirit of volunteerism will be achieved in partnership with the America's Promise group, private corporations, and the armed services.

Accurately Recognizing and Reporting Veterans Benefits

The Nation has long viewed veterans programs as a key way to attract the high-quality people needed for our volunteer armed forces. Americans recognize veterans benefits as an appropriate part of the compensation provided for service in the military. Veterans programs are inextricably linked with national defense; without defense, veterans programs would not exist.

Because the Veterans Affairs Department funds and administers these benefits, however, the Federal Government has accounted for them differently than other defense-related budget costs. They appear in the budget's Veterans Benefits and Services function, not the National Defense function.[1] Also, the budget does not report the full size of these obligations. Rather than recognize the benefits and future Federal obligations that military members earn through their service, the budget reports only the amounts paid in a single year to veterans. Thus, neither the Defense Department (DOD) nor Congress gets a full picture of defense personnel costs when making decisions about the size and scope of our military, making it far harder to consider which package of benefits might best attract and retain quality military personnel. Finally, the 1993 Government Performance and Results Act encourages policy makers to align missions and related Government programs in the budget.

The Administration, which plans to work with Congress this year to address this problem, believes that any of the following four options would improve the current budgetary treatment of veterans programs, enabling the Government to more accurately measure the true cost of our national defense: (1) move the veterans-related discretionary accounts into the Defense function; (2) fund veterans entitlements on an accrual basis in DOD's budget and fund discretionary veterans programs in the Defense function; (3) fund veterans entitlements on an accrual basis in DOD's budget and display veterans spending in related functions (e.g., Education); or (4) fund veterans entitlements on an accrual basis in DOD's budget and continue to reflect veterans spending in its current function.

Table 12–2 below shows the estimated annual charges to DOD's military personnel account from pre-funding veterans benefits.

Table 12–2. ACCRUING VA BENEFITS FOR CURRENT MILITARY PERSONNEL

(Notional Costs of Accruing and Actuarially Funding VA Benefits in DOD Budget)

Program	Percentage of DOD Basic Pay[2]	1999 DOD Notional Cost (in millions of dollars)
VA Compensation	11.6%	3,960
Active Duty Education	1.6%	546
VA Loans	0.2%	68
Vocational Rehabilitation and Counseling	0.9%	307
VA Pensions	2.5%	853
VA Burial	0.1%	34
Total VA Benefits	**16.9%**	**5,768**

[1] For a more detailed discussion of veterans programs, see Chapter 26, "Veterans Benefits and Services."
[2] Basic pay for military personnel does not include benefits, special and incentive pay or bonuses, or housing and subsistence allowances.

13. INTERNATIONAL AFFAIRS

Table 13–1. FEDERAL RESOURCES IN SUPPORT OF INTERNATIONAL AFFAIRS
(In millions of dollars)

Function 150	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	18,150	19,034	20,150	19,234	18,947	18,836	18,777
Mandatory Outlays:							
Existing law	–3,754	–4,464	–4,130	–3,764	–3,637	–3,396	–3,201
Credit Activity:							
Direct loan disbursements	1,755	2,148	2,050	2,770	1,831	1,548	1,524
Guaranteed loans	13,022	12,826	12,188	12,747	13,357	13,867	13,884
Tax Expenditures:							
Existing law	7,090	7,685	8,305	8,950	9,625	10,335	11,045
Proposed legislation	.....	.....	–580	–1,356	–1,456	–1,545	–1,634

The Administration proposes $20.2 billion for International Affairs programs in 1999, including arrears on contributions to the multilateral development banks (MDBs). By fully funding these programs, the United States can continue to provide critical international leadership to accomplish key strategic goals, such as enhancing national security, fostering world-wide economic growth, supporting the establishment and consolidation of democracy, and improving the global environment and addressing other key global issues. The State Department outlined these goals more fully in its September 1997 report, "United States Strategic Plan for International Affairs."

The performance goals that follow are from agency strategic or performance plans. In addition to these goals, agencies have established other performance goals for themselves to ensure that they fulfill their legislative mandates in ways that also contribute to U.S. national interests.

National Security

U.S. security depends on active diplomacy, steps to resolve destabilizing regional conflicts, and vigorous efforts to reduce the continuing threat of weapons of mass destruction. Strong diplomatic engagement depends on a clear foreign policy vision, built on a vigorous, carefully coordinated process of formulating policy.

A strong, active United Nations enhances U.S. diplomatic efforts, and the budget proposes to fund assessed contributions to this and other international organizations, as well as annual assessed and voluntary peacekeeping contributions. The budget also proposes the necessary funds to support the Middle East peace process through the Economic Support Fund (ESF) and the Foreign Military Financing (FMF) programs. ESF also provides direct assistance to address the root causes of other regional conflicts, such as the lack of fair and effective systems of justice, and FMF also provides funds to help the incoming NATO members—Poland, Hungary, the Czech Republic, and other East European nations.

Economic and reconstruction assistance and police training are critical to our effort to support the Dayton Accords on Bosnia, and funding under the FREEDOM Support Act helps foster the transition to market democracies in the former Soviet Union. Finally, the budget fully supports further progress

on our efforts to control weapons of mass destruction by funding the Arms Control and Disarmament Agency (ACDA) and other programs that seek to negotiate cuts in, or the elimination of, such weapons.

Relevant agencies will meet the following performance goals in 1999:

- The State Department, in seeking to advance the Middle East peace process, will achieve significant progress towards fulfilling the goals of the Oslo Accord.
- The State Department will avert or defuse regional conflicts where critical national interests are at stake through bilateral U.S. assistance and U.N. peacekeeping activities.
- The State and Defense Departments will ensure that the armed forces of NATO's "candidate countries" can operate in a fully integrated manner with other NATO forces upon their planned entry into NATO.
- The State and Defense Departments and the Agency for International Development (USAID) will achieve significant progress toward implementing the Dayton Accords in Bosnia.
- The State Department and USAID will help Russia and the other former Soviet republics strive to achieve a per capita Gross Domestic Product (GDP) growth rate, a share of GDP generated by the private sector, and an average of Freedom-House indicators of democratic and political liberties higher than the comparable 1997 levels.
- The State Department and ACDA will achieve full compliance with, and verification of, treaties regarding weapons of mass destruction and, if necessary, combat suspected development programs.
- The State Department will fully certify mission critical systems for year 2000 compliance and complete a world-wide upgrade of the information technology infrastructure that supports U.S. embassies and consulates.

Economic Prosperity

International affairs activities increase U.S. economic prosperity in four ways.

First, the U.S. Trade Representative (USTR), supported by the State Department and other agencies, works to reduce barriers to trade in U.S. goods, services, and investments by negotiating new trade liberalizing agreements and strictly enforcing existing agreements.

Second, the Export-Import Bank (Eximbank) and the Trade and Development Agency (TDA) provide grant and credit financing to correct market distortions that can put U.S. exports at a competitive disadvantage, and the budget provides a major increase in Eximbank funding to cover increased demand from U.S. exporters. The Overseas Private Investment Corporation (OPIC) provides investment insurance and financing for development projects with U.S. trade benefits.

Third, development assistance from the MDBs and USAID, along with debt reduction, help increase economic growth in developing and transitioning countries, creating new markets for U.S. goods and services and reducing the economic causes of instability in these regions.

Fourth, the International Monetary Fund (IMF) is instrumental in maintaining the underlying economic prerequisites for prosperity world wide by mitigating the effects of country and regional financial crises, such as those recently experienced in Asia, while helping individual developing countries to create and maintain stable market-oriented economies.

Relevant agencies will meet the following performance goals in 1999:

- USTR will negotiate cuts in specific, identified barriers to U.S. and global trade, and will effectively enforce international trade agreements.
- The Export-Import Bank will develop new mechanisms to expand the availability of financing for U.S. exports by pioneering joint ventures with the private sector, as well as innovative financing programs that

will increase the Bank's support for small and medium-sized exporters.

- OPIC will increase, from 1997 levels, the amount of U.S. investment in developing countries assisted through OPIC-sponsored projects.
- TDA will increase, from 1997 levels, the ratio of TDA-supported exports to TDA expenditures and the percentage of TDA projects that ultimately yield U.S. exports.
- USAID, through bilateral assistance, and the Treasury Department, through its contributions to the MDBs, will provide assistance that helps to increase the real annual per capita GDP growth rate from 1997 levels in developing countries.
- Treasury will work to provide the IMF with sufficient resources to address monetary crises in Asia and other parts of the world and reduce the amount of supplemental U.S. bilateral resources needed to address these crises.

American Citizens and U.S. Borders

The State Department, through the U.S. passport office and the network of embassies and consulates overseas, helps and protects Americans who travel and reside abroad—most directly through various consular services, including citizenship documentation and help in emergencies. The Department also helps to control how immigrants and foreign visitors enter and remain in the U.S. by effectively and fairly administering U.S. immigration laws overseas and screening applicants, in order to deter illegal immigration and prevent terrorists, narcotics traffickers, and other criminals from entering the United States.

The State Department will meet the following performance goals in 1999:

- Improve U.S. passport security by issuing U.S. passports with a digitized passport photo.
- Maintain uninterrupted screening capabilities to ensure that only qualified applicants receive visas for travel to the United States.
- Complete the world-wide modernization of consular systems and meet year 2000 requirements, thus ensuring border security.

Law Enforcement

The expansion and rising sophistication of transnational crime represents a growing threat to the property and well-being of U.S. citizens. In particular, the threat of terrorism and the continued supply of illegal drugs to the United States represent direct threats to our national security. The budget funds the State Department's diplomatic efforts to convince other countries to work cooperatively to address international criminal threats; it also funds assistance and training that helps other countries combat corruption, terrorism, and illegal narcotics, and provides the developing countries with economic alternatives to narcotics cultivation and export.

The State Department, working with the Departments of Justice, Treasury, and Defense, will meet the following performance goals in 1999:

- Increase, from 1997 levels, the number of foreign governments that enact and enforce legislation to combat corruption, money laundering, and other transnational criminal activities.
- Reduce, from 1997 levels, the hectares of coca and opium poppies being cultivated in producing countries.

Democracy

Advancing U.S. interests in the post-Cold War world often requires efforts to support democratic transitions, address human rights violations, and promote U.S. democratic values. The budget supports these efforts in two ways. First, it funds the State Department's diplomatic efforts that discourage other nations' interference with the basic democratic and human rights of their citizens, and it funds direct foreign assistance through USAID and other agencies that helps countries develop the institutions and legal structures for the transition to democracy. Second, it promotes democracy by funding exchanges of people and ideas with other countries. The exchange, training, and foreign broadcasting programs of the U.S. Information Agency (USIA) seek to spread U.S. democratic values

throughout the world and ensure that Americans understand and value the peoples and cultures of other nations.

Relevant agencies will meet the following performance goals for 1999:

- The State Department, USAID, and USIA will provide assistance that lead to the improvement of Freedom House ratings of countries in which the United States is assisting the transition to democracy.
- As a result of State Department diplomacy and direct assistance, the instances of human rights abuses as reported by the State Department in the annual U.S. Report on Human Rights will be reduced from 1997 levels.
- USIA will increase, from 1997 levels, the support for democracy, democratic institutions, and human rights in selected countries that participate in USIA programs, as measured through polling.

Humanitarian Response

U.S. values demand that we help alleviate human suffering from foreign crises, whether man-made or natural, even in cases with no direct threat to U.S. security interests. The budget provides the necessary funds to address and, where possible, try to prevent, humanitarian crises through USAID's Foreign Disaster Assistance and Transition Initiatives programs, through the State Department's Migration and Refugee Assistance program, and through food aid provided under "Public Law 480" authorities. Much of this funding is implemented through U.S. private voluntary organizations that provide humanitarian, as well as development, assistance overseas. The budget also funds a significant contribution to the UNICEF program of the United Nations, and a significant increase for U.S. bilateral demining efforts to address the growing humanitarian crisis caused by landmines in areas of former conflict.

Relevant agencies will meet the following performance goals for 1999:

- USAID, in conjunction with other public and private donors, will provide humanitarian assistance that will maintain the nutritional status of children aged five or under living in regions affected by humanitarian emergencies.
- The State Department will reduce refugee populations, from 1997 levels, through U.S.-sponsored integration, repatriation, and resettlement activities.
- The State Department will increase, from 1997 levels, the number of mines detected and neutralized.

Global Issues

The global problems of environmental degradation, population growth, and the spread of communicable diseases directly affect future U.S. security and prosperity. As a result, the Nation has targeted significant diplomatic and assistance efforts to address these issues. For example, the State Department's negotiation of the Kyoto global climate change treaty and USAID's five-year, $1 billion global climate change assistance effort will reduce the threat of this global problem. Full funding of current commitments and arrears to the Global Environment Facility remains critical to this effort.

Similarly, U.S. leadership, USAID assistance efforts, and funding of the U.N. Population Fund are critical to maintain the rate of increase in global prosperity, reduce the pressures of illegal immigration on the U.S. economy, and help alleviate the causes of regional conflict. U.S. support, mainly through USAID, for bilateral and multilateral activities to reduce the global threat of AIDS, malaria, tuberculosis, and other communicable diseases not only saves the lives of millions of children world-wide but also reduces the direct threat to the United States that these diseases pose if they spread unchecked.

Finally, the volunteer programs of the Peace Corps serve U.S. national interests by promoting mutual understanding between Americans and the people of developing or transitional nations and providing technical assistance on a range of issues to interested countries that request it.

Relevant agencies will meet the following performance goals in 1999:

- The State Department and USAID, working with the Environmental Protection

Agency and with other bilateral and multilateral donors, through diplomacy and foreign assistance will slow the rate of increase, from 1997 levels, of climate change gas emissions among key developing nation emitters.

- USAID will provide assistance in conjunction with other donors that will cut, from 1997 levels, the total fertility rates in developing countries.
- USAID, working with the Department of Health and Human Services and with other bilateral and multilateral donors, will provide assistance that will reduce, from 1997 levels, the infant mortality rate and the rate of new cases of AIDS, malaria, tuberculosis and other critical communicable diseases in developing countries.
- The Peace Corps will provide opportunities for 50 percent more Americans than in 1997 to enter service as new volunteers.
- The Peace Corps will increase Americans' understanding of other peoples by tripling, from 1997 levels, the number of American teachers participating in the World Wise Schools partnership with Peace Corps volunteers, bringing the total number of teachers to 10,000.

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14. GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Table 14–1. FEDERAL RESOURCES IN SUPPORT OF GENERAL SCIENCE, SPACE, AND TECHNOLOGY
(In millions of dollars)

Function 250	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	16,641	17,914	18,459	18,479	18,735	18,977	19,091
Mandatory Outlays:							
Existing law	25	40	37	37	34	31	31
Tax Expenditures:							
Existing law	1,075	2,555	1,440	1,055	905	820	795
Proposed legislation	.....	365	802	608	261	124	49

Science and technology are the principal agents of change and progress, with over half of the Nation's economic productivity in the last 50 years attributable to technological innovation and the science that supported it. Appropriately enough, the private sector makes many investments in technology development. The Federal Government, however, also has a role to play—particularly when risks are too great or the return to companies is too small.

Within this function, the Federal Government supports areas of science at the cutting edge, through the National Aeronautics and Space Administration (NASA), the National Science Foundation (NSF), and the Department of Energy (DOE) science programs. The activities of these agencies contribute to greater understanding of the world we live in, ranging from the edges of the universe to the smallest imaginable particles, and to new knowledge that may or may not have immediate applications to improving our lives. Because the results of basic research are unknowable in advance, the challenge of developing performance goals for this area is formidable.

Each of these agencies has a tradition of funding high-quality research and contributing to the Nation's cadre of skilled scientists and engineers. To continue this tradition, and as a general goal for activities under this function, at least 80 percent of the research projects[1] will be reviewed by appropriate peers and selected through a merit-based competitive process.

An important Federal role in this area is to construct and operate major scientific facilities and capital assets for multiple users. These include telescopes, satellites, oceanographic ships, and particle accelerators. Many of today's fast-paced advances in medicine and other fields rely on these facilities.

As general goals:

- Agencies will keep the development and upgrade of these facilities on schedule and within budget, not to exceed 110 percent of estimates.
- In operating the facilities, agencies will keep the operating time lost due to unscheduled downtime to less than 10 percent of the total scheduled possible operating time, on average.

[1] Measured by the amount of funds allocated, not the number of projects.

The budget proposes $18.5 billion to conduct these activities. The Government also seeks to stimulate private investment in these activities through over $2 billion a year in tax credits and other preferences for research and development (R&D).

National Aeronautics and Space Administration

The budget proposes $12.3 billion for NASA activities in this function. While NASA's funding represents just 12 percent of total Federal funds for R&D, NASA serves as the lead Federal agency for R&D in civil space activities, working to expand frontiers in air and space to serve America and improve the quality of life on Earth. NASA pursues this vision through balanced investment in space science, Earth science, space transportation technology, and human exploration and development of space.

The 1999 goals for these enterprises follow.

Space Science programs, for which the budget proposes $2.1 billion, are designed to enhance our understanding of how the universe was created, the formation of planets, and the possible existence of life beyond Earth. NASA has enjoyed major successes of late, including the landing on Mars with Mars Pathfinder.

- NASA space science will successfully launch its four planned spacecraft missions—Mars 98 lander, Stardust, and two Explorer missions—within 10 percent of its schedule and budget.
- NASA space science will increase its contribution to the general knowledge base and to education, as reflected by its contributions to a college space science textbook, to a level at least equal to the 1996 level of 27 percent.
- The NASA Advisory Council will rate all near-term space science objectives as being met or on schedule. Examples of objectives include: investigate the composition, evolution and resources of Mars, the Moon, and small solar system bodies such as asteroids and comets; identify planets around other stars; and observe the evolution of galaxies and the intergalactic medium.

Earth Science programs, for which the budget proposes $1.4 billion, focus on increasing our understanding of the total Earth system and the effects of natural and human-induced changes on the global environment through long-term, space-based observation of Earth's land, oceans, and atmospheric processes. NASA will launch the first in a new series of Earth Science spacecraft in 1998.

- NASA Earth Science will successfully launch its four planned spacecraft missions—Quikscat, the Advanced Land Imager, a Geostationary Operational Environmental Satellite, and the Shuttle Radar Topography mission—within 10 percent of its schedule and budget.
- NASA will obtain new data on precipitation, land surface, and climate, and will deliver the data to users within five days.
- NASA's Advisory Council will rate all near-term earth science objectives as being met or on schedule. Examples of objectives include: observe and document land cover and land use change and impacts on sustained resource productivity; and understand the causes and impacts of long-term climate variations on global and regional scales.

Space Transportation Technology programs, for which the budget proposes $400 million, work with the private sector to develop and test experimental launch vehicles that cut the cost of access to space.

- The X-33 program will begin flight tests in 1999 and demonstrate, by year-end, key technologies to cut the cost of space transportation. These technologies will be directly scaleable to the mass fraction (less than 10 percent empty vehicle weight) required for future reusable launch vehicles and meet the following operational requirements: flights faster than Mach 13; 48-hour and seven-day ground turnarounds; and 50-person maintenance crews.
- The X-34 program will perform 25 flight tests in one year, starting no later than March 1999, to demonstrate the operational parameters of future reusable launch vehicles. These parameters include:

recurring costs under $500,000; 24-hour ground turnarounds; safe abort landings; landings in cross winds up to 20 knots; and flights through rain and fog.

Human Exploration and Development of Space (HEDS) programs, for which the budget proposes $5.8 billion, focus on human space exploration. In 1997, HEDS programs supported the successful launch of eight Space Shuttle flights, a continuous U.S. presence on the Russian Mir space station, and continued construction of the International Space Station. In 1998, assembly of the International Space Station will begin in Earth orbit.

For 1999, the performance goals include the following:

- NASA will successfully complete Phase 2 (the first ten assembly flights) of the International Space Station within performance, schedule, and budget targets.
- NASA will ensure that space shuttle safety, reliability and cost will improve, by achieving seven or fewer flight anomalies per mission, successful on-time launches 85 percent of the time, and a 13-month flight manifest preparation time.
- NASA will expand human presence and scientific resources in space by increasing the amount of crew time in orbit to 185 weeks.
- NASA-supported scientific research in life and microgravity sciences will broaden, as indicated by a rise in the number of resulting journal publications to 1,600.

National Science Foundation

NSF-supported activities have led to breakthroughs and advances in many areas, including superconducting materials, Doppler radar, the Internet and World Wide Web, medical imaging systems, computer-assisted-design, genetics, polymers, plate tectonics, and global climate change. While NSF represents just three percent of Federal R&D spending, it supports nearly half of the non-medical basic research conducted at academic institutions. NSF also provides 30 percent of Federal support for mathematics and science education. NSF programs involve over 25,000 senior scientists; 50,000 other professionals, graduate students, and undergraduate students; and 120,000 K-12 teachers.

The budget proposes $3.7 billion in 1999 for NSF, which it would invest in four key program functions:

Research Project Support: Over half of NSF's resources support research projects performed by individuals and small groups, instrumentation, and centers.

- An independent assessment will judge NSF's portfolio of research programs to have the highest scientific quality and an appropriate balance of projects characterized as high-risk, multidisciplinary, or innovative.
- NSF will ensure that all of its new announcements of research opportunities and proposal solicitations will contain an explicit statement encouraging proposers to integrate their research activities with improving education or public understanding of science.
- NSF will increase the percentage of competitive awards going to new investigators to at least 30 percent, a 2.6-percent rise over a baseline of 27.4 percent.

Facilities: Facilities such as observatories, particle accelerators, research stations, and oceanographic research vessels provide the platforms for research in fields such as astronomy, physics, and oceanography. About 20 percent of NSF's budget supports large, multi-user facilities required for cutting-edge research. NSF facilities will meet the function-wide goals to remain within cost and schedule, and to operate efficiently.

Education and Training: Education and training activities, accounting for 20 percent of NSF's budget, revolve around efforts to improve teaching and learning in science, mathematics, engineering, and technology at all education levels. Education and training projects develop curriculum, enhance teacher training, and provide educational opportunities for students from pre-K through undergraduate degrees. NSF also contributes to the education of future scientists and engineers by supporting graduate students and postdoctoral programs.

- Over 80 percent of schools participating in a systemic initiative program will: 1) implement a standards-based curriculum in science and mathematics; 2) further professional development of the instructional workforce; and 3) improve student achievement on a selected battery of tests, after three years of NSF support.
- NSF will fund intensive professional development experiences for at least 75,000 precollege teachers.

Administration and Management: NSF does not operate programs or laboratories; rather, the agency supports research and education activities, conducted primarily at colleges and universities, selected through a competitive, merit-based process.

Performance goals for 1999 include:

- processing 70 percent of grant proposals within six months of receipt, and
- publishing 95 percent of program announcements at least three months before proposals are due.

Department of Energy

DOE provides major scientific user facilities and sponsors basic scientific research in specific fields, such as high energy and nuclear physics and materials, chemical, biological, and environmental sciences. It supports over 60 percent of federally-funded research in the physical sciences.

The budget proposes $2.5 billion for DOE science programs, which include high energy and nuclear physics, basic energy sciences, biological and environmental research, and computational technology research. These programs support scientific facilities for high energy and nuclear physics, and also support the research performed by the users of the facilities. They also provide and operate synchrotron light sources, neutron sources, supercomputers, high-speed networks, and other instruments that researchers use in fields ranging from biomedicine to agriculture, geoscience, materials, and physics. These state-of-the-art scientific facilities provide the cutting edge experimental and theoretical techniques that provide insights into dozens of applications, and they are available, on a competitive basis, to researchers funded by NSF, other Federal agencies, and public and private entities. DOE's facilities will meet the function-wide goals to remain within cost and schedule, and to operate efficiently.

The 1999 goals for these programs follow.

Basic Energy Sciences (BES) supports basic research in the natural sciences for new and improved energy techniques and technologies, and to understand and mitigate the environmental impacts of energy technologies.

- BES will start construction of the Spallation Neutron Source to provide beams of neutrons used to probe and understand the physical, chemical, and biological properties of materials at an atomic level—leading to better fibers, plastics, catalysts, and magnets and improvements in pharmaceuticals, computing equipment, and electric motors.
- An independent assessment will judge BES research programs to have high scientific quality.

Computational Technology Research (CTR) performs long-term computational, technology, and advanced energy projects research through an integrated program in applied mathematical sciences, high performance computing and communications, information infrastructure, advanced energy projects research, and laboratory technology research.

- CTR will complete prototype development of the "virtual lab" approach and implement at least three program trial applications.
- Users will judge that computer facilities and networks have met 75 percent of their requirements.

Biological and Environmental Research (BER) provides fundamental science to develop the knowledge to identify, understand, and anticipate the long-term health and environmental consequences of energy production, development, and use.

- BER will complete sequencing of 40 million subunits of human DNA to submit to publicly accessible databases.

- BER will complete 70 percent of the genetic sequencing of over 10 additional microbes with significant potential for waste cleanup and energy production.

High Energy and Nuclear Physics (HENP) strives to deepen understanding of the nature of matter and energy at the most fundamental level, as well as understanding of the structure and interactions of atomic nuclei.

- An independent assessment will judge HENP research programs to have high scientific quality.
- HENP will begin operating the B-factory at the Stanford Linear Accelerator Center, the Main Injector for the Tevatron at Fermilab, and the Relativistic Heavy Ion Collider at Brookhaven National Laboratory, and will deliver on the 1999 U.S./DOE commitments to the international Large Hadron Collider project. These facilities will provide cutting-edge scientific capabilities to further study the fundamental constituents of matter. For example, the B-factory will illuminate the basic question of why matter exists in the universe.

Tax Incentives

Along with direct spending on R&D, the Federal Government has sought to stimulate private investment in these activities with tax preferences. The law provides a 20-percent tax credit for private research and experimentation expenditures above a certain base amount. The credit, which was extended in 1997, is due to expire on June 30, 1998. The President proposes to extend it for one year—that is, through June 1999. Under current law, the credit will cost $2.1 billion in 1998 and $860 million in 1999.

A permanent tax provision also lets companies deduct, up front, the costs of certain kinds of research and experimentation, rather than capitalize these costs; this tax expenditure will cost $580 million in 1999. Finally, equipment used for research benefits from relatively rapid cost recovery; the cost of this tax preference is calculated in the tax expenditure estimate for accelerated depreciation of machinery and equipment.

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15. ENERGY

Table 15–1. FEDERAL RESOURCES IN SUPPORT OF ENERGY
(In millions of dollars)

Function 270	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	4,222	2,823	3,500	3,164	3,111	3,015	3,009
Mandatory Outlays:							
Existing law	–3,431	–2,830	–4,569	–3,280	–3,337	–3,347	–3,268
Credit Activity:							
Direct loan disbursements	1,029	1,992	1,562	1,401	1,337	1,255	1,451
Tax Expenditures:							
Existing law	1,960	1,965	1,990	2,070	2,045	2,040	1,880
Proposed legislation	.....	–10	411	563	556	776	1,183

Federal energy programs contribute not just to energy security, but to economic prosperity and environmental protection. Funded mainly through the Energy Department (DOE), they range from protecting against disruptions in petroleum supplies, to conducting research on renewable energy sources, to developing advanced semiconductors. The Administration proposes to spend $3.5 billion for these programs. In addition, the Federal Government allocates about $2 billion a year in tax breaks mainly to encourage development of traditional and alternative energy sources.

The Federal Government has a longstanding and evolving role in energy. Most Federal energy programs and agencies have no State or private counterparts and clearly involve the national interest. The federally-owned Strategic Petroleum Reserve, for instance, protects against supply disruptions and the resulting consumer price shocks, while Federal regulators protect public health and safety and the environment and ensure fair, efficient energy rates. DOE's applied research and development (R&D) programs in fossil, nuclear, and solar/renewable energy and energy conservation speed the development of technologies, usually through cost-shared partnerships with industry, that provide social benefits that industry would not undertake alone. The programs not only open new opportunities for American industry, but reach beyond what the marketplace demands today, putting the Nation in a better position to meet the demands of tomorrow.

Corporate Management

Because DOE spends over 90 percent of its budget through management and operating (M&O) contracts, it is working hard to improve its management practices and achieve more for less cost. DOE is undertaking important, Department-wide management improvement initiatives in two areas—contract reform and information technology management:

- In 1999, to improve contracting practices, DOE will increase competition and convert all M&O contracts as they are extended or completed and half of its service contracts to performance-based contracts; and
- In 1999, to improve its management of information technology systems, DOE will eliminate year 2000 computer problems for all mission critical systems and integrate information technology investment and management decisions under its Chief Information Officer.

DOE corporate management also ensures that its work is done with a concern for the environment, safety, and health (ES&H) of its workers and the public. DOE is shifting from a reactive approach to ES&H matters to one that stresses prevention and integrates sound ES&H management practices into DOE's day-to-day work.

- In 1999, DOE will implement integrated safety management systems at 10 priority facilities and in all major M&O contracts.
- In 1999, DOE will conduct self-assessments at all DOE sites to identify ES&H deficiencies and vulnerabilities, and develop and pursue corrective action plans.

Energy Resources

DOE maintains the Strategic Petroleum Reserve (SPR) and operates various R&D investments to protect against petroleum supply disruptions and reduce the environmental impacts of energy production and use. Created in 1975, the SPR now has 563 million barrels of crude oil in underground salt caverns at four Gulf Coast sites. The SPR helps protect the economy and provide flexibility for the Nation's foreign policy in case of a severe energy supply disruption. As the United States entered the Persian Gulf War in 1991, for instance, President Bush announced an energy emergency, prompting a SPR draw-down that—along with the Allied nations' early, overwhelming military success—caused oil prices to drop by $10 per barrel (or, by about a third of their price).

- In 1999, DOE will maintain its capability to reach its SPR drawdown rate of about four million barrels a day within 15 days and to maintain this rate for at least 90 days.

DOE's energy R&D investments cover a broad array of resources and technologies to make the production and use of all forms of energy—including solar and renewables, fossil, and nuclear—more efficient and less environmentally damaging. As the President's Committee of Advisors on Science and Technology has noted, Federal R&D support can help develop these technologies that benefit society by cutting emission rates of greenhouse gases, acid rain precursors, and air pollutants. These investments not only lay the foundation for a more sustainable energy future but also open major international markets for manufacturers of advanced U.S. technology.

Energy conservation programs, for which the budget proposes $809 million, are designed to improve the fuel economy of various transportation modes, increase the productivity of our most energy-intensive industries, and improve the energy efficiency of buildings and appliances. They also include grants to States to fund energy-efficiency programs, low-income home weatherization, and the administration of minimum energy-efficiency standards for many major home appliances. Each of these activities benefits our economy and reduces emissions of carbon dioxide and other greenhouse gases. Many of the programs rely on partnerships with the private sector to leverage Federal spending with industry cost-sharing and to increase the likelihood that the technologies will be used commercially. Energy-efficiency technologies that have already come to market include heat-reflecting windows, high-efficiency lights, geothermal heat pumps, high-efficiency electric motors and compressors, and software for designing energy-efficient buildings. Meanwhile, five other technologies available for at least five years have generated over $11 billion in total consumer and business energy savings to date.

In 1999, DOE's Energy Conservation program will:

- Expand the Clean Cities program to create continuous corridors of alternative transportation fuel availability in and between 10 major urban centers;
- Bring together over 600 utility partners in a Climate Challenge forum in which the utilities exchange lessons-learned on voluntary efforts to reduce greenhouse gas emissions; and
- Weatherize 77,000 low-income homes.

Solar and renewable energy programs, for which the budget proposes $372 million, focus on technologies that will help the Nation use its abundant renewable resources such as wind, solar, and biomass to produce low-cost, clean energy that contributes no net carbon dioxide to the atmosphere. The United

States is the world's technology leader in wind energy, with a growing export market and production costs that have fallen below five cents per kilowatt-hour. In addition, photovoltaics are becoming more useful in remote power applications, and construction is beginning on the first large-scale facilities to produce ethanol from cellulosic agricultural waste. DOE also is coordinating the President's Million Solar Roofs initiative, and States, cities, and Federal agencies to date have pledged 470,000 solar roof installations (a mixture of solar heat/hot water and photovoltaics) over the next 10 years.

In 1999, DOE's Solar and Renewable Energy program will:

- Support the President's Million Solar Roofs initiative through partnerships and technical assistance so that at least 7,000 solar roofs will be installed in 1999;
- Complete five commercial-scale demonstrations of the use of biofuels in powerplants by co-firing coal with at least five percent biomass fuel; and
- Install 20 manufacturing prototype and four advanced prototype 25-kW dish/engine solar thermal systems at utility/field sites through the Utility-Scale Joint Venture Program.

Both the energy-efficiency and renewable energy (EERE) programs have established goals to ensure that their research programs are cost-effective and high quality.

Performance measures include:

- Continued use of cost-sharing as a major program criterion in cooperative agreements and industry partnerships. In 1999, DOE/EERE will maintain an industry cost-share level of over 40 percent, when averaged across all work with industry.
- Every EERE program will develop progress milestones and estimates of energy-related program benefits annually. At least 25 percent of the milestones and estimated benefits will undergo external peer review each year, with a goal of having all milestones and estimated benefits peer-reviewed at least once every four years.
- Cumulative consumer economic savings from past and current EERE programs will exceed $11 billion in 1999.

DOE's energy efficiency and renewable energy programs form a major part of the Administration's Climate Change Technology Initiative, which aims to find ways to reduce emissions of carbon dioxide and other greenhouse gases in ways that benefit our economy rather than constrain it. (For more details, see Chapter 6, "Promoting Research.") For most of this century, America's comparative advantage in international competition has been technology, and DOE's research and development programs are designed to maintain that advantage into the next century.

Fossil fuel energy R&D programs, for which the budget proposes $383.4 million, help industry develop advanced technologies to produce and use coal, oil, and gas resources more efficiently and cleanly. Federally-funded development of clean, highly-efficient gas-fired and coal-fired generating systems aim to reduce greenhouse gas emission rates, while reducing electricity costs compared to currently available technologies. The programs also help boost the domestic production of oil and natural gas by funding R&D projects with industry to cut exploration, development, and production costs.

In 1999, DOE will:

- Demonstrate four advanced drilling and completion technology systems that could ultimately add six trillion cubic feet (TCF) of domestic gas reserves, including one TCF through 1999;
- Demonstrate four advanced production enhancement technologies that could ultimately add 190 million barrels of domestic oil reserves, including 30 million barrels during 1999; and
- Complete full-scale component testing of two advanced, utility-scale turbines with over 60 percent efficiency when used in combined cycles and with ultra-low nitrogen oxides emissions.

Nuclear fission power is a widely used technology, with the potential for further growth, particularly in Asia. Fission technology provides over 20 percent of the electric

power consumed in the United States and about 17 percent worldwide without generating greenhouse gases. If fossil plants were used to produce the amount of electricity generated by these nuclear plants, more than 300 million additional metric tons of carbon would be emitted each year. Since World War II, the United States has been the international leader in all nuclear energy matters. World leadership in nuclear technologies and the underlying science is vital to the United States from the perspectives of national security, international influence, and global stability. R&D will help determine whether nuclear fission can fulfill its potential as a contributor to the goal of reducing greenhouse gas emissions. In 1999, DOE will:

- Work with its laboratories, universities and industry to develop a competitive R&D program to address problems that may prevent continued operation of current nuclear plants and fund the initiative at $10 million a year, to be matched by industry.
- Establish a peer-reviewed Nuclear Energy Research Initiative, initially funded at $25 million a year, for investigator-initiated ideas to address the difficult issues of waste, safety, proliferation, and cost.
- Complete a demonstration of electrometallurgical methods to permanently immobilize spent nuclear fuel from the shutdown Experimental Breeder Reactor-II and evaluate whether the technology is a cost-effective means of processing DOE spent nuclear fuels.

Environmental Quality

DOE manages the Nation's most complex environmental cleanup program, the result of over four decades of research and production of nuclear energy technology and materials at both Federal and private sector locations. (For information on DOE's Defense Environmental Management program, see Chapter 12, "National Defense.") The Department must also develop a long-term solution to the problem that the Nation's commercial spent nuclear fuel poses.

In the area of Environmental Management, the budget proposes $934 million to reduce environmental risk and manage the waste at: (1) sites run by DOE's predecessor agencies that involved researching and producing uranium and thorium; (2) sites contaminated with uranium production from the 1950s to the 1970s; and (3) DOE's uranium processing plants that the United States Enrichment Corporation runs. In recent years, the cleanup and safe disposal of radioactive and hazardous wastes and materials has progressed substantially.

In 1999, DOE will:

- Have over 60 percent of the contaminated sites associated with 11 large facilities cleaned up, allowing these sites and facilities to return to productive use;
- Make ready for disposal about 70 percent of the high-level waste at its West Valley, New York site; and
- Complete surface remediation of the eight remaining Uranium Mill Tailings Remedial Action (UMTRA) sites to complete this part of the UMTRA project.

DOE's Civilian Radioactive Waste Management Program oversees the management and disposal of spent nuclear fuel from commercial nuclear reactors and high-level radioactive waste from Federal cleanup sites. With the completion of the viability assessment for Yucca Mountain in 1998, DOE expects to emphasize data syntheses and analysis and engineering and design in 1999.

In particular, in 1999, DOE will:

- Complete a draft Environmental Impact Statement for the Yucca Mountain site for public review and comment, develop a more complete design for a mined geologic disposal system at Yucca Mountain, and complete independent expert reviews of overall repository system performance models—further crucial steps in the long process that eventually will produce a DOE site recommendation to the President and a DOE license application to the Nuclear Regulatory Commission.

Energy Production and Power Marketing

The Federal Government is reshaping programs that produce, distribute, and finance oil, gas, and electric power. The Naval Petroleum Reserve, commonly known as Elk Hills, is a federally-owned oil and gas field located in California. Set aside early this century to provide an oil reserve for Navy ships, Elk Hills is no longer needed for that purpose, and Congress voted in 1996 to require its sale. In October 1997, DOE opened private-sector bids for Elk Hills and identified Occidental Petroleum's offer of $3.7 billion as the high offer. Following notification of Congress, the sale should be completed by February 1998, marking the largest privatization in U.S. history. It will allow DOE to maximize the productivity of Federal oil fields, one of its 1998 performance objectives.

The five Federal Power Marketing Administrations, or PMAs, (Alaska, Bonneville, Southeastern, Southwestern, and Western) market electricity generated at 129 multi-purpose Federal dams over 33,000 miles of federally-owned transmission lines, in 35 States. The PMAs sell about six percent of the Nation's electricity, primarily to preferred customers such as counties, cities, and publicly-owned utilities and power authorities. The PMAs face growing challenges as the electricity industry moves toward open, competitive markets. Concerns focus on fundamental changes that may be required to integrate the PMAs into a deregulated industry. As authorized by Congress, the sale of the Alaska Power Administration to current customers and the State of Alaska will be completed in 1998.

- In 1999, each PMA will operate its transmission system to ensure that service is continuous and reliable (that is, that the system achieves a "pass" rating each month under North American Reliability Council performance standards).

The Tennessee Valley Authority (TVA) is a Federal Government corporation and the Nation's single largest electric power generator. It generates four percent of the electric power in the country and transmits that power over its 15,000 mile transmission network to 159 municipal utilities and rural electric cooperatives that serve some eight million customers in seven States.

- The budget reflects specific cost-cutting measures that TVA is taking to implement its 10-Year Business Plan and improve its ability to supply power at competitive prices. For example, TVA will cut costs by reducing its outstanding debt by $2 billion by the end of 1999. It will cut its $28 billion debt in half by 2007.
- TVA is working closely with regional stakeholders to develop and recommend to DOE reform proposals to include in the Administration's legislation to restructure the Nation's electric power industry. The proposals will redefine TVA's role, while preserving the value of the Government's investment in TVA.

(For information on TVA's non-power activities, see Chapter 20, "Community and Regional Development.")

In 1999, the Agriculture Department's Rural Utilities Service (RUS) will make $1.7 billion in direct loans to nonprofit associations, rural electric cooperatives, public bodies, and other utilities in rural areas for generating, transmitting, and distributing electricity. Its main goal is to provide modern, affordable electric service to rural communities.

In 1999, the RUS will:

- Ensure that RUS borrowers continue to provide service in 523 of the 540 poorest counties in rural America and 655 of 700 counties suffering the most from population out-migration;
- Upgrade 116 rural electric systems, benefitting over 1.6 million customers and generating about 21,000 jobs; and
- Continue to cut the high cost of electric service to rural customers that results from low customer density in rural areas by charging interest at or below Treasury rates for debt of comparable maturity.

Energy Regulation

The Federal Government's regulation of energy industries is designed to protect public health and safety and promote fair and efficient interstate energy markets. For example, DOE seeks to improve the Nation's use of energy resources through its appliance energy efficiency program. Federal regulations

specify minimum levels of energy efficiency for all major home appliances, such as water heaters, air conditioners, and refrigerators.

The Federal Energy Regulatory Commission (FERC), an independent agency within DOE, regulates the transmission and wholesale prices of electric power, including non-Federal hydro-electric power, and the transportation of oil and natural gas by pipeline in interstate commerce. Over the long run, FERC seeks to increase economic efficiency by promoting competition in the natural gas industry and in wholesale electric power markets. FERC's recent reforms give consumers competitive choices in services and suppliers that were not available just a few years ago. Its actions will cut consumer energy bills by $3 billion to $5 billion a year.

In 1999, to evaluate the success of its initiative to restructure interstate natural gas and electricity markets, FERC will measure:

- Increases in the number of new products and range of suppliers customers may choose from in both the natural gas and electric industries;
- The extent to which natural gas and electricity prices more clearly and quickly reflect changing supply and demand conditions;
- The extent to which natural gas prices within each trading region will tend to converge, except where there are demonstrable transportation constraints or costs; and
- The reduction in wholesale electricity price differences among regions.

The Nuclear Regulatory Commission (NRC), an independent agency, regulates the Nation's civilian nuclear reactors, the medical and industrial use of nuclear materials, and the transport and disposal of nuclear waste to ensure public health and safety and to protect the environment. Safety performance reflects the collective efforts of the NRC and the regulated nuclear community.

The NRC has the following 1999 goals for safety performance:

- No civilian nuclear reactor accidents, and no deaths due to radiation or radioactivity releases from civilian nuclear reactors;
- No radiation-related deaths due to civilian use of source, byproduct, and special nuclear materials, no increase in significant radiation exposures due to the loss of such materials, and no increase in misadministration events causing significant radiation exposure;
- No significant accidental releases of radioactive material from storage and transportation of nuclear waste, and no offsite release of radioactivity beyond regulatory limits from low-level waste disposal sites;
- The establishment of the regulatory framework for high-level waste disposal consistent with current national policy;
- No loss or theft of special nuclear materials; and
- No offsite releases from operating facilities of radioactive material that may adversely impact the environment, and no release of sites until satisfactorily remediated in accordance with NRC criteria.

Tax Incentives

Federal tax incentives are mainly designed to encourage the domestic production or use of fossil and other fuels, and to promote the vitality of our energy industries and diversification of our domestic energy supplies. The largest incentive lets certain fuel producers cut their taxable income as their fuel resources are depleted. An income tax credit helps promote the development of certain non-conventional fuels. It applies to oil produced from shale and tar sands, gas produced from a number of unconventional sources (including coal seams), some fuels processed from wood, and steam produced from solid agricultural byproducts. Another tax provision provides a credit to producers who make alcohol fuels—mainly ethanol—from biomass materials. The law also allows a partial exemption from Federal gasoline taxes for gasolines blended with ethanol. The Climate Change Technology Initiative proposes $3.6 billion in new tax incentives over five years to help reduce greenhouse gases (see Table S–6 in "Summary Tables.")

16. NATURAL RESOURCES AND ENVIRONMENT

Table 16–1. FEDERAL RESOURCES IN SUPPORT OF NATURAL RESOURCES AND ENVIRONMENT
(In millions of dollars)

Function 300	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	22,426	23,180	22,613	22,284	21,990	22,027	22,343
Mandatory Outlays:							
Existing law	51	1,059	712	846	739	544	682
Proposed legislation	.....	.....	203	223	304	337	327
Credit Activity:							
Direct loan disbursements	31	42	40	44	46	48	51
Tax Expenditures:							
Existing law	1,700	1,710	1,740	1,740	1,735	1,725	1,710
Proposed legislation	.....	.....	–86	–78	–78	–83	–91

The Federal Government spends over $20 billion a year to protect the environment, manage federal land, conserve resources, provide recreational opportunities, and construct and operate water projects.[1] The Federal Government manages about 700 million acres—a third of the U.S. continental land area.

Federal lands include the 376 units of the National Park System, with such unique resources as Grand Canyon National Park, Yellowstone National Park, and Gettysburg National Military Park; the 156 National Forests; the 510 refuges in the National Wildlife Refuge System; and land managed by the Bureau of Land Management (BLM) in 11 Western States (see Chart 16–1).

Within this function, Federal efforts focus on providing cleaner air and water, conserving natural resources, and cleaning up environmental contamination. The major goals include:

- Protecting human health and safeguarding the natural environment—air, water, and land—upon which life depends.
- Restoring and maintaining the health of federally managed lands, waters, and renewable resources.
- Providing recreational opportunities for the public to enjoy natural and cultural resources.

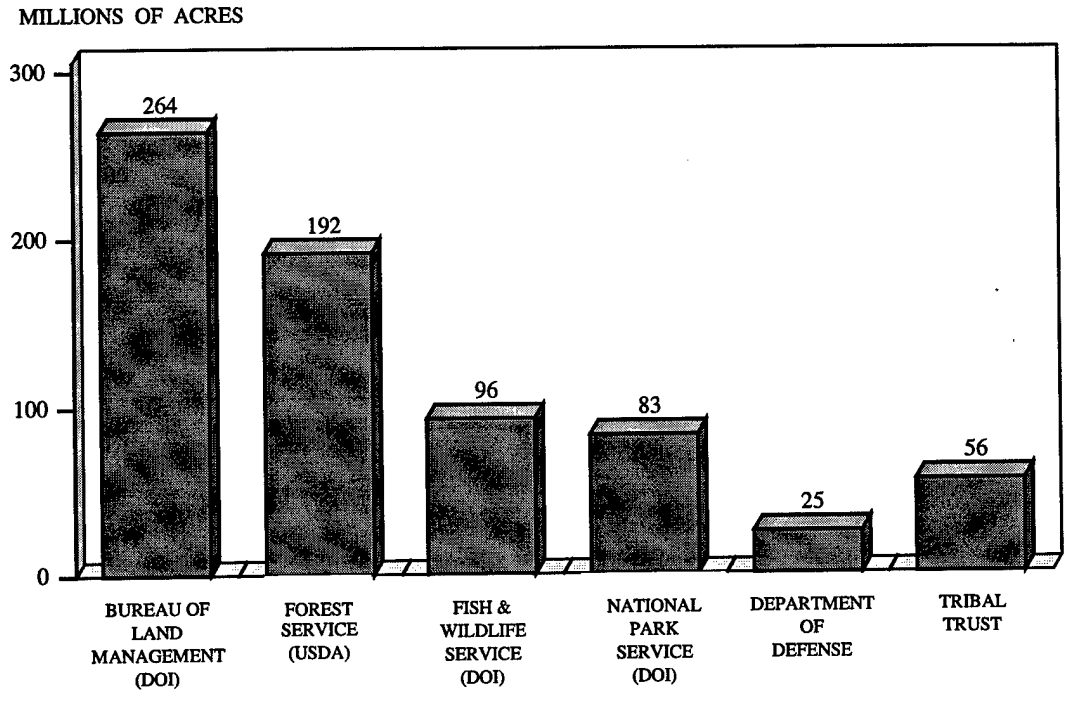
National Parks

The Federal Government invests over $1.6 billion a year to maintain a system of national parks that covers over 83 million acres in 49 States, the District of Columbia, and various territories. Although funding for the National Park Service (NPS) has steadily increased (almost five percent a year since 1986), the popularity of national parks has generated even faster growth in the number of visitors, new parks, and additional NPS responsibilities.

With demands growing faster than available resources, NPS is taking new, creative, and more efficient approaches to managing parks

[1] The Natural Resources and Environment function does not reflect total Federal support for the environment and natural resources. It does not include, for instance, the environmental clean-up programs at the Departments of Energy and Defense.

Chart 16-1. FEDERAL LAND MANAGEMENT BY AGENCY



and has developed performance measures against which to weigh its progress.

- Using higher funding from the proposed Environmental Resources Fund for America, the NPS will begin systematically addressing the backlog of priority construction and maintenance projects at national parks and, in 1999, will develop a five-year list of the highest priorities to address and allocate funds to address about 20 percent of them.
- NPS is focusing construction and maintenance funds on the highest priorities based on objective criteria and, in 1999, will implement controls, reengineer the measurement process, and establish capital plans with approved cost, schedule, and project goals for each major construction project.
- NPS will use the receipts from recreation and user fees to finance park improvements and, in 1999, will increase the receipts by 14 percent, compared to 1997 levels.
- NPS will implement park management reforms that will increase returns to the Government from park concessions to eight percent in 1999, compared to a baseline of six percent in 1997.
- NPS is establishing broader cooperative arrangements through partnerships with public and private groups and, in 1999, will use those partnerships to protect an additional 220 miles of trails, 240 miles of rivers, and 7,000 acres of parks and open spaces.

Conservation and Land Management

The 75 percent of Federal land that comprises the National Forests, National Grasslands, National Wildlife Refuges, and the BLM-administered public lands also provides significant public recreation. BLM provides for nearly 55 million recreational visits a year, while over 30 million visitors watch wildlife each year at National Wildlife Refuges.

With its 125,000 miles of trails, the Forest Service is the largest single supplier of public outdoor recreation, providing 348 million recreational visitor days last year.

Federal lands provide other benefits. BLM and the Forest Service, with combined annual budgets of about $4.4 billion, manage for multiple purposes. Federal laws require that the Forest Service manage the National Forests for outdoor recreation, range, timber, watershed, wildlife and fish, and wilderness, and that the BLM manage the public lands that it administers for multiple uses.

The agencies concentrate on the long-term goal of providing sustainable levels of multiple uses while ensuring and enhancing ecological integrity. Their performance measures include the following:

- The Forest Service will target its higher funding to needed watershed restoration work by increasing acres of watershed restoration work by 43 percent (to 40,000 acres) over 1998 levels of 28,000 acres; increasing the acres of range restoration by 24 percent (to 42,000 acres) over 1998 levels of 34,000 acres; increasing the number of miles of road obliterated to 3,500 miles, as compared to a 1998 baseline of 1,200 miles in 1998; and increasing the number of acres treated for fire hazard reduction to 1.6 million, compared to a 1998 planned level of 1.3 million.
- For priority watersheds, BLM will enhance the ecological integrity of 25 percent more miles of riparian areas and 35 percent more acres of wetlands in 1999, compared to 1996, and increase the number of acres treated for fire hazard reduction by prescribed fire and mechanical means by 12 percent.

The Interior Department's Fish and Wildlife Service (FWS), with a budget of $1.3 billion, manages 93 million acres of refuges and, with the Commerce Department's National Marine Fisheries Service (NMFS), protects species on Federal and non-Federal lands.

- Proposed 1999 funding increases will enable the refuge system to protect, enhance, and restore 661,000 more acres, over the 1997 baseline of 96 million acres.
- FWS' 1999 funding increase will double the number of acres covered by Habitat Conservation Plans (HCPs); improve the development and implementation of HCPs through increased public participation, monitoring, and adaptive management; extend Candidate Conservation Agreement protections to another 80 species; keep 20 candidate species off the endangered species list; and help ensure that 60 percent of listed species are stabilized or improved in status.
- NMFS will implement programs in 1999 to continue fully assessing 79 percent of fish stocks, cutting commercial by-catch by 15 percent, and increasing the number of listed species that improve in status to 15, over a baseline of 12.

Half the continental United States is crop, pasture, and range land owned and managed by two percent of Americans—farmers and ranchers. The Agriculture Department's (USDA) Natural Resources Conservation Service provides technical assistance to ensure sound management of this land:

Under USDA's Wetlands Reserve Program (WRP), the Federal Government buys long-term or permanent easements from landowners for cropland, which is taken out of production and restored to wetlands. Landowners receive fair market value for the land and cost-share assistance to cover the restoration expenses. The budget proposes to enroll another 164,000 acres, bringing total cumulative enrollment to over 655,000 by the end of 1999. The Administration's goal for WRP remains one of reaching total enrollment of 975,000 acres by the end of calendar 2000.

- To enhance water quality along streams and lakes, and provide important new riparian wildlife and fish habitat, USDA will retire at least 50,000 miles of conservation buffers in 1999, the same high level as in 1998.
- In 1999, USDA will restore two million acres of native grassland vegetation (the same as the 1998 level), and complete conservation management systems for grazing lands, which help control erosion and

benefit habitat, on 6.4 million acres, compared to six million acres in 1998.

In 1999, the Environmental Quality Incentives Program, which provides funds to farmers and ranchers to adopt sound conservation practices and comply with environmental requirements, will better target areas of environmental need requiring that funding be allocated in conservation priority areas.

Federal and non-Federal agencies are carrying out long-term restoration plans for several nationally significant ecosystems, such as those in South Florida and the California Bay-Delta. The South Florida ecosystem is a national treasure that includes the Everglades and Florida Bay. Its long-term viability is critical for the tourism and fishing industries, and for the water supply, economy, and quality of life for South Florida's six million people. Low water quality in the San Francisco Bay-San Joaquin Delta ecosystem has degraded wildlife habitat, endangered several species, and reduced the estuary's reliability as a water source.

- The U.S. Army Corps of Engineers will complete its comprehensive review of the central and southern Florida project by July 1, 1999, thus providing a master plan for restoring the Everglades while accommodating other demands for water and related resources in South Florida. By September 30, 2002, 10 percent of all known federally endangered and threatened species in South Florida will be able to be "down listed."

The Bay-Delta program is undergoing National Environmental Policy Act review of three major alternatives for the Bay-Delta, and it will develop specific, measurable goals after the analysis is complete and an alternative is selected.

The Land and Water Conservation Fund (LWCF) is an important tool for species and habitat conservation. It uses the royalties of offshore oil and gas leases to help Federal, State, and local governments acquire land for conservation and outdoor recreation.

- In 1999, LWCF funds will provide for the acquisition of parcels to enhance National Parks, provide habitat for species, protect our natural and cultural resource heritage, and improve land ownership patterns for greater efficiency.

The management of lands, the availability and quality of water, and improvements in the protection of resources is based on sound natural resources science. The U.S. Geological Survey (USGS) provides research and information to land managers and the public to better understand ecosystems and species habitat, land and water resources, and natural hazards.

- In 1999, USGS, in partnership with other Federal natural hazards information providers, will develop an integrated disaster information network to improve mitigation and preparedness for natural disasters.
- In 1999, USGS will provide water quantity and quality information on 1,000 U.S. watersheds that the Clean Water Action Plan identified as impaired (half of the Nation's watersheds). These data, together with completed water quality assessments, will help develop water quality management models that resource managers need to forecast results from changing land use.

The Commerce Department's National Oceanic and Atmospheric Administration (NOAA) manages ocean and coastal resources in the 20-mile Exclusive Economic Zone. Its National Ocean Service and National Marine Fisheries Service manages 201 fish stocks and 163 marine mammal populations. NOAA's National Weather Service (NWS), using data collected by the National Environmental Satellite and Data Information Service, provides weather forecasts and flood warnings. Its Office of Oceanic and Atmospheric Research provides science for policy decisions in areas such as climate change, air quality and ozone depletion.

- In 1999, NWS' ongoing modernization will increase the lead time of flash flood warnings to 32 minutes and the accuracy of flash flood warnings to 82 percent; increase the lead time of severe thunderstorm warnings to 19 minutes and the accuracy of severe thunderstorm warnings to 84 percent, and achieve a six-month lead time for El Nino Southern Oscillation forecasts.

Pollution Control and Abatement

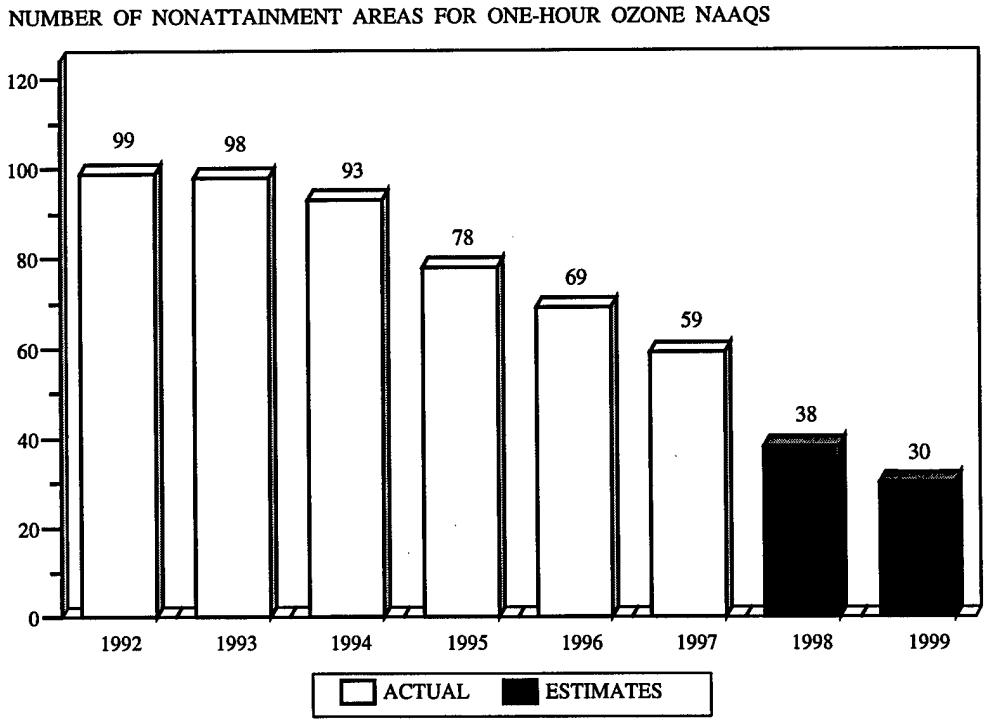
The Federal Government helps achieve the Nation's pollution control goals by: (1) taking direct action; (2) funding actions by State, local, and Tribal governments; and (3) implementing the Nation's environmental regulatory system. The Environmental Protection Agency's (EPA) $7.8 billion in discretionary funds and the Coast Guard's $100 million Oil Spill Liability Trust Fund (which funds oil spill cleanups in U.S. waters) finance these activities. EPA's discretionary funds include three major components—the operating program, Superfund, and water infrastructure financing.

EPA's $3.6 billion operating program provides the Federal funding to implement most Federal pollution control laws, including the Clean Air, Clean Water, Solid Waste Disposal, Safe Drinking Water, and the Toxic Substances Control Acts. EPA protects human health and the environment by developing national pollution control standards, largely enforced by the States under EPA-delegated authority. For example, under the Clean Air Act, EPA has developed health-based National Ambient Air Quality Standards (NAAQS) for six air pollutants: ozone, particulate matter, carbon monoxide, sulfur dioxide, lead, and nitrogen dioxide. Among these, ground-level ozone and particulate matter are the most complex, difficult to control, and pervasive. EPA recently revised the standard for ozone and promulgated a new standard for particulate matter to further protect human health.

- In 1999, EPA will certify that eight of the estimated 38 remaining nonattainment areas have achieved the current NAAQS for ozone (See Chart 16–2).
- In 1999, EPA will certify that 13 of the 58 estimated remaining nonattainment areas have achieved the NAAQS for carbon monoxide, sulfur dioxide, or lead.

Under the Resource Conservation and Recovery Act (RCRA), EPA and authorized States prevent dangerous releases to the environment

Chart 16-2. AIR QUALITY TRENDS



of hazardous, industrial nonhazardous, and municipal solid wastes by requiring proper facility management. EPA and authorized States also implement the RCRA corrective action program to clean up environmental contamination at sites where hazardous wastes are being stored, treated, or disposed.

- In 1999, 153 more hazardous waste management facilities will have approved controls in place to prevent dangerous releases to air, soil, and groundwater, for a total of 2,080 facilities (62 percent of the total outstanding).

Superfund's $2.1 billion program pays to clean up hazardous spills and abandoned hazardous waste sites, and to compel responsible parties to clean up. The Coast Guard implements a smaller but similar program to clean up oil spills. Superfund also supports the Federal "Brownfields" program, designed to assess, clean up, and re-use formerly contaminated sites.

- In 1999, EPA will complete 136 cleanups, in order to reach 900 completed cleanups (60 percent of those outstanding) by the end of 2001.
- In 1999, EPA will fund Brownfields site assessments in 100 more communities, in order to reach 300 communities by the end of 2000.
- In 1999, the Coast Guard will reduce the amount of oil that marine sources spill into the water by 20 percent below the 1993 level of 7.76 gallons per million gallons shipped.

Federal water infrastructure funds provide capitalization grants to State revolving funds, which make low-interest loans to help municipalities pay for wastewater and drinking water treatment systems required by Federal law. The Administration plans to capitalize these funds to the point where the Clean Water State Revolving Funds and the Drinking Water State Revolving Funds provide a total of $2.5 billion in average annual assistance. The more than $68 billion in Federal assistance since passage of the 1972 Clean Water Act has dramatically increased the portion of Americans enjoying better quality water.

- In 1999, another three million people will receive the benefits of secondary treatment of wastewater, for a total of 183 million.
- In 1999, 85 percent of the population served by community water systems will receive drinking water meeting all health-based standards, up from 81 percent in 1994.

USDA gives financial assistance to rural communities to provide safe drinking water and adequate wastewater treatment facilities to rural communities. The budget proposes $1.3 billion in combined grant, loan, and loan guarantees for this assistance.

- The Water 2000 initiative is bringing indoor plumbing and safe drinking water to under-served rural communities, and USDA plans to fund 250 Water 2000 facilities in 1999.

Water Resources

The Federal Government builds and manages water projects for navigation, flood control, irrigation, and hydropower generation. The Army Corps of Engineers operates Nationwide, while Interior's Bureau of Reclamation operates in the 17 Western States. The budget proposes $4.1 billion for the agencies in 1999—$3.2 billion for the Corps, $0.9 billion for the Bureau. The Administration will work with Congress to address the problem of project delays and growing future liabilities that result from Congress' addition of many new projects in 1998.

While navigation and flood damage reduction remain the Corps' major focus, its projects, programs, and regulatory responsibilities increasingly address environmental objectives, including wetlands protection.

- In 1999, the Corps expects to maintain its commercial navigation and flood damage facilities so that they will be fully operational at least 95 percent of the time.
- In 1999, the Corps' regulatory program expects to achieve "no net loss" of wetlands by creating, enhancing, and restoring wetlands functions and values that are comparable to those lost when the Corps allows wetlands to be developed.

Congress created the Bureau of Reclamation to support economic development in the West by financing and constructing reliable water supplies for irrigation and power generation. The West is now developed, and the Bureau is remaking itself into a customer-oriented "water resources management" agency by providing expertise on improved water management practices. The budget also proposes funding for several local projects that reclaim and reuse wastewater in urban areas in order to demonstrate the benefits of this alternative to constructing more dams and reservoirs.

- In 1999, the Bureau plans to complete evaluations of current practices on at least one project in each of its 26 area offices, with the goal of finding ways to more effectively manage competing demands for water.

Tax Incentives

State and local governments (and private companies) benefit from a tax break, costing about $600 million in 1999, that allows State and local governments to construct private waste disposal facilities with tax-exempt bonds. The tax code also offers incentives for natural resource industries, especially timber and mining. The timber industry can deduct certain costs for growing timber, pay lower capital gains rates on profits, take a credit for investments, and quickly write-off reforestation costs—in total, costing about $600 million in 1999. The mining industry benefits from percentage depletion provisions (which allow deductions that exceed the economic value of resource depletion) and can deduct certain exploration and development costs—together, costing about $400 million in 1999.

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17. AGRICULTURE

Table 17–1. FEDERAL RESOURCES IN SUPPORT OF AGRICULTURE
(In millions of dollars)

Function 350	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	4,225	4,310	4,074	3,949	3,883	3,862	3,780
Mandatory Outlays:							
Existing law	4,960	6,391	6,973	6,765	5,440	5,425	5,649
Proposed legislation	.....	.....	–155	–299	–170	–161	–163
Credit Activity:							
Direct loan disbursements	6,402	7,450	8,651	8,505	7,738	7,177	6,856
Guaranteed loans	3,961	7,255	6,895	6,894	6,894	6,894	6,894
Tax Expenditures:							
Existing law	660	680	730	750	760	750	765

Since early in the Nation's history, the Federal Government has helped increase U.S. agricultural productivity. Agriculture Department (USDA) programs focus to a large extent on ensuring that markets function fairly and that farmers do not face unreasonable risk. Federal programs disseminate economic and agronomic information, ensure the integrity of crops, inspect the safety of meat and poultry, and help farmers face risks from weather and variable export conditions. The results are found in the public welfare that Americans enjoy from an abundant, safe, and inexpensive food supply, free of severe commodity market dislocations.

Conditions on the Farm

Agriculture and its related activities account for 16 percent of the Gross Domestic Product. With strong demand and record market prices for several crops in 1996, gross crop cash receipts exceeded $109 billion in 1996, a new record, and up nearly $10 billion from 1995. Net cash income also set a record in 1996 at $60 billion. Forecasts for 1997 put net cash income down $5 billion from the record level, but still within the last five year's average. Farmers will earn slightly less from 1997 crop sales due to lower feed grain prices. Livestock receipts in 1997 will increase from the $93 billion of 1996; higher beef cattle prices, the result of reductions in the beef herd, will be the most important influence. After three years of steady declines in cattle and calf receipts, this year will mark the turnaround point.

Farm assets, debt, and equity continue to rise. Farm sector business assets rose six percent in value in 1996, to $1 trillion. Farm asset values will grow another five percent in 1997, while farm real estate values will rise for the tenth straight year. Farm business debt will rise $5 billion in 1997, the highest level since 1986, but growing debt shows few signs of precipitating a repeat of the widespread financial stress in the farm sector of the 1980s.

Exports are key to future farm income. The Nation now exports 30 percent of its farm production, and agriculture produces the greatest balance of payments surplus, for its share of national income, of any economic sector. Agricultural exports reached a record $60 billion in 1996. Lower world market prices and bulk export volume will reduce exports by an estimated $3 billion in 1997 but, in 1998, exports will grow by a projected $2 billion, to $59 billion. Pacific Asia, including Japan, is the most

important region for U.S. farm exports, accounting for 42 percent of total U.S. export sales in 1996. Consequently, the financial turmoil in certain Asian countries could affect U.S. exports.

The 1996 Farm Bill

Known officially as the Federal Agriculture Improvement and Reform Act (FAIR) of 1996, the Farm Bill was a milestone in U.S. agricultural policy. The bill, effective through 2002, fundamentally redesigns Federal income support and supply management programs for producers of wheat, corn, grain sorghum, barley, oats, rice, and cotton. It expands the market-oriented policies of the previous two major farm bills, which have gradually reduced the Federal influence in the agricultural sector.

Under previous laws dating to the 1930s, farmers who reduced plantings when prices were low could get income support payments, but farmers had to plant specific crops in order to receive support payments. Even when market signals might have suggested planting a different crop, farmers had limited flexibility to do so. By contrast, the 1996 Farm Bill eliminated most such restrictions and, instead, provides fixed, but declining payments to eligible farmers through 2002, regardless of market prices or production volume. Thus, the law "decouples" Federal income support from planting decisions and market prices. Not surprisingly, the law has brought significant changes in cropped acreage in response to market signals. In 1997, wheat acreage fell by seven percent, or almost five million acres, from the previous year, while soybean acreage rose by 10 percent, or almost seven million acres.

Federal Programs

USDA seeks to enhance the quality of life for the American people by supporting production agriculture; ensuring a safe, affordable, nutritious, and accessible food supply; caring for agricultural, forest, and range lands; supporting sound development of rural communities; providing economic opportunities for farm and rural residents; expanding global markets for agricultural and forest products and services; and working to reduce hunger in America and throughout the world. (Some of these missions fall within other budget functions and, thus, are described in other chapters.)

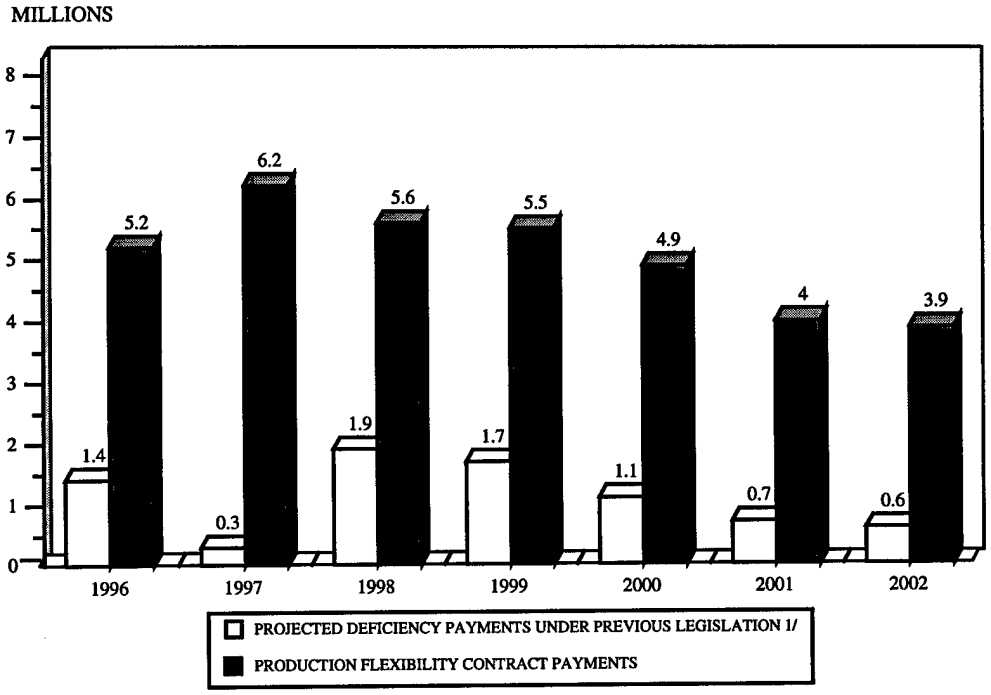
Farming is a risky business. Farmers not only face the normal vagaries of supply and demand, but also uncontrollable risk from Mother Nature. Federal programs are designed to accomplish two key economic goals: (1) enhance the economic safety net for farmers and ranchers; and (2) open, expand, and maintain global market opportunities for agricultural producers.

The Government mitigates risk through a variety of programs:

Farm Commodity Programs: Since Federal payments are now fixed, farm income could fluctuate more from year to year due to supply and demand changes. Farmers will need to rely more on marketing alternatives. To better use Federal assistance to protect against risk and stabilize farm income, producers should set aside funds from, or otherwise develop strategies to utilize, the income-support payments, allocating savings from years of high income for use when income falls. (See Chart 17–1 for the estimated increased Federal income-support payments due to the 1996 Farm Bill.) The Federal Government, however, continues to provide other safety-net protections, such as the marketing assistance loans that guarantee a minimum price for major commodities.

Insurance: USDA helps farmers manage their risks by providing subsidized crop insurance, delivered through the private sector. Farmers pay no premiums for coverage against catastrophic production losses, and the Government subsidizes their premiums for additional coverage. Over the past three years, an average 80 percent of eligible acres have been insured, with an average gain of $0.10 for every $1 in insurance premiums—down from the historical average of $0.40 loss for every $1 in premium. Crop insurance costs the Federal Government about $1.4 billion a year, including USDA payments to private companies for costs tied to administering Federal crop insurance. Since the Farm Bill ended major elements of USDA's traditional price and income support programs, producers now bear most of the price risk. In 1997, USDA expanded several insurance products that mitigate "reve-

Chart 17-1. PRODUCTION FLEXIBILITY CONTRACT PAYMENTS EXCEED PROJECTED DEFICIENCY PAYMENTS



1/ Source: USDA, Based on supply and demand estimates as of November 10, 1997

nue risk"—price and production risk combined. These "revenue insurance pilots" showed that farmers generally want these types of products, and USDA will continue to expand their application and availability.

Trade: The trade surplus for U.S. agriculture has grown faster in recent decades than for any other civilian sector of the economy, and USDA's international programs helped to shape that growth. The Foreign Agriculture Service's efforts to negotiate, implement, and enforce trade agreements have played a large role in creating a strong market for exports.

In 1999, USDA will:

- take action to overcome 660, or 17 percent, more trade barriers than in 1998;
- help 5,000, or 25 percent, more U.S. companies in U.S. agricultural export sales; and
- help in 1,545, or 13 percent, more projects to build U.S. export markets in developing countries.

USDA spends about $750 million a year on export activities, including subsidies to U.S. firms facing unfairly-subsidized overseas competitors, and loan guarantees to foreign buyers of U.S. farm products. USDA also helps firms overcome technical requirements, trade laws, and customs that often discourage the smaller, less experienced ones from taking advantage of export opportunities. USDA will help less experienced firms develop their export capacity by increasing the number of outreach events.

In 1999, USDA will:

- increase the number of its trade shows by 13 percent, to 400; and
- increase the number of firms that the Market Assistance Program (MAP) supports in establishing marketing and distribution channels by eight percent, to 1,700 firms.

In addition, USDA shares some of the risk when firms or trade organizations experiment in the export market. USDA helps educate firms about the requirements and

process of developing an overseas market. By participating in the MAP or USDA-organized trade shows, firms can more easily export different products to new locations on their own.

The programs have helped U.S. firms, especially smaller-sized ones, export more aggressively, and high-value products now make up a growing share of export value (see Chart 17–2). Small and medium-sized firm recipients (those with annual sales of under $1 million) now represent 84 percent of the MAP-branded promotion spending, up from 70 percent in 1996, and USDA expects to raise that figure to 100 percent by 1999.

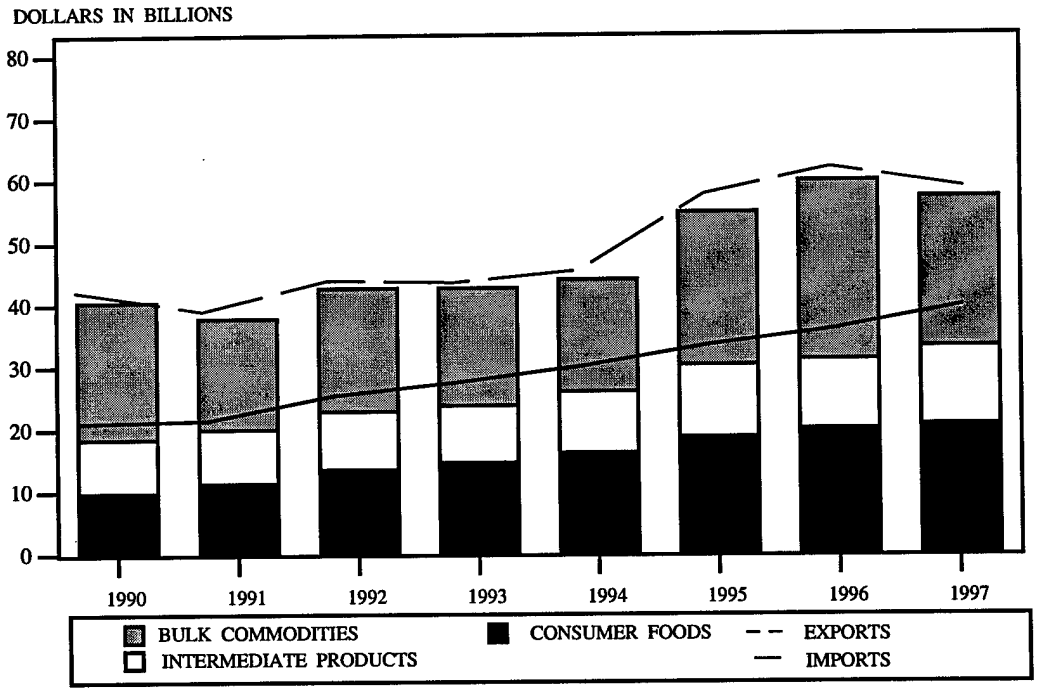
Agricultural Research: The Federal Government spends over $1.5 billion a year to support agricultural research and enhance U.S. and global agricultural productivity. The average annual return to publicly-funded agricultural research exceeds 35 percent, according to recent academic estimates.

The Agricultural Research Service (ARS) is USDA's in-house research agency, addressing a broad range of food, farm, and environmental issues. It puts a high priority on transferring its research findings to the private sector.

- In 1999, ARS expects to submit 60 new patent applications, participate in 85 new Cooperative Research and Development Agreements, license 25 new products, and develop 70 new plant varieties to release to industry for further development and marketing.

The Cooperative State Research, Education, and Extension Service provides grants for agricultural, food, and environmental research; higher education; and extension activities. The National Research Initiative competitive research grant program, launched in 1990 on the recommendation of the National Research Council, works to improve the quality and increase the quantity of USDA's and the private sector's farm, food, and environmental research.

Chart 17-2. U.S. AGRICULTURAL EXPORT PROFILE AND TRADE SURPLUS



Notes: High-value products now make up over 50 percent of total exports.
Trade surplus was at $21.5 billion in 1997.

Economic Research and Statistics: The Federal Government spends about $160 million to improve U.S. agricultural competitiveness by reporting and analyzing economic information. The Economic Research Service provides economic and other social science information and analysis for decision-making on agriculture, food, natural resources, and rural America. The National Agricultural Statistics Service (NASS) develops estimates of production, supply, price, and other aspects of the farm economy.

- In 1999, NASS will include over 95 percent of national agricultural production in its annual commodities program, up from 92 percent in 1997.

Inspection and Market Regulation: The Government spends a half-billion dollars a year to secure U.S. cropland from pests and diseases and make U.S. crops more marketable. In addition, USDA's Food Safety and Inspection Service ensures that U.S. meat and poultry do not threaten consumers' health. The Animal and Plant Health Inspection Service (APHIS) inspects agricultural products that enter the country; controls and eradicates diseases and infestations; helps control damage to livestock and crops from animals; and monitors plant and animal health and welfare. The Agricultural Marketing Service (AMS) and the Grain Inspection, Packers, and Stockyards Administration help market U.S. farm products in domestic and global markets, ensure fair trading practices, and promote a competitive, efficient marketplace.

In 1999, APHIS will:

- make about 48 million inspections of airline passengers, aircraft, commercial vessels, trucks, and rail cars to prevent the entry of illegal plants and animals that could endanger U.S. agriculture, a slight increase over estimated 1998 levels.
- clear most international air passengers through its inspection process in 30 minutes or less, an estimated 20-percent improvement over 1997 rates.
- clear most passengers crossing U.S. land borders in non-peak traffic periods in 20 minutes or less on the northern border, and 30 minutes or less on the southern border.

In 1999, the AMS Pesticide Data Program will:

- initiate a microbiological surveillance program on domestic and imported fruits and vegetables as part of the President's Food Safety Initiative.
- perform about 55,000 analyses on 14 different commodities, collecting 9,200 samples to measure pesticide residues, an increase from the estimated 1998 activities of 51,000 analyses, 13 commodities, and 8,900 samples.

Conservation: The 1996 Farm Bill is the most conservation-oriented farm bill in history, enabling USDA to provide incentives to farmers to protect the natural resource base of U.S. agriculture. Farmers can now use crop rotations, which earlier price support programs had severely limited. Also, the bill created several new programs. The Environmental Quality Incentives Program (EQIP), with $200 million in annual spending (and another $100 million proposed for 1999) provides cost-share and incentive payments to encourage farmers to adopt new and improved farming practices or technology, and it reduces the environmental impact of livestock operations. Farmers may use different nutrient management or pest protection approaches, with USDA offering financial assistance to offset some of the risk. The Conservation Farm Option program helps landowners adopt innovative approaches to improving environmental quality; groups of farmers may submit proposals to create comprehensive conservation farm plans, with a host of different land use and funding alternatives.

USDA's conservation programs give technical and financial help to farmers and communities. They include the Conservation and Wetlands Reserve Programs, which remove land from farm uses; and the Conservation Operations program, which provides technical assistance.

In 1999, USDA will:

- increase the number of acres enrolled each year for riparian buffers and filter strips to 3.76 million, from an estimated 3.36 million acres in 1998; and

- increase the acreage of restored wetlands to 1.34 million acres, from an estimated 1.2 million acres in 1998.

For more information on conservation, and USDA's investments in public land management, see Chapter 16, "Natural Resources and Environment." USDA programs also help to maintain vital rural communities, as described in Chapter 20, "Community and Regional Development."

Agricultural Credit: USDA provides about $600 million a year in direct loans and over $2.5 billion in guaranteed loans for farm operating and ownership. Direct loans, which carry interest rates at or below those on Treasury securities, generally go to beginning or socially disadvantaged farmers who cannot secure private credit.

In 1999, USDA will:

- increase the proportion of loans made to beginning and socially-disadvantaged farmers to 14.4 percent, from an estimated 12.6 percent in 1998 and nine percent in 1996; and
- reduce the delinquency rate on farm loans to 17 percent, from an estimated 18 percent in 1998 and 20 percent in 1996.

The Farm Credit System and "Farmer Mac"—both Government-Sponsored Enterprises—enhance the supply of farm credit through ties to national and global credit markets. The Farm Credit System (which lends directly to farmers) has recovered strongly from its financial problems of the 1980s, in part through Federal help. Farmer Mac increases the liquidity of commercial banks and the Farm Credit System by purchasing agricultural loans. In 1996, Congress gave the institution authority to pool loans as well as more years to attain required capital standards, which it has largely achieved already.

Personnel, Infrastructure, and the Regulatory Burden: USDA administers its many farm programs through 2,500 county offices with over 17,000 staff. The Farm Bill significantly cut USDA's workload, prompting the department to re-examine its staff-intensive field office-based infrastructure. In 1998, USDA will: (1) conduct a study to find ways to operate more efficiently; (2) continue an Administration initiative to scrap duplicative and unnecessary regulations and paperwork; and (3) review and upgrade its computer systems to streamline its collection of information from farmers and better disseminate information across USDA agencies.

In 1999, USDA will:

- merge the headquarters and State office administrative support staffs for its field office agencies (Farm Services Agency, Natural Resources Conservation Service, Rural Development) to provide more efficient and coordinated support services.

18. COMMERCE AND HOUSING CREDIT

Table 18–1. FEDERAL RESOURCES IN SUPPORT OF COMMERCE AND HOUSING CREDIT
(In millions of dollars)

Function 370	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	2,787	3,204	3,336	5,100	2,923	2,858	2,859
Mandatory Outlays:							
Existing law	–17,624	201	689	7,074	8,167	8,372	7,734
Proposed legislation	.....	–6	–336	–357	–363	–371	–388
Credit Activity:							
Direct loan disbursements	8,666	2,662	1,500	1,381	1,341	1,322	1,314
Guaranteed loans	180,090	190,463	200,662	203,825	205,906	206,412	210,442
Tax Expenditures:							
Existing law	186,870	183,555	182,730	188,705	196,095	203,500	210,320
Proposed legislation	.....	–260	–403	–358	–340	–348	–386

The Federal Government provides financing and encourages private support for commerce and housing in many ways. It provides direct loans and loan guarantees to ease access to mortgage and commercial credit; sponsors private enterprises that support the secondary market for home mortgages; regulates private credit intermediaries, especially depository institutions; and offers tax incentives. In total, the Government provides about $750 million a year in support for housing credit that, in turn, supports over $100 billion in housing loans and loan guarantees. (Another $20 billion in subsidies for low-income housing programs is classified in the Income Security function.)

The Federal Government also dedicates over $2 billion a year to promote business and maintain the safety and soundness of our financial markets and institutions. The Commerce Department helps expand U.S. sales and create jobs by promoting technological development and policies that enhance U.S. industrial competitiveness and expand exports. Government regulators protect depositors against losses when insured commercial banks, thrifts, and credit unions fail.

As general goals:

- Federal housing credit programs will continue their efforts to expand homeownership Nation-wide and will continue to provide homeownership opportunities to underserved people in low-homeownership areas.
- Financial regulators will work to promote the fairness and integrity of U.S. financial markets and ensure the safety and soundness of federally-insured deposits.

Mortgage Credit

The Government provides loans and loan guarantees to expand access to homeownership, and helps low-income families afford suitable apartments. It helps meet the needs of would-be homeowners who lack the savings, income, or credit history to qualify for a conventional mortgage. It also helps provide credit to finance the purchase, construction, and rehabilitation of rental housing for low-income persons. Housing credit programs of the Departments of Housing and Urban Development (HUD), Agriculture (USDA), and Veterans Affairs (VA) supported over $100 billion in loan and loan guarantee commitments

in 1997, helping over 1.3 million households (see Table 18–2). All of these programs have contributed to the success of the President's National Homeownership Initiative which, along with a strong economy, has helped boost the national homeownership rate to 66 percent—its highest ever.

- In 1999, through its Mortgage Credit programs, the Federal Government will approach the goal set by the President's National Homeownership Initiative, which is a 67.5 percent homeownership rate in the year 2000.

HUD's Mutual Mortgage Insurance (MMI) Fund, run by the Federal Housing Administration (FHA), helps increase access to single-family mortgage credit in both urban and rural areas. In 1997, the MMI Fund guaranteed over $61 billion in mortgages for over 740,000 households. Over three-fourths of such mortgages went to first-time homebuyers. Fees and premiums paid to the MMI Fund fully offset program costs.

- The FHA/MMI fund will continue to remain solvent and self-sustaining.
- FHA will work with the Government National Mortgage Association (Ginnie Mae) to increase the share of first-time homebuyers in each HUD Field Office by one percent a year over 1995 levels, and increase lending in distressed communities by 10 percent.

USDA's Rural Housing Service (RHS) offers direct and guaranteed loans and grants to help very low- to moderate-income rural residents buy and maintain adequate, affordable housing. One RHS goal is to reduce the number of rural residents living in substandard housing. The number of substandard housing units in rural areas has fallen from just over three million units in 1970 to just over one million in 1990, paralleling the increase in Federal housing assistance over the same period.

RHS' direct loan program provides subsidized loans to very-low and low-income rural residents. Its single family guaranteed loan program guarantees up to 90 percent of a private loan for buying new or existing housing. Together, the two programs provided $2.7 billion in loans and loan guarantees

Table 18–2. SELECTED FEDERAL COMMERCE AND HOUSING CREDIT PROGRAMS: CREDIT PROGRAMS PORTFOLIO CHARACTERISTICS

(Dollar amounts in millions)

	Dollar volume of direct loans/ guarantees written in 1997	Numbers of housing units/small business financed by loans/ guarantees written in 1997	Dollar volume of total outstanding loans/guarantees as of the end of 1997
Mortgage Credit:			
HUD/FHA Mutual Mortgage Insurance Fund	61,175	740,320	306,530
HUD/FHA General Insurance and Special Risk Insurance Fund	13,318	271,655	87,079
USDA/RHS Sec. 502 single-family loans	2,706	55,500	22,526
USDA/RHS multifamily loans	165	2,083	11,901
VA guaranteed loans	24,287	238,833	146,576
Subtotal, Mortgage Credit	101,651	1,308,391	574,612
SBA Guaranteed Loans	10,782	47,146	31,181
Total Assistance	**112,433**	**1,355,537**	**605,793**

in 1997, providing 55,500 decent, safe affordable homes for rural Americans.

In 1999, RHS will continue to reduce the number of rural residents living in substandard housing by:

- providing $4 billion in loan and loan guarantees for 65,000 new or improved homes, a 9,500, or 14.6 percent, increase over 1997.

VA recognizes the service that veterans and active duty personnel provide to the Nation by helping them buy and retain homes. The Government partially guarantees the loans from private lenders, providing $26 billion in loan guarantees in 1997.

- To meet the goal of ensuring that the program meets veterans' needs, VA will improve credit and program management. In 1999, VA will begin implementing electronic data interchange in loan origination and servicing.
- To meet the goal of improving opportunities for veterans to achieve homeownership, VA will collaborate with interested agencies to provide more and better opportunities to finance veteran home purchases. In 1999, VA will collaborate with the Departments of Housing and Urban Development and of Defense.

Congress created Ginnie Mae in 1968 to support the secondary market for FHA, VA, and USDA mortgages. Ginnie Mae guarantees the timely payment of principal and interest on securities backed by pools of mortgages issued by private institutions. The program raises liquidity in the secondary market and attracts new sources of capital for loans. To date, Ginnie Mae has originated over $1.3 trillion in securities, of which over $530 billion remain outstanding. It has helped over 20 million low- and moderate-income families buy homes.

- In 1999, Ginnie Mae will continue to pool 95 percent of FHA and VA loans for sale to investors, increasing the efficiency of the mortgage markets and lowering financing costs for home buyers.

The Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), and the Federal Home Loan Bank System (FHLBS) are congressionally chartered, shareholder-owned corporations known as Government Sponsored Enterprises (GSEs). GSEs were chartered to provide stability in the secondary market for residential mortgages, and promote access to mortgage credit throughout the Nation, including under-served areas. Fannie Mae and Freddie Mac issue and guarantee mortgage-backed securities (MBS), and they hold debt-financed portfolios of mortgages, MBS, and other mortgage-related securities. The FHLBS provides liquidity to mortgage lenders by making collateralized loans, called advances, which totaled $182 billion at the end of 1997. Because they are classified as private, the Federal Government does not include GSEs in the budget totals.

Each year, HUD sets housing goals for Fannie Mae and Freddie Mac with regard to lower-income families and under-served communities. For a discussion of these goals, see Chapter 8, "Underwriting Federal Credit and Insurance," in *Analytical Perspectives.*

Rental Housing and Homeless Assistance

The Federal Government provides housing assistance through a number of HUD programs in the Income Security function. HUD's rental programs provided subsidies for over 4.8 million low-income households in 1997—1.4 million for units in conventional public housing projects; 1.8 million in rental subsidies attached to privately-owned multifamily housing projects; and 1.6 million in rental vouchers not tied to specific projects. In addition, USDA's RHS rental assistance grants to low-income rural households provided $524 million to support 39,860 new and existing rental units in 1997.

For 1999, agencies will meet the following performance goals:

- Continue RHS' commitment of 40,000 new and existing units in 1999.
- Increase the percentage of families with children in public housing deriving most of their income from work from 37 percent in 1997 to 43 percent by 2000.
- Reduce the isolation of low-income groups within a community or geographic area by increasing the percentage of Section 8

families with children living in low-poverty Census tracts from 60 percent in 1997 to 65 percent in 2000.

The Federal Government also makes grants to help the homeless, supporting emergency shelters and transitional and permanent housing. Four agencies—HUD, VA, the Department of Health and Human Services (HHS), and the Federal Emergency Management Agency—provide 98 percent of the Federal help targeted to the homeless. For 1997, HUD provided $823 million in homeless assistance grants, representing 58 percent of the $1.42 billion targeted Government-wide funding total.

- In 1999, HHS will expand its outreach of services from 80,000 persons contacted in 1997 to 92,000 in 1999.

Housing Tax Incentives

The Government provides significant support for housing through tax preferences. The two largest tax benefits are the mortgage interest deduction for owner-occupied homes (which will cost the Government $299 billion from 1999 to 2003) and the deductibility of State and local property tax on owner-occupied homes (costing $100 billion over the same five years).

Other tax provisions also encourage investment in housing: (1) capital gains of up to $500,000 on home sales are exempt from taxes (costing $51 billion from 1999 to 2003); (2) States and localities can issue tax-exempt mortgage revenue bonds, whose proceeds subsidize purchases by first-time, low- and moderate-income home buyers; and (3) installment sales provisions let some real estate sellers defer taxes. Finally, the low-income housing tax credit provides incentives for constructing or renovating rental housing that helps low-income tenants for at least 15 years. This tax expenditure costs about $2.4 billion a year. The President proposes to raise the volume cap on the low-income housing tax credit, thus providing more credits and more housing for low-income families.

Commerce, Technology, and International Trade

The Commerce Department promotes the development of technology and advocates sound technology policies. Commerce's Patent and Trademark Office (PTO) protects U.S. intellectual property rights around the world through bilateral and multilateral negotiation, and through its domestic patent and trademark system.

- In 1999, PTO will issue over 120,000 patents, and reduce the average pendency time for each invention from 22.7 months to an average of 20.9 months.
- In 1999, PTO will reduce the average pendency for each trademark from the current 16.5 months to an average of 15.5 months.
- To promote intellectual property protection overseas, PTO will provide technical assistance to 52 developing countries.

Commerce's National Institute of Standards and Technology (NIST) works with industry to develop and apply technology, measurements, and standards. NIST administers the Manufacturing Extension Partnership (MEP), which provides technological information and expertise to its clients among the Nation's 382,000 smaller manufacturers.

- In 1999, NIST will increase sales of its collected standard reference materials to 38,142, and its labs will perform 8,900 calibrations and tests, yielding $7 million in revenue.
- In 1999, MEP will improve its coverage of small business by supporting 33,473 completed provider activities, and increase client sales by $389 million.

The International Trade Administration (ITA) strives to promote an improved trade posture for U.S. industry and develop the export potential of U.S. firms in a manner consistent with U.S. foreign and economic policy.

- In 1999, ITA estimates that it will review 15 more applications for free trade zones than in 1998, supporting a gross increase of 25,000 jobs.
- ITA's U.S. Foreign Commercial Service will increase the number of companies that receive export assistance from 11,500 in 1997 to about 14,000 by the end of 1999.

Commerce's Census Bureau collects, tabulates, and distributes a wide variety of statistical information about Americans and the economy, including the constitutionally-mandated decennial census. In 2000, the Census Bureau will conduct a decennial census that will reduce the net undercount by almost 1.6 percent, compared to the 1990 Census. In addition, Commerce's Bureau of Economic Analysis (BEA) prepares and interprets U.S. economic accounts, including the Gross Domestic Product (GDP), wealth accounts, and the U.S. balance of payments.

- In preparation for the 2000 Census, the Census Bureau will canvass 94 million city-style addresses in 1999.
- In 1999, BEA will ensure the timely dissemination of economic data by publishing 12 monthly Surveys of Current Business and 32 national GDP and personal income news releases.

Small Business Administration (SBA)

SBA, which Congress created in 1953 to aid, counsel, assist, and promote small business, expands access to capital by guaranteeing private loans. The loans carry longer terms and lower interest rates than small businesses would otherwise receive. SBA guaranteed over $10.8 billion in small business loans in 1997.

- In 1999, SBA will work to increase the number of small businesses receiving counseling and training to 1.2 million, a 10-percent increase over the estimated 1998 level.
- SBA will guarantee 56,400 new Sec. 7(a) and Sec. 504 business loans in 1999, a seven-percent increase over the expected 1998 volume of 52,500.

Financial Regulation

The Government protects depositors against losses when insured commercial banks, thrifts, and credit unions fail. Deposit insurance also wards off widespread disruption in financial markets by making it less likely that one institution's failure will cause a financial panic and a cascade of other failures. From 1985 to 1995, Federal deposit insurance protected depositors in over 1,400 failed banks and 1,100 savings associations, with total deposits of over $700 billion.

The Federal Deposit Insurance Corporation (FDIC) insures the deposits of banks and savings associations (thrifts) through two separate insurance funds, the Bank Insurance Fund and the Savings Association Insurance Fund. The National Credit Union Administration (NCUA) insures deposits at credit unions. These varied kinds of deposits are insured for up to $100,000 per account. The FDIC insures deposits at over 9,200 commercial banks and over 1,800 savings institutions, with a total value of $2.7 trillion. The NCUA insures deposits in 11,300 credit unions with a total value of $290 billion.

Because the Government bears the risk of losses, it regulates banks, thrifts, and credit unions to ensure that they operate in a safe and sound manner. Five agencies regulate federally-insured depository institutions: The Office of the Comptroller of the Currency regulates national banks; the Office of Thrift Supervision regulates thrifts; the Federal Reserve regulates State-chartered banks that are Federal Reserve members; the FDIC regulates other State-chartered banks; and the NCUA regulates credit unions.

- In calendar 1998, the FDIC will perform 3,081 safety and soundness inspections.

Other financial regulatory institutions include the Securities and Exchange Commission (SEC) and the Commodity Futures Trading Commission (CFTC). The SEC oversees U.S. capital markets and regulates the securities industry, protecting investors and maintaining the fairness and integrity of domestic securities markets by preventing fraud and abuse and ensuring the adequate disclosure of information. The CFTC regulates U.S. futures and options markets, protecting market users and the public from fraud and abuse and fostering open, competitive, and financially sound commodity futures and options markets.

- The SEC will work to examine every investment company complex and every investment advisor at least once every five years.
- The CFTC will work to ensure 100-percent compliance from market professionals, financial intermediaries, and Self-Regu-

latory Organizations with CFTC standards for registration, sound financial practices, and effective enforcement programs.

- The CFTC will review every designation application and rule change request, with the exception of stock index futures (which require SEC approval) within 10 to 45 days and respond to trading exchanges (e.g., Chicago Board of Trade) with an approval or deficiency letter.

Federal Trade Commission (FTC)

The FTC enforces various consumer protection and antitrust laws that prohibit fraud, deception, anticompetitive mergers, and other unfair and anticompetitive business practices in the marketplace.

- In 1999, the FTC will save consumers $200 million by stopping fraud and other unfair practices, and another $200 million by stopping anticompetitive behavior.

Federal Communications Commission (FCC)

The FCC works to encourage competition in communications and to promote and support every American's access to telecommunications services. The FCC executes its mission through four main activities: Authorization of Service, Policy and Rulemaking, Enforcement, and Public Information Services.

- In 1999, the FCC will work to achieve 90 percent of customer speed of disposal processing goals to improve its authorization of services activities. The Commission will re-engineer and integrate licensing databases and implement electronic filing to further increase efficiency in the licensing process.
- In 1999, the FCC will improve the connection of classrooms and libraries and rural healthcare facilities to the Internet while maintaining affordable service to rural Americans. The FCC will also strive to make telecommunications services more accessible to persons with disabilities.

Commerce Tax Incentives

The tax law provides incentives to encourage business investment. It taxes capital gains at a lower rate than other income, which will cost the Government $139 billion from 1999 to 2003. In addition, the law does not tax gains on inherited capital assets that accrue during the lifetime of the original owner, which will cost $51 billion from 1999 to 2003. The law also provides more generous depreciation allowances for machinery, equipment, and buildings. Other tax provisions benefit small firms generally, including the graduated corporate income tax rates, preferential capital gains treatment for small corporation stock, and write-offs of certain investments. Credit unions, small insurance companies, and insurance companies owned by certain tax-exempt organizations also enjoy tax preferences. Tax benefits for other kinds of businesses are described in other chapters in Section VI.

19. TRANSPORTATION

Table 19–1. FEDERAL RESOURCES IN SUPPORT OF TRANSPORTATION
(In millions of dollars)

Function 400	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	38,674	41,423	41,849	42,255	42,606	43,143	43,722
Mandatory Outlays:							
Existing law	2,342	2,438	2,236	2,248	1,901	1,244	1,771
Proposed legislation	.....	25	90	91	59	16	–14
Credit Activity:							
Direct loan disbursements	164	181	167	47	30	27	27
Guaranteed loans	319	477	477	477	477	477	477
Tax Expenditures:							
Existing law	1,360	1,405	1,440	1,485	1,535	1,585	1,640
Proposed legislation	.....	.....	4	11	16	23	30

America's transportation network consists of public and private systems financed by Federal, State, and local governments, and the private sector. The Federal Government, which spends about $40 billion a year on transportation, has five major goals in shaping this system, the foremost of which is transportation safety. Federal programs also advance mobility, economic growth and trade, the human and natural environment, and our national defense. Today, our greatest challenge is to advance these five goals as we build the transportation system for the 21st Century.

Safe Operations

The Federal Government works both directly and with State and local governments and private groups to minimize the safety risks inherent in transportation. The Federal Government regulates motor vehicle design and operation, inspects commercial vehicles, educates the public, monitors railroad safety, directs air and waterway traffic, conducts safety-related research, and rescues mariners in danger.

A range of Federal activities work to reduce highway deaths and injuries, which number about 42,000 and over three million a year, respectively. Federal programs reach out to State and local partners to identify the causes of crashes and develop new strategies to reduce deaths, injuries, and the resulting medical costs. Such partnerships yield results; through Federal, State, local, and private efforts, safety belt use reached an all-time high of 68 percent in 1996. In addition to coordinating national traffic safety efforts, the National Highway Traffic Safety Administration (NHTSA) regulates the design of motor vehicles, investigates reported safety defects, and distributes traffic safety grants to States. The budget proposes $406 million for NHTSA, a 22-percent increase over 1998, and fully funds the Presidential Initiative for Increasing Seat Belt Use Nation-wide from 68 percent to 85 percent in 2000 and 90 percent in 2005.

Perhaps the Federal Government's most visible safety function is operating the air traffic control and air navigational systems. The Federal Aviation Administration (FAA) handles about 173,000 flights a day, moving 1.5 million passengers each day. Through

its regulatory and certification authorities, the FAA also promotes aviation safety. In 1999, the FAA will perform over 340,000 safety-related inspections. To meet safety needs in 1999, the Administration plans to spend $7.8 billion on FAA operations and capital, eight percent more than in 1998.

The National Motor Carriers Program, for which the budget proposes $100 million in 1999, provides grants to States to enforce Federal and compatible State standards for commercial motor vehicle safety inspections, traffic enforcement, and compliance reviews. Uniform standards help coordinate law enforcement activities, and simplify the safety requirements of interstate trucking.

The Federal Government also plays a key safety role on our waterways. The Coast Guard is recognized as the world leader in maritime search and rescue, saving over 5,000 lives in 1997 alone. It operates radio distress systems, guides vessels through busy ports, regulates vessel design and operation, provides boating safety grants to States, and supports a 35,000-member voluntary auxiliary that educates boaters. The budget proposes $3.2 billion for Coast Guard operations and capital.

The Federal railroad safety program, for which the budget proposes $62 million in 1999, works in partnership with the rail industry. The Safety Assurance and Compliance Program brings together rail labor, management, and the Federal Government to determine root causes of problems. From 1993 to 1996, railroad-related fatalities, on-the-job casualties, and the train incident rate fell by 19, 42, and 17 percent, respectively.

Similarly, in 1999, the Federal pipeline safety program will have in progress several risk management projects, whose goal is to provide safety and environmental protection better than under existing Federal regulations.

For each of these areas, the Federal Government seeks to promote public health and safety by working to eliminate transportation-related deaths and injuries. To measure progress towards these goals, the Department of Transportation (DOT) will seek to:

- reduce the total number of transportation-related fatalities in calendar 1999 to below 43,549, the 1995 level, despite increased passenger miles traveled; and
- reduce the total number of transportation-related injuries in calendar 1999 to below 3,438,000, the 1995 level, despite increased passenger miles traveled.

Infrastructure and Efficiency

America has about four million miles of roads, 580,000 bridges, 180,000 miles of railroad track, 5,500 public-use airports, over 6,000 transit systems, 350 commercial ports, and 25,000 miles of commercially-navigable waterways. This extensive, intermodal network is essential to the Nation's commerce, and enhancing its efficiency advances economic growth and international competitiveness.

The Federal Government has helped develop large parts of the system, with funding mainly through user fees and transportation taxes. The total Federal investment represents about half of all public investment in transportation—that is, $27 billion of the $54 billion of total Federal, State, and local spending on transportation infrastructure in 1994. In 1999, infrastructure investment would rise to a level 42 percent higher than the annual average of $21.1 billion from 1990 to 1993, with the rising investment of recent years targeted to advance the safety, quality, efficiency, and intermodal character of transportation infrastructure.

Highways and Bridges: About 955,550 miles of roads and all bridges are eligible for Federal support, including the National Highway System (NHS) and Federal lands roads. In 1999, the Federal Government plans to spend over $23 billion to maintain and expand these roads, with funding from motor fuels taxes, mainly the gasoline tax. The Federal gas tax is 18.4 cents a gallon, of which 15.45 cents goes to the Highway Trust Fund's highway account to finance formula grants to States for highway-related repair and improvement.

State and local governments provide 58 percent of total highway and bridge infrastructure spending, most of which they generate through their own fuel and vehicle taxes.

The average State gasoline tax was 19.6 cents per gallon in 1996. State and local governments accelerate their infrastructure projects through debt financing, such as bonds and revolving loan funds. Under the State Infrastructure Banks program, the Federal Government provides funds to help States underwrite debt issuance for highway and transit projects. Under the new Transportation Infrastructure Credit Enhancement Program, the Federal Government would provide grants, which could be supplemented by non-Federal contributions, to create Revenue Stabilization Funds to help secure private debt financing for nationally significant projects.

In 1999, the Federal Government will work with State and local governments to:

- increase the percentage of NHS miles that meet pavement performance standards for acceptable ride quality (based on the International Roughness Index) to 91.5 percent, from the 1996 baseline of 91.1 percent, to reach the overall goal of ensuring that 93 percent of NHS pavement has acceptable ride quality by 2008; and
- reduce the percentage of NHS bridges that are classified as deficient to 24.3 percent, from the 1996 base level of 25.8 percent, to reach the overall goal of ensuring that less than 20 percent of NHS bridges are deficient by 2008.

Transit: As with highways, the Federal Government works with State and local governments to improve mass transit. Of the Federal motor fuels tax, 2.85 cents a gallon goes to the Highway Trust Fund's Mass Transit Account, which funds transit grants to States and urban and rural areas. Federal capital grants comprise about half of total spending each year to maintain and expand the Nation's 6,000 bus, rail, trolley, van, and ferry systems. Together, States and localities invest over $3 billion a year on transit infrastructure and equipment.

In 1999, the Federal Government plans to spend $4.6 billion on transit capital. In particular, the Federal Government finances capital-intensive urban bus and rail transit systems and rural bus and van networks. About 80 million Americans depend on public transportation due to age, disability, or income. Furthermore, transit use by commuters eases roadway congestion and reduces polluting emissions. Capital investment cuts maintenance and operating costs and gives more mobility to Americans.

In 1999, to improve the quality and availability of transit services, DOT will seek to:

- reduce the average age of the motor bus fleet from a calendar 1995 base level of 8.1 years to 7.6 years by calendar year 2002 while increasing bus service, and
- maintain the average age of the rapid rail fleet at 19.3 years through calendar year 2002.

Passenger Rail: The Federal Government will invest $621 million in 1999 to support the Nation's passenger rail system (in addition to the $2.2 billion that the 1997 Taxpayer Relief Act provides for capital improvements and equipment maintenance). The extension of the Northeast Corridor high-speed rail service from New York to Boston highlights the Federal-private partnership to improve passenger rail service. The Federal Government funds the electrification of the rail line, while the private sector helps to finance the high-speed trainsets that will begin operating in late 1999.

To improve Amtrak's Northeast Corridor, in 1999 the Federal Government will strive to complete electrification of the New York-Boston segment and introduce new high-speed trainsets, reducing travel time between New York and Boston from the four-hours-and-45-minutes of today to three hours in the year 2000.

Aviation and Airports: The Federal Government seeks to ensure that the aviation system is accessible, integrated, efficient, and flexible. To reach those goals, and to begin to address a White House Commission on Aviation Safety and Security recommendation to modernize the air traffic control system by 2005, the budget proposes to increase investments in aviation facilities and equipment by about 10 percent a year for five years. In addition, about 3,300 airports throughout the country are eligible for the Airport Improvement Program (AIP), which funds projects that enhance capacity, safety, security, and noise miti-

gation. These funds augment other airport funding sources, such as bond proceeds, State and local grants, and passenger facility charges. With 98 percent of the population living within 20 miles of one of these airports, most citizens have excellent access to air transportation.

- In 1999, DOT will seek to reduce the number of volume- and equipment-related delays to 30.7 per 100,000 flight operations, from a 1994 base level of 36.9 delays per 100,000 flight operations.

Other Transportation: For the Nation's commercial shipping infrastructure, Federal loan guarantees make it easier to build and renovate vessels. Port development is left largely to State and local authorities, which have invested over $14 billion in infrastructure improvements over the past 50 years.

- To help make the shipyard industry more competitive, the Federal Government will strive to attain two percent growth in U.S. commercial shipbuilding (measured by tonnage) in 1999, compared to 1998.

Research and Technology

The Federal Government helps advance transportation technology. Federal research focuses on building stronger roads and bridges, designing safer cars, reducing human error in operations, and improving the efficiency of the existing infrastructure. In 1999, the Federal Government will spend over $1 billion on transportation research and technology.

DOT's Intelligent Transportation Systems (ITS) program is developing and deploying technologies to help States and localities improve safety, increase capacity, and enhance traffic flow on their streets and highways. In an era of constrained Federal resources, ITS provides a cost-effective way to improve the management of our infrastructure, boosting efficiency and capacity. The private sector, which works closely with the ITS program, will initially deploy many of the technologies that it develops jointly with Federal funding.

FAA's research, engineering, and development programs help improve safety, security, capacity, and efficiency in the National Airspace System. For example, the development of an advanced traffic management system and the demonstration of revolutionary routing and navigation procedures will enhance not only safety, but air system capacity and efficiency. In 1999, the budget proposes the Flight 2000 free-flight demonstration program, which promises operational improvements to deliver passengers and cargo more quickly and safely. Free-flight improves aviation system efficiency by giving pilots the tools to plot their own flight paths. Other FAA research will focus on the causes of human error, aircraft safety, fire protection, aviation weather, engine noise, aircraft emissions, and security and explosives detection systems.

The National Aeronautics and Space Administration's (NASA) Aeronautical Research and Technology Program funds partnerships with industry that may revolutionize the next generation of planes, making them safer, faster, more efficient, and more compatible with the environment.

The Federal Government seeks to balance new physical capacity with the efficiency and safety of the existing infrastructure. With this goal in mind:

- DOT will seek to expand the integration of ITS technology in six metropolitan areas by 20 percent in 1999, compared to a 1997 survey baseline, and
- DOT, NASA, the Defense Department, and private industry will work together on research to reduce the fatal aviation accident rate by a factor of five in 10 years; the 1995 baseline is 0.35 per 100,000 departures. Research will focus on preventing equipment malfunctions, reducing human error, and ensuring the separation between aircraft and potential hazards.

Transportation Regulation

Federal rules greatly influence transportation. In the past two decades, deregulation of the domestic railroad, airline, and interstate and intrastate trucking industries has boosted economic growth.

The Federal Government also issues regulations to spur safer and cleaner transportation. The safety regulations—of cars, trucks, ships, trains, and airplanes—have substantially cut the number of transportation-related deaths

and injuries—for example, saving over 100,000 lives since 1966.

The Federal Government has taken regulatory steps to meet transportation-related environmental and safety goals in a cost-effective manner. For example, during the transition to double hulled tank vessels between now and 2015, the costs of meeting oil pollution requirements will decline due to "lightering zone" regulations that temporarily permit older, single-hull vessels to offload oil under stringent, environmentally safe conditions within certain areas in the Gulf of Mexico.

Tax Expenditures

For the most part, employees do not pay income taxes on what their employers pay for parking and transit passes. These tax expenditures will cost the Government an estimated $7.1 billion from 1999 to 2003. To finance infrastructure, State and local governments issue tax-exempt bonds; the Federal costs in lost revenues are included in the calculations for Function 450, "Community and Regional Development," and Function 800, "General Government."

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20. COMMUNITY AND REGIONAL DEVELOPMENT

Table 20–1. FEDERAL RESOURCES IN SUPPORT OF COMMUNITY AND REGIONAL DEVELOPMENT
(In millions of dollars)

Function 450	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	13,034	8,660	9,204	8,011	7,805	7,675	7,816
Mandatory Outlays:							
Existing law	312	–119	–418	–411	–52	–222	–455
Proposed legislation	.....	.....	3	61	139	162	168
Credit Activity:							
Direct loan disbursements	2,192	2,153	1,984	2,278	2,392	2,273	2,299
Guaranteed loans	896	1,828	1,976	2,005	2,229	2,322	2,320
Tax Expenditures:							
Existing law	1,365	1,715	1,870	2,030	1,990	1,885	1,730
Proposed legislation	.....	.....	44	19	133	205	196

Federal support for community and regional development helps build the Nation's economy, and helps economically distressed urban and rural communities earn a larger share of America's prosperity. The Federal Government spends over $10 billion a year, and offers about $1.7 billion in tax incentives, to help States and localities create jobs and economic opportunity, and build infrastructure to support commercial and industrial development.

The needs of States and localities are varied and hard to measure. Still, Federal programs have helped create stable, healthy communities that offer greater economic opportunity. Communities hard hit by natural disasters receive Federal assistance to rebuild infrastructure, businesses, and homes. States and localities also use these Federal funds to leverage private resources for their community revitalization strategies.

As general goals:

- the Government will help create viable communities and economic empowerment through job creation, provide affordable housing, and promote economic opportunity; and
- the Government will help protect lives and prevent the loss of property from disaster hazards; and minimize suffering and hasten recovery when disasters occur.

Department of Housing and Urban Development (HUD)

HUD provides communities with flexible funds to promote commercial and industrial development; enhance infrastructure; clean up abandoned industrial sites, or Brownfields; and develop strategies for providing affordable housing close to jobs.

Community Development Block Grant (CDBG): CDBG, for which the budget proposes $4.7 billion, provides flexible funds for activities that meet one of three national objectives: (1) benefit low- and moderate-income persons, (2) help prevent or eliminate slums or blight, or (3) meet other urgent community needs that pose immediate threats to public health. CDBG funds go to improving housing, public works and services, economic develop-

ment, and acquiring or clearing land. Seventy percent of CDBG funds go to over 950 central cities and urban counties, the remaining 30 percent to States to award to smaller localities. CDBG's Section 108 Loan Guarantee Program, along with Economic Development Initiative Grants, gives Federal guarantees to private investors who buy debt obligations issued by local governments, thus giving communities efficient financing for housing rehabilitation, economic development, and large-scale physical development projects. The Indian CDBG program focuses mainly on public infrastructure, community facilities, and economic development. In 1997, 131 Tribes received a total of $67 million in CDBG grants through competition.

HOME: The budget proposes $1.5 billion in flexible grants to States and communities to address their most severe housing needs. Eligible activities of this program (which is classified in the Income Security function) include new construction, rehabilitation, acquisition of standard housing, assistance to home buyers, and tenant-based rental assistance. From its inception in 1992 through June 1997, the program's recipients have committed or used HOME funds to build or rehabilitate 262,000 housing units and to help 37,000 families pay their rent.

The 1999 goals for the CDBG and HOME programs include:

- Increasing the number of CDBG grantees who incorporate milestones with timetables in Consolidated Plans that can help demonstrate progress in improving locally defined conditions in their neighborhoods and communities.
- Developing a standardized HUD assessment of Consolidated Plans.
- Ensuring that communities keep HOME rental housing affordable to low-income families during the affordability period that the program requires.

Also by the end of 1999, HUD will establish baseline measures against which to judge the contributions these programs make to community development and affordable housing.

Empowerment Zones (EZs) and Empowerment Communities (ECs): The EZ program provides tax incentives and grants to carry out 10-year, community-wide strategic plans to revitalize designated areas. In December 1994, six urban areas and three rural areas were designated as EZs. Two supplemental urban Zones were designated to receive a combination of Economic Development Initiative grants, grants, and new tax-exempt bond financing. In addition, 65 urban and 30 rural communities were designated as ECs. These EZs and ECs have begun to leverage resources to attract private investment, generate job growth, stimulate business openings and expansions, construct new housing, expand homeownership opportunities, and stabilize neighborhoods.

- In 1999, practically all EZs and ECs will show satisfactory progress toward locally defined benchmarks consistent with national policy goals (e.g., increasing employment, improving safety, improving education levels).

Department of Agriculture

The Agriculture Department (USDA) gives financial assistance to rural communities and businesses to boost employment and further diversify the rural economy, and the budget proposes $1.5 billion in such assistance. The Rural Community Advancement Program's grants, loans, and loan guarantees help build rural community facilities, such as health clinics and day care centers, and create or expand rural businesses. USDA also provides loans through the Intermediary Relending Program (IRP), which provides funds to an intermediary such as a State or local government that, in turn, provides funds for economic and community development projects in rural areas.

- In 1999, USDA will provide 49,000 new jobs, compared to 37,000 in 1997, through the IRP and community facilities programs.

Department of the Interior

The Interior Department's Bureau of Indian Affairs (BIA) helps Tribes manage and generate significant revenues from mineral, agricultural and forestry resources; a recent inde-

pendent study estimates that timber harvests, reforestation, pest management, and fire control activities provided 49,000 jobs on or near reservations. BIA also promotes Tribal and individual self-sufficiency by developing Tribal resources and obtaining capital investments. Finally, BIA maintains housing for needy Tribal members; over 7,000 other buildings, including 185 schools and 3,000 housing units for BIA and Tribal staff; over 100 high-hazard dams, and (with the Transportation Department and State and local governments) about 50,000 miles of roads and 745 bridges.

- BIA will measure the success of its economic development program by guaranteeing about $35 million in loans to establish, expand, and refinance businesses and boosting their success rate to 91 percent.
- BIA will measure the success of its facilities programs by providing a 60-percent increase in high-priority school repairs and new school construction; its roads program by implementing a maintenance management system and inspections of at least half of all bridges and 80 percent of roads; and its dam safety program by repairing or planning repairs on seven dams and inspecting at least 25 dams.
- BIA will measure the success of its trust programs by implementing or maintaining about 150 Tribal resource management plans, projects, co-management programs, and fishing access sites; supporting 15 irrigation projects; developing 46 million acres for farming and grazing; completing the first phase of a comprehensive environmental audit; funding 20 water rights negotiation teams; and reducing probate and land title backlogs by at least 20 percent.

Tennessee Valley Authority (TVA)

TVA operates an important set of integrated navigation, flood control, water supply, and recreation programs that, with TVA's electric power program, contributes to the prosperity of the seven-State region it serves. The budget provides $77 million for the agency's non-power programs, ensuring that they retain funding as the Administration and Congress consider alternatives for the agency in both the power and non-power areas.

- TVA will maximize the number of days the Tennessee River is open to commercial navigation from Knoxville, Tennessee to Paducah, Kentucky, with a 1999 performance target of full availability 93 percent of the time.
- TVA will minimize flood damage by operating the river system with flood control as a priority, maintaining a 1999 target of 79 percent of flood storage availability.

Commerce Department's Economic Development Administration (EDA)

EDA creates jobs and stimulates commercial and industrial growth in economically distressed areas—rural and urban areas with high unemployment, high poverty rates, or sudden and severe distress. EDA's public works grants help build or expand public facilities to stimulate and foster industrial and commercial growth, such as industrial parks, business incubators, access roads, water and sewer lines, and port and terminal developments. EDA, working with State and local governments and the private sector, has completed over 40,000 projects, creating or retaining over three million private sector jobs. EDA has invested over $16 billion in grants and generated over $36 billion in private investment. From 1992 to 1997, EDA awarded 1,006 public works grants, totaling $975 million, to economically distressed communities to build these types of infrastructure projects.

EDA works with State and local governments, businesses, economic development districts, and non-profit organizations to identify and fund high-priority projects in the neediest communities. The grants also provide technical assistance to communities and firms on problems that stifle economic growth. In addition, EDA's economic adjustment assistance grants help communities solve severe adjustment problems, such as those resulting from natural disasters and industry relocations or major downsizings. To date, EDA has provided almost $500 million in disaster recovery grants to help speed the recovery of disaster-impacted communities Nation-wide.

- In 1999, EDA projects that it will create or retain 22,500 jobs directly and 7,500 jobs indirectly, for a total of 30,000 jobs.

Disaster Relief and Insurance

The Federal Government provides financial help to cover a large share of the Nation's losses from natural hazards. In recent years, spending from the two major Federal disaster assistance programs—the Federal Emergency Management Agency's (FEMA) Disaster Relief Fund and the Small Business Administration's (SBA) Disaster Loan program—has risen significantly, largely because demographic and economic growth has been great in hurricane- and earthquake-prone areas. The Federal Government shares the costs with States for infrastructure rebuilding; makes disaster loans to individuals and businesses; and provides grants for emergency needs and housing assistance, unemployment assistance, and crisis counseling. In addition, the National Flood Insurance Program enables property owners to purchase flood insurance that the commercial market does not offer. To mitigate future losses, and in exchange for flood insurance, communities must adopt and enforce floodplain management measures that protect lives and new construction from flooding.

In 1997, FEMA began Project Impact, a national effort to shift the focus of emergency management from post-disaster response to pre-disaster activities that reduce potential future damage. FEMA is expanding the program in 1998, and will strive for at least one "disaster resistant community" in each State by the end of 1999. In 1999, SBA proposes to support FEMA's mitigation project by making available disaster loans for small businesses in the targeted communities to finance mitigation improvements for permanent or fixed business properties.

FEMA's 1999 goals include:

- Decreasing, by 10 percent, the average time from disaster declaration to Hazard Mitigation Grant Program grant obligation, using the average grant delivery time through 1997 as a baseline;
- Completing 12 hurricane evacuation studies and achieving 60 percent of the mandated review of community flood map needs; and
- Answering 95 percent of claimant questions on the first call and cutting, in half, disaster claimant transcription time and costs billable to the disaster relief fund.

SBA's 1999 goals include:

- Increasing the number of disaster loans processed within 21 days from 85 percent to 90 percent of applications.
- Increasing the percentage of disasters in which effective field presence is established within three days of a declaration from 85 percent to 90 percent.

Appalachian Regional Commission (ARC)

Established in 1965, ARC targets its resources to highly distressed areas, focusing on critical development issues on a regional scale, and making strategic investments that encourage other Federal, State, local and private participation and dollars. When compared with "twin counties" outside the 13-State region, ARC counties have grown 17 times faster in private sector employment, seven times faster in population, and 34 times faster in per capita income. From 1950 to 1960, before the ARC was in place, employment fell 1.5 percent in Appalachia but grew 15 percent Nation-wide. During the most recent reporting period, 1988 to 1996, Appalachian employment grew at the national rate of 10.6 percent.

In 1999:

- As a result of ARC training, 7,500 people will retain or get jobs; and
- ARC will place 100 physicians in the region's health professional shortage areas, to serve another 50,000 patients a year.

The Administration proposes to apply the proven ARC model to the Mississippi Delta Region, an adjoining section with tremendous and wide-ranging needs, in order to: (1) target the Nation's truly poor; (2) provide economic development opportunities in a regional, multi-State context; (3) provide flexible assistance to address local economic development decision-making; (4) create a partnership that links communities, States, and the Federal Government in a coordinated response to economic distress; and (5) leverage other resources to foster self-sustaining economies. The budget proposes a Delta Region Development Program, under the auspices of the

ARC that would establish the Delta Regional Commission to assist in the Region's economic development.

Tax Expenditures

The Federal Government provides several tax incentives to encourage community and regional development activities: (1) tax-exempt bonds for airports, docks, high-speed rail facilities, and sports and convention facilities (costing $5.6 billion from 1999 to 2003); (2) tax incentives for qualifying businesses in economically distressed areas that qualify as Empowerment Zones—including an employer wage credit, higher up-front deductions for investments in equipment, tax-exempt financing, and accelerated depreciation—as well as capital gains preferences for certain investments in the District of Columbia and incentives for first-time buyers of a principal residence in D.C. (costing $3 billion over the five years); (3) a 10-percent investment tax credit for rehabilitating buildings that were built before 1936 for non-residential purposes (costing $335 million over the five years); (4) tax exemptions for qualifying mutual and cooperative telephone and electric companies (costing $335 million over the five years); and (5) up-front deductions of environmental remediation costs at qualified sites (costing $305 million over the five years).

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21. EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Table 21–1. FEDERAL RESOURCES IN SUPPORT OF EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES
(In millions of dollars)

Function 500	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	42,488	46,365	48,608	49,139	49,420	49,297	48,883
Mandatory Outlays:							
Existing law	13,690	13,126	12,090	11,157	10,867	10,067	12,085
Proposed legislation	.....	–158	1,789	2,877	3,490	3,968	4,442
Credit Activity:							
Direct loan disbursements	10,286	13,338	13,671	14,483	15,280	16,093	16,951
Guaranteed loans	19,542	25,052	25,690	27,301	28,841	30,402	32,035
Tax Expenditures:							
Existing law	27,430	33,755	57,295	59,510	61,140	62,905	64,625
Proposed legislation	.....	15	1,010	2,859	3,205	2,839	2,738

The Federal Government helps States and localities educate young people, helps the low-skilled and jobless train for and find jobs, helps youth and adults of all ages overcome financial barriers to postsecondary education and training, helps employers and employees maintain safe and stable workplaces, and helps provide social services for the needy.

The Government spends over $62 billion a year on grants to States and localities; on grants, loans, and scholarships to individuals; on direct Federal program administration; and on subsidies leveraging nearly $40 billion in loans to individuals. It also allocates about $58 billion a year in tax incentives for individuals.

Education

Education is the principal means of upward mobility for Americans who want better lives for themselves and their families. While education is mainly the province of State and local governments, and of families and individuals, the Federal government plays an essential role.

The Federal role is focused in the following areas.

Pre-School: Head Start gives low-income children a comprehensive approach to child development, stressing language and cognitive development, health, nutrition, and social competency.

- In 1999, Head Start will serve an additional 30,000 to 36,000 children, for a total of 860,000 to 866,000 children, continuing progress toward the Administration's goal of one million children served in 2002.
- Within the overall total of children served, in 1999 an additional 10,000 children under age three will participate in the Early Head Start component, for a total of nearly 50,000—the first step toward the Administration's goal of doubling Early Head Start participation from its 1998 level of nearly 40,000 to 80,000 by 2002.

National evaluation studies of both the regular Head Start program and the Early Head Start component are under way, for which preliminary results are expected in the spring and summer of 1998.

Elementary and Secondary Education: Federal spending for elementary and secondary education targets important national needs, such as equal opportunity and higher academic standards to improve student achievement. For example, most low-performing children in low-income schools get extra educational assistance through the Title I-Education for the Disadvantaged program. Other programs provide related support for children with disabilities and limited English proficient children; support teacher and administrator training; help finance and encourage State, school, and system reforms; and support research and technical assistance.

The Administration's long-term goal is to help all children, and especially low-income and minority children, make steady gains over time. Federal programs make a significant contribution to improved learning results.

- Citing Title I, as well as Head Start and child nutrition programs, a 1994 RAND study found that "the most plausible" way to explain big education gains of low-income and minority children in the past 30 years is "some combination of increased public investment in education and social programs and changed social policies aimed at equalizing educational opportunities."
- Minority students have made substantial gains in science, math, and reading since the 1970s, narrowing the gap between minority and Caucasian student achievement by about a third.

The Federal focus began to change in 1994 from supporting individual programs to emphasizing school-wide and school system reforms, through the President's Goals 2000 Educate America Act and his Improving America's Schools Act. These laws support State and local standards-based reform efforts and speed the use of technology in education to help raise learning gains. Overall, these new approaches freed States and schools from Federal restrictions, providing greater flexibility while requiring more accountability for results. Early results show that the new approaches are having a significant impact:

- A 1997 review of State plans showed that 44 had content standards in at least reading and math, and 26 States had performance standards.
- All States have established school support teams that provide high-quality guidance to Title I schools.
- All States now have plans to ensure that (1) classrooms are equipped with modern computers and connected to the Internet, (2) software is an integral part of the curriculum, and (3) teachers are ready to use and teach with technology.
- Business-school partnerships are developing new software and new ways to use technology to raise student achievement.
- By the end of the 1998–1999 school year, nearly all States will have challenging content and performance standards in place for two or more core subjects, and by 2001 nearly all States will have assessments aligned to the standards. Before Goals 2000, almost no States had challenging academic standards in place.
- In 1999, Title I grants to school districts will provide educational services to over 10 million students in high poverty communities, over half a million more children than in 1998.
- Each year, the National Assessment of Education Progress (NAEP) will help measure progress toward achieving the goal that rising percentages of all students will meet or exceed basic, proficient, and advanced performance levels in national and State assessments of reading, math, and other core subjects, and the goal that students in high-poverty schools will show improvement gains comparable to those for all students.

Title VI Education Block Grant: This program provides general resources for education. It does not have clear, measurable goals and is not designed in law to produce specific results in terms of student achievement gains. Evaluations of the program show that school

districts generally use the funds for routine activities that do not improve teaching and learning. As a result, the budget eliminates funding for this program in order to support other programs, such as Title I, for which there are strong indicators of results in terms of student achievement gains.

Individuals with Disabilities: Under the Individuals with Disabilities Education Act, the Education Department works with States to ensure that children with disabilities benefit from the Act's requirement for a "free appropriate public education" and are part of all accountability systems. The Education Department and the States actively work to monitor and improve the performance of those students. In 1998, all States will have performance goals and strategies in place for children with disabilities aged three to 21, and will begin to report their progress toward meeting those goals.

- In 1999, all States will participate in regular assessments of children with disabilities and in reporting the results.

Limited English-Proficient Children: With regard to the growing population of children with limited English proficiency, the Administration proposes that rising percentages of teachers and other staff have the skills needed to enable these students to meet challenging standards.

- In 1999, the Administration will help States hire and train 4,000 new teachers for children with limited English proficiency.

Reading: A student's most basic skill to master is reading. Although reading problems are particularly severe for disadvantaged students, students with reading difficulties represent a cross-section of American children. In 1994, only 30 percent of 4th graders scored at the proficient level in reading on NAEP, while 40 percent scored below the basic level. In 1998, the President launched the America Reads Challenge to provide extra help to meet the goal that every child will read well and independently by the end of the third grade.

- In 1999, America Reads will continue to help increase the percentages of fourth-graders that meet basic, proficient, and advanced levels in reading on the 4th grade NAEP (administered in 1998 and every two years thereafter).

Public School Choice: Charter schools introduce innovation and choice into public schools. In 1997, about 700 charter schools were operating around the Nation, of which about 420 received Federal funding. In 1999, at least 1,500 charter schools will be operating, continuing progress toward the President's goal of 3,000 charter schools by 2001.

Voluntary National Tests: The Administration's proposed voluntary national 4th grade reading and 8th grade mathematics tests for students will help students and their parents and teachers know, for the first time, how well students perform compared to other students nationally and internationally. They will also provide important information about how well education reform efforts are working.

Postsecondary Education: The economic returns to a college education are dramatic. Full-time male workers over 25 years old with at least a bachelor's degree earned 89 percent more in 1993 than comparable workers with just a high school degree. Moreover, the benefits of college extend beyond the college graduates themselves. The resulting higher socioeconomic status of parents with college degrees leads to greater educational achievement by their children.

Since the 1960s, the Federal Government has played a growing role in helping Americans go to college. Federal programs finance two-thirds of all direct student aid (i.e., excluding general State and local support for public higher education). From 1964 to 1993, these programs have helped nearly triple college enrollment, increasing by a third the share of high school graduates who attended college, and raise college enrollment rates for minority high school graduates by nearly two-thirds.

- In 1999, the Education Department will help an estimated 8.8 million students under its student aid programs.
- In 1999, an estimated 12.6 million students will receive college tax credits.

Scholarships for Low-Income Students: Research shows that, at the levels of median income and below, Pell Grant recipients are

twice as likely to earn a bachelor's degree as are non-recipients. The President has proposed, and Congress has enacted, increases in the maximum Pell Grant award from $2,300 in 1993 to $3,000 in 1998. In 1998, an estimated 3.9 million needy students will receive Pell Grants to finance their college educations.

- In 1999, the Pell Grant maximum award will total $3,100 and 3.9 million students will receive Pell grants.

Easing Loan Repayment: The President proposed, and Congress enacted, the 1993 Student Loan Reform Amendments that created the Income Contingent Repayment (ICR) option for loans. With ICR, students who have significant debt burdens and who want to take lower-paying community service jobs can make their payments affordable through ICR. In addition, students who have trouble repaying loans under other schedules can switch to ICR. By the end of calendar 1997, the third year ICR was available, 65,000 borrowers had already signed up for this repayment option.

- In 1999, ICR will continue to be available to as many students who want it.

Modernization of the Student Aid Delivery System: The Education Department manages the delivery of student aid benefits to over seven million students in nearly 7,000 postsecondary schools, and oversees the direct and guaranteed loan systems affecting 37 million individuals, 4,800 lenders, and 36 guarantee agencies. The Department has made modernization of student financial aid management one of its highest priorities. Major parts of the effort include improving customer service at lower cost through better contracting practices and using new information technology. For example, students can now apply for student financial aid electronically and access their direct student loan information over the Internet.

In 1999, the Department expects to continue to make progress toward the goals it has set for 2000, including to:

- increase, to three million, the annual number of students applying for Federal aid electronically;
- enable students and families applying for Federal aid electronically to have their eligibility determined in four days, cutting in half the current processing time;
- make the Department's website the most comprehensive and efficient source of information on Federal student aid and program requirements, reducing hard copies of materials that now must be printed and mailed by at least a third;
- test a multi-year promissory note for student loans to streamline application procedures, minimize delays in receiving funds, and provide better consumer information for borrowers; and
- establish, with its partners in the financial aid community, mutually agreed upon industry-wide standards for data exchanges needed in administering student aid.

Student Loan Defaults: In recent years, the Education Department has made great progress in reducing defaults and increasing collections from defaulters. The national student loan cohort default rate used for institutional eligibility dropped for the fifth straight year to 10.4 percent for 1995, down from 10.7 percent for 1994. The 1995 rate represents the group of borrowers whose first loan repayments came due in 1995 and who defaulted before October 1, 1996.

Over the most recent five-year period, the default rate has fallen by over half, from 22.4 percent in 1990. This dramatic reduction is due, in large part, to the Education Department's improved institutional oversight that has, in turn, led to the removal of 875 schools, including 672 schools from all student aid programs and 203 schools from the Federal loan programs. In addition, the department has implemented rigorous recertification standards for institutions to participate in the student aid programs. As a result, it has rejected about a third of initial applications to participate in the student aid programs over the last three years—twice the rate in 1990.

- In 1999, the default rate will continue to decline toward the goal of 10 percent or less by 2002.

Direct Loan Consolidations: By relying more on performance-based contracting, the Education Department is ensuring the smooth

running of the loan consolidation contract. The Department is also improving the loan consolidation process by improving the accuracy of its data, strengthening managerial controls through better tracking and reporting, increasing the number and expertise of consolidation contractor staff, and speeding up the loan certification process. As a result of new procedures in 1998, the department will average no more than 60 to 90 days to complete a loan consolidation application.

- In 1999, average time to complete a loan consolidation application will continue to decline.
- In 1999, surveys of borrowers will show that applicants for loan consolidation are highly satisfied with the timeliness and accuracy of the loan consolidation process.

Education Department Year 2000 Compliance: The Department has launched a major effort to ensure that its systems are not adversely affected by the year 2000 date change.

- In March 1999, all of the Education Department's mission-critical and mission-important systems will be verified as year 2000 compliant.

Labor

Elementary, secondary, and postsecondary investments enable Americans to acquire the skills to get good jobs in an increasingly competitive global economy. In addition, most workers acquire more skills on the job or through billions of dollars that employers spend to enhance worker skills and productivity.

Some workers however, also benefit from special, targeted assistance. In addition to Pell Grants, student loans, and tax credits, the Federal Government spends nearly $7 billion a year through Department of Labor (DOL) programs that finance job training. In addition, workers who want to learn about job openings can tap into the State Employment Service and One-Stop Career Center System, a labor exchange that's universally available through DOL's popular America's Job Bank (AJB) website, which lists over 750,000 job vacancies every day and receives 40 to 45 million "hits" a month.

DOL has launched several longitudinal evaluations of its job training programs over the past two decades, including major impact evaluations of the Job Corps and Dislocated Worker Assistance programs. Past studies have found mixed, but generally positive, results for the DOL job training programs.

While impact evaluations are the best measure of program effectiveness, DOL also sets annual performance goals for its major job training programs. Performance goals for 1999 will continue to emphasize job placement, employment retention, and earnings levels.

The Job Training Partnership Act's (JTPA) Dislocated Worker Assistance: This program provides training and employment services to about 685,000 displaced workers a year.

- In 1999, about 76 percent of those who receive services will be working three months after leaving the program, earning an average hourly wage that represents 97 percent of the wage in their previous job.

JTPA's Adult Training Grants: This program helps over 400,000 low-income individuals get training, support services, and job placement assistance.

- In 1999, about 60 percent of those who receive services will be working three months after leaving the program, with weekly earnings averaging $270.

Job Corps: The Corps provides skill training, academic and social education, and support services in a structured, residential setting to nearly 70,000 very disadvantaged youth a year at 118 centers.

- In 1999, about 75 percent of those who leave the program will get jobs or pursue further education, while those beginning work will start at an average hourly wage of $6.25.

Employment Service/One-Stop Career Centers: The Employment Service provides a free labor exchange for all workers and job seekers, and is growing more and more effective by expanding its implementation of One-Stop Career Centers.

- In 1999, DOL will continue to expand the One-Stop Career Center System to include 40 percent of all local employment service and JTPA offices, compared to 16 percent in 1997, and increase the number of employers listing jobs with the AJB website by 20 percent over the 1997 level.

School-to-Work: All States are implementing school-to-work systems, using the five-year Federal "venture capital" grants to devise new collaborations between schools and the private sector. In 1996, the program, which began in 1994, was serving one million youth and 23 percent of schools.

- In 1999, 1.5 million youth will be actively engaged in school-to-work activities, and 25 percent of high schools will offer key school-to-work components.

Workplace Protections

DOL regulates compliance with various laws that give workers certain workplace protections—a minimum wage for virtually all workers, prevailing wages and equal employment opportunity for workers on government contracts, overtime pay, restrictions on child labor, and time off for family illness or childbirth. In these areas, the Federal Government is working to increase industry's compliance with labor protections through voluntary compliance initiatives (coupled with continued strong enforcement), outreach to new and small business, and targeted enforcement in specific industries, with specific measurable goals.

- In 1999, compared to 1997, labor law compliance will increase by five percentage points in such industries as domestic garments in certain targeted cities, and in poultry processing.

National Service

The Corporation for National and Community Service supports programs providing service opportunities Nation-wide for Americans of all ages and backgrounds. Through Corporation-supported projects, over 1.5 million participants work to address the Nation's unmet, critical needs. The Corporation organizes its programs into three streams of service, with various annual performance goals.

AmeriCorps: AmeriCorps will engage 56,000 Americans of all ages and backgrounds in community service, and provide education awards in return for such service.

- In 1999, AmeriCorps VISTA members will generate cash and in-kind resources for their sponsoring organizations at a rate of $2.50 for every $1 of Federal funds.

Learn and Serve America: This program provides opportunities for one million students to improve their academic learning while participating in service-learning projects in schools, universities, and communities.

- In 1999, 200,000 high school and college students in Learn and Serve projects will provide literacy tutoring to children in grades K–3.

National Senior Service Corps: The Corps, comprising over 500,000 people age 55 and older, encourages seniors to use their experience, skills and talents while serving as Foster Grandparents, Senior Companions, and the Retired and Senior Volunteers.

- In 1999, the program will serve 150,000 special needs youth and frail elderly.

Social Services

Vocational Rehabilitation Services: The Vocational Rehabilitation program provides funds to States to help about 750,000 individuals with disabilities prepare for independent living or gainful employment each year. In 1997, the program helped to rehabilitate 217,500 individuals with disabilities. The program has not had consistent performance goals and measures of progress.

- In 1999, under proposed legislation, all States will develop challenging State-specific goals based on a comprehensive assessment of the vocational rehabilitation needs of individuals with disabilities in the State, describe the strategies it will use to address those needs, and report on progress made towards those goals.

Social Services Block Grant: The budget targets funding to programs that can better demonstrate positive performance. The Social Services Block Grant supports a broad range of social service programs, but without statutory performance goals or measures of prog-

ress. As a result, the budget reduces funding for this program in order to help provide funding for other higher priority programs with greater demonstrated outcomes, such as Head Start and child care.

Tax Incentives

The Federal Government helps individuals, families, and employers (on behalf of their employees) plan for and buy education and training through numerous tax benefits, which will cost an estimated $57.3 billion in 1999. Along with the new Hope and Lifetime Learning tax credits for college costs, the tax code provides other ways to pay for education and training. State and local governments, for instance, can issue tax-exempt debt to finance student loans or to build the facilities of non-profit educational institutions. Interest from certain U.S. Savings Bonds is tax-free if the bonds go solely to pay for education. Many employers provide employee benefits that do not count as income. Starting in 1998, many taxpayers can deduct the interest on student loans. Finally, the tax code gives employers a Work Opportunity Tax Credit and a Welfare-to-Work Tax Credit, letting them claim a tax credit for part of the wages they pay to certain hard-to-employ people who work for them for a minimum period.

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22. HEALTH

Table 22–1. FEDERAL RESOURCES IN SUPPORT OF HEALTH
(In millions of dollars)

Function 550	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	25,086	26,355	27,515	28,276	29,221	30,479	32,957
Mandatory Outlays:							
Existing law	100,882	106,339	115,050	122,450	131,564	141,347	152,447
Proposed legislation	.....	.....	44	124	224	-110	-120
Credit Activity:							
Direct loan disbursements	21	.....	.....	.....	.....	.....	.....
Guaranteed loans	140	152	74	13	6	.....	.....
Tax Expenditures:							
Existing law	75,506	80,580	85,925	91,480	97,585	104,356	112,109

Federal health programs work to improve America's health. In 1999, the Federal Government will spend about $141 billion and allocate about $86 billion in tax incentives to provide direct health care services, promote disease prevention, further consumer and occupational safety, conduct and support research, and help train the Nation's health care work force. Together, these Federal activities have generated considerable progress in extending life expectancy, cutting the infant mortality rate to historic lows, preventing and eliminating infectious diseases, leveling fatality among those with HIV/AIDS, and maintaining the quality of life of individuals suffering from chronic diseases and disabilities.

In 1995, estimated life expectancy matched the record high, 75.8 years, of 1992. The steady rise since the early 1900s is partly attributable to advances in medical science, health technologies, and public health administration. Furthermore, infant mortality has reached a record low of 7.5 infant deaths per 1,000 live births, a six-percent reduction from the previous year. For the first time, HIV/AIDS death rates did not increase from the previous year. The age-adjusted death rate from HIV infection was 15.4 deaths per 100,000 population in 1995.

President Johnson and Congress created Medicaid in 1965 as a Federal-State partnership to provide health insurance for the low-income elderly and the poor. Since then, the Nation's leaders have expanded the program from time to time to meet emerging needs. In 1986, for instance, they answered public concerns about high infant mortality rates and the decline in private insurance coverage by expanding Medicaid coverage for prenatal and child health services. In 1997, the President and Congress created a new children's health program that builds on the success of previous Medicaid expansions for children.

The Federal Government also helps expand health care coverage to those with which it has a special obligation (including veterans, uniformed military personnel, and American Indians and Alaska Natives). To foster significant advances in treatments and cures, Federal health grants help sponsor biomedical research that would not otherwise take place. Together, Federal assistance in health improves the public welfare and health status.

The Department of Health and Human Services (HHS) is the Federal Government's lead agency for health programs. HHS' Strategic Plan states the agency mission as: "to enhance the health and well-being of Americans by providing for effective health and human services and by fostering strong, sustained advances in the sciences underlying medicine, public health, and social services."

HHS' Strategic Plan includes six goals:

(1) Reduce the major threats to health and productivity of all Americans;

(2) Improve the economic and social well-being of individuals, families, and communities in the United States;

(3) Improve access to health services and ensure the integrity of the Nation's health entitlement and safety net programs;

(4) Improve the quality of health care and human services;

(5) Improve public health systems; and

(6) Strengthen the Nation's health sciences research enterprise and enhance its productivity.

Health Care Services and Financing

Of the estimated $141 billion in Federal health care outlays in 1999,[1] 88 percent finances or supports direct health care services to individuals.

Medicaid: This Federal-State health care program served about 33 million low-income Americans in 1997, with the Federal Government spending $95.6 billion (57 percent of the total) while States spent $72 billion (43 percent). States that participate in Medicaid must cover several categories of eligible people, including certain low-income elderly, people with disabilities, low-income women and children, and several mandated services, including hospital care, nursing home care, and physician services. States also may cover optional populations and services. Under current law, Federal experts expect total Medicaid spending to grow an average of 7.2 percent a year from 1998 to 2003.

[1] Excluding Medicare and the military and veterans medical programs.

Medicaid covers a fourth of the Nation's children and is the largest single purchaser of maternity care as well as of nursing home services and other long-term care services; the program covers almost two-thirds of nursing home residents. The elderly and disabled made up less than a third of Medicaid beneficiaries in 1996, but accounted for almost two-thirds of spending on benefits. Other adults and children made up over two-thirds of recipients, but accounted for less than a third of spending on benefits. Medicaid serves at least half of all adults living with AIDS (and up to 90 percent of children with AIDS), and is the largest single payer of direct medical services to adults living with AIDS.

States increasingly rely on managed care arrangements to provide health care through Medicaid, with enrollment in such arrangements rising from 7.8 million in 1994 to 13 million in 1996.

The 1997 Balanced Budget Act (BBA) made important changes to Medicaid in order to reduce spending, mainly by reducing the Disproportionate Share Hospital program, and giving States more flexibility. Specifically, the Act gave States the option of requiring most beneficiaries to enroll in managed care plans without seeking a Federal waiver. It repealed the Boren Amendment, giving States more flexibility to set hospital and nursing home reimbursement rates. It added a State option of guaranteeing Medicaid eligibility to children for 12 months, regardless of changes in the child's family income, and restored Medicaid benefits for certain groups of immigrants who would otherwise lose them under the 1996 welfare law.

The Health Care Financing Administration (HCFA), which administers Medicaid, will work with the States to develop and test Medicaid performance goals in accordance with the 1993 Government Performance and Results Act. Because Medicaid's success is integrally related to States' decisions on eligibility, reimbursement rates, delivery systems, and services, HCFA must select performance goals in consultation with States to ensure that they are compatible with State goals and objectives.

In 1998, HCFA and the National Association of State Medicaid Directors will conduct three formal consultation meetings to:

- identify areas of performance measurement;
- identify potential performance measures; and
- reach consensus on performance measures for HCFA's 2000 Annual Performance Plan.

In 1999, HCFA will work with the States to establish performance measurement baselines and performance targets.

Medicaid supports HHS' first three strategic goals.

Children's Health Insurance Program: Ten million American children lack health insurance. To increase the number of children with insurance, the BBA established the State Children's Health Insurance Program (CHIP), which provides $24 billion over the next five years for States to expand health insurance coverage to low-income, uninsured children. The new program strikes a balance between providing States with broad flexibility in program design and protecting beneficiaries through basic Federal standards. States have great flexibility to choose to expand Medicaid, create a separate State program, or use a combination of the two. At the same time, the new law ensures that States provide a meaningful benefit package, limit cost sharing, maintain their current Medicaid programs, and provide accountability.

Each State may receive CHIP funding after HCFA approves its child health plan. State child health plans must describe the strategic objectives, performance goals, and performance measures used to assess the effectiveness of the plan. In preparation for its 2000 Annual Performance Plan, HCFA will work with the States to develop a consensus for a performance measure related to cutting the number of uninsured children and increasing the enrollment of eligible children in CHIP and Medicaid.

In developing such a measure, HCFA and the States likely will consider such factors as:

- How much CHIP has increased the number of children with creditable health coverage;
- The characteristics of the children and families who were helped;
- The quality of coverage and types of benefits provided;
- The level of State contributions; and
- Recommendations to improve the program.

HCFA will work with the States to identify possible sources of data for performance measurement. In 2002, the Secretary of Health and Human Services will issue a report, based on State evaluations, with conclusions and recommendations.

HHS also is working to develop performance measures for CHIP. As does Medicaid, CHIP supports HHS' first three strategic goals.

Other Health Care Services: HHS supplements Medicare and Medicaid with a number of "gap-filling" grant activities to support health services for low-income or specific populations, including Consolidated Health Center grants, Ryan White AIDS treatment grants, the Maternal and Child Health block grant, Family Planning grants, and the Substance Abuse block grant. In addition, the Indian Health Service (IHS) delivers direct care to about 1.3 million American Indians and Alaska Natives as a part of the Federal Government's trust obligations. The IHS system, located primarily on or near reservations, includes 49 hospitals, 195 health centers, and almost 300 other clinics.

HHS agencies have sought to ensure that specific populations have access to high-quality Federal health services. Similar to health insurance programs, these supplemental health service programs support HHS' first three strategic goals. HHS agencies have developed performance measures to help plan, track, and evaluate program effectiveness.

In 1999, HHS agencies will work to meet the following goals:

- *IHS:* Cut the incidence of amputation and blindness linked to diabetic neuropathy and retinopathy by five percent in the Native American and Alaska Native diabetic populations, compared to the 1996 rate,

which varies from 45 percent among the Sioux to 18 percent among the Pima Indians.

- *Substance Abuse and Mental Health Services Administration:* Reverse the upward trend and cut monthly marijuana use among 12 to 17-year-olds by 25 percent, from the 1995 baseline of 8.2 percent to 6.2 percent, by the end of 2002.
- *Health Resources and Services Administration (HRSA):* Increase the percent of infants born to pregnant women receiving prenatal care, beginning in the first trimester, from the 1995 rate of 81.3 percent.
- *HRSA:* Cut, by eight percent, the number of AIDS cases in children as a result of perinatal transmission, compared to the 1996 baseline of 678 cases.
- *Agency for Health Care Policy and Research:* Release and disseminate Medical Expenditure Panel Survey data and associated products to the public within nine to 12 months of data collection.
- *Office for Civil Rights:* Increase the number of managed care plans in compliance with Title VI, Section 504 and the Americans with Disabilities Act.

Also in 1999, the Consumer Product Safety Commission will reduce product-related head injuries to children by 10 percent.

Prevention Services: Prevention can go far to improve Americans' health. Measures to protect public health can be as basic as providing good sanitation and as sophisticated as preventing bacteria from developing resistance to antibiotics. State and local health departments traditionally lead such efforts, but the Federal Government—through HHS' Centers for Disease Control and Prevention (CDC)—also provides financial and technical support. For a half-century, CDC has worked with State and local governments to prevent syphilis and eliminate smallpox and other communicable diseases.

More recently, CDC has focused on preventing a host of diseases, including breast cancer, prostate cancer, lead poisoning among children, and HIV/AIDS. Furthermore, CDC is working to reduce the prevalence of chlamydia among high-risk women under age 25 in federally-funded family planning and Sexually Transmitted Disease (STD) clinics from nine percent in 1996 to below six percent. HHS' prevention programs support its first, fourth, and fifth strategic goals.

- Working with HCFA, CDC will continue to help States ensure that, by age two, at least 90 percent of all U.S. children receive each recommended basic childhood vaccine.

Biomedical Research: The National Institutes of Health (NIH) is among the world's foremost biomedical research centers and the Federal focal point for the Nation's biomedical research. NIH research is designed to gain knowledge to help prevent, detect, diagnose, and treat disease and disability. NIH conducts research in its own laboratories and clinical facilities; supports research by non-Federal scientists in universities, medical schools, hospitals, and research institutions across the Nation and around the world; helps train research investigators; and fosters communication of biomedical information.

NIH supports over 50,000 grants to universities, medical schools, and other research and research training institutions while conducting over 1,200 projects in its own laboratories and clinical facilities. NIH-supported research has helped to achieve many of the Nation's most important public health advances. Examples of recent research advances include the identification of a gene that predisposes men to prostate cancer; the development of potentially life-saving new therapies for HIV-infected individuals; the identification of certain risk factors for breast cancer which result from mutated genes; and the development of new technology for detecting defects in human chromosomes.

In continuing to make new discoveries in these and other research areas, NIH has set forth its vision of biomedical and behavioral research in the HHS strategic plan. Also, as a steward of public funding for research, NIH helps grantee institutions improve their internal business systems so they can more easily comply with Federal grant requirements. NIH programs support HHS' first, fourth, and sixth strategic goals.

NIH has set bold performance goals for the next century of research, such as:

- completing the sequencing of the human genome project by 2005 by initially reaching a production rate of 100 million base pairs in 1999, growing to a production rate of over 300 base pairs a year by 2003; and
- leading the national effort to meet the President's goal of developing an AIDS vaccine by 2007.

Public Health Regulation and Safety Inspection: The Food and Drug Administration (FDA) spends $1 billion a year to promote public health by helping to ensure through premarket review and post-market surveillance that foods are safe, wholesome, and sanitary; human and veterinary drugs, biological products, and medical devices are safe and effective; and cosmetics and electronic products that emit radiation are safe. FDA also helps the public gain access to important new lifesaving drugs, biological products, and medical devices. It leads Federal efforts to ensure the timely review of products and ensure that regulations enhance public health, not serve as an unnecessary regulatory burden. In addition, the FDA supports research, consumer education, and the development of both voluntary and regulatory measures to ensure the safety and efficacy of drugs, medical devices, and foods. With the 1997 reauthorization of the Prescription Drug User Fee Act, FDA will continue to collect pharmaceutical industry fees to accelerate the review of drug applications.

FDA programs support HHS' first and fifth strategic goals.

To speed the review process, FDA has set the following performance goals for 1999:

- review and process 90 percent of complete new drug applications within a year of submission;
- review and process 90 percent of complete new drug applications for priority drugs within six months of submission; and
- review and process 75 percent of new medical device applications (know as pre-market applications) within 180 days, compared to 54 percent in 1996.

To give the public useful health information, FDA has set the following performance goal:

- Ensure that, by the year 2000, 75 percent of consumers receiving drug prescriptions will get more useful and readable information about their product.

FDA will define the term "usefulness" in terms of: scientific accuracy, unbiased content and tone, specificity and comprehensiveness, and timeliness. Based on the FDA's own national surveys, only 32 percent of consumers received useful information on new drug prescriptions in 1992.

The Food Safety and Inspection Service (FSIS) inspects the Nation's meat, poultry, and egg products, ensuring that they are safe, wholesome, and not adulterated. With $600 million in annual funding, agency staff inspect all domestic livestock and poultry in slaughter plants; conduct at least daily inspections of meat, poultry, and egg product processing plants; and inspect imported meat, poultry, and egg products. In 1996, FSIS issued a major regulation that will begin shifting responsibility for ensuring meat and poultry safety from FSIS to the industry. The regulation should allow FSIS to better target its inspection resources to the higher-risk elements of the meat and poultry production, slaughter, and marketing processes.

- By 1999, 92 percent of all federally-inspected meat and poultry products will be under a Hazard Analysis Critical Control Point (HACCP) system and, by 2000, all plants will produce products under HACCP.

Workplace Safety and Health

The Federal Government spends $550 million a year to promote safe and healthy workplaces for over 100 million workers in six million workplaces, mainly through the Labor Department's Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA). Regulations that help businesses create and maintain safe and healthy workplaces have significantly cut illness, injury, and death from exposure to hazardous substances and dangerous employment. In 1996 (the most recent year for which data are available), workplace

injuries and illnesses fell to the lowest rate on record. OSHA and MSHA will work to continue this trend by enforcing their regulations and helping employers and workers.

- By focusing on the most hazardous industries and workplaces and the most prevalent workplace injuries and illnesses, OSHA over the next two years will reduce workplace injuries and illnesses by 20 percent in 50,000 workplaces.
- MSHA will, in 1999, reduce fatalities and lost workdays in all mines to below the average number recorded for the previous five years.

Tax Expenditures

Federal tax laws help finance health insurance and care. Most notably, employer contributions for health insurance premiums are excluded from employees' taxable income. In addition, self-employed people may deduct a part (45 percent in 1998, rising to 100 percent in 2007 and beyond) of what they pay for health insurance for themselves and their families. Individuals who itemize also may deduct certain health-related expenses—such as insurance premiums that employers do not pay; expenses to diagnose, treat, or prevent disease; and expenses for certain long-term care services and insurance policies—to the extent that they exceed 7.5 percent of the individuals' adjusted gross income. Total health-related tax expenditures, including other provisions, will reach an estimated $86 billion in 1999, and $491 billion from 1999 to 2003; the exclusion for employer-provided insurance and related benefits (including deductions by the self employed) accounts for most of these costs ($76 billion in 1999 and $438 billion from 1999 to 2003).

23. MEDICARE

Table 23-1. FEDERAL RESOURCES IN SUPPORT OF MEDICARE
(In millions of dollars)

Function 570	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	2,623	2,724	2,648	2,640	2,627	2,609	2,652
Mandatory Outlays:							
Existing law	187,441	195,383	204,691	214,249	230,075	232,504	253,450
Proposed legislation	.....	.....	-79	-33	-152	-257	-326

Created by the Social Security Amendments of 1965 (and expanded in 1972), Medicare is a Nation-wide health insurance program for the elderly and certain people with disabilities. The program, which will spend an estimated $207 billion in 1999 on benefits and administrative costs, consists of two complementary but distinct parts, each tied to a trust fund: (1) Hospital Insurance (Part A) and (2) Supplementary Medical Insurance (Part B).

Over 30 years ago, Medicare was designed to address a serious, national problem in health care—the elderly often could not afford to buy health insurance, which was more expensive for them than for other Americans because they had higher health care costs. Medicare was expanded in 1972 to address a similar problem of access to insurance for people with disabilities. Through Medicare, the Federal Government created one insurance pool for all of the elderly and eligibile disabled individuals while subsidizing some of the costs, thus making insurance much more affordable for almost all elderly Americans and for certain people with disabilities.

Medicare has very successfully expanded access to quality care for the elderly and people with disabilities. Still, even though the Balanced Budget Act (BAA) of 1997 improved Medicare's financial outlook for the near future, its trust funds face financing challenges as the Nation moves into the 21st Century. Along with legislative proposals discussed elsewhere in the budget, the Health Care Financing Administration (HCFA), which runs Medicare, is working to improve Medicare through its regulatory authority and demonstration programs.

The Department of Health and Human Services (HHS), which houses HCFA, is the Federal Government's lead agency for health programs. HHS' Strategic Plan states the agency mission as: "to enhance the health and well-being of Americans by providing for effective health and human services and by fostering strong, sustained advances in the sciences underlying medicine, public health, and social services."

Medicare supports HHS' first, second, third, and fourth strategic goals, as described in Chapter 22, "Health."

Part A

Part A covers almost all Americans age 65 or older, and most persons who are disabled for 24 months or more and who are entitled to Social Security or Railroad Retirement benefits. People with end-stage renal disease (ESRD) also are eligible for Part A coverage. About 99 percent of Americans aged 65 or older are enrolled in Part A, along with an estimated 93 percent of ESRD patients. Part A reimburses providers for the inpatient hospital, skilled nursing facility, home health care related to a hospital

stay, and hospice services provided to beneficiaries. Part A's Hospital Insurance (HI) Trust Fund receives most of its income from the HI payroll tax—2.9 percent of payroll, split evenly between employers and employees.

Part B

Part B coverage is optional, and it is available to almost all resident citizens age 65 or older and to people with disabilities who are entitled to Part A. About 96 percent of those enrolled in Part A have chosen to enroll in Part B. Enrollees pay monthly premiums that cover about 25 percent of Part B costs, while general taxpayer dollars subsidize the remaining costs. For most beneficiaries, the Government simply deducts the Part B premium from their monthly Social Security checks.

Part B pays for medically necessary physician services; outpatient hospital services; diagnostic clinical laboratory tests; certain durable medical equipment (e.g., wheelchairs) and medical supplies (e.g., oxygen); home health care; physical and occupational therapy; speech pathology services; and outpatient mental health services. Part B also covers kidney dialysis and other services for ESRD patients.

Fee-for-Service vs. Managed Care

Beneficiaries can choose the coverage they prefer. Under the "traditional," fee-for-service option, beneficiaries can go to virtually any provider in the country. Medicare pays providers primarily based on prospective payment, an established fee schedule, or reasonable costs. About 87 percent of Medicare beneficiaries now opt for fee-for-service coverage.

Alternatively, beneficiaries can enroll in a Medicare managed care plan, and the 13 percent who do are concentrated in several geographic areas. Generally, enrollees receive care from a network of providers, although Medicare managed care plans may offer a point-of-service benefit, allowing beneficiaries to receive certain services from non-network providers. Most managed care plans receive a monthly, per-enrollee "capitated" payment that covers the cost of Part A and B services. As of June 1997, 67 percent of all Medicare beneficiaries lived in a county served by at least one Medicare managed care plan.

Due to the BBA, Medicare managed care (renamed "Medicare+Choice" or Part C) will provide new health plan options for Medicare beneficiaries, including provider-sponsored organizations (PSOs) and preferred provider organizations (PPOs). Part C also will feature improved beneficiary information and will be fully operational by January 1, 1999.

Successes

Medicare has dramatically increased access to health care for the elderly—from slightly over 50 percent of the elderly in 1966 to almost 100 percent today.

According to the Physician Payment Review Commission's latest report, 96 percent of Medicare beneficiaries reported no trouble obtaining care. Further, less than 1 percent of beneficiaries reported trouble getting care because a physician would not accept Medicare patients. Medicare beneficiaries have access to the most up-to-date medical technology and procedures.

Medicare also gives beneficiaries an attractive choice of managed care plans. Today, managed care is a major, and growing, part of Medicare. As of December 1, 1997, over 5.2 million beneficiaries have enrolled in 307 Medicare managed care plans. During the 12-month period ending December 1, 1997, enrollment in the capitated managed care plans called "risk contracts" grew by 27 percent. Managed care plans can provide coordinated care that is focused on prevention and wellness.

In addition, Medicare is working to protect the integrity of its payment systems. Building on the success of Operation Restore Trust, a five-State demonstration aimed at cutting fraud and abuse in home health agencies, nursing homes, and durable medical equipment suppliers, Medicare is increasing its efforts to root out fraud and abuse. Recent legislation provides mandatory Federal funds and greater authority to prevent inappropriate payments to fraudulent providers, and to seek out and prosecute providers who continue to defraud Medicare and other health care programs.

Spending and Enrollment

Net Medicare outlays will rise by an estimated 30 percent from 1998 to 2003—from $194.2 billion to $252 billion.[1] Part A outlays will grow by an estimated 23 percent over the period—from $130.3 billion to $160 billion—or an average of 4.2 percent a year. Part B outlays will grow by an estimated 44 percent—from $63.8 billion to $92 billion—or an average of 7.6 percent a year.

Medicare is consuming a growing share of the budget. In 1980, Federal spending on Medicare benefits was $31 billion, comprising 5.2 percent of all Federal outlays. In 1995, Federal spending on Medicare benefits was $156.6 billion, or just over 10 percent of all Federal outlays. By 2003, assuming no changes in current law, Federal spending on Medicare benefits will total an estimated $252 billion, or almost 13 percent of all Federal outlays.

Medicare enrollment will grow slowly until 2010, then explode as the baby boom generation begins to reach age 65. From 1995 to 2010, enrollment will grow at an estimated average annual rate of 1.5 percent, from 37.6 million enrollees in 1995 to 46.9 million in 2010. But after 2010, average annual growth will almost double, with enrollment reaching an estimated 61.3 million in 2020.

The Two Trust Funds

HI Trust Fund: As noted earlier in this chapter, the HI Trust Fund is financed by a 2.9 percent payroll tax, split evenly between employers and employees. In 1995, HI expenditures began to exceed the annual income to the Trust Fund and, as a result, Medicare began drawing down the Trust Fund's accounts to help finance Part A spending. Prior to the BBA, the Government's actuaries predicted that the HI Trust Fund would become insolvent in 2001. The BBA, however, ensured the solvency of the Trust Fund for another nine years—until 2010.

Medicare Part A still faces a longer-term financing challenge. Since current benefits are paid by current workers, Medicare costs associated with the retirement of the baby boomers, starting in 2010, will be borne by the relatively small number of people born after the baby boom. As a result, only 2.2 workers will be available to support each beneficiary in 2030—compared to today's four workers per beneficiary. The President plans to work with Congress and the Medicare Commission to develop a long-term solution to this financing challenge.

SMI Trust Fund: The SMI Trust Fund receives about 75 percent of its income from general Federal revenues and about 25 percent from beneficiary premiums. Unlike HI, the SMI Trust Fund is really a trust fund in name only; the law lets the SMI Trust Fund tap directly into general revenues to ensure its annual solvency.

Demonstrations and Regulations

HCFA also conducts demonstration programs to determine the efficacy of new service delivery or payment approaches. For example, Phase II of the Social Health Maintenance Organization demonstration project is testing alternative mechanisms for adjusting the managed care capitated payment, including the beneficiary's functional status. In another demonstration project, Centers of Excellence, HCFA has experimented with bundled payments for hospital and physician costs for selected procedures performed at certain high-quality facilities.

Through its regulatory authority, HCFA continually improves Medicare. For example, HCFA has finalized regulations specifying additional standards that home health agencies must meet to participate in Medicare, including securing surety bonds, and it expects to issue similar regulations for durable medical equipment suppliers this year. By reducing the amount of fraud and abuse in the program, the Administration is making important changes to strengthen Medicare.

Performance Plan

HCFA has developed a comprehensive set of performance goals to measure its progress in ensuring that Medicare beneficiaries receive the highest quality health care. HCFA's 22 performance goals relate to quality assurance, access to care for the elderly and disabled,

[1] These figures cover Federal spending on Medicare benefits, but do not include spending financed by beneficiaries' premium payments or administrative costs.

administrative efficiency, and a reduction in fraud and abuse—four areas critical to the administration of Medicare.

For example, HCFA's 1999 goals include:

- Increasing the percentage of Medicare beneficiaries who receive a mammogram once every two years from 49 percent in 1994 to 59 percent in 1999 and 60 percent in 2000;
- Increasing the number of Medicare beneficiaries receiving vaccinations for influenza from 41 percent in 1995 to 59 percent;
- Reducing the payment error rate under Medicare's fee-for-service program from 14 percent in 1996 to 13 percent, with a five-year goal of 10 percent;
- Continuing to shift Medicare contractors' nine different claims processing systems to one Part A and one Part B standard system (by the end of 1999, HCFA will have one Part A system and two Part B systems, with the final Part B transition coming later); and
- Ensuring that no significant interruptions to Medicare claims payments occur because information systems under HCFA's control were not year 2000 compliant. For systems not under HCFA's direct control, HCFA will continue to work with its Medicare contractor community and perform oversight activities directing them to achieve and verify compliance. HCFA will again seek legislative changes to increase its control over contractor systems.

24. INCOME SECURITY

Table 24-1. FEDERAL RESOURCES IN SUPPORT OF INCOME SECURITY
(In millions of dollars)

Function 600	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	22,687	31,933	32,984	36,721	37,750	39,012	40,318
Mandatory Outlays:							
Existing law	191,445	198,446	210,002	219,733	227,561	233,748	243,064
Proposed legislation	.....	100	1,516	1,843	2,269	2,554	2,706
Credit Activity:							
Direct loan disbursements	71	62	33	11	.....	.....	.....
Guaranteed loans	11	31	72	144	145	71	40
Tax Expenditures:							
Existing law	101,350	103,950	103,690	105,570	106,475	107,645	109,095
Proposed legislation	.....	42	130	250	267	256	273

The Federal Government provides about $245 billion a year in cash or in-kind benefits to individuals through income security programs, including about $130 billion for programs of the "social safety net." Since the 1930s, these safety net programs, plus Social Security, Medicare, and Medicaid, have grown enough in size and coverage so that even in the worst economic times, most Americans can count on some form of minimum support to prevent complete destitution. The combined effects of these programs represent one of the most significant changes in national social policy in this century, improving the lives of millions of lower-income families.

The remaining $115 billion for income security programs include general retirement and disability insurance (excluding Social Security, which is described in Chapter 25), Federal employee retirement and disability programs, and housing assistance.

Major Programs

The largest means-tested income security programs discussed in this chapter are Food Stamps, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and the Earned Income Tax Credit (EITC). The various kinds of low-income housing assistance are discussed in Chapter 18, "Commerce and Housing Credit." These programs, along with unemployment compensation (which is not means-tested), form the backbone of cash and in-kind "safety net" assistance in the Income Security function.

Food Stamps: Food Stamps help most low-income people get a more nutritious diet. The program reaches more people than any other means-tested income security program; in an average month in 1997, 22.9 million people, or 9.5 million households, received benefits and that year, the program provided total benefits of $20 billion. Food Stamps is the only Nation-wide, low-income assistance program available to essentially all financially-needy households that does not impose non-financial criteria, such as whether households include children or elderly persons. (The new welfare law limits the number of months that childless, able-bodied individuals can receive benefits while unemployed.) The average monthly, per-person Food Stamp benefit was about $71 in 1997.

- In 1999, the program will provide an average projected benefit of $76 to 21.6 million persons a month.

Child Nutrition Programs: The National School Lunch and Breakfast Programs provide free or low-cost nutritious meals to children in participating schools.

- In 1999, the programs will serve an estimated 27 million lunches daily.

Supplemental Security Income: SSI provides benefits to the needy aged, blind, and disabled adults and children. In 1997, 6.3 million individuals received $26.2 billion in benefits. Eligibility rules and payment standards are uniform across the Nation. Average monthly benefit payments range from $234 for aged adults to $450 for blind and disabled children. Most States supplement the SSI benefit.

- In 1999, SSI will serve an estimated 6.3 million respondents, costing $28 billion in benefits.

Temporary Assistance for Needy Families: In the 1996 welfare reform law, the President and Congress enacted TANF as the successor to the 60-year-old Aid to Families with Dependent Children (AFDC) program. TANF, on which the Federal Government will spend about $16.5 billion in 1999, is designed to meet the President's goal of dramatically changing the focus of welfare—from a system focused on determining eligibility to one that helps recipients move from welfare to work. TANF grants give States broad flexibility to determine eligibility for assistance and the kind of cash, in-kind, and work-related assistance they provide.

- States cannot yet project the number of persons who will receive TANF assistance in 1999.

Earned Income Tax Credit: The EITC, a refundable tax credit for low-income working families, has two broad goals: (1) to encourage families to move from welfare to work by making work pay; and (2) to reward work so parents who work full-time do not have to raise their children in poverty. In 1997, the EITC provided $27.9 billion of credits, including spending on tax refunds and lower tax receipts for non-refunded portions of the credit. For every dollar that low-income workers earn—up to certain limits—they receive between seven and 40 cents as a tax credit. In 1997, the EITC provided an average credit of nearly $1,470 to nearly 19 million workers and their families.

- In 1999, an estimated 19 million households will receive an average credit of $1,500.

Unemployment Compensation: Unemployment compensation provides benefits, which are taxable, to individuals who are temporarily out of work and whose employer has previously paid payroll taxes to the program. The State payroll taxes finance the basic benefits out of a dedicated trust fund. States set benefit levels and eligibility criteria, which are not means-tested. Regular benefits are typically available for up to 26 weeks of unemployment. In 1997, about 7.6 million persons claimed unemployment benefits that averaged $185 weekly.

- In 1999, an estimated 8.3 million persons will receive an average benefit of $199 a week.

By design, benefits are available to experienced workers who lose their jobs through no fault of their own. Thus, unemployment compensation does not cover all of the unemployed in any given month. In 1997, on average, the "insured unemployed" represented about 35 percent of the estimated total number of unemployed. Those who are not covered include new labor force entrants, re-entrants with no recent job experience, and those who quit their jobs voluntarily without good cause and, thus, are not eligible for benefits.

Other important income security programs include the Special Supplemental Nutrition Program for Women, Infants, and Children (known as WIC); child care assistance; refugee assistance; and low-income home energy assistance.

Recent Changes in Income Security Caseloads

Due largely to a strong economy and significant changes to Federal welfare and Food Stamp programs, the caseload in each has continued to fall in the past year. Most detailed analyses have attributed these caseload reductions to the strong economy and

new efforts to move people from welfare to work. Indeed, welfare caseloads, which fell by a record 1.9 million in the President's first three-and-a-half years in office, dropped by more than two million in the year after he signed the new welfare reform law. The law created TANF, repealed AFDC, increased child care payments, and created a new time-limited work-oriented public assistance program. States must now require and reward work, impose time limits, and demand personal responsibility.

In addition, the welfare reform law also limited Food Stamp benefits for able-bodied childless adults to three months of assistance in a 36-month period. The 1997 Balanced Budget Agreement provided funds to provide qualifying work slots to individuals facing the time limits, but only enough to serve a portion of affected individuals. The welfare reform law banned most legal immigrants from receiving Food Stamps. The budget would restore these benefits for families with children, and for disabled and elderly legal immigrants who entered the country before the law was signed.

Like TANF, Food Stamp caseloads have continued to fall. In September 1997, the Food Stamp program recorded its 41st straight month of declining enrollment, reflecting a longstanding trend: Food Stamp enrollments rise and fall with the poverty rate. At its peak in March 1993, Food Stamps served 27.4 million participants a month, or one in every 10 Americans. By September 1997, participation had fallen to 20.9 million, or one in every 13 Americans.

Due also to the economy and low unemployment, the unemployment insurance (UI) caseload has fallen significantly. Between 1993 and 1997, the average weekly number of individuals claiming UI benefits declined from 4.4 million to 2.4 million.

While caseloads have fallen in various safety net programs, the Administration has continued to target resources at infants and children. WIC, for example, reaches nearly 7.5 million persons a year, providing nutrition assistance, nutrition education and counseling, and health and immunization referrals. WIC funding increases since 1993 have enabled participation to grow by nearly 30 percent. The budget proposes $4.1 billion to serve 7.5 million through 1999, fulfilling the President's goal of full participation in WIC.

Effects of Income Security Programs

What effect do safety net programs have on poverty, and to what extent do they target assistance to the poor? Chapter 25, "Social Security," explores the impact of Social Security alone on the income and poverty of the elderly. This chapter looks at the cumulative impact across the major programs.

For purposes of this discussion, "means-tested benefits" include AFDC, SSI, certain veterans pensions, Food Stamps, child nutrition meals subsidies, rental assistance, and State-funded general assistance. Medicare and Medicaid greatly help eligible families who need medical services during the year, but experts do not agree about how much additional income Medicare or Medicaid coverage represents to the covered. Consequently, these benefits are not included in the analysis that follows. "Social insurance programs" include Social Security, railroad retirement, veterans compensation, unemployment compensation, Pell Grants, and workers' compensation. The definition of income for this discussion (cash and in-kind benefits), and the notion of pre- and post-Government transfers, do not match the Census Bureau's definitions for developing official poverty statistics. Census counts income from cash alone, including Government transfers.

Effectiveness in Reducing Poverty: Based on special tabulations from the March 1997 Current Population Survey (CPS), 57.5 million people were poor in 1996 before accounting for the effect of Government programs. After accounting for Government transfer programs, the number of poor fell to 30.3 million, a drop of 47 percent.

After large declines in poverty in 1994 and 1995, 1997 CPS data suggests that the poverty rate did not fall significantly in 1996. Some experts were surprised, given large declines in the unemployment rate, increases in real weekly wages of production and nonsupervisory employees, and a higher minimum wage that took effect in October. But, while the overall poverty rate did not fall, the strong economy lowered the pre-

transfer poverty rate and has enabled more people to leave welfare for work. Thus, fewer individuals have had to rely on safety net programs to pull themselves out of poverty.

Efficiency in Reducing Poverty: The poverty gap is the amount by which the incomes of all poor people fall below the poverty line. "Efficiency" in reducing poverty is defined as the percentage of Government benefits of a particular type (e.g., social insurance programs) that help cut the poverty gap. For example, if $1 out of every $2 in Category A helps cut the poverty gap, the "efficiency" of Category A is 50 percent.

Before counting Government benefits, the poverty gap was $194.5 billion in 1995. Benefits from Government programs cut it by $135 billion, or 69 percent. Of the $135 billion cut, social insurance programs accounted for $90 billion, means-tested benefits for $43 billion, and Federal tax provisions for $2 billion.

All told, according to Census Bureau data, social insurance benefits totaled $338 billion in 1995. Thus, 26 percent of their funding (the $90 billion, above) helped cut the poverty gap. Means-tested benefits totaled $78 billion, according to Census data. Thus, 56 percent of the funding (the $43 billion, above) helped cut the poverty gap.

The evidence is clear: whether measured by their impact on poverty gaps, or on moving families out of poverty, income security programs largely succeed. Social insurance programs play the largest role in cutting poverty, but means-tested programs—targeted more narrowly on the poor—are more efficient.

Employee Retirement Benefits

Federal Employee Retirement Benefits: The Civil Service Retirement and Disability Program provides a defined benefit pension for 1.8 million Federal civilian employees and 800,000 U.S. Postal Service employees. In 1997, the program paid $42 billion in benefits to 1.7 million retirees and 600,000 survivors. Along with the defined benefit, employees can participate in a defined contribution plan—the Thrift Savings Plan (TSP). Employees hired since 1983 are also covered by Social Security. (For a discussion of military retirement programs, see Chapter 26, "Veterans Benefits and Services.")

Private Pensions: The Pension and Welfare Benefits Administration (PWBA) establishes and enforces safeguards to protect the roughly $3.5 trillion in pension assets. The Pension Benefit Guaranty Corporation (PBGC) protects the pension benefits of nearly 42 million workers and retirees who earn traditional (i.e., "defined benefit") pensions. Through its early warning program, PBGC also works with solvent companies to more fully fund their pension promises, protecting the benefits of 1.2 million people in 1996 alone. To encourage retirement savings, the President signed legislation in 1996 that establishes a new, simplified pension plan for small businesses.

In 1999, the PWBA will:

- reduce, to 12 percent, the percentage of employee benefit plan audits that do not comply with professional accounting and auditing standards, compared to 1996; and
- increase, by 2.5 percent, the number of fiduciary investigations closed in which plan assets are restored, compared to 1996.

Tax Treatment of Retirement Savings: The Federal Government encourages retirement savings by providing income tax benefits. Generally, earnings devoted to workplace pension plans and to many individual retirement accounts (IRAs) are exempt from taxes when earned and ordinarily are taxed only in retirement, when lower tax rates usually prevail. Moreover, taxpayers can defer taxes on the interest and other gains that add value of these retirement accounts, including all forms of IRAs. These tax incentives amount to $84 billion a year—one of the three largest sets of preferences in the income-tax system.

Child Support Enforcement Financing: The Federal Government has a strong interest in ensuring that the national child support system is effective. Funding of the Child Support Enforcement (CSE) program, however, remains complicated. States get Federal payments to cover administrative costs at several different matching rates. States also get Federal incentive payments, levy user fees, keep a portion of TANF-related collections, and return a portion to the Federal Government.

Federal retention of TANF-related payments is a legacy of the old AFDC program in which States and the Federal Government shared in funding AFDC and, thus, in collecting child support for AFDC recipients. With welfare reform, States have great freedom to design assistance for families with dependent children. States, however, must continue to share a portion of child support collections with the Federal Government. The need to share collections may serve as a disincentive for States to pass through the full amount of child support to families, and it creates an unintended incentive for States to serve needy families through programs funded only with State dollars. Spending on these "State-only" programs continues to count under the TANF maintenance-of-effort requirement, but child support collections on behalf of these families do not need to be shared with the Federal Government.

The Administration will hold a dialogue with the stakeholders of the child support program to look at ways to address these problems and, working with Congress, will prepare legislation. The budget takes a first step towards simplifying the child support funding structure by 1) conforming the match rate for paternity testing with the basic administrative match rate; and 2) repealing the hold harmless provision established under the welfare reform law.

Under current law, States have resources equal to about 110 percent of the amount that they spend on their State Child Support programs. The proposed changes would reduce the State windfall by less than two percent of program costs and save the Federal Government about $300 million over five years.

Finally, the Administration supports cost-neutral changes to the pending Child Support Incentives legislation, as the Department of Health and Human Services proposed in its 1997 report to Congress, mandated by the welfare reform law.

Allocation of Administrative Costs Among Welfare Programs: The budget proposes to address projected Federal cost increases in Food Stamps and Medicaid that arise from changes in the way States charge costs to the Federal Government to administer these programs as well as TANF.

Before welfare reform, States charged most common costs of the three programs to AFDC. With TANF—which consolidated cash welfare assistance and related programs and limited the amount of funds that could go for administrative purposes—many States have sought to charge fewer of their expenses to TANF and more to Food Stamps and Medicaid, which still provide open-ended matching funds for State administrative costs.

To date, HHS has not approved State requests to change their cost allocation plans in order to increase administrative reimbursements under Food Stamp and Medicaid. Neither the Administration nor Congress envisioned such cost increases—which would exceed a projected $500 million a year—in crafting welfare reform.

In 1999, the Administration plans to let States change their cost allocation plans to charge more of their common administrative costs to Food Stamps and Medicaid. But to prevent Federal costs from rising, the budget proposes Food Stamp and Medicaid changes that would cover the costs. Specifically, it would cut the matching rates for administrative costs in Food Stamps and Medicaid from 50 percent to 47 percent.

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25. SOCIAL SECURITY

Table 25–1. FEDERAL RESOURCES IN SUPPORT OF SOCIAL SECURITY
(In millions of dollars)

Function 650	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	3,457	3,205	3,163	3,211	3,201	3,192	3,194
Mandatory Outlays:							
Existing law	362,296	378,099	392,848	409,235	427,005	446,860	467,351
Proposed legislation	.....	.....	20	102	137	151	151
Tax Expenditures:							
Existing law	23,565	24,825	25,960	27,210	28,400	29,795	31,315

The Old-Age, Survivors, and Disability Insurance (OASI) program, popularly known as Social Security, will spend about $392 billion in 1999 to provide a comprehensive package of protection against the loss of earnings due to retirement, disability, or death.

OASDI provides monthly benefits to retired and disabled workers who gain insured status and to their eligible spouses, children, and survivors (see Table 25–2). The Social Security Act of 1935 provided retirement benefits, and the 1939 amendments provided benefits for survivors and dependents. These benefits now comprise the Old Age and Survivors Insurance Program (OASI). Congress provided disability benefits by enacting the Disability Insurance (DI) program in 1956 and benefits for the dependents of disabled workers by enacting the 1958 amendments.

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

What Social Security Does

Social Security helps alleviate poverty, provide income security, and maintain the lifestyles of beneficiaries.

Alleviating Poverty: Social Security is largely responsible for reducing poverty among the elderly. In 1996, 16 percent of elderly, unmarried beneficiaries had family incomes below the poverty line. Without Social Security retirement benefits, 61 percent of them would have fallen into poverty. For elderly couples, Social Security has had a similar effect. In 1996, three percent of the elderly who were married had incomes below the poverty line. Without Social Security retirement benefits, 41 percent of them would have had such incomes (see Table 25–3).

Income Security: Social Security was originally designed to provide a continuing income base to help eligible workers maintain a household when they retired. In 1935, personal savings, family support, and Federal welfare programs were the main sources of income for those 65 and older who did not work. Social Security supplemented private savings and employer-provided pensions to ensure an adequate level of retirement income. While these other vehicles are still important today, two-thirds of those over 65 now get the major portion of their income from Social Security. The

Table 25–2. MILLIONS BENEFIT FROM SOCIAL SECURITY

(Number of OASDI beneficiaries)

	Thousands of beneficiaries	
	1997 Actual	1999 Estimate
Retired workers and families:		
Retired workers	26,927	27,583
Wives and husbands	2,953	2,911
Children	444	451
Survivors of deceased workers:		
Children	1,907	1,948
Widowed mothers and fathers with child beneficiaries in their care	233	235
Aged widows and widowers, and dependent parents	5,004	5,040
Disabled widows and widowers	183	193
Disabled workers and families:		
Disabled workers	4,397	4,776
Wives and husbands	218	201
Children	1,451	1,448
Total OASDI recipients	**43,717**	**44,786**

Table 25–3. SOCIAL SECURITY PROTECTS OLDER AMERICANS FROM POVERTY

(Percentage of older Americans in poverty with Social Security and the percent that would be in poverty in the absence of the program)

	Without Social Security	With Social Security
Aged Individuals	61%	16%
Aged Couples	41%	3%

average retiree receives a Social Security benefit equal to 43.6 percent of pre-retirement income. In 1997, Social Security paid about $257 billion in benefits to over 30 million retired workers and their families. Along with retirement benefits, Social Security also provides income security for survivors of deceased workers. In 1997, Social Security paid about $56 billion in benefits to over seven million survivors.

DI also provides income security for workers and their families who lose earned income when the family provider becomes disabled. Before DI, workers often had no such protection. To be sure, employees disabled on the job may have benefits from State workmen's compensation laws. Congress enacted DI to protect the resources, self-reliance, dignity, and self-respect of those suffering from non-work-related disabilities. DI protection can be extremely valuable, especially for young families that could not sufficiently protect themselves against the risk of the worker's disability. In 1997, Social Security paid about $45 billion in benefits to over six million disabled workers and their families.

Maintaining Lifestyles: Before Social Security, about half of those over 65 depended on

others, primarily relatives and friends, for all of their income. The same was often true for people with disabilities. Now, with Social Security, the vast majority of those over age 65 and those with disabilities can live relatively independent lives. Moreover, their families no longer carry the sole responsibility of providing their financial support.

Growth in Retirement Benefits

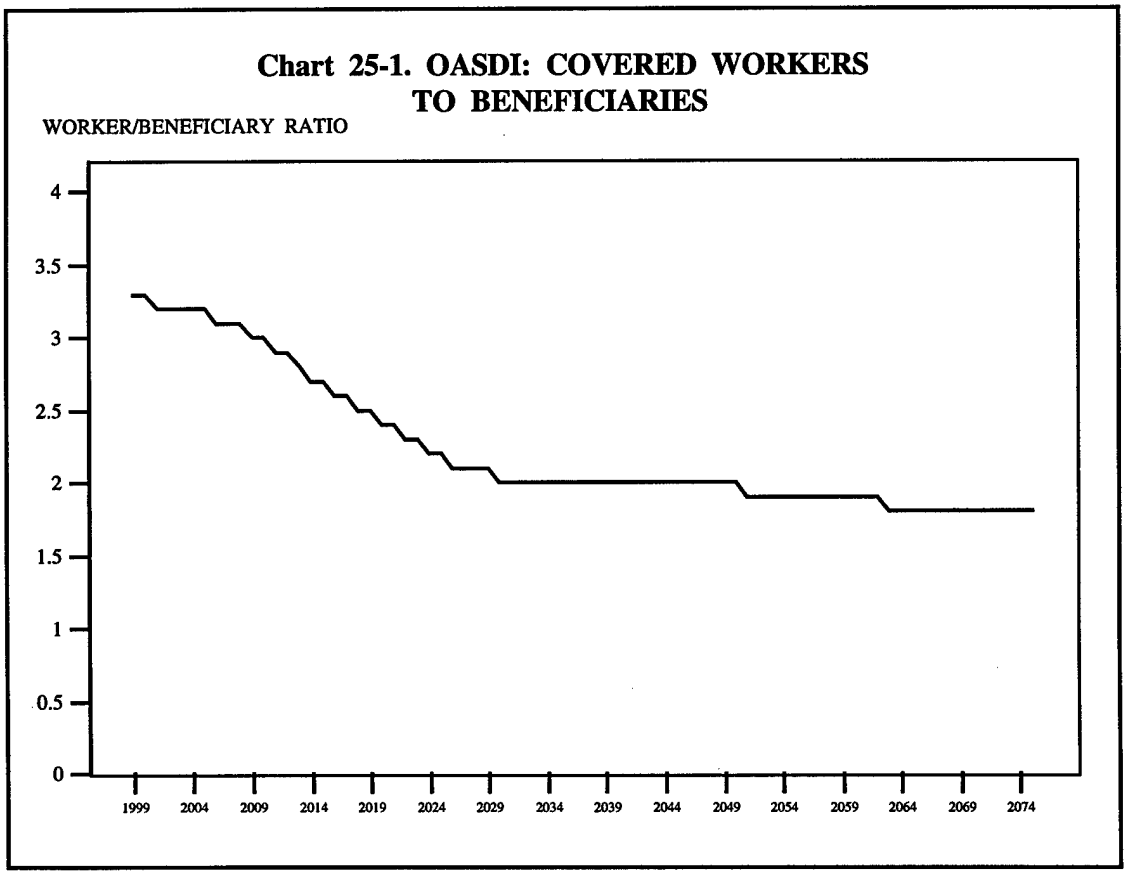
Social Security's retirement component is facing financial stress due to changing demographics and its own financing. The retirement program is largely "pay as you go"—current retirement benefits are financed by current payroll contributions. Such financing worked well in the past, when five workers paid for every retiree. But, when the baby boom generation retires, eventually only two workers will pay for every retiree (see Chart 25–1). Furthermore, while the system's financial burden will increase greatly with the baby boomers' retirement, the Social Security Trustees do not expect demographic trends to improve markedly in later periods.

Adding to the financial stress, baby boomers are having fewer babies and living longer. In 1957, women had an average of 3.7 babies, compared to 1.99 today. In 1935, life expectancy was 63 years for females, 60 for males. By contrast, baby boomers have a much longer life expectancy—73 years for females and 67 for males. The longer people live, the longer they will collect Social Security. The more time that people spend retired, the more people there are to support at any one time, and the fewer there are working and contributing to provide that support.

Growth in Disability Benefits

Social Security's disability component has grown rapidly since its inception. The program provided about $45 billion to about six million disabled beneficiaries and their families in 1997, compared to $57 million for 150,000 disabled workers in 1957. Growth has been especially rapid in the last 10 years, with the number of beneficiaries rising by 75 percent and benefits rising by 125 percent.

Chart 25-1. OASDI: COVERED WORKERS TO BENEFICIARIES



What has caused the growth? More and more baby boomers are reaching the age at which they are increasingly prone to disabilities; the number of women insured has risen; and laws, regulations, and court decisions have expanded eligibility for benefits. In addition, the annual share of beneficiaries leaving the rolls has fallen steadily, making it more important to ensure that those remaining on the rolls are all, in fact, eligible for benefits. To maintain DI's integrity, the Administration proposes to maintain support for continuing disability reviews (CDRs)—a periodic review of individual cases that ensures that only those eligible continue to receive benefits.

The budget proposes a Ticket to Independence pilot program to encourage DI beneficiaries and Supplemental Security Income (SSI) disabled recipients to re-enter the workforce. Currently, the Social Security Administration (SSA) refers these beneficiaries to State and, in limited cases, private Vocational Rehabilitation agencies. Under this proposal, beneficiaries could choose their own public or private vocational rehabilitation provider—and the provider could keep a share of the DI and SSI benefits that the Federal Government no longer pays to these individuals after they leave the rolls.

A Long-range Problem, but No Crisis

The OASDI trust funds are not in balance over the next 75 years—the period over which the Social Security Trustees have traditionally measured Social Security's well-being. In their 1997 report, the Trustees estimated that the combined OASDI trust funds would have a cash imbalance in 2012 and be insolvent in 2029. Much of the deterioration arises from changes described above in demographics over the measurement period. The President wants to work with Congress on a bipartisan basis to develop a long-term solution to the financing challenge. Acting sooner rather than later to address the long-term inadequacies of OASDI financing will reduce the magnitude of changes needed.

Social Security Administration (SSA)

SSA administers OASI and DI as well as SSI, which is part of the Income Security function. SSA also provides services to Medicare on behalf of the Health Care Financing Administration, which is part of the Medicare function.

SSA's Performance Plan for 1999 generally reflects its commitment to maintain the quality of its program administration, reflected in terms of customer service delivery, operational efficiency, and program integrity. SSA's key performance measures and commitments for 1999 include the following.

For customer service delivery:

- SSA will maintain its current performance level of ensuring that 95 percent of callers access the 800-number within five minutes of their first call.
- The average processing time for completing hearings on appeals of disability claims decisions will be 284 days by year-end, compared to 398 days at the end of 1997.

For operational efficiency:

- SSA will process 3,143,000 claims for Social Security retirement and survivors benefits, compared to 3,129,000 in 1997.

For program integrity:

- SSA will process 1,637,000 reviews of the eligibility of recipients of DI and SSI disability benefits, compared to 690,000 disability reviews in 1997.

Tax Expenditures

Social Security recipients pay taxes on their Social Security benefits only when their overall income, including Social Security, exceeds certain income thresholds. These thresholds reduce total Social Security beneficiary taxes by $26 billion in 1999 and $143 billion from 1999 to 2003.

26. VETERANS BENEFITS AND SERVICES

Table 26–1. FEDERAL RESOURCES IN SUPPORT OF VETERANS BENEFITS AND SERVICES
(In millions of dollars)

Function 700	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	18,908	18,973	18,941	18,939	18,925	18,927	19,584
Mandatory Outlays:							
Existing law	20,705	24,010	24,409	25,391	26,742	30,820	31,904
Proposed legislation	.....	.....	–188	–356	–915	–4,311	–3,903
Credit Activity:							
Direct loan disbursements	1,341	1,950	174	220	198	154	112
Guaranteed loans	24,287	24,844	23,440	22,895	23,399	22,786	23,287
Tax Expenditures:							
Existing law	2,966	3,136	3,310	3,505	3,710	3,930	4,160

The Federal Government provides benefits and services to veterans (and their survivors) of conflicts as long ago as the Spanish-American War and as recent as the Gulf War, recognizing the sacrifices of wartime and peacetime veterans during their military service. The Federal Government spends over $40 billion a year on veterans benefits and services, and provides over $3 billion in tax benefits, to compensate veterans and their survivors for service-related disabilities, provide medical care to low-income and disabled veterans, and help returning veterans prepare for reentry into civilian life through education and training. In addition, veterans benefits provide financial assistance to needy veterans of wartime service and their survivors.

About six percent of veterans are military retirees, who can receive both military retirement from the Department of Defense (DOD) and veterans benefits from the Department of Veterans Affairs (VA). Active duty military personnel are eligible for veterans housing benefits, and they can contribute to the Montgomery GI Bill (MGIB) program for education benefits that are paid later. VA employs about 20 percent of the non-Defense workforce of the Federal Government—almost 250,000 people, about 217,000 of whom deliver or support medical services to veterans.

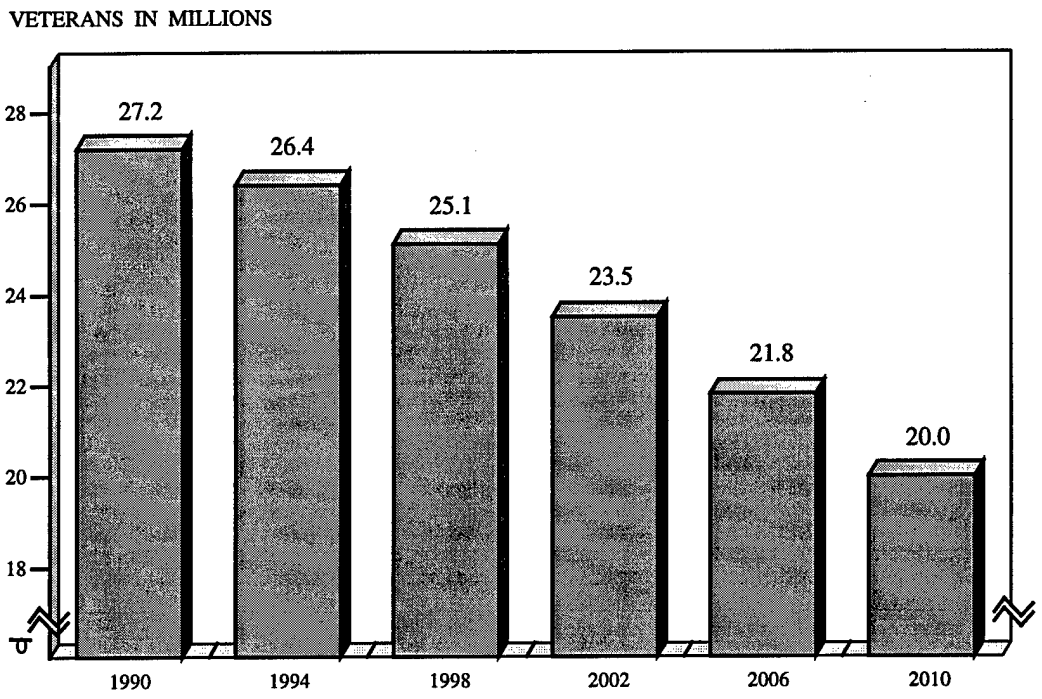
VA's mission is "to administer the laws providing benefits and other services to veterans and their dependents and the beneficiaries of veterans. To serve America's veterans and their families with dignity and compassion and be their principal advocate in ensuring that they receive medical care, benefits, social support, and lasting memorials promoting the health, welfare and dignity of all veterans in recognition of their service to this Nation."

The veteran population is declining, with most of the decline among draft-era veterans, meaning that a rising share of veterans comes from the All-Volunteer Force (see Chart 26–1). Thus, the types of needed benefits and services will likely change. Further, as the veteran population shrinks and technology improves, access to, and the quality of, service should continue to improve.

Medical Care

VA provides health care services to 3.1 million veterans through its national system of 22 integrated health networks, consisting of 172 hospitals, 439 ambulatory clinics, 131

Chart 26-1. ESTIMATED VETERAN POPULATION



nursing homes, 40 domiciliaries[1], and 206 readjustment counseling centers. VA is an important part of the Nation's social safety net because over half of its patients are low-income veterans who might not otherwise receive care. It also is a leading health care provider for veterans with substance abuse problems, mental illness, HIV/AIDS, and spinal cord injuries because private insurance usually does not fully cover these conditions.

VA's core mission is to meet the health care needs of veterans who have compensable service-connected injuries or very low incomes. The law makes these "core" veterans the highest priority for available Federal dollars for health care. However, VA may provide care to lower-priority veterans if resources allow and if the needs of higher-priority veterans have been met.

In recent years, VA has reorganized its field facilities from 172 largely independent medical centers into 22 Veterans Integrated Service Networks, charged with giving veterans the full continuum of care. Recent legislation eased restrictions on VA's ability to contract for care and share resources with Defense Department hospitals, State facilities, and local health care providers.

To move further toward improving the health care of our Nation's veterans, VA will continue to enhance the efficiency, access, and quality of care. Through 2002, VA will pursue its "30/20/10" goal:

- reduce the cost per patient by 30 percent (and by 11 percent in 1999);
- increase the number of patients treated by 20 percent (and by nine percent in 1999); and
- increase resources from outside sources to 10 percent (and by five percent in 1999).

In addition, VA has formed a national partnership with the American Hospital Association, the American Medical Association,

[1] Domiciliaries serve homeless veterans and veterans who require short-term rehabilitation.

the American Nurses Association, and other national associations to ensure patient quality of care.

By 2003, VA plans to:

- increase the number of patients with high volume common disease entities who are treated using clinical guidelines to 90 percent (and to 60 percent in 1999);
- increase the scores on the Chronic Disease Index to 95 percent (and to 91 percent in 1999); and
- increase the scores on the Prevention Index to 95 percent (and to 87 percent in 1999).

Medical Research: VA's research program provides about $300 million to conduct basic, clinical, epidemiological, and behavioral studies across the entire spectrum of scientific disciplines, seeking to improve veterans medical care and health and enhancing our knowledge of disease and disability. VA is reorganizing its research to ensure that all projects clearly relate to the health care of veterans. In 1999, VA will focus its research efforts on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma related impairment, health systems research, special populations (including Persian Gulf veterans), and military occupational and environmental exposures.

- At least 99 percent of funded projects will be relevant to VA's mission in 1999, achieving the VA's goal.

Health Care Education and Training: The Veterans Health Administration is the Nation's largest trainer of health care professionals, with about 107,000 students a year who get some or all of their training in VA facilities through affiliations with over 1,000 educational institutions. The program trains medical, dental, nursing, and associated health professions students to ensure an adequate supply of clinical care providers for veterans and the Nation as a whole. The program will continue to realign its academic training and update its curriculum, focusing more on primary care to better meet the needs of the Veterans Health Administration and its patients, students, and academic partners.

- In 1999, VA will train 44 percent of its residents in primary care and, in 2003, increase that figure to 48 percent.

Veterans Benefits Administration (VBA)

VBA processes veterans claims for benefits in 58 regional offices across the country. Its workload peaked in 1993 and 1994, when it needed 214 days to process a claim. As the veteran population declines, the number of new claims and appeals will also likely decline. In 1997, the number of days to process a new claim averaged 133. VBA is developing a comprehensive strategic plan to further improve processing performance. Its current strategic goals include:

- improving responsiveness to customer needs and expectations;
- improving service delivery and benefit claims processing;
- ensuring best value for the available taxpayers' dollar; and
- ensuring a satisfying and rewarding work environment.

Income Security

Several VA programs help veterans and their survivors maintain their income when the veteran is disabled or deceased. The Federal Government will spend over $21 billion for these programs in 1999, including the funds Congress approves each year to subsidize life insurance for veterans who are too disabled to get affordable coverage from private insurance. Veterans can receive these benefits along with the income security that goes to all Americans, such as Social Security and unemployment insurance.

Compensation: Veterans with disabilities resulting from, or coincident with, military service receive monthly compensation payments, based on the degree of disability. The payment does not depend on the veteran's income or age, or on whether the disability is the result of combat or a natural-life affliction. It does, however, depend on the average fall in earnings capacity that the Government presumes for veterans with the same degree of disability. Survivors of veterans who die from service-connected injuries receive payments in the form of dependency and indemnity com-

pensation. Benefits are indexed annually by the same cost-of-living adjustment (COLA) as Social Security, which is an estimated 2.2 percent for 1999.

The number of veterans and survivors of deceased veterans receiving compensation benefits will total an estimated 2.7 million in 1999. While the veteran population will decline, the compensation caseload will remain relatively constant due to changes in eligibility and better outreach efforts. COLAs and increased payments to aging veterans will increase compensation spending by about $3 billion from 1999 to 2003.

- In 1999, VA will process original compensation claims in 106 days, dropping to 53 days in 2002.

Pensions: The Government provides pensions to lower-income, wartime-service veterans, or veterans who became permanently and totally disabled after their military service. Survivors of wartime-service veterans may qualify for pension benefits based on financial need. Veterans pensions, which also increase annually with COLAs, will cost over $3 billion in 1999. The number of pension recipients will continue to fall from an estimated 673,000 in 1999 to less than 600,000 in 2003, as the number of veterans drops.

- In 1999, VA will process original pension claims in 80 days, dropping to 29 days in 2002.

Insurance: VA has provided life insurance coverage to service members and veterans since 1917 and now directly administers or supervises eight distinct programs. Six of the programs are self-supporting, with the costs covered by premium payments from the policyholders and earnings from investments in Treasury securities. The other two programs, designed for service-disabled veterans, require annual congressional appropriations to meet the costs of claims. Together, these eight programs will provide $488 billion in insurance coverage to over 4.7 million veterans and service members in 1999. The program is designed to provide insurance protection and best-in-class service to veterans who can't purchase commercial policies at standard rates because of their service-connected disabilities. To reach this goal, the program is designed to provide disbursements (death claims, policy loans, cash surrenders) quickly and accurately, meeting or exceeding customer expectations.

- In 1999, VA will pay insurance claims in three and a half days, dropping to 2.8 days in 2002.

Veterans Education, Training, and Rehabilitation

Several Federal programs support job training and finance education for veterans and others. The Labor Department runs several programs just for veterans. In addition, several VA programs provide education, training, and rehabilitation benefits to veterans and military personnel who meet specific criteria, including the Montgomery GI bill (the largest of these programs), the post-Vietnam-era education program, the Vocational Rehabilitation program, and the Work-Study program. Spending for all VA programs in this area will total an estimated $1.5 billion in 1999.

The Montgomery GI Bill: The Government originally created MGIB as a test program, with more generous benefits than the post-Vietnam-era education program, to help veterans move to civilian life as well as to help the armed forces with recruitment. Service members who choose to enter the program have their pay reduced by $100 a month in their first year of military service. The VA administers the program, paying basic benefits once the service member leaves the military. Basic benefits now total over $16,000 (about 13 times the original reduction in the service member's pay).

MGIB beneficiaries receive a monthly check based on whether they are enrolled in school on a full- or part-time basis. They can get 36 months worth of payments, but they must certify monthly that they are in school. DOD may provide additional benefits to help recruit certain specialties and critical skills. Nearly 310,000 veterans and service members will use these benefits in 1999. The MGIB also provides education benefits to reservists while they are in service. DOD pays these benefits, and the VA administers the program. In 1999, over 76,000 reservists will use the program. Over 90 percent of MGIB beneficiaries use their benefits to attend a college or university. The Administration will propose

legislation to enact a one-time, 20-percent rate increase for all MGIB beneficiaries, dependents, and survivors.

- In 1999, VA will increase the participation rate of eligible veterans in the MGIB from its current 37 percent to 45 percent, and increase the figure to 69 percent in 2003.

Veterans Housing

Along with the mortgage assistance that veterans can get through the Federal Housing Administration insurance program, the VA-guaranteed loan program in 1999 will help an estimated 222,000 veterans get mortgages, totaling almost $24 billion. The Federal Government will spend an estimated $264 million on this program in 1999, reflecting the Federal subsidies implicit in loans issued during the year. Slightly over 40 percent of veterans who have owned homes have used the VA loan guaranty program. To increase veteran home ownership and the program's efficiency, VA will cut its administrative costs.

- In 1999, VA will reduce the servicing cost of each loan to $193, from its 1997 level of $334.

National Cemetery System

The VA provides burial in its National Cemetery System for eligible veterans, active duty military personnel, and their dependents—with the VA managing 115 national cemeteries across the country. VA will spend over $90 million in 1999 for VA cemetery operations, excluding reimbursements from other accounts. Over 73,000 veterans and their family members were buried in National Cemeteries in 1997. The system is working to ensure that all eligible veterans have reasonable access to a burial option. The program will complete construction of four new national cemeteries, expand existing cemeteries, develop more effective use of available burial space, and encourage States' participation in the State Cemetery Grants Program.

- In 1999, VA will increase the percentage of veterans served by a burial option within a reasonable distance to 75 percent.

Related Programs

Many veterans get help from other Federal income security, health, housing credit, education, training, employment, and social service programs that are available to the general population. In addition, a number of these programs have components specifically designed for veterans. Some veterans also receive preference for Federal jobs. Starting in 1999, the children of Vietnam veterans will receive compensation if they are afflicted with spina bifida, which the Government will presume was caused by a veteran parent's exposure to herbicides.

Tax Incentives

Along with direct Federal funding, certain tax benefits help veterans. The law keeps all cash benefits that the VA administers (disability compensation, pension, and GI bill benefits) free from tax. Together, these three exclusions will cost about $3 billion in 1999. The Federal Government also helps veterans obtain housing through veterans bonds that State and local governments issue, the interest on which is not subject to Federal tax. In 1999, this provision will cost the Government an estimated $75 million.

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27. ADMINISTRATION OF JUSTICE

Table 27-1. FEDERAL RESOURCES IN SUPPORT OF ADMINISTRATION OF JUSTICE
(In millions of dollars)

Function 750	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	22,942	24,229	25,728	24,554	24,381	24,551	25,075
Mandatory Outlays:							
Existing law	78	1,359	640	287	149	174	160
Proposed legislation	.....	10	51	55	49	42	35

While States and localities bear most of the responsibility for fighting crime, the Federal Government also plays a critical role. Along with supporting State and local activities, the Federal Government investigates and prosecutes criminal acts that require a national response. In 1998, anti-crime expenditures will consume 4.6 percent of all Federal discretionary spending, compared with about two percent in 1988.

Total Federal, State, and local resources devoted to the administration of justice—including law enforcement, litigation, judicial, and correctional activities—grew from $71.8 billion in 1989 to an estimated $141.7 billion in 1998—by 97 percent or, as Chart 27–1 shows, by 46 percent in constant 1992 dollars. During this period, the Federal law enforcement component, including transfer payments to State and local law enforcement activities, more than doubled, from $10.1 billion in 1989 to $25.3 billion in 1998. Nevertheless, Federal resources account for only 18 percent of total governmental spending for administration of justice.

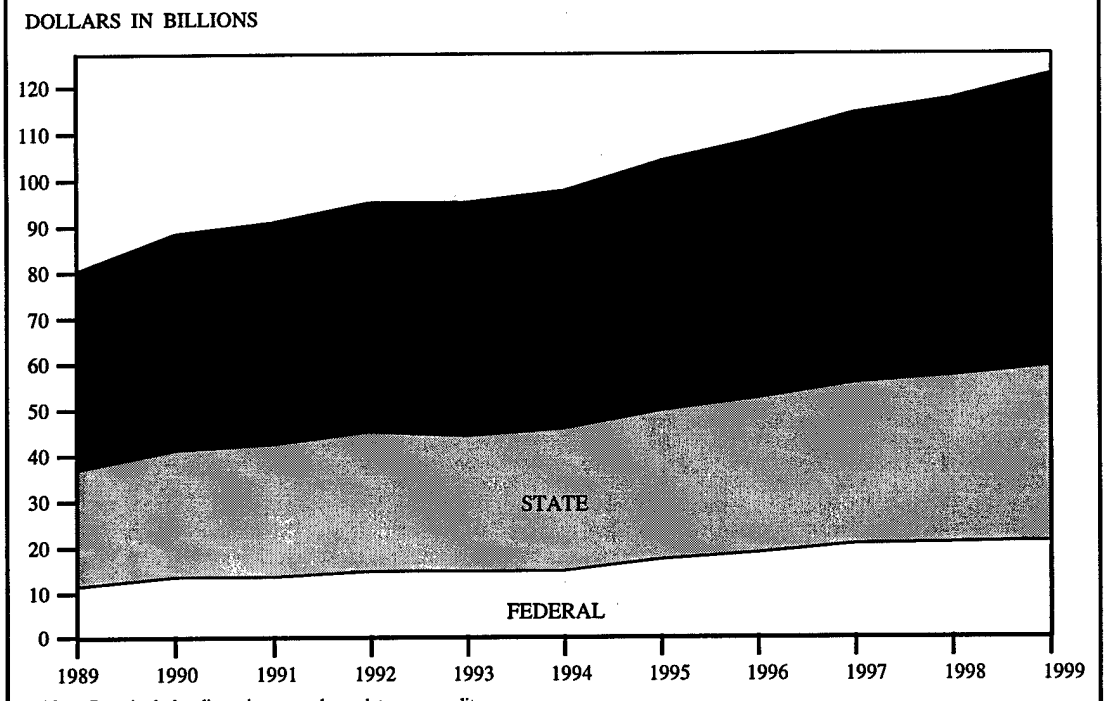
The number of criminal offenses that law enforcement agencies reported fell by three percent from 1995 to 1996—marking the fifth straight year that the crime rate has fallen. The number reported in the first six months of 1997, the most recent period for which figures are available, was four percent lower than in the same period in 1996. The drop in crime, when compared with increases in anti-crime spending during the same period, appears to suggest a general relationship, although crime is affected by varying factors. The budget builds upon this record of success by continuing to provide substantial funding for proven anti-crime programs.

Federal Activities

Federal funding for the Administration of Justice function includes: (1) Federal law enforcement activities; (2) litigative and judicial activities; (3) correctional activities; and (4) financial assistance to State and local entities (see Chart 27–2). In 1998, 70 percent of these funds went to the Justice Department (DOJ), while most of the rest went to the Treasury Department and the Judicial Branch.

Law Enforcement: The budget proposes in 1999 to enforce a wide range of laws, reflecting the unique Federal role in law enforcement. Some responsibilities—such as customs enforcement—date from the beginning of the country. DOJ's FBI and Drug Enforcement Administration (DEA) enforce diverse Federal laws dealing with violent crime, terrorism, white collar crime, drug smuggling, and many other criminal acts. The Immigration and Naturalization Service (INS) protects the U.S. border from illegal migration while providing

Chart 27-1. ADMINISTRATION OF JUSTICE EXPENDITURES
(In constant 1992 dollars)



Note: Data includes discretionary and mandatory expenditures.

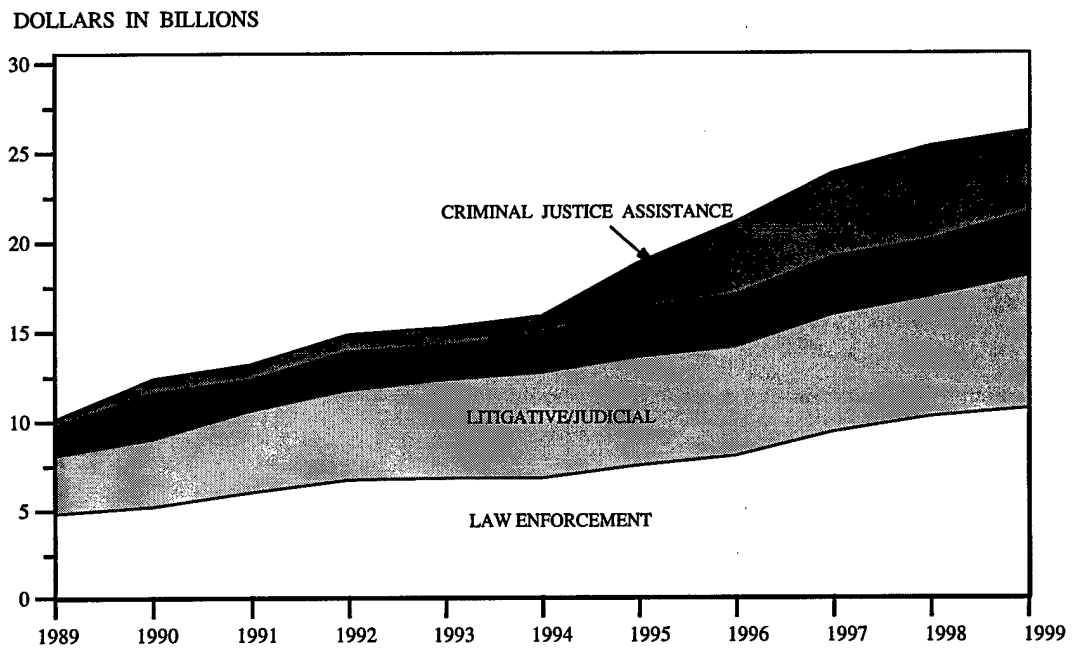
services to legal aliens. These agencies, and the ones discussed below, also work with State and local law enforcement agencies, often through joint task forces, to address drug, gang, and other violent crime problems.

Within the Treasury Department, the U.S. Customs Service, Bureau of Alcohol, Tobacco and Firearms (ATF), United States Secret Service, and other bureaus enforce laws related to drug and contraband smuggling across our borders; firearms trafficking; arson and explosives crime; financial crime and fraud, including money laundering, counterfeiting, and credit card fraud; and the regulation of the alcohol, tobacco, and firearms industries. The Secret Service protects the President, Vice President, and foreign dignitaries. The Federal Law Enforcement Training Center (FLETC) trains Federal law enforcement personnel.

Federal responsibility to enforce civil rights laws in employment and housing arises from Titles VII and VIII of the Civil Rights Act of 1964, as well as more recent legislation, including the Age Discrimination in Employment Act and the Americans with Disabilities Act. The Department of Housing and Urban Development enforces laws that prohibit discrimination on the basis of race, color, sex, religion, disability, familial status, or national origin in the sale or rental, provision of brokerage services, or financing of housing. The Equal Employment Opportunity Commission enforces laws that prohibit employment discrimination on the basis of race, color, sex, religion, disability, age, and national origin. DOJ enforces the criminal civil rights laws.

Litigation and Judicial Activities: After law enforcement agencies such as the FBI, DEA, and ATF have investigated and apprehended perpetrators of Federal crimes, the United States must prosecute them—and the budget proposes $7.5 billion for this purpose. This task falls primarily to the 93 United States Attorneys and the 4,450 Assistant United States Attorneys. Along with prosecuting cases referred by Federal law enforcement

Chart 27-2. FEDERAL JUSTICE EXPENDITURES



Note: Data includes discretionary and mandatory expenditures.

agencies, the U.S. Attorneys work with State and local police and prosecutors in their efforts to bring to justice those who have violated Federal laws—whether international drug traffickers, organized crime ringleaders, or perpetrators of white collar fraud. The U.S. Marshals Service protects the Federal courts and their officers; apprehends fugitives; and maintains custody of prisoners involved in judicial proceedings.

In addition, DOJ contains several legal divisions specializing in specific areas of criminal and civil law. These divisions—including the Civil, Criminal, Civil Rights, Environment and Natural Resources, Tax, and Antitrust Divisions—work with the U.S. Attorneys to ensure that violators of Federal laws are brought to justice. The Federal Government, through the Legal Services Corporation, also promotes equal access to the Nation's legal system by funding local organizations that provide legal assistance to the poor in civil cases.

The Judiciary's growth in recent years arises from increased Federal enforcement efforts and Congress' continued expansion of the Judiciary's jurisdiction. Accounting for 13 percent of total law enforcement spending, the Judiciary comprises the Supreme Court and 12 circuit courts of appeals, 90 bankruptcy courts, and 94 district courts, 94 federal probation offices, the Court of Appeals for the Federal Circuit and the Court of International Trade. The Federal Judiciary is overseen by 2,096 Federal judges and nine Supreme Court justices.

Correctional Activities: The budget proposes $3.5 billion for corrections activities. Due to higher spending on law enforcement and tougher sentencing, the number of Federal Prison System inmates has risen to 114,000, more than double the number in 1988. The Federal inmate population—less than a tenth of the total U.S. inmate population—will continue to grow due to the abolition of parole, minimum mandatory sentences, and sentencing guidelines. State inmate populations will

grow, in part, due to sentencing requirements tied to Federal prison grant funds. In the Federal system, about 62 percent of inmates serving time were convicted on drug-related charges.

Criminal Justice Assistance: The budget proposes $4.6 billion to help State and local governments fight crime. The Administration is encouraging the adoption of community policing practices through the Community Oriented Policing Services (COPS) program. The Truth-in-Sentencing/Violent Offender Incarceration grant program seeks to ensure that convicted violent offenders are incarcerated and serve at least 85 percent of their sentences. Similar changes in law from 1984 for Federal prisoners increased the time served by 60 percent.

To combat the significant problem of violence against women, the budget proposes $271 million to enhance the States' abilities to respond, and to further expand access to previously under-served rural, Indian, and other minority populations. To promote increased drug testing and treatment for individuals under the supervision of the criminal justice system, the budget proposes a $94 million increase over the 1998 level for drug testing and treatment and Drug Courts. In addition, the budget continues to provide $553 million in law enforcement assistance grants under the Edward Byrne Memorial State and Local Law Enforcement Assistance Program.

To prevent young people from becoming involved in the juvenile justice system, the budget continues juvenile justice programs, including those that provide supervised afternoon and evening activities for youth. The budget also provides additional assistance to State and local prosecutors' offices to address gang violence and other juvenile crime, and to courts and court-related entities to expedite the handling of violent juvenile cases. Finally, the budget provides a $6 million increase for "Weed and Seed," which helps communities develop and implement comprehensive strategies to "weed" out violent crime, illegal drugs, and gang activity, and to "seed" their communities with programs that prevent crime.

Performance Goals

Federal agencies, as cited below, will work to achieve the following performance goals with the proposed budget funds:

With regard to violent crime:

- The Justice Department will maintain the Federal Government's commitment to reducing the incidence of violent crime below the 1996 level of 634 offenses per 100,000 population.
- The Justice Department will provide funding for communities to hire and deploy 16,000 more officers in 1999.
- The Treasury Department will help solve violent crimes and reduce firearms trafficking by tracing up to 275,000 firearms used in criminal activities, compared to 116,674 in 1996.
- The Justice Department will reduce specific areas of organized crime and its influence on unions and industries from the 1997 level, while intensifying its efforts to prevent emerging organized crime enterprises from gaining a permanent foothold in particular areas.
- The Treasury Department will ensure the physical protection of the President, Vice President, visiting foreign dignitaries, and others protected by the Secret Service.
- The Justice Department will ensure that no judge, witness, or other court participant is the victim of an assault stemming from his or her involvement in a Federal court proceeding.
- The U.S. Marshals Service will apprehend 80 percent of violent offenders within one year of a warrant's issuance, and will reduce the fugitive backlog from 1998 by five percent.
- The Interior and Justice Departments will work to increase the number of law enforcement officers for Indian Tribes from the current level of 1.3 officers per 1,000 citizens to 2.9 officers per 1,000 citizens.

With regard to drug abuse:

- Federal and non-Federal entities will work together to reduce the availability and abuse of illegal drugs.

  Separately, the Office of National Drug Control Policy will present a comprehensive set of societal performance measures for anti-drug programs, recognizing that achieving national drug control objectives depends critically on the actions of not only the Federal Government, but of State, local, and foreign governments and on the behavior of individuals.

With regard to immigration and border control:

- The Justice Department will reduce the average time between application and naturalization of qualified candidates from an estimated 24 months in 1997 to six to 10 months in 1999.
- The Treasury, Justice and Agriculture Departments will increase the percent of legitimate air passengers cleared through primary inspection in 30 minutes or less from an estimated 31 percent in 1997 to 39 percent in 1999; and will work to process legitimate land border travelers through the primary inspection process on the Mexico border in 30 minutes or less in 1999.
- The Justice Department will increase the number of removals of aliens who are illegally in the United States from 111,794 in 1997 to about 134,900 in 1999.
- The Justice Department will identify over 38,500 unauthorized workers, thereby opening up potential jobs for U.S. citizens and other legally authorized workers.
- The Treasury Department will increase trade revenue from duties collected and enhance the accuracy of trade data by improving importers' compliance with trade laws (e.g., quotas, trademarks, and copyrights) from 83 percent in 1997 to 85 percent in 1999.

With regard to civil rights and other matters:

- The Equal Employment Opportunity Commission will reduce the average time to process private sector equal employment complaints by doubling the number of complaints eligible for the mediation-based alternative dispute resolution program.
- The Department of Housing and Urban Development (HUD) will ensure that HUD grantees in 20 communities undertake fair housing audit-based enforcement, using a HUD-developed standardized methodology, to develop local indices of discrimination, to identify and pursue violations of fair housing laws, and to promote new fair housing enforcement initiatives at the local level.
- The Treasury Department will step up its efforts to disrupt and dismantle the illegal activities of major violators of Federal financial crimes laws (e.g., counterfeiting, forgery, money laundering, and credit card fraud).

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28. GENERAL GOVERNMENT

Table 28–1. FEDERAL RESOURCES IN SUPPORT OF GENERAL GOVERNMENT
(In millions of dollars)

Function 800	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	11,814	12,489	12,968	12,125	12,174	12,029	12,122
Mandatory Outlays:							
Existing law	692	351	1,033	1,165	907	921	965
Proposed legislation	.....	.....	3,502	4,033	4,681	5,083	5,480
Credit Activity:							
Direct loan disbursements	223	.....	.....	.....	.....	.....	.....
Tax Expenditures:							
Existing law	47,220	49,230	51,050	52,920	54,770	56,655	58,520
Proposed legislation	.....	.....	42	79	124	165	197

The General Government function encompasses the central management activities of the executive and legislative branches. Its major activities include Federal finances (tax collection, public debt, currency and coinage, Government-wide accounting), personnel management, and general administrative and property management.

Four agencies are responsible for these activities: the Treasury Department (for which the budget proposes $12.3 billion), the General Services Administration ($142 million), the Office of Personnel Management ($187 million), and the Office of Management and Budget in the Executive Office of the President ($59 million).

Department of the Treasury

Treasury is the Federal Government's financial agent. It produces and protects the Nation's currency; helps set domestic and international financial, economic, and tax policy; enforces economic embargoes and sanctions; regulates financial institutions and the alcohol, tobacco, and firearms industries; manages the Federal Government's financial accounts; and protects citizens and commerce against those who counterfeit money, engage in financial fraud, violate our borders, and threaten our leaders. In 1999, Treasury will seek to collect an estimated $1.7 trillion in tax and tariff revenues due under the law; make over 70 percent of the 900 million payments that it issues electronically; issue $2 trillion in marketable securities and savings bonds to finance the Government's operations and increase citizens' savings; and produce 10 billion Federal Reserve Notes, 15 billion postage stamps, and 13 billion coins.

The Internal Revenue Service (IRS), for which the budget proposes $8.3 billion, is the Federal Government's main revenue collector. Its mission is to collect the proper revenue at the least cost. The budget proposal for the IRS seeks to improve customer service in order to provide taxpayers who need to contact the IRS with various communication options and ensure that the IRS treats each taxpayer as a customer. To help reach this goal, the IRS will revamp its past performance measures, eliminating those that undermine the fair treatment of taxpayers.

In 1999, the IRS will:

- continue its efforts to improve customer service mainly through telephone assist-

ance, answering at least 86 percent of taxpayer calls, up from 65 percent in 1997, with an accuracy rate of 96 percent for tax law inquires;

- expand its problem resolution program by decreasing the number of days it takes to resolve a taxpayer's account problem in district offices to 35, from 36 in 1997;
- collect over $1.64 trillion in net revenue—78 percent of it electronically, a substantial increase from 41 percent in 1997;
- electronically process 19.5 percent of the expected 212 million total returns, both individual and business; (Of those, 5.9 million will use Telefile, which allows taxpayers to file a simple tax return over the telephone in under 10 minutes.)
- process electronic returns with a 99 percent accuracy rate while processing paper returns with a 95 percent accuracy rate;
- process refunds on paper returns in 40 days and electronic returns in 21 days; and
- ensure that its computers can process the year 2000 change by converting, testing, and certifying its computer code by October 1999.

In 1999, Treasury's Financial Management Service will:

- continue working to improve the management of the Nation's finances, saving $33 million by reducing the number of paper checks issued, and process 65 percent of all collections electronically and increase the Government-wide collection of delinquent debt by $95 million compared to 1995.

In 1999, Treasury's Bureau of Public Debt will:

- introduce a new series of inflation-indexed savings bonds of various denominations;
- automate the securities auction process and announce auction results within one hour 90 percent of the time; and
- maintain a 10-year average holding period for savings bonds.

In 1999, Treasury's Bureau of Engraving and Printing and U.S. Mint will:

- introduce a redesigned dollar coin and a new series of quarters featuring emblematic images of the States;
- incorporate new security features into the twenty dollar bill;
- ship all numismatic coins within four weeks of order date; and
- maintain a stamp spoilage rate of no more than 11 percent.

General Services Administration (GSA)

GSA has traditionally focused on its role as the central provider of supplies, general administrative services, telecommunication services, and office space to Federal agencies. In 1999, revenues from its various business lines will approach an estimated $13 billion. Under the Federal Property and Administrative Services Act of 1949 and subsequent laws, GSA also plays a policy leadership role with respect to property management and general administrative services.

Over the past two years, GSA has given greater attention to that leadership role. It has developed a new Federal management model, focusing on performance measurement, accountability for agencies and employees, and the effective use of technology in changing work environments. GSA has established inter-agency groups to advise it on the policies, best practices, and performance benchmarks appropriate for each administrative service and on the information systems to report performance. GSA's ultimate goal is a Federal Government in which agencies receive the administrative services they need according to the best practices known and at the least cost, internal regulation, and burden. When fully developed, GSA's policy role can potentially influence over $50 billion a year for property management and administrative services and the management of assets valued at nearly $500 billion.

GSA also provides expertly managed space, products, and services to support the administrative needs of Federal agencies. It has aggressively responded to the changing needs of its customer agencies by working to trans-

form itself into a market-driven, customer-oriented agency. GSA will seek to exceed all Government-wide performance goals and industry benchmarks for administrative services as they are developed or identified. In the meantime, its overall goals as a service provider are to exceed its customer agencies' expectations for price, service and quality.

In 1999,

- the Public Buildings Service will deliver 88 percent of its construction and repair projects on schedule and within budget, up from 80 percent in 1997;
- the percentage of GSA-sponsored child care centers that meet national accreditation standards will increase to 75 percent, compared to an average national accreditation percentage of less than 10 percent;
- the Federal Technology Service projects a monthly line charge for local telephone service of $20.77, a 28-percent cut from 1994 rates; and
- the Federal Supply Service will lease automobiles and other motor vehicles to Federal agencies at rates that average 20 percent below comparable commercial lease rates.

Because GSA provides services on a reimbursable basis, the budgets of the agencies fund most of GSA's activities. In 1999, for example, the budget proposes an appropriation of $142 million for GSA, principally for its Office of Government-wide Policy and the Office of the Inspector General, but it projects obligations of nearly $14 billion through GSA's revolving funds. In addition, GSA will administer contracts through which agencies will buy over $14 billion in goods and services outside of GSA's revolving funds.

Office of Personnel Management (OPM)

OPM provides human resource management leadership and services, based on merit principles, to Federal agencies and employees. It provides policy guidance, advice, and direct personnel services and systems to the agencies. OPM also operates a Nation-wide job information and application system every hour of every day, publicly available through the Internet and other electronic and traditional sources at convenient and accessible locations. OPM develops and administers compensation systems for both blue-collar and white-collar employees. In addition, OPM provides fast, friendly, accurate, and cost effective retirement, health benefit, and life insurance services to Federal employees, annuitants, and agencies.

- OPM reduced the average time to process an annuity application from 83 days in 1994 to 39 days in 1997, and has targeted a goal of 35 days by 1999.
- OPM reduced customer call wait time for annuity inquiries from 5.1 minutes in 1996 to 3.3 minutes in 1997 and will strive to make further reductions in 1999.

But perhaps OPM's most important function is administering the Federal civil service merit systems, covering nearly 1.5 million employees, which includes recruiting, examining, and promoting people on the basis of their knowledge and skills—regardless of race, religion, sex, political influence, or other non-merit factors. OPM runs an aggressive oversight program, identifying opportunities for improving Federal personnel policies and programs and helping agencies meet mission goals by effectively recruiting, developing, and utilizing employees. In 1997, OPM conducted Nation-wide reviews of eight major agencies, finding few serious problems and discovering many "best practices" that were shared with other agencies. OPM encourages maximum employment and advancement opportunities in the Federal service for disabled veterans and those qualified for veteran's preference (26 percent of today's employees). OPM's policies and programs seek to encourage diversity in the Federal workforce.

- In 1999, OPM will help agencies raise the levels of under-represented groups by two percent over the 1997–1998 levels.

Likewise, OPM helps dislocated and surplus employees by assisting agencies with career transition planning and, when vacancies arise, ensuring that dislocated and surplus employees receive hiring preference. In 1996, over 11,000 employees found employment through this process. With its Director chairing the National Partnership Council, OPM supports

and promotes labor-management partnerships throughout the Executive branch—partnerships that help agencies deliver the highest-quality services to the American people. In 1996, such partnership councils represented 70 percent of Federal employees in bargaining units, and 1997 survey data indicate continued growth and positive perceptions of such partnerships.

- In 1999, OPM will continue to foster more such partnerships and help those that are having problems.

Finally, OPM helps Federal program managers carry out their personnel management responsibilities through a range of programs, training, and performance management designed to develop the most effective Federal employee. Other Federal agencies with personnel management responsibilities are the Merit Systems Protection Board, the Office of Special Counsel, the Office of Government Ethics, and the Federal Labor Relations Authority.

Office of Management and Budget (OMB)

OMB helps the President carry out his constitutional and statutory duties. It helps the President create policy relating to receipts and expenditures, regulations, information, and legislation; and manage the Executive Branch in the faithful execution of laws, policies, and programs. OMB also provides the President with the highest-quality analysis and advice on a broad range of topics.

OMB advocates the appropriate allocation and effective use of Government resources. OMB helps the President prepare the Federal budget and oversee its execution in the departments and agencies. In helping formulate the President's spending plans, OMB examines the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; and provides policy options. OMB works to ensure that proposed legislation, and agency testimony, reports, and policies are consistent with Administration policies. OMB focuses particular attention on managing the processes for coordinating and integrating policies for interagency programs. On behalf of the President, OMB often presents and justifies major policies and initiatives related to the budget and Government management before Congress.

OMB has a central role in developing, overseeing, coordinating, and implementing Federal procurement, financial management, information, and regulatory policies. OMB helps to strengthen administrative management, develop better performance measures, and improve coordination among Executive Branch agencies.

In 1999, OMB will

- produce the President's annual budget documents in a timely, accurate manner; and
- ensure that agencies meet a number of key objectives, including: achieving compliance with year 2000 computer changes; receiving clean audit opinions on annual financial statements; improving the analysis of regulatory alternatives; ensuring that annual performance plans are fully integrated with budget submissions; and effectively using inter-agency working groups on a wide range of Government functions.

Tax Incentives

The Federal Government provides significant tax benefits for State and local governments. It permits tax-exempt borrowing for public purposes, costing $77 billion in Federal revenue losses over five years, from 1999 to 2003 (the budget describes tax-exempt borrowing for non-public purposes in the write-ups on other Government functions). In addition, taxpayers can deduct State and local income taxes against their Federal income tax, costing $182 billion over five years. Corporations with business in Puerto Rico receive a special tax credit, costing an estimated $15 billion over five years. Finally, up to certain limits, taxpayers can credit State death taxes against Federal estate taxes, costing $24 billion over five years.

29. NET INTEREST

Table 29–1. NET INTEREST
(In millions of dollars)

Function 900	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Mandatory Outlays:							
Existing law	244,013	242,694	241,750	236,489	233,541	227,116	220,575
Proposed legislation	.....	.....	4	7	15	20	26
Tax Expenditures:							
Existing law	915	965	1,015	1,065	1,115	1,175	1,235

The Federal Government pays large amounts of interest to the public, mainly on the securities it sold to finance the budget deficits in past years.

The Government also pays interest from one budget account to another, mainly because it invests its various trust fund balances in Treasury securities. Net interest—which does not include these internal payments—closely measures Federal interest transactions with the public. In 1999, Federal outlays for net interest will total an estimated $241.8 billion.

The Interest Burden

As noted above, the amount of net interest depends on the amount of debt held by the public, as well as on the interest rates on the Treasury securities that comprise that debt. In essence, debt held by the public is the total of all deficits that have accumulated in the past—minus the amount offset by budget surpluses. Recent large deficits sharply increased the ratio of debt held by the public to the Gross Domestic Product (GDP)—from 26.1 percent in 1980 to 50.2 percent in 1993. Partly due to the huge rise in debt, interest rates on Treasury securities also rose sharply. The combination of much more debt and higher interest rates caused Federal net interest costs to mushroom—from 1.9 to 3.3 percent of GDP between 1980 and 1991 (see Chart 29–1).

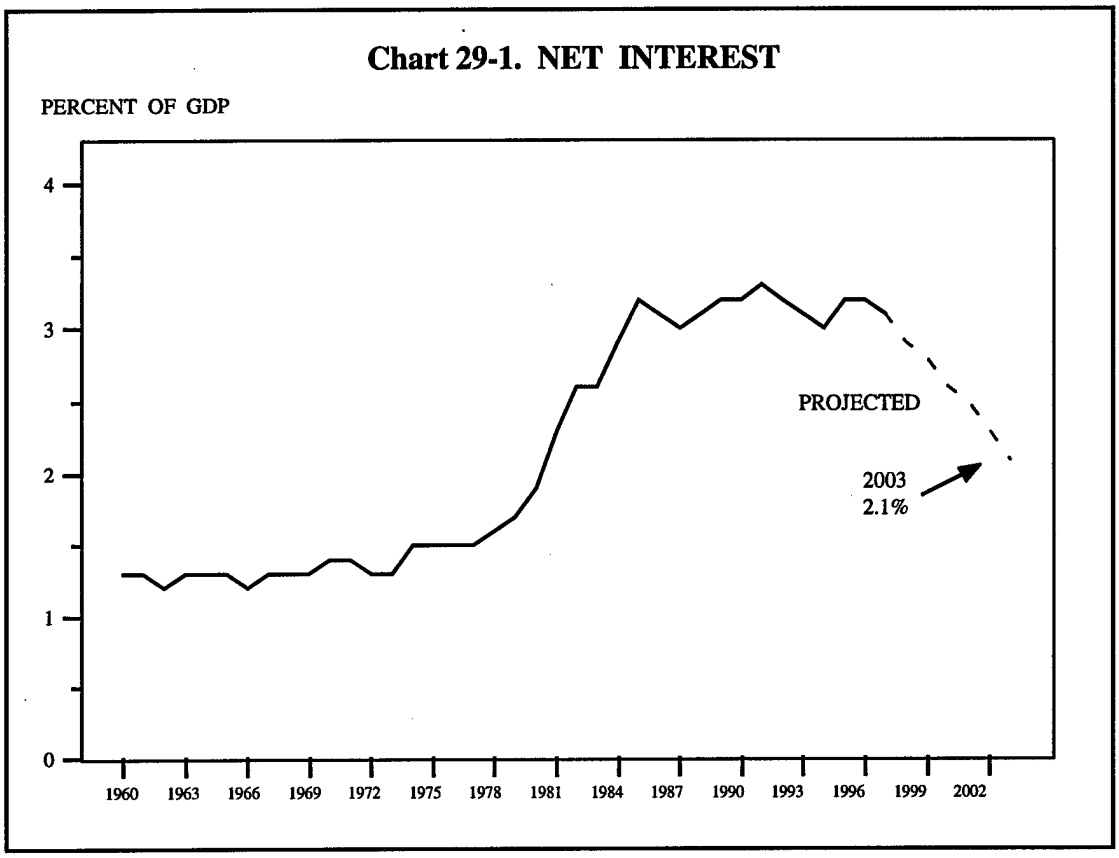
Now that budget deficits have fallen dramatically, the ratio of net interest to GDP has begun to fall as well, from 3.3 percent in 1991 to 3.1 percent in 1997. The combination of the 1997 Balanced Budget Act, the prospect of a balanced budget, low interest rates, and forecasts of lower rates in the future reduce the projected ratio further, to an estimated 2.1 percent in 2003.

Components of Net Interest

Net interest is defined as gross interest on the public debt minus the interest received by on-budget and off-budget trust funds and minus all activities that fall under "other interest" (discussed later in this chapter).

Gross Interest on the Public Debt: Gross interest on the public debt will total an estimated $366.6 billion in 1999 and $378.9 billion in 2003. At the end of 1997, the gross debt totaled $5.370 trillion, of which $3.771 trillion was held by the public. The debt held by the public accounted for about a quarter of the total credit-market debt owed by the non-financial sector.

The Treasury Department's management of the debt, including its decisions about how much to borrow in securities with different maturities, may substantially influence Federal interest payments. Since 1993, the average maturity of marketable, privately held public debt has shrunk from five years



and 10 months to five years and four months, cutting total interest outlays by an estimated $9.6 billion from 1994 to 1998. In 1997, the Treasury began issuing five- and 10-year notes indexed to the Consumer Price Index. The principal, payable at maturity, is adjusted each month for inflation, while interest, paid semiannually, is computed on the inflation-adjusted principal.

Interest Received by On-Budget Trust Funds: On-budget trust funds will earn an estimated $67.4 billion in interest in 1999, and $74.5 billion in 2003. The civil service retirement and disability fund will receive almost half of it, while the military retirement fund will receive about a fifth. The Medicare Hospital Insurance (HI) trust fund will receive over $8 billion in 1999.

Interest Received by Off-Budget Trust Funds: Under current law, the receipts and disbursements of Social Security's old-age and survivors insurance (OASI) trust fund and disability insurance (DI) trust fund are excluded from the budget. Social Security, however, is a Federal program. Thus, net interest includes the off-budget interest earnings. Because Social Security will accumulate large surpluses over the next several years, interest earnings of all the off-budget trust funds will rise from an estimated $51.6 billion in 1999 to $76.3 billion in 2003.

Other Interest: Other interest includes both interest payments and interest collections—much of it consisting of intra-governmental payments and collections that arise from Federal revolving funds. These funds borrow from the Treasury to carry out lending or other business-type activities.

Budgetary Effect, including the Federal Reserve

The Federal Reserve System buys and sells Treasury securities in the open market to implement monetary policy. The interest that Treasury pays on the securities owned by the Federal Reserve is included in net interest as a cost, but virtually all of it comes back to the Treasury as "deposits

of earnings of the Federal Reserve System." These budget receipts will total an estimated $24.6 billion in 1999 and $26.9 billion in 2003.

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30. ALLOWANCES

Table 30–1. ALLOWANCES
(In millions of dollars)

Function 920	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Discretionary Budget Authority	.....	.....	3,250	.....	.....	.....	.....

Emergencies and Other Needs: This allowance recognizes emergencies, including natural disasters, unforseen defense and non-defense costs, and unanticipated, but non-emergency expenses of the year 2000 conversion.

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31. UNDISTRIBUTED OFFSETTING RECEIPTS

Table 31-1. UNDISTRIBUTED OFFSETTING RECEIPTS
(In millions of dollars)

Function 950	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Spending:							
Mandatory Outlays:							
Existing law	-49,973	-46,366	-42,492	-45,802	-47,167	-55,547	-48,316

Offsetting receipts, totaling $42.5 billion in 1999, fall into two categories: (1) the Government's receipts from performing business-like activities, such as proceeds from the sale of Outer Continental Shelf leases or a Federal asset, and (2) the amounts that the Government shifts from one account to another, such as agency payments to retirement funds.

Rents and Royalties on the Outer Continental Shelf (OCS)

The Interior Department's Outer Continental Shelf Lands leasing program, which it began in 1954, generates 15 percent and 25 percent of U.S. domestic oil and natural gas production, respectively. Since its inception, it has held 123 lease sales, covering areas three to 200 miles offshore and generating over $115 billion in rents, bonuses, and royalties—mainly for the Treasury.

OCS revenues help to reduce the deficit, but they also provide most funding for the Land and Water Conservation Fund and Historic Preservation Fund programs. The OCS program will generate about $5 billion in receipts in 1998. In 1999, the Administration will continue the leasing moratoria for the environmentally sensitive areas—offshore California, Oregon, and Washington; the Eastern Seaboard; the southwestern coastline of Florida, including the Everglades; and certain parts of Alaska.

Asset Sales

The United States Enrichment Corporation (USEC): USEC, which began operations in July 1993, sells enriched uranium globally to utilities as fuel for nuclear power plants. Congress created USEC as a wholly-owned government corporation—the first step in a series of actions designed to lead to privatization. USEC's sale, now planned for 1998, will raise an estimated $1.6 billion.

Naval Petroleum Reserve 1 (Elk Hills): The Defense Authorization Act of 1996 requires the sale of Naval Petroleum Reserve 1 in California, commonly known as Elk Hills, by February 10, 1998. The Government is privatizing Elk Hills because the private, rather than public, sector should perform commercial oil and gas operations. In October 1997, the Occidental Petroleum Corporation offered the Energy Department $3.65 billion for Elk Hills, which now produces about 60,000 barrels and 400 million cubic feet of natural gas a day. The sale would be the largest privatization in the Nation's history, and the Government assumed 1998 proceeds of $2.7 billion.

Alaska Power Administration: The Administration will complete the sale of the power plants at Anchorage and Juneau to current customers, as authorized under a 1995 law. The sale, which will raise an estimated $85 million in Federal revenues, is scheduled for completion by August 1998.

Employee Retirement

In 1999, Federal agencies will pay an estimated $35.1 billion on behalf of their employees to the Federal retirement funds[1], the Medicare health insurance trust fund, and the Social Security trust funds. As civilian employee pay rises, agencies must make commensurate increases in their payments to recognize the rising cost of retirement.

[1] The major programs are the Military Retirement System, the Civil Service Retirement System, and the Federal Employee Retirement System.

Other Undistributed Offsetting Receipts

Beginning in 1993, the President and Congress gave the Federal Communications Commission authority to assign spectrum licenses through competitive bidding, which has proven an extremely efficient and effective way to allocate this scarce public resource. As authorized by the 1997 Balanced Budget Act, the budget continues this successful policy. The Government will auction spectrum made available from the transition to digital broadcast technology as well as 120 MHZ of reallocated spectrum, raising an estimated over $30 billion over the next 10 years, helping to balance the budget while compensating the public for the use of this valuable resource.

32. REGULATION: COSTS AND BENEFITS

Along with taxing and spending, the Federal Government makes policy through regulating—that is, generally, through Executive Branch actions to interpret or implement legislation. As with taxing and spending, the Administration carefully designs and implements regulations to provide the most public benefit for the least cost. The Office of Management and Budget (OMB), the White House office that sets regulatory policy, has adopted the following objective in its Strategic Plan: "Maximize social benefits of regulation while minimizing the costs and burdens of regulation."

The Government is still learning how to accurately estimate regulatory costs, such as how much the private sector spends to comply with regulations, and benefits, such as safer cars and food. For over 20 years, a series of Executive Orders has charged OMB with reviewing regulations and providing information on their costs and benefits. The President's September 1993 Executive Order, "Regulatory Planning and Review," directs agencies to assess the costs and benefits of available regulatory alternatives and to issue only regulations that maximize net benefits (benefits minus costs), unless a law requires another approach.

Developing and evaluating the best possible data on benefits and costs are central to the Government's ability to assess how well the regulatory system functions to fulfill public needs. To meet that goal, OMB works with the agencies to improve the quality of the data and analyses they use in making regulatory decisions for both proposed and existing regulations, and to promote the use of standardized assumptions and methodologies uniformly across regulatory programs.

Difficulties in Estimation: Estimating regulatory costs and benefits is hard for two reasons: the "baseline" problem and the "apples and oranges" problem.

To estimate how regulations affect society and the economy, the Government must determine the baseline against which to measure costs and benefits; that is, what would have happened if the Government had not issued the regulation? But, several problems arise. First, no one can craft such a hypothetical baseline with certainty. Second, measures of costs and benefits often vary, depending on who is measuring. Agencies generally support their regulatory programs and, thus, may understate costs or overstate the likely benefits; at the same time, businesses and others who bear the costs will likely do the opposite. Third, the timing of estimates also may make a difference. Most estimates are made before the regulation takes effect, but evidence exists that once regulations are in place, the affected entities find less costly ways to comply.

The "apples and oranges" problem derives from the nature and diversity of regulation itself. Over 60 Federal agencies regulate over 4,000 times a year for a wide array of public purposes. The Government must make decisions about the chemical composition and temperature of the atmosphere, the accessibility of public transportation, and safety of the Nation's food supply. Estimating the costs of such diverse activities is hard; estimating the benefits is even harder. Fortunately, the Government is working on this issue and is making steady progress on methodology and data collection.

Costs and Benefits of Regulation: A recent OMB survey, *Report to Congress on the Costs and Benefits of Federal Regulations*, presents estimates of the aggregate costs and benefits of Federal regulation, as well as the costs and benefits of major individual regulations issued in the last year. Despite the inherent problems, the report represents a good first step toward developing a system to track OMB and agency performance in minimizing costs while achieving social benefits.

The report uses information on costs and benefits that was published in peer-reviewed journals, or published for public comment by agencies and reviewed by OMB, to estimate aggregate costs and benefits for four cat-

egories: environmental, other social, economic, and paperwork/disclosure (see Table 32–1).

The estimates in Table 32–1 are very rough, particularly the benefit estimates. With that very important caveat, the numbers indicate that regulation has produced as much, if not more, in benefits as in costs, and that environmental and other social regulation, mainly health and safety regulation, has clearly produced benefits significantly greater than compliance costs.

The benefits of environmental regulations reflect the value that society places on improved health, recreational opportunities, quality of life, preservation of ecosystems, biodiversity, and so on. The benefits of other social regulation include the value attributed to reduced mortality and morbidity. Generally, the costs are the expenses incurred in compliance, based on engineering designs and current prices, although sometimes they properly include the opportunity costs of foregoing the benefits of what would have been produced in the absence of the regulation.

Economic regulation directly restricts business' ability to conduct its main economic activities—to set prices and decide what to produce. It may also limit business' ability to enter or leave certain lines of work. These regulations usually apply on an industry basis, such as agriculture, trucking, or communications. Often, economic regulation has protected business from competition, and economic loss comes from the higher prices and inefficiencies that result when competition is restricted. Sometimes, however, as in the case of natural monopolies, economic regulation simulates competition and, thus, produces benefits to consumers. Because the Government has no reliable quantitative estimates of the benefits of economic regulation, Table 32–1 includes none. Most economists, however, believe that because regulatory policy has been slow to adapt to rapidly changing technology, the costs of economic regulation have generally exceeded the benefits. The Federal Government has been deregulating key sectors of the economy over the past 20 years, and many other countries have followed its lead.

The fourth category, paperwork/disclosure, includes regulations requiring that information be disclosed about the characteristics of an economic transaction—e.g., financial, securities, and business transactions—so that both parties to the transaction will have the same information. Although the Government has no reliable estimates of the benefits of such disclosure, most economists believe that benefits exceed costs.

Although Table 32–1 shows that, in total and for important categories, Federal regulations have provided more benefits than costs, it says little about current regulatory policy or how to improve it. To address these issues, the Government needs estimates of the costs and benefits of the incremental changes to recent regulations. In its report,

Table 32–1. Estimates of the Total Annual Benefits and Costs of Regulations for 1997

(In billions of 1996 dollars)

	Benefits	Costs
Environmental	162	144
Other Social	136	54
Economic	*	71
Paperwork/disclosure	*	10
Total	>298	279

*Indicates that significant benefits remain to be quantified including the benefits of regulating local phone monopolies and the information disclosure requirements of the banking and capital market regulatory agencies. Note that financial safety and soundness regulation is not included in the above totals.

Source: OMB, *Report to Congress On the Costs and Benefits of Federal Regulations,* September 30, 1997.

OMB provided information on the costs and benefits of the 41 economically significant final regulations that it reviewed from April 1, 1996 to March 31, 1997.[1]

Twenty-one of these rules require substantial private sector spending, provide significant new social benefits, or both. The Environmental Protection Agency (EPA) issued seven of these rules; the Agriculture Department (USDA) issued four; the Health and Human Services (HHS) and Transportation Departments each issued three; and the remaining four were spread among the Commerce, Interior (DOI), and Labor (DOL) Departments.

For seven of the 21 rules, monetized benefits exceeded costs. For example, the Food and Drug Administration (FDA) estimated that its tobacco rule would provide net benefits of $9 billion to $10.2 billion a year. EPA estimated that its Accidental Release Prevention rule would generate $77 million a year in net benefits. For the remaining 15 rules, agencies did not provide enough information to estimate monetized net benefits. For five of the 15, the agencies quantified the expected benefits (e.g., tons of emissions reduced, number of injuries avoided), but they did not assign dollar values to these effects and, thus, could not calculate monetized net benefits. For five others, the agencies identified qualitative benefits associated with the rule, but did not develop any quantified estimates of the likely effects. For the remaining five, agencies had very little economic data on the effects of the rule.

Of the remaining economically significant final rules, 19 were needed to implement Federal budget programs. These rules generally create "transfers"—that is, payments from one group to another, such as from the Federal Government to beneficiaries, that redistribute wealth. Eight were USDA rules to implement Federal laws on agricultural and Food Stamp policies; seven were HHS and Social Security Administration rules to implement Medicare, Medicaid, and Social Security policy; two were Department of Housing and Urban Development rules linked to Federal mortgage protections; one was a DOL rule tied to Federal service contracts; and one was a joint HHS-Treasury-DOL rule setting standards for health insurance portability group health plans.

In the most basic case, transfers do not directly impose social costs or create social benefits, and do not reflect the "opportunity cost" of resources used or benefits foregone. Thus, OMB did not include transfers in Table 32–1 estimates of costs and benefits. Nevertheless, transfers can have important effects on the distribution of income. They may cause indirect social costs because they must be financed—for example, by income and payroll taxes—in ways that affect the use of real income. Similarly, transfers may generate social benefits if beneficiaries realize marginal benefits from the payments that are greater than the losses for taxpayers who finance them.

Further Action: The Government needs better data and analysis to determine whether proposed regulations maximize social benefits while minimizing cost. But agencies have legitimate reasons for their often incomplete estimates. In some cases, they face significant technical problems in assessing costs and benefits. In others, legal or judicial deadlines force the agencies to act within time frames that do not allow for adequate analysis. In still others, agencies may need to allocate their limited financial and human resources to higher priorities. Finally, in cases of emergencies, the public expects its elected leaders to respond without the delay that careful analysis would entail.

OMB is committed to improving the indicators to assess its performance in meeting the goal of ensuring that it is faithfully executing and managing regulatory policy. It will lead an inter-agency effort to raise the quality of analyses that agencies use in developing regulations, such as by offering technical outreach programs and training sessions on using OMB's "Best Practices" on economic analysis.

OMB also will:

- subject a select set of agency regulatory analyses to peer review in order to identify—based on actual experience—the methodological approaches that need im-

[1] For a copy of this report, see the web site http://www.whitehouse.gov/WH/EOP/OMB/html/rcongress.htm.

provement and to stimulate the development of better estimation techniques;

- continue to develop a database on benefits and costs of major rules, using consistent assumptions and better estimation techniques to refine agency estimates of incremental costs and benefits; and
- work on developing appropriate methodologies to evaluate whether to reform or eliminate existing regulatory programs or their elements.

Regulation and regulatory reform can do much good for society, depending on whether the Government has the needed information and analysis for wise decision-making. The steps outlined above are designed to continue the Government's efforts to improve its ability to make better regulatory decisions.

33. DETAILED FUNCTIONAL TABLES

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	70,341	69,666	70,777	70,715	71,639	73,024	74,884
Operation and maintenance	92,342	94,377	94,794	95,844	97,830	99,615	101,877
Procurement	42,930	44,824	48,708	54,122	61,267	60,661	63,523
Research, development, test and evaluation	36,404	36,600	36,079	33,920	32,993	33,531	34,344
Military construction	5,718	5,089	4,302	4,874	4,378	3,702	3,967
Family housing	4,132	3,807	3,477	3,910	3,923	3,866	4,151
Revolving, management and trust funds	2,285	1,894	405	797	379	384	1,091
Proposed legislation (non-PAYGO)	.....	.....	–4	2	2	832	1,449
Discretionary offsetting receipts	–137	–129	–108	–94	–94	–94	–94
Total, Department of Defense—Military	254,015	256,128	258,430	264,090	272,317	275,521	285,192
Atomic energy defense activities:							
Department of Energy	11,356	11,523	12,140	11,801	11,397	11,560	11,917
Formerly utilized sites remedial action	.....	140	140	140	140	140	58
Defense nuclear facilities safety board	16	17	18	18	18	18	18
Total, Atomic energy defense activities	11,372	11,680	12,298	11,959	11,555	11,718	11,993
Defense-related activities:							
Discretionary programs	793	790	888	908	914	851	863
Total, Discretionary	266,180	268,598	271,616	276,957	284,786	288,090	298,048
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	5,366	150	186	137	136	135	133
Offsetting receipts	–1,406	–1,370	–1,358	–1,361	–1,361	–1,361	–1,357
Total, Department of Defense—Military	3,960	–1,220	–1,172	–1,224	–1,225	–1,226	–1,224
Atomic energy defense activities:							
Proceeds from sales of excess DOE assets	–26	–15	–15	–15	–15	–15	.....

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Defense-related activities:							
Mandatory programs	184	197	202	214	226	237	249
Total, Mandatory	4,118	–1,038	–985	–1,025	–1,014	–1,004	–975
Total, National defense	270,298	267,560	270,631	275,932	283,772	287,086	297,073
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	1,648	1,677	1,772	1,757	1,794	1,831	1,870
Multilateral development banks (MDB's)	1,014	1,487	1,723	1,355	1,181	1,160	1,150
Proposed Legislation (non-PAYGO)	.....	.....	5	5	5	5	5
Subtotal, Multilateral development banks (MDB's)	1,014	1,487	1,728	1,360	1,186	1,165	1,155
Assistance for the New Independent States	470	769	922	809	650	560	500
Food aid	867	867	867	886	904	923	943
Refugee programs	700	700	670	684	699	713	728
Assistance for Central and Eastern Europe	406	483	463	175	100	50	.....
Voluntary contributions to international organizations	272	294	314	314	314	314	314
Peace Corps	220	226	270	322	355	355	355
Other development and humanitarian assistance	897	893	923	907	900	887	901
Total, International development, humanitarian assistance	6,494	7,396	7,929	7,214	6,902	6,798	6,766
International security assistance:							
Foreign military financing grants and loans	3,347	3,363	3,296	3,296	3,296	3,296	3,296
Economic support fund	2,385	2,420	2,514	2,522	2,519	2,527	2,535
Other security assistance	248	261	349	346	343	341	339
Total, International security assistance	5,980	6,044	6,159	6,164	6,158	6,164	6,170
Conduct of foreign affairs:							
State Department operations	2,090	2,076	2,177	2,177	2,177	2,177	2,177
Foreign buildings	389	398	641	431	436	422	388
Assessed contributions to international organizations	902	949	931	900	925	925	925
Assessed contributions for international peacekeeping	335	256	231	210	210	210	210
Other conduct of foreign affairs	174	162	166	167	168	169	170
Total, Conduct of foreign affairs	3,890	3,841	4,146	3,885	3,916	3,903	3,870
Foreign information and exchange activities:							
U.S. Information Agency	1,108	1,126	1,119	1,119	1,119	1,119	1,119

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other information and exchange activities	8	8	15	10	10	10	10
Total, Foreign information and exchange activities	1,116	1,134	1,134	1,129	1,129	1,129	1,129
International financial programs:							
Export-Import Bank	758	696	825	825	825	825	825
Special defense acquisition fund	–88	–77	–50				
Other IMF			7	17	17	17	17
Total, International financial programs	670	619	782	842	842	842	842
Total, Discretionary	18,150	19,034	20,150	19,234	18,947	18,836	18,777
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–521	–604	–496	–458	–506	–501	–493
Other development and humanitarian assistance	32	–24	–9	–9	–9	–9	–9
Total, International development, humanitarian assistance	–489	–628	–505	–467	–515	–510	–502
International security assistance:							
Repayment of foreign military financing loans	–653	–553	–391	–261	–186	–134	–85
Foreign military loan liquidating account and reestimates	–168	–191	–191	–200	–227	–226	–227
Total, International security assistance	–821	–744	–582	–461	–413	–360	–312
Foreign affairs and information:							
Conduct of foreign affairs	2	3	4	3	3	3	3
U.S. Information Agency trust funds	2	1	1	1	1	1	1
Japan-U.S. Friendship Commission	1	1	1	1	1	1	1
Total, Foreign affairs and information	5	5	6	5	5	5	5
International financial programs:							
Foreign military sales trust fund (net)	–1,229	–400	–1,230	–1,630	–880	–860	–990
Exchange stabilization fund	–882						

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other international financial programs	–108	–110	–112	–115	–192	–75	–57
Total, International financial programs	–2,219	–510	–1,342	–1,745	–1,072	–935	–1,047
Total, Mandatory	–3,524	–1,877	–2,423	–2,668	–1,995	–1,800	–1,856
Total, International affairs	14,626	17,157	17,727	16,566	16,952	17,036	16,921
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,208	3,366	3,710	3,823	3,941	4,060	4,184
Department of Energy general science programs	977	2,236	2,482	2,497	2,622	2,688	2,660
Total, General science and basic research	4,185	5,602	6,192	6,320	6,563	6,748	6,844
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,745	4,760	4,671	4,798	4,969	5,156	5,345
Human space flight	5,540	5,507	5,511	5,312	5,156	4,930	4,715
Mission support	2,154	2,027	2,065	2,029	2,027	2,123	2,167
Other NASA programs	17	18	20	20	20	20	20
Total, Space flight, research, and supporting activities	12,456	12,312	12,267	12,159	12,172	12,229	12,247
Total, Discretionary	16,641	17,914	18,459	18,479	18,735	18,977	19,091
Mandatory:							
General science and basic research:							
National Science Foundation donations	37	40	37	37	34	31	31
Total, Mandatory	37	40	37	37	34	31	31
Total, General science, space, and technology	16,678	17,954	18,496	18,516	18,769	19,008	19,122
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	3,098	1,170	1,475	1,318	1,312	1,250	1,267
Naval petroleum reserves operations	144	107	23	15	10	9	7
Uranium enrichment activities	252	220	277	230	230	220	230
Decontamination transfer	–377	–388	–398	–410	–421	–435	–435
Nuclear waste program	182	156	190	190	190	190	195
Federal power marketing	206	231	235	214	216	213	222

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Rural electric and telephone discretionary loans	4	58	60	60	60	60	60
Proposed Legislation (non-PAYGO)			1	1	1	1	1
Subtotal, Rural electric and telephone discretionary loans	4	58	61	61	61	61	61
Financial management services	–4	495	497	445	410	410	386
Total, Energy supply	3,505	2,049	2,360	2,063	2,008	1,918	1,933
Energy conservation and preparedness:							
Energy conservation	533	591	774	738	741	745	725
Emergency energy preparedness	–11		160	160	160	155	155
Total, Energy conservation and preparedness	522	591	934	898	901	900	880
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	18	19	22	15	13	14	15
Proposed Legislation (non-PAYGO)				8	10	10	10
Subtotal, Nuclear Regulatory Commission (NRC)	18	19	22	23	23	24	25
Federal Energy Regulatory Commission fees and recoveries, and other	–46	–21					
Departmental and other administration	223	185	184	180	179	173	171
Total, Energy information, policy, and regulation	195	183	206	203	202	197	196
Total, Discretionary	4,222	2,823	3,500	3,164	3,111	3,015	3,009
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–516	–175	–7	–5	–5	–3	
Federal power marketing	–793	–706	–713	–751	–841	–872	–846
Tennessee Valley Authority	–397	–911	–1,023	–906	–1,046	–1,152	–1,222
Proceeds from uranium sales	–40	–43	–36	–37	–68	–129	–167
Nuclear waste fund program	–596	–602	–625	–632	–637	–641	–652
Rural electric and telephone liquidating accounts	–175	–770	–616	–863	–860	–446	–780
Total, Energy supply	–2,517	–3,207	–3,020	–3,194	–3,457	–3,243	–3,667
Total, Mandatory	–2,517	–3,207	–3,020	–3,194	–3,457	–3,243	–3,667
Total, Energy	1,705	–384	480	–30	–346	–228	–658

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	4,076	3,877	3,048	3,343	3,135	3,189	3,325
Proposed Legislation (non-PAYGO)			–7	–14	–14	–14	–14
Subtotal, Corps of Engineers	4,076	3,877	3,041	3,329	3,121	3,175	3,311
Bureau of Reclamation	779	865	893	882	739	736	754
Other discretionary water resources programs	407	150	146	145	145	150	151
Total, Water resources	5,262	4,892	4,080	4,356	4,005	4,061	4,216
Conservation and land management:							
Forest Service	2,704	2,452	2,498	2,532	2,569	2,546	2,502
Management of public lands (BLM)	1,005	987	1,084	1,079	1,137	1,169	1,192
Proposed Legislation (non-PAYGO)			–39	–1		–1	–1
Subtotal, Management of public lands (BLM)	1,005	987	1,045	1,078	1,137	1,168	1,191
Conservation of agricultural lands [1]	656	673	705	695	665	650	701
Other conservation and land management programs	588	566	553	566	571	572	575
Total, Conservation and land management	4,953	4,678	4,801	4,871	4,942	4,936	4,969
Recreational resources:							
Operation of recreational resources	2,532	3,109	2,766	2,907	3,057	2,975	2,939
Other recreational resources activities	40	219	55	78	94	115	114
Total, Recreational resources	2,572	3,328	2,821	2,985	3,151	3,090	3,053
Pollution control and abatement:							
Regulatory, enforcement, and research programs [1]	2,462	2,609	2,752	2,788	2,879	2,963	3,087
State and tribal assistance grants	2,910	3,212	2,903	2,658	2,605	2,605	2,625
Hazardous substance superfund	1,395	1,500	2,093	1,444	1,393	1,394	1,394
Other control and abatement activities	132	139	188	187	162	162	162
Proposed Legislation (non-PAYGO)			–24	–24	–24	–24	–24
Total, Pollution control and abatement	6,899	7,460	7,912	7,053	7,015	7,100	7,244
Other natural resources:							
NOAA [1]	1,981	2,056	2,180	2,121	2,062	2,025	2,046

Table 33-1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other natural resource program activities	759	766	815	897	814	814	814
Proposed Legislation (non-PAYGO)			4	1	1	1	1
Subtotal, Other natural resource program activities	759	766	819	898	815	815	815
Total, Other natural resources	2,740	2,822	2,999	3,019	2,877	2,840	2,861
Total, Discretionary	22,426	23,180	22,613	22,284	21,990	22,027	22,343
Mandatory:							
Water resources:							
Mandatory water resource programs	21	−53	−24	−58	−64	−62	−63
Proposed Legislation (PAYGO)			6	7	12	14	17
Subtotal, Mandatory water resource programs	21	−53	−18	−51	−52	−48	−46
Conservation and land management:							
Conservation Reserve Program and other agricultural programs	1,968	2,279	2,063	2,093	2,068	2,104	2,049
Proposed Legislation (PAYGO)			100	100	50	50	50
Subtotal, Conservation Reserve Program and other agricultural programs	1,968	2,279	2,163	2,193	2,118	2,154	2,099
Other conservation programs	458	622	518	500	471	469	465
Proposed Legislation (PAYGO)				6	7	7	7
Subtotal, Other conservation programs	458	622	518	506	478	476	472
Offsetting receipts	−1,983	−2,015	−2,076	−2,059	−2,064	−2,066	−2,091
Proposed Legislation (PAYGO)				4	4	4	4
Subtotal, Offsetting receipts	−1,983	−2,015	−2,076	−2,055	−2,060	−2,062	−2,087
Total, Conservation and land management	443	886	605	644	536	568	484
Recreational resources:							
Operation of recreational resources [1]	825	850	808	784	730	751	771
Proposed Legislation (PAYGO)			24	186	189	192	202
Subtotal, Operation of recreational resources	825	850	832	970	919	943	973

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Offsetting receipts	–323	–367	–332	–249	–245	–251	–250
Proposed Legislation (PAYGO)			–24	–122	–131	–138	–147
Subtotal, Offsetting receipts	–323	–367	–356	–371	–376	–389	–397
Total, Recreational resources	502	483	476	599	543	554	576
Pollution control and abatement:							
Superfund resources and other mandatory	–265	–123	–124	–126	–126	–126	–127
Proposed Legislation (PAYGO)			200	200	200	200	200
Subtotal, Superfund resources and other mandatory	–265	–123	76	74	74	74	73
Other natural resources:							
Other fees and mandatory programs	–21	–17	–26	–27	–25	–25	–25
Total, Mandatory	680	1,176	1,113	1,239	1,076	1,123	1,062
Total, Natural resources and environment	23,106	24,356	23,726	23,523	23,066	23,150	23,405
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	396	335	339	339	339	339	339
P.L.480 market development activities	201	197	100	100	100	100	100
Administrative expenses [1]	827	962	807	686	625	600	600
Total, Farm income stabilization	1,424	1,494	1,246	1,125	1,064	1,039	1,039
Agricultural research and services:							
Research programs	1,274	1,260	1,230	1,241	1,231	1,233	1,233
Proposed Legislation (non-PAYGO)			10	10	10	10	10
Subtotal, Research programs	1,274	1,260	1,240	1,251	1,241	1,243	1,243
Extension programs	426	423	419	419	419	419	419
Marketing programs	40	48	59	59	59	59	59
Animal and plant inspection programs [1]	438	431	423	425	425	425	325
Economic intelligence	153	190	163	153	153	156	174
Grain inspection [1]	23	24	12	5	5	5	5
Foreign agricultural service	137	140	141	141	141	141	141

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other programs and unallocated overhead	310	300	367	367	372	371	371
Proposed Legislation (non-PAYGO)			4	4	4	4	4
Subtotal, Other programs and unallocated overhead	310	300	371	371	376	375	375
Total, Agricultural research and services	2,801	2,816	2,828	2,824	2,819	2,823	2,741
Total, Discretionary	4,225	4,310	4,074	3,949	3,883	3,862	3,780
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	6,713	6,663	6,873	6,474	5,093	5,043	5,066
Proposed Legislation (PAYGO)			–340	–407	–258	–258	–270
Subtotal, Commodity Credit Corporation	6,713	6,663	6,533	6,067	4,835	4,785	4,796
Crop insurance and other farm credit activities	1,708	706	1,511	1,597	1,681	1,742	1,814
Proposed Legislation (PAYGO)			205	79	89	98	108
Subtotal, Crop insurance and other farm credit activities	1,708	706	1,716	1,676	1,770	1,840	1,922
Credit liquidating accounts (ACIF and FAC)	–1,260	–1,131	–1,169	–1,093	–1,041	–1,036	–940
Total, Farm income stabilization	7,161	6,238	7,080	6,650	5,564	5,589	5,778
Agricultural research and services:							
Miscellaneous mandatory programs	195	185	236	240	195	201	307
Offsetting receipts	–135	–142	–142	–142	–142	–142	–143
Total, Agricultural research and services	60	43	94	98	53	59	164
Total, Mandatory	7,221	6,281	7,174	6,748	5,617	5,648	5,942
Total, Agriculture	11,446	10,591	11,248	10,697	9,500	9,510	9,722
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	163	179	253	169	62	59	55
Proposed Legislation (non-PAYGO)			–50				
Subtotal, Federal Housing Administration (FHA) loan programs	163	179	203	169	62	59	55

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other Housing and Urban Development	5	5	6	3	3	3	3
Proposed Legislation (non-PAYGO)			–527				
Subtotal, Other Housing and Urban Development	5	5	–521	3	3	3	3
Rural housing insurance fund	556	581	571	570	543	541	570
Total, Mortgage credit	724	765	253	742	608	603	628
Postal service:							
Payments to the Postal Service fund (On-budget)	90	86	100	100	100	100	100
Deposit insurance:							
National Credit Union Administration	1	1					
Other advancement of commerce:							
Small and minority business assistance	555	568	586	551	551	551	565
Science and technology	592	698	737	778	814	840	814
Economic and demographic statistics	397	740	1,242	2,517	541	466	467
Regulatory agencies	54	56	125	125	118	114	111
International Trade Administration	274	290	286	280	278	278	278
Other discretionary[1]	100		7	7	–87	–94	–104
Total, Other advancement of commerce	1,972	2,352	2,983	4,258	2,215	2,155	2,131
Total, Discretionary	2,787	3,204	3,336	5,100	2,923	2,858	2,859
Mandatory:							
Mortgage credit:							
FHA and GNMA negative subsidies	–490	–944	–5,806	–1,743	–1,586	–1,534	–1,696
Proposed Legislation (PAYGO)				–241	–234	–233	–237
Subtotal, FHA and GNMA negative subsidies	–490	–944	–5,806	–1,984	–1,820	–1,767	–1,933
FHA Multifamily portfolio re-engineering (Proposed Legislation non-PAYGO)			23	21	20		
Mortgage credit liquidating accounts	–23	–669	764	176	–130	421	–90
Other mortgage credit activities	–63						
Total, Mortgage credit	–576	–1,613	–5,019	–1,787	–1,930	–1,346	–2,023
Postal service:							
Payments to the Postal Service fund for nonfunded liabilities (On-budget)	36						

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Postal Service (Off-budget)	3,725	4,607	1,869	449	–365	–2,058	–320
Total, Postal service	3,761	4,607	1,869	449	–365	–2,058	–320
Deposit insurance:							
FSLIC Resolution Fund	–26	–34					
Proposed Legislation (PAYGO)		–10	–51	–49	–41	–35	–28
Subtotal, FSLIC Resolution Fund	–26	–44	–51	–49	–41	–35	–28
Total, Deposit insurance	–26	–44	–51	–49	–41	–35	–28
Other advancement of commerce:							
Universal Service Fund	1,031	3,306	7,096	10,348	12,532	13,210	13,377
Payments to copyright owners	231	238	268	242	199	203	207
Spectrum auction subsidy	940	3,295	2	2	2	2	2
Regulatory fees	–36	–36	–36	–36	–36	–36	–36
Patent and trademark fees	–115	–119					
Credit liquidating accounts		1					
Other mandatory	76	–83	50	37	95	95	85
Total, Other advancement of commerce	2,127	6,602	7,380	10,593	12,792	13,474	13,635
Total, Mandatory	5,286	9,552	4,179	9,206	10,456	10,035	11,264
Total, Commerce and housing credit	8,073	12,756	7,515	14,306	13,379	12,893	14,123
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	19,619	21,800	21,600	21,600	21,600	21,600	21,600
State infrastructure banks	150		150	150	150	150	150
Highway safety	376	419	506	506	506	506	506
Mass transit	4,372	4,844	4,775	4,776	4,776	4,776	4,776
Railroads [1]	1,051	732	669	616	566	558	556
Regulation [1]	12	14					
Total, Ground transportation	25,580	27,809	27,700	27,648	27,598	27,590	27,588
Air transportation:							
Airports and airways (FAA) [1]	8,549	9,077	9,708	10,288	10,807	11,339	11,906
Aeronautical research and technology	1,253	1,326	1,198	1,119	1,143	1,165	1,188
Payments to air carriers	–14	–39					
Total, Air transportation	9,788	10,364	10,906	11,407	11,950	12,504	13,094
Water transportation:							
Marine safety and transportation [1]	2,800	2,894	2,907	2,863	2,721	2,711	2,701
Ocean shipping	130	129	105	105	105	105	105
Total, Water transportation	2,930	3,023	3,012	2,968	2,826	2,816	2,806

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other transportation:							
Other discretionary programs [1]	376	227	231	232	232	233	234
Total, Discretionary	38,674	41,423	41,849	42,255	42,606	43,143	43,722
Mandatory:							
Ground transportation:							
Highways	1,870	746	746	746	746	746	746
Proposed Legislation (PAYGO)		152	36	–55	–110	–130	–130
Subtotal, Highways	1,870	898	782	691	636	616	616
Offsetting receipts and liquidating accounts	–48	–41	–43	–46	–45	–45	–45
Total, Ground transportation	1,822	857	739	645	591	571	571
Air transportation:							
Airports and airways (FAA)		34	43	43	43	43	43
Payments to air carriers	39	89	50	50	50	50	50
Total, Air transportation	39	123	93	93	93	93	93
Water transportation:							
Coast Guard retired pay	617	653	684	723	760	799	841
Other water transportation programs	–48	–47	–71	–70	–69	–71	–11
Proposed Legislation (PAYGO)			68	68	68	69	69
Subtotal, Other water transportation programs	–48	–47	–3	–2	–1	–2	58
Total, Water transportation	569	606	681	721	759	797	899
Other transportation:							
Other mandatory transportation programs	–32	–30	–30	–32	–32	–573	–34
Total, Mandatory	2,398	1,556	1,483	1,427	1,411	888	1,529
Total, Transportation	41,072	42,979	43,332	43,682	44,017	44,031	45,251
450 Community and regional development:							
Discretionary:							
Community development:							
Community development loan guarantees	32	30	30	29	29	29	30
Community development block grant	4,854	4,924	4,725	4,015	3,981	3,933	4,040
Community adjustment and investment program			37				
Community development financial institutions	50	80	125	125	125	125	125
Economic development initiative			400	100			
Brownfields redevelopment		25	50	50			

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other community development programs	250	264	384	267	266	221	208
Proposed Legislation (non-PAYGO)			25				
Subtotal, Other community development programs	250	264	409	267	266	221	208
Total, Community development	5,186	5,323	5,776	4,586	4,401	4,308	4,403
Area and regional development:							
Rural development	797	817	883	881	881	881	882
Economic Development Administration	426	361	398	368	335	306	306
Indian programs	962	1,012	1,122	1,110	1,122	1,122	1,122
Appalachian Regional Commission	160	170	67	67	66	65	67
Proposed Legislation (non-PAYGO)			26	26	26	26	26
Subtotal, Appalachian Regional Commission	160	170	93	93	92	91	93
Tennessee Valley Authority	106	70	77	95	102	105	130
Total, Area and regional development	2,451	2,430	2,573	2,547	2,532	2,505	2,533
Disaster relief and insurance:							
Disaster relief	4,620	320	308	307	304	300	308
Small Business Administration disaster loans	327	209	166	192	192	192	192
Other disaster assistance programs	450	378	381	379	376	370	380
Total, Disaster relief and insurance	5,397	907	855	878	872	862	880
Total, Discretionary	13,034	8,660	9,204	8,011	7,805	7,675	7,816
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	1	176					
Urban empowerment zones (Proposed Legislation PAYGO)			150	150	150	150	150
Total, Community development	1	176	150	150	150	150	150
Area and regional development:							
Indian programs	647	513	456	461	461	464	464
Rural development programs	84	5	55	55	5	5	5
Rural empowerment zones (Proposed Legislation PAYGO)			20	20	20	20	20
Credit liquidating accounts	67	149	395	424	1,097	1,420	–60

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Offsetting receipts	–329	–256	–254	–257	–259	–259	–259
Total, Area and regional development	469	411	672	703	1,324	1,650	170
Disaster relief and insurance:							
National flood insurance fund	100	–37	–68	–93	–120	–145	–171
Radiological emergency preparedness fees	–9	–12					
Credit liquidating accounts		–5	–6	–6	–6	–6	–6
SBA disaster loan subsidy re-estimate		–390					
Offsetting receipts	–25						
Total, Disaster relief and insurance	66	–444	–74	–99	–126	–151	–177
Total, Mandatory	536	143	748	754	1,348	1,649	143
Total, Community and regional development	13,570	8,803	9,952	8,765	9,153	9,324	7,959
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	691	1,275	1,347	1,302	1,147	747	747
School improvement programs	1,426	1,538	1,273	1,273	1,273	1,273	1,273
Proposed Legislation (non-PAYGO)			203	321	389	362	275
Subtotal, School improvement programs	1,426	1,538	1,476	1,594	1,662	1,635	1,548
Education for the disadvantaged	7,791	7,871	8,481	8,481	8,481	8,481	8,481
Proposed Legislation (non-PAYGO)			15	15	15	15	15
Subtotal, Education for the disadvantaged	7,791	7,871	8,496	8,496	8,496	8,496	8,496
Special education	4,036	4,811	4,846	4,846	4,846	4,846	4,846
Impact aid	730	808	696	696	696	696	691
Vocational and adult education	1,487	1,508					
Proposed Legislation (non-PAYGO)			1,544	1,544	1,544	1,544	1,544
Subtotal, Vocational and adult education	1,487	1,508	1,544	1,544	1,544	1,544	1,544
Indian education programs	607	621	656	635	641	641	641
Bilingual and immigrant education	262	354	387	387	387	387	387
Other	7	8	268	268	268	268	268
Total, Elementary, secondary, and vocational education	17,037	18,794	19,716	19,768	19,687	19,260	19,168
Higher education:							
Student financial assistance	7,560	8,979	9,203	9,203	9,203	9,203	9,203

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Higher education account	879	947	7	7	7	7	8
Proposed Legislation (non-PAYGO)			1,282	1,455	1,646	1,745	1,769
Subtotal, Higher education account	879	947	1,289	1,462	1,653	1,752	1,777
Federal family education loan program	46	46	48	49	49	49	48
Other higher education programs	325	342	344	343	342	341	339
Total, Higher education	8,810	10,314	10,884	11,057	11,247	11,345	11,367
Research and general education aids:							
Library of Congress	258	270	287	282	285	289	296
Public broadcasting	296	291	337	404	471	453	455
Smithsonian institution	461	490	523	538	551	565	579
Education research, statistics, and improvement	598	431	689	689	689	689	668
Other	701	729	816	815	815	815	815
Total, Research and general education aids	2,314	2,211	2,652	2,728	2,811	2,811	2,813
Training and employment:							
Training and employment services	4,716	4,988	5,323	5,275	5,303	5,379	5,453
Older Americans employment	463	440	440	440	440	440	440
Federal-State employment service [1]	1,246	1,250	1,246	1,184	1,184	1,184	1,184
Proposed Legislation (non-PAYGO)					–40	–40	–40
Subtotal, Federal-State employment service	1,246	1,250	1,246	1,184	1,144	1,144	1,144
Other employment and training [1]	81	90	97	97	94	90	90
Total, Training and employment	6,506	6,768	7,106	6,996	6,981	7,053	7,127
Other labor services:							
Labor law, statistics, and other administration	1,007	1,042	1,123	1,122	1,122	1,122	1,122
Social services:							
National service initiative	616	686	781	799	799	799	799
Children and families services programs	5,364	5,683	5,944	6,281	6,466	6,654	6,654
Aging services program	832	865	871	871	871	871	871
Other	2	2	–469	–483	–564	–618	–1,038
Total, Social services	6,814	7,236	7,127	7,468	7,572	7,706	7,286
Total, Discretionary	42,488	46,365	48,608	49,139	49,420	49,297	48,883

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Mandatory:							
Elementary, secondary, and vocational education:							
Vocational and adult education	7	.....	.....	.....	.....	.....	.....
New teachers and smaller class size (Proposed Legislation PAYGO)	.....	.....	1,100	1,300	1,500	1,700	1,735
Total, Elementary, secondary, and vocational education	7	.....	1,100	1,300	1,500	1,700	1,735
Higher education:							
Federal family education loan program	3,236	2,004	1,987	2,063	2,148	1,215	2,309
Proposed Legislation (PAYGO)	.....	–158	–223	–591	–540	–398	–258
Subtotal, Federal family education loan program	3,236	1,846	1,764	1,472	1,608	817	2,051
Federal direct loan program	762	920	1,104	1,170	1,187	1,168	1,143
Proposed Legislation (PAYGO)	.....	.....	31	56	104	186	280
Subtotal, Federal direct loan program	762	920	1,135	1,226	1,291	1,354	1,423
Other higher education programs	–32	10	10	10	10	10	12
Credit liquidating account (Family education loan program)	745	.....	.....	.....	.....	.....	.....
Total, Higher education	4,711	2,776	2,909	2,708	2,909	2,181	3,486
Research and general education aids:							
Mandatory programs	20	16	16	16	16	16	17
Training and employment:							
Trade adjustment assistance	114	119	117	94	94	95	95
Proposed Legislation (PAYGO)	.....	.....	65	66	66	67	67
Subtotal, Trade adjustment assistance	114	119	182	160	160	162	162
Welfare to work grants	.....	1,488	1,488	.....	.....	.....	.....
Payments to States for AFDC work programs	1,000	.....	.....	.....	.....	.....	.....
Total, Training and employment	1,114	1,607	1,670	160	160	162	162
Social services:							
Payments to States for foster care and adoption assistance	4,445	4,311	5,142	5,441	5,907	6,433	7,005
Family support and preservation	240	255	275	295	305	305	305
Social services block grant	2,500	2,299	2,380	2,380	2,380	2,380	2,800
Rehabilitation services	2,509	2,591	2,645	2,701	2,760	2,824	2,888

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other social services	10	22	27	32	32	32	32
Total, Social services	9,704	9,478	10,469	10,849	11,384	11,974	13,030
Total, Mandatory	15,556	13,877	16,164	15,033	15,969	16,033	18,430
Total, Education, training, employment, and social services	58,044	60,242	64,772	64,172	65,389	65,330	67,313
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,145	2,147	2,280	2,271	2,256	2,233	2,285
Indian health	2,057	2,099	2,118	2,102	2,083	2,057	2,111
Other discretionary health care services programs [1]	5,490	5,746	5,989	5,959	5,923	5,871	6,003
Total, Health care services	9,692	9,992	10,387	10,332	10,262	10,161	10,399
Health research and training:							
National Institutes of Health	12,751	13,648	14,798	15,661	16,632	17,997	20,188
Clinical training	295	297	294	291	288	283	292
Other health research and training	308	306	290	292	292	292	301
Total, Health research and training	13,354	14,251	15,382	16,244	17,212	18,572	20,781
Consumer and occupational health and safety:							
Food safety and inspection [1]	574	589	150	47	42	42	42
Occupational safety and health	536	553	580	580	580	580	580
Other consumer health programs [1]	930	970	1,016	1,073	1,125	1,124	1,155
Total, Consumer and occupational health and safety	2,040	2,112	1,746	1,700	1,747	1,746	1,777
Total, Discretionary	25,086	26,355	27,515	28,276	29,221	30,479	32,957
Mandatory:							
Health care services:							
Medicaid grants	101,212	99,591	102,395	114,935	123,529	132,707	143,247
Proposed Legislation (PAYGO)	.....	.....	–210	–180	–130	–155	–165
Subtotal, Medicaid grants	101,212	99,591	102,185	114,755	123,399	132,552	143,082
State children's health insurance fund	.....	4,235	4,215	4,215	4,215	3,090	3,150
Proposed Legislation (PAYGO)	.....	.....	34	34	34	25	25
Subtotal, State children's health insurance fund	.....	4,235	4,249	4,249	4,249	3,115	3,175
Federal employees' and retired employees' health benefits	3,067	4,035	4,614	4,988	5,352	5,727	6,143

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Coal miner retiree health benefits (including UMWA funds)	370	359	352	343	336	328	321
Health initiatives (Proposed Legislation PAYGO)	.....	.....	220	270	320	20	20
Other mandatory health services activities	411	424	380	391	403	415	378
Total, Health care services	105,060	108,644	112,000	124,996	134,059	142,157	153,119
Health research and safety:							
Health research and training	38	31	37	32	29	27	22
Consumer and occupational health and safety	.....	1	1	1	1	1	1
Total, Health research and safety	38	32	38	33	30	28	23
Total, Mandatory	105,098	108,676	112,038	125,029	134,089	142,185	153,142
Total, Health	130,184	135,031	139,553	153,305	163,310	172,664	186,099
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,169	1,218	1,196	1,192	1,188	1,181	1,197
Supplementary medical insurance (SMI) administrative expenses	1,454	1,506	1,452	1,448	1,439	1,428	1,455
Total, Medicare	2,623	2,724	2,648	2,640	2,627	2,609	2,652
Total, Discretionary	2,623	2,724	2,648	2,640	2,627	2,609	2,652
Mandatory:							
Medicare:							
Hospital insurance (HI)	136,090	139,397	142,878	145,792	152,510	152,729	162,776
Proposed Legislation (PAYGO)	.....	.....	93	413	427	475	559
Subtotal, Hospital insurance (HI)	136,090	139,397	142,971	146,205	152,937	153,204	163,335
Supplementary medical insurance (SMI)	71,105	75,742	82,844	90,673	101,863	106,997	119,907
Proposed Legislation (PAYGO)	.....	.....	–45	233	235	293	349
Subtotal, Supplementary medical insurance (SMI)	71,105	75,742	82,799	90,906	102,098	107,290	120,256
Health care fraud and abuse control [1]	591	676	764	864	950	1,010	1,075

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Medicare premiums, collections, and interfunds[2]	–20,410	–19,706	–21,384	–23,255	–25,464	–27,791	–30,497
Proposed Legislation (PAYGO)			–127	–679	–814	–1,025	–1,234
Subtotal, Medicare premiums, collections, and interfunds	–20,410	–19,706	–21,511	–23,934	–26,278	–28,816	–31,731
Total, Medicare	187,376	196,109	205,023	214,041	229,707	232,688	252,935
Total, Mandatory	187,376	196,109	205,023	214,041	229,707	232,688	252,935
Total, Medicare	189,999	198,833	207,671	216,681	232,334	235,297	255,587
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	316	299	282	264	247	231	217
Pension Benefit Guaranty Corporation	10	11	11	11	11	11	11
Pension and Welfare Benefits Administration and other	78	83	93	92	92	92	92
Total, General retirement and disability insurance	404	393	386	367	350	334	320
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	86	84	84	85	83	81	84
Armed forces retirement home	56	69	71	59	59	58	59
Total, Federal employee retirement and disability	142	153	155	144	142	139	143
Unemployment compensation:							
Unemployment programs administrative expenses	2,345	2,485	2,464	2,416	2,416	2,416	2,416
Housing assistance:							
Public housing operating fund		2,900	2,818	2,742	2,719	2,686	2,759
Public housing capital fund		2,500	2,550	2,503	2,515	2,519	2,587
Subsidized, public, homeless and other HUD housing	11,081	13,776	14,296	18,155	19,121	20,312	21,403
Proposed Legislation (non-PAYGO)			11	11			
Subtotal, Subsidized, public, homeless and other HUD housing	11,081	13,776	14,307	18,166	19,121	20,312	21,403
Rural housing assistance	580	613	656	738	734	745	730
Total, Housing assistance	11,661	19,789	20,331	24,149	25,089	26,262	27,479

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,806	3,924	4,081	4,128	4,226	4,325	4,426
Other nutrition programs	529	501	555	553	553	553	553
Total, Food and nutrition assistance	4,335	4,425	4,636	4,681	4,779	4,878	4,979
Other income assistance:							
Refugee assistance	425	423	415	415	415	415	415
Low income home energy assistance	1,215	1,000	1,100	1,100	1,100	1,100	1,100
Child care and development block grant	19	1,003	1,003	1,003	1,003	1,003	1,003
Proposed Legislation (non-PAYGO)	.....	.....	180	180	180	180	180
Subtotal, Child care and development block grant	19	1,003	1,183	1,183	1,183	1,183	1,183
Supplemental security income (SSI) administrative expenses	2,141	2,262	2,264	2,266	2,276	2,285	2,283
Proposed Legislation (PAYGO)	.....	.....	50	.....	.....	.....	.....
Subtotal, Supplemental security income (SSI) administrative expenses	2,141	2,262	2,314	2,266	2,276	2,285	2,283
Total, Other income assistance	3,800	4,688	5,012	4,964	4,974	4,983	4,981
Total, Discretionary	22,687	31,933	32,984	36,721	37,750	39,012	40,318
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,274	4,306	4,366	4,379	4,547	4,515	4,596
Proposed Legislation (PAYGO)	.....	.....	36	48	49	49	49
Subtotal, Railroad retirement	4,274	4,306	4,402	4,427	4,596	4,564	4,645
Special benefits for disabled coal miners	1,158	1,103	1,052	1,013	960	910	861
Pension Benefit Guaranty Corporation	–10	–11	–11	–11	–11	–12	–12
District of Columbia pension funds	.....	.....	–21	–42	–65	–90	–115
Special workers' compensation expenses	124	151	152	160	167	175	183
Total, General retirement and disability insurance	5,546	5,549	5,574	5,547	5,647	5,547	5,562
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	42,104	43,849	45,780	47,779	49,707	51,673	53,727

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Military retirement	30,259	31,449	32,379	33,327	34,208	35,090	35,988
Federal employees workers' compensation (FECA)	211	202	181	168	160	153	148
Federal employees life insurance fund	27	31	34	37	40	43	46
Total, Federal employee retirement and disability	72,601	75,531	78,374	81,311	84,115	86,959	89,909
Unemployment compensation:							
Unemployment insurance programs	20,412	20,804	23,549	25,391	27,159	28,186	29,969
Proposed Legislation (PAYGO)	.....	.....	126	101	197	245	8
Subtotal, Unemployment insurance programs	20,412	20,804	23,675	25,492	27,356	28,431	29,977
Trade adjustment assistance	211	230	244	225	233	241	249
Proposed Legislation (PAYGO)	.....	.....	73	81	83	84	85
Subtotal, Trade adjustment assistance	211	230	317	306	316	325	334
Total, Unemployment compensation	20,623	21,034	23,992	25,798	27,672	28,756	30,311
Housing assistance:							
Mandatory housing assistance programs	85	60	50	50	50	50	50
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	27,613	24,825	24,693	25,843	26,812	27,567	28,952
Proposed Legislation (PAYGO)	.....	100	355	315	265	265	280
Subtotal, Food stamps (including Puerto Rico)	27,613	24,925	25,048	26,158	27,077	27,832	29,232
State child nutrition programs	8,648	8,078	9,219	9,658	10,092	10,525	10,984
Funds for strengthening markets, income, and supply (Sec.32)	423	513	450	417	417	417	417
Total, Food and nutrition assistance	36,684	33,516	34,717	36,233	37,586	38,774	40,633
Other income support:							
Supplemental security income (SSI)	26,666	25,888	28,088	29,087	30,058	31,072	32,140
Proposed Legislation (non-PAYGO)	.....	.....	–104	–104	–8	–4	–3
Proposed Legislation (PAYGO)	.....	.....	–39	–44	–39	–33	–33
Subtotal, Supplemental security income (SSI)	26,666	25,888	27,945	28,939	30,011	31,035	32,104

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Family support payments	6,958	607	2,649	2,927	3,002	3,189	3,425
Proposed Legislation (PAYGO)			–8	–8	–8	–8	–9
Subtotal, Family support payments	6,958	607	2,641	2,919	2,994	3,181	3,416
Federal share of child support collections	–325	–1,022	–1,063	–1,058	–1,065	–1,102	–1,089
Proposed Legislation (PAYGO)			–40	–48	–57	–58	–56
Subtotal, Federal share of child support collections	–325	–1,022	–1,103	–1,106	–1,122	–1,160	–1,145
Temporary assistance for needy families and related programs	13,411	16,720	17,026	17,123	17,218	16,932	16,932
Child care entitlement to states	1,967	2,071	2,167	2,367	2,567	2,717	2,717
Proposed Legislation (PAYGO)			1,755	1,880	2,000	2,200	2,665
Subtotal, Child care entitlement to states	1,967	2,071	3,922	4,247	4,567	4,917	5,382
Earned income tax credit (EITC)	21,856	22,295	24,496	25,334	26,040	26,715	27,414
Proposed Legislation (PAYGO)			–65	–100	–101	–103	–106
Subtotal, Earned income tax credit (EITC)	21,856	22,295	24,431	25,234	25,939	26,612	27,308
Child tax credit			538	685	662	624	589
Proposed Legislation (PAYGO)			–5	–5	–5	–5	–5
Subtotal, Child tax credit			533	680	657	619	584
Other assistance	33	52	76	67	67	68	69
SSI recoveries and receipts	–1,295	–1,393	–1,421	–1,466	–1,511	–1,558	–1,608
Total, Other income support	69,271	65,218	74,050	76,637	78,820	80,646	83,042
Total, Mandatory	204,810	200,908	216,757	225,576	233,890	240,732	249,507
Total, Income security	227,497	232,841	249,741	262,297	271,640	279,744	289,825
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	2,069	2,063	1,798	1,796	1,801	1,800	1,802
Disability insurance (DI) administrative expenses (Off-budget)	1,382	1,132	1,353	1,403	1,388	1,379	1,379
Office of the Inspector General—Social Security Adm.	6	10	12	12	12	13	13
Total, Discretionary	3,457	3,205	3,163	3,211	3,201	3,192	3,194

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	317,611	328,987	341,862	355,045	370,181	384,305	399,950
Proposed Legislation (non-PAYGO)			20	107	136	144	138
Subtotal, Old-age and survivors insurance (OASI)(Off-budget)	317,611	328,987	341,882	355,152	370,317	384,449	400,088
Disability insurance (DI)(Off-budget)	44,973	49,137	52,023	55,662	59,553	64,248	69,169
Proposed Legislation (non-PAYGO)				–5	1	7	13
Subtotal, Disability insurance (DI)(Off-budget)	44,973	49,137	52,023	55,657	59,554	64,255	69,182
Quinquennial OASI and DI adjustments					–1,182		
Intragovernmental transactions (On-budget)	6,895	9,650	8,899	9,363	9,913	10,562	11,267
Intragovernmental transactions (Off-budget)	–6,880	–9,650	–8,899	–9,363	–9,913	–10,562	–11,267
Total, Social security	362,599	378,124	393,905	410,809	428,689	448,704	469,270
Total, Mandatory	362,599	378,124	393,905	410,809	428,689	448,704	469,270
Total, Social security	366,056	381,329	397,068	414,020	431,890	451,896	472,464
700 Veterans benefits and services:							
Discretionary:							
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	1	1	1	1	1
Hospital and medical care for veterans:							
Medical care and hospital services	17,335	18,077	18,065	18,171	18,260	18,351	19,037
Proposed Legislation (non-PAYGO)			87	87	87	87	87
Subtotal, Medical care and hospital services	17,335	18,077	18,152	18,258	18,347	18,438	19,124
Collections for medical care		–688	–677	–782	–870	–959	–708
Proposed Legislation (non-PAYGO)							–285
Subtotal, Collections for medical care		–688	–677	–782	–870	–959	–993
Construction of medical facilities	453	464	275	275	275	275	275
Total, Hospital and medical care for veterans	17,788	17,853	17,750	17,751	17,752	17,754	18,406

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Veterans housing:							
Housing program loan subsidies	139	160	159	154	148	148	148
Other veterans benefits and services:							
Other general operating expenses	980	959	1,031	1,033	1,024	1,024	1,029
Total, Discretionary	18,908	18,973	18,941	18,939	18,925	18,927	19,584
Mandatory:							
Income security for veterans:							
Compensation	16,418	17,274	18,663	19,569	20,843	24,979	25,323
Proposed Legislation (non-PAYGO)			287	659	1,071	1,663	2,132
Proposed Legislation (PAYGO)			–736	–1,325	–2,286	–6,269	–6,328
Subtotal, Compensation	16,418	17,274	18,214	18,903	19,628	20,373	21,127
Pensions	3,066	3,075	3,070	3,074	3,075	3,073	3,571
Burial benefits and miscellaneous assistance	116	133	123	123	125	128	131
National service life insurance trust fund	1,248	1,203	1,134	1,067	1,012	958	896
All other insurance programs	45	57	52	55	55	55	55
Proposed Legislation (PAYGO)			5				
Subtotal, All other insurance programs	45	57	57	55	55	55	55
Insurance program receipts	–233	–226	–212	–194	–176	–160	–144
Proposed Legislation (PAYGO)			–5				
Subtotal, Insurance program receipts	–233	–226	–217	–194	–176	–160	–144
Total, Income security for veterans	20,660	21,516	22,381	23,028	23,719	24,427	25,636
Veterans education, training, and rehabilitation:							
Readjustment benefits (GI Bill and related programs)	1,377	1,366	1,175	1,336	1,428	1,422	1,424
Proposed Legislation (PAYGO)			291	291	309	306	305
Subtotal, Readjustment benefits (GI Bill and related programs)	1,377	1,366	1,466	1,627	1,737	1,728	1,729
Post-Vietnam era education			1	1	1		
All-volunteer force educational assistance trust fund	–200	–252	–253	–250	–258	–240	–230
Total, Veterans education, training, and rehabilitation	1,177	1,114	1,214	1,378	1,480	1,488	1,499

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	–413	477					
Veterans housing:							
Housing loan subsidies	417	669	264	275	273	262	473
Proposed Legislation (PAYGO)			–2	–9	–9	–11	–12
Subtotal, Housing loan subsidies	417	669	262	266	264	251	461
Housing loan liquidating account and reestimates	–847						
Total, Veterans housing	–430	669	262	266	264	251	461
Other veterans programs:							
Other mandatory veterans programs	34	43	44	82	67	34	35
Total, Mandatory	21,028	23,819	23,901	24,754	25,530	26,200	27,631
Total, Veterans benefits and services	39,936	42,792	42,842	43,693	44,455	45,127	47,215
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,045	4,224	4,352	4,346	4,346	4,346	4,346
Alcohol, tobacco, and firearms investigations (ATF)	514	564	586	555	558	561	559
Border enforcement activities (Customs and INS)	3,786	4,065	4,536	4,392	4,400	4,418	4,463
Proposed Legislation (non-PAYGO)			48	48	48	48	48
Subtotal, Border enforcement activities (Customs and INS)	3,786	4,065	4,584	4,440	4,448	4,466	4,511
Equal Employment Opportunity Commission	240	242	279	288	298	308	319
Other law enforcement activities	1,347	1,253	1,555	1,558	1,541	1,468	1,471
Proposed Legislation (non-PAYGO)			–48	–48	–48	–48	–48
Subtotal, Other law enforcement activities	1,347	1,253	1,507	1,510	1,493	1,420	1,423
Total, Federal law enforcement activities	9,932	10,348	11,308	11,139	11,143	11,101	11,158
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,358	2,431	2,610	2,581	2,584	2,582	2,580
Representation of indigents in civil cases	283	283	340	350	361	372	383

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Federal judicial and other litigative activities	3,044	3,235	3,628	3,756	3,882	4,014	4,150
Proposed Legislation (non-PAYGO)			–6	–6	–6	–6	–6
Subtotal, Federal judicial and other litigative activities	3,044	3,235	3,622	3,750	3,876	4,008	4,144
Total, Federal litigative and judicial activities	5,685	5,949	6,572	6,681	6,821	6,962	7,107
Correctional activities:							
Discretionary programs	3,183	3,103	3,473	3,475	3,473	3,544	3,863
Criminal justice assistance:							
Discretionary programs	4,142	4,829	4,375	3,259	2,944	2,944	2,947
Total, Discretionary	22,942	24,229	25,728	24,554	24,381	24,551	25,075
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	380	386	407	416	425	434	444
Border enforcement activities (Customs and INS)	1,475	1,786	1,819	1,606	1,679	1,755	1,787
Customs and INS fees	–2,474	–2,360	–2,806	–2,860	–2,910	–2,977	–3,026
Other mandatory law enforcement programs	451	394	340	330	332	334	321
Total, Federal law enforcement activities	–168	206	–240	–508	–474	–454	–474
Federal litigative and judicial activities:							
Mandatory programs	464	446	439	443	447	454	465
Proposed Legislation (PAYGO)		10	57	55	47	41	34
Subtotal, Mandatory programs	464	456	496	498	494	495	499
Criminal justice assistance:							
Mandatory programs	559	394	213	217	221	225	232
Total, Mandatory	855	1,056	469	207	241	266	257
Total, Administration of justice	23,797	25,285	26,197	24,761	24,622	24,817	25,332
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	1,912	1,960	2,136	2,169	2,205	2,245	2,298
Executive direction and management:							
Drug control programs	97	334	413	413	413	413	413

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Executive Office of the President	217	232	250	237	238	238	243
Proposed Legislation (non-PAYGO)			2				
Subtotal, Executive Office of the President	217	232	252	237	238	238	243
Presidential transition and former Presidents	8	2	2	2	8	3	3
Total, Executive direction and management	322	568	667	652	659	654	659
Central fiscal operations:							
Tax administration	7,033	7,788	8,339	7,681	7,682	7,651	7,652
Other fiscal operations	619	573	601	583	583	583	583
Total, Central fiscal operations	7,652	8,361	8,940	8,264	8,265	8,234	8,235
General property and records management:							
Real property activities	393	–13	–28	–30	–35	–38	
Records management	214	220	241	227	227	227	227
Other general and records management	167	141	138	138	138	132	132
Total, General property and records management	774	348	351	335	330	321	359
Central personnel management:							
Discretionary central personnel management programs	150	149	152	148	148	148	150
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	719	823	427	264	272	131	124
Payments to States and counties from Federal land management activities	11	11	10	10	10	10	10
Payments in lieu of taxes	114	120	120	120	120	120	120
Other	1	1					
Total, General purpose fiscal assistance	845	955	557	394	402	261	254
Other general government:							
Discretionary programs	159	148	165	163	165	166	167
Total, Discretionary	11,814	12,489	12,968	12,125	12,174	12,029	12,122
Mandatory:							
Legislative functions:							
Congressional members compensation and other	95	102	98	98	98	97	97
Central fiscal operations:							
Mandatory programs	–181	–75	–43	–44	–46	–45	–49

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
General property and records management:							
Mandatory programs	17	16	16	17	17	18	18
Offsetting receipts	–9	–66	–25	–26	–28	–29	–29
Total, General property and records management	8	–50	–9	–9	–11	–11	–11
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	–12	–12	–12	–12	–15	.....	.....
Payments to States and counties	834	837	884	875	877	877	884
Proposed Legislation (PAYGO)	.....	.....	10	22	30	41	48
Subtotal, Payments to States and counties	834	837	894	897	907	918	932
Payments to territories and Puerto Rico	107	110	111	114	116	119	122
Tax revenues for Puerto Rico (Treasury, BATF)	205	210	201	201	201	201	201
Proposed Legislation (PAYGO)	.....	.....	34	34	34	34	34
Subtotal, Tax revenues for Puerto Rico (Treasury, BATF)	205	210	235	235	235	235	235
Miscellaneous activities authorized in tobacco legislation	.....	.....	3,425	3,943	4,582	4,972	5,362
Other general purpose fiscal assistance	90	98	95	95	95	95	95
Proposed Legislation (PAYGO)	.....	.....	12	12	12	12	12
Subtotal, Other general purpose fiscal assistance	90	98	107	107	107	107	107
Total, General purpose fiscal assistance	1,224	1,243	4,760	5,284	5,932	6,351	6,758
Other general government:							
Territories	267	166	165	165	167	194	197
Treasury claims	1,035	635	685	620	665	665	665
Presidential election campaign fund	67	66	66	66	66	66	66
Other mandatory programs	–110	–75	–60	–60	–60	–60	–60
Total, Other general government	1,259	792	856	791	838	865	868

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Deductions for offsetting receipts:							
Offsetting receipts	–1,491	–1,646	–1,160	–1,160	–1,160	–1,160	–1,160
Proposed Legislation (PAYGO)			21	22	23	24	24
Subtotal, Offsetting receipts	–1,491	–1,646	–1,139	–1,138	–1,137	–1,136	–1,136
Total, Mandatory	914	366	4,523	4,982	5,674	6,121	6,527
Total, General government	12,728	12,855	17,491	17,107	17,848	18,150	18,649
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	355,796	362,021	366,399	368,513	373,213	375,257	377,734
Proposed Legislation (non-PAYGO)		99	218	464	743	987	1,213
Subtotal, Interest on the public debt	355,796	362,120	366,617	368,977	373,956	376,244	378,947
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–30,484	–32,456	–33,555	–34,181	–34,952	–35,786	–36,568
Military retirement	–11,920	–12,121	–12,328	–12,533	–12,740	–12,952	–13,173
Medicare	–11,949	–11,642	–11,366	–10,865	–10,499	–10,204	–10,189
Other on-budget trust funds	–9,423	–9,633	–9,957	–11,225	–11,892	–12,706	–13,379
Proposed Legislation (non-PAYGO)		–99	–214	–457	–728	–967	–1,187
Subtotal, Other on-budget trust funds	–9,423	–9,732	–10,171	–11,682	–12,620	–13,673	–14,566
Total, Interest received by on-budget trust funds	–63,776	–65,951	–67,420	–69,261	–70,811	–72,615	–74,496
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–41,214	–46,730	–51,623	–56,966	–62,889	–69,318	–76,337
Other interest:							
Interest on loans to Federal Financing Bank	–4,171	–3,142	–2,758	–2,518	–2,344	–2,113	–1,853
Interest on refunds of tax collections	2,341	2,497	2,580	2,648	2,756	2,869	3,006
Payment to the Resolution Funding Corporation	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest paid to loan guarantee financing accounts	1,997	2,434	2,408	2,399	2,408	2,428	2,447
Interest received from direct loan financing accounts	–4,988	–5,552	–6,392	–7,157	–7,922	–8,719	–9,488
Interest on deposits in tax and loan accounts	–948	–920	–920	–908	–908	–908	–908
Interest received from Outer Continental Shelf escrow account, Interior	–6	–1,120	–30				

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
All other interest	–3,344	–3,270	–3,036	–3,046	–3,018	–3,060	–3,045
Total, Other interest	–6,791	–6,745	–5,820	–6,254	–6,700	–7,175	–7,513
Total, Net Interest	244,015	242,694	241,754	236,496	233,556	227,136	220,601
920 Allowances:							
Discretionary:							
Emergencies, including unforeseen defense and non-defense costs, natural disasters, and unanticipated, but non-emergency, expenses of the year 2000 conversion	.....	.....	3,250	.....	.....	.....	.....
Total, Allowances	.....	.....	3,250	.....	.....	.....	.....
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	–11,102	–10,543	–10,563	–10,535	–10,584	–10,750	–11,000
Postal Service contributions to Civil Service Retirement and Disability Fund	–5,927	–6,068	–6,014	–6,237	–6,452	–6,715	–6,863
Other contributions to civil and foreign service retirement and disability fund	–8,279	–8,798	–8,904	–9,164	–9,537	–9,962	–9,919
Contributions to HI trust fund	–2,465	–2,499	–2,596	–2,708	–2,788	–2,918	–3,044
Total, Employer share, employee retirement (on-budget)	–27,773	–27,908	–28,077	–28,644	–29,361	–30,345	–30,826
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–6,483	–7,155	–7,667	–8,317	–8,831	–9,571	–10,304
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–4,711	–4,663	–4,187	–3,952	–4,134	–4,277	–3,886
Sale of major assets:							
Proceeds from Sale of U.S. Enrichment Corporation	.....	–1,600	.....	.....	.....	.....	.....
Privatization of Elk Hills	.....	–2,739	–728	.....	.....	.....	.....
Proceeds from sale of Power Marketing Administrations	.....	–85	.....	.....	.....	.....	.....
Total, Sale of major assets	.....	–4,424	–728	.....	.....	.....	.....
Other undistributed offsetting receipts:							
Spectrum Auction	–11,006	–2,216	–1,833	–4,889	–4,841	–11,354	–3,300
Total, Undistributed offsetting receipts	–49,973	–46,366	–42,492	–45,802	–47,167	–55,547	–48,316

Table 33–1. BUDGET AUTHORITY BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Total	1,642,857	1,687,308	1,750,954	1,798,687	1,856,139	1,886,424	1,967,687
On-budget	(1,327,674)	(1,364,917)	(1,420,218)	(1,458,876)	(1,505,077)	(1,526,050)	(1,593,464)
Off-budget	(315,183)	(322,391)	(330,736)	(339,811)	(351,062)	(360,374)	(374,223)

[1] Additional spending would be funded by proposed user fee increases to be deposited into appropriations accounts. In *Analytical Perspectives*, see Table 4–2, "Proposed User Fees and Other Collections," and Chapter 26, "Federal Programs by Agency and Account."

[2] Budget authority exceeds outlays in 1997–1998 due to expiring balances.

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	69,724	69,649	70,497	72,694	69,209	72,571	74,520
Operation and maintenance	92,456	92,385	93,430	93,339	96,407	98,035	100,094
Procurement	47,690	43,733	45,467	47,485	50,355	53,276	58,267
Research, development, test and evaluation	37,015	35,770	35,913	34,528	33,479	33,319	33,749
Military construction	6,187	5,545	5,128	4,582	4,497	4,189	3,923
Family housing	4,003	3,960	3,807	3,748	3,854	3,869	3,949
Revolving, management and trust funds	2,700	1,371	–486	696	580	336	855
General transfer authority	.....	280	220	.....	.....	.....	.....
Proposed legislation (non-PAYGO)	.....	.....	4	101	43	–4,557	1,788
Discretionary offsetting receipts	–137	–129	–108	–94	–94	–94	–94
Total, Department of Defense—Military	259,638	252,564	253,872	257,079	258,330	260,944	277,051
Atomic energy defense activities:							
Department of Energy	11,277	11,521	11,639	11,547	11,365	11,184	11,474
Formerly utilized sites remedial action	.....	117	130	140	140	140	91
Defense nuclear facilities safety board	16	17	18	18	18	18	18
Total, Atomic energy defense activities	11,293	11,655	11,787	11,705	11,523	11,342	11,583
Defense-related activities:							
Discretionary programs	711	890	865	919	917	848	859
Total, Discretionary	271,642	265,109	266,524	269,703	270,770	273,134	289,493
Mandatory:							
Department of Defense—Military:							
Revolving, trust and other DoD mandatory	79	191	136	129	130	130	130
Offsetting receipts	–1,406	–1,370	–1,358	–1,361	–1,361	–1,361	–1,357
Total, Department of Defense—Military	–1,327	–1,179	–1,222	–1,232	–1,231	–1,231	–1,227
Atomic energy defense activities:							
Proceeds from sales of excess DOE assets	–26	–15	–15	–15	–15	–15	.....
Defense-related activities:							
Mandatory programs	184	197	202	214	226	237	249
Total, Mandatory	–1,169	–997	–1,035	–1,033	–1,020	–1,009	–978
Total, National defense	270,473	264,112	265,489	268,670	269,750	272,125	288,515

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and operating expenses	2,206	1,943	1,743	1,741	1,758	1,796	1,807
Multilateral development banks (MDB's)	1,834	1,570	1,412	1,485	1,348	1,400	1,311
Proposed Legislation (non-PAYGO)	.....	.....	.....	3	4	4	5
Subtotal, Multilateral development banks (MDB's)	1,834	1,570	1,412	1,488	1,352	1,404	1,316
Assistance for the New Independent States	705	717	514	663	693	712	659
Food aid	760	915	866	878	896	915	934
Refugee programs	716	690	693	697	704	709	723
Assistance for Central and Eastern Europe	539	479	303	353	272	228	149
Voluntary contributions to international organizations	307	288	312	314	314	314	314
Peace Corps	226	237	265	308	346	353	355
Other development and humanitarian assistance	256	505	781	866	863	834	854
Total, International development, humanitarian assistance	7,549	7,344	6,889	7,308	7,198	7,265	7,111
International security assistance:							
Foreign military financing grants and loans	3,000	3,259	3,217	3,219	3,192	3,152	3,196
Economic support fund	2,226	2,421	2,418	2,445	2,469	2,484	2,495
Other security assistance	227	278	326	336	344	342	340
Total, International security assistance	5,453	5,958	5,961	6,000	6,005	5,978	6,031
Conduct of foreign affairs:							
State Department operations	1,953	2,087	2,163	2,175	2,176	2,177	2,177
Foreign buildings	469	446	455	470	474	467	421
Assessed contributions to international organizations	863	966	930	901	925	925	925
Assessed contributions for international peacekeeping	489	258	231	211	210	210	210
Other conduct of foreign affairs	167	167	168	169	168	169	170
Total, Conduct of foreign affairs	3,941	3,924	3,947	3,926	3,953	3,948	3,903
Foreign information and exchange activities:							
U.S. Information Agency	1,163	1,138	1,127	1,123	1,120	1,119	1,119
Other information and exchange activities	6	8	14	11	10	10	10
Total, Foreign information and exchange activities	1,169	1,146	1,141	1,134	1,130	1,129	1,129

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
International financial programs:							
Export-Import Bank	919	601	669	675	744	741	745
Special defense acquisition fund	–75	–53	–36	1	4	2	.....
Other IMF	26	24	22	16	10	5	7
Total, International financial programs	870	572	655	692	758	748	752
Total, Discretionary	18,982	18,944	18,593	19,060	19,044	19,068	18,926
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–1,527	–1,570	–1,448	–1,320	–1,282	–1,236	–1,187
Other development and humanitarian assistance	32	–24	–9	–9	–8	–8	–8
Total, International development, humanitarian assistance	–1,495	–1,594	–1,457	–1,329	–1,290	–1,244	–1,195
International security assistance:							
Repayment of foreign military financing loans	–653	–553	–391	–261	–186	–134	–85
Foreign military loan liquidating account and reestimates	–168	–191	–191	–200	–227	–226	–227
Total, International security assistance	–821	–744	–582	–461	–413	–360	–312
Foreign affairs and information:							
Conduct of foreign affairs	–22	–16	–2	3	3	3	3
U.S. Information Agency trust funds	2	1	1	1	1	1	1
Japan-U.S. Friendship Commission	2	2	1	1	1	1	1
Total, Foreign affairs and information	–18	–13	.....	5	5	5	5
International financial programs:							
Foreign military sales trust fund (net)	–32	10	.....	.....	.....	.....	.....
International monetary fund	761	.....	.....	.....	.....	.....	.....
Exchange stabilization fund	–1,007	–1,378	–1,305	–1,366	–1,380	–1,394	–1,408
Credit liquidating account (Exim)	–1,034	–635	–674	–498	–367	–328	–234
Other international financial programs	–108	–110	–112	–115	–192	–75	–57
Total, International financial programs	–1,420	–2,113	–2,091	–1,979	–1,939	–1,797	–1,699
Total, Mandatory	–3,754	–4,464	–4,130	–3,764	–3,637	–3,396	–3,201
Total, International affairs	15,228	14,480	14,463	15,296	15,407	15,672	15,725

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,071	3,053	3,344	3,578	3,752	3,903	4,040
Department of Energy general science programs	1,022	1,813	2,168	2,355	2,635	2,675	2,662
Total, General science and basic research	4,093	4,866	5,512	5,933	6,387	6,578	6,702
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,967	4,443	4,631	4,897	4,862	5,037	5,224
Human space flight	5,656	5,576	5,474	5,379	5,212	5,008	4,791
Mission support	2,116	1,962	1,891	1,887	1,935	2,104	2,150
Other NASA programs	317	206	71	20	20	20	20
Total, Space flight, research, and supporting activities	13,056	12,187	12,067	12,183	12,029	12,169	12,185
Total, Discretionary	17,149	17,053	17,579	18,116	18,416	18,747	18,887
Mandatory:							
General science and basic research:							
National Science Foundation donations	25	40	37	37	34	31	31
Total, Mandatory	25	40	37	37	34	31	31
Total, General science, space, and technology	17,174	17,093	17,616	18,153	18,450	18,778	18,918
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	3,520	1,411	1,562	1,559	1,518	1,369	1,369
Naval petroleum reserves operations	177	121	58	24	13	10	8
Uranium enrichment activities	271	265	260	244	230	223	227
Decontamination transfer	–377	–388	–398	–410	–421	–435	–435
Nuclear waste program	165	169	173	190	190	190	193
Federal power marketing	239	228	227	227	216	216	219
Rural electric and telephone discretionary loans	51	124	96	68	62	60	64
Proposed Legislation (non-PAYGO)	.....	.....	.....	.....	1	1	1
Subtotal, Rural electric and telephone discretionary loans	51	124	96	68	63	61	65
Financial management services	19	558	525	462	423	412	394
Total, Energy supply	4,065	2,488	2,503	2,364	2,232	2,046	2,040

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Energy conservation and preparedness:							
Energy conservation	572	551	638	745	744	742	738
Emergency energy preparedness	23	13	187	167	161	157	156
Total, Energy conservation and preparedness	595	564	825	912	905	899	894
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	51	18	96	17	13	12	14
Proposed Legislation (non-PAYGO)	.....	.....	–77	6	8	8	8
Subtotal, Nuclear Regulatory Commission (NRC)	51	18	19	23	21	20	22
Federal Energy Regulatory Commission fees and recoveries, and other	–46	–21	.....	.....	.....	.....	.....
Departmental and other administration	249	184	177	181	178	174	171
Total, Energy information, policy, and regulation	254	181	196	204	199	194	193
Total, Discretionary	4,914	3,233	3,524	3,480	3,336	3,139	3,127
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–516	–175	–7	–5	–5	–3	.....
Federal power marketing	–966	–696	–713	–751	–841	–875	–857
Tennessee Valley Authority	–449	–911	–1,023	–906	–1,046	–1,152	–1,222
Proceeds from uranium sales	–40	–43	–36	–37	–68	–129	–167
United States Enrichment Corporation	–102	7	.....	.....	.....	.....	.....
Nuclear waste fund program	–596	–602	–625	–632	–637	–641	–652
Rural electric and telephone liquidating accounts	–762	–410	–2,165	–949	–740	–547	–370
Total, Energy supply	–3,431	–2,830	–4,569	–3,280	–3,337	–3,347	–3,268
Total, Mandatory	–3,431	–2,830	–4,569	–3,280	–3,337	–3,347	–3,268
Total, Energy	1,483	403	–1,045	200	–1	–208	–141
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,665	3,995	3,361	3,285	3,199	3,177	3,279
Proposed Legislation (non-PAYGO)	.....	.....	–7	–14	–14	–14	–14
Subtotal, Corps of Engineers	3,665	3,995	3,354	3,271	3,185	3,163	3,265
Bureau of Reclamation	693	1,060	878	889	832	737	751

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other discretionary water resources programs	340	423	156	158	152	150	151
Total, Water resources	4,698	5,478	4,388	4,318	4,169	4,050	4,167
Conservation and land management:							
Forest Service	2,530	2,567	2,499	2,525	2,559	2,550	2,514
Management of public lands (BLM)	982	985	1,116	1,101	1,133	1,157	1,184
Proposed Legislation (non-PAYGO)	.....	.....	–39	–1	.....	–1	–1
Subtotal, Management of public lands (BLM)	982	985	1,077	1,100	1,133	1,156	1,183
Conservation of agricultural lands [1]	738	740	726	720	687	659	696
Other conservation and land management programs	623	522	568	557	566	570	574
Total, Conservation and land management	4,873	4,814	4,870	4,902	4,945	4,935	4,967
Recreational resources:							
Operation of recreational resources	2,384	2,800	2,893	3,008	3,086	3,027	3,015
Other recreational resources activities	40	144	111	70	89	108	114
Total, Recreational resources	2,424	2,944	3,004	3,078	3,175	3,135	3,129
Pollution control and abatement:							
Regulatory, enforcement, and research programs [1]	2,311	2,648	2,725	2,755	2,842	2,934	3,029
State and tribal assistance grants	2,719	2,553	2,780	3,007	3,069	2,818	2,735
Hazardous substance superfund	1,433	1,396	1,573	1,595	1,497	1,467	1,476
Other control and abatement activities	129	132	157	175	180	172	164
Proposed Legislation (non-PAYGO)	.....	.....	–24	–24	–24	–24	–24
Total, Pollution control and abatement	6,592	6,729	7,211	7,508	7,564	7,367	7,380
Other natural resources:							
NOAA [1]	1,999	1,974	2,028	2,097	2,083	2,060	2,049
Other natural resource program activities	732	824	818	879	835	814	814
Proposed Legislation (non-PAYGO)	.....	.....	3	2	1	1	1
Subtotal, Other natural resource program activities	732	824	821	881	836	815	815
Total, Other natural resources	2,731	2,798	2,849	2,978	2,919	2,875	2,864
Total, Discretionary	21,318	22,763	22,322	22,784	22,772	22,362	22,507

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Mandatory:							
Water resources:							
Mandatory water resource programs	–162	–176	–132	–105	–136	–276	–134
Proposed Legislation (PAYGO)	.....	.....	6	7	12	14	17
Subtotal, Mandatory water resource programs	–162	–176	–126	–98	–124	–262	–117
Conservation and land management:							
Conservation Reserve Program and other agricultural programs	1,796	2,159	2,065	2,069	2,113	2,096	2,078
Proposed Legislation (PAYGO)	.....	.....	13	49	70	59	52
Subtotal, Conservation Reserve Program and other agricultural programs	1,796	2,159	2,078	2,118	2,183	2,155	2,130
Other conservation programs	381	648	555	514	459	455	467
Proposed Legislation (PAYGO)	.....	.....	.....	6	7	7	7
Subtotal, Other conservation programs	381	648	555	520	466	462	474
Offsetting receipts	–1,983	–2,015	–2,076	–2,059	–2,064	–2,066	–2,091
Proposed Legislation (PAYGO)	.....	.....	.....	4	4	4	4
Subtotal, Offsetting receipts	–1,983	–2,015	–2,076	–2,055	–2,060	–2,062	–2,087
Total, Conservation and land management	194	792	557	583	589	555	517
Recreational resources:							
Operation of recreational resources [1]	684	941	789	829	766	741	767
Proposed Legislation (PAYGO)	.....	.....	8	79	142	191	194
Subtotal, Operation of recreational resources	684	941	797	908	908	932	961
Offsetting receipts	–323	–367	–332	–249	–245	–251	–250
Proposed Legislation (PAYGO)	.....	.....	–24	–122	–131	–138	–147
Subtotal, Offsetting receipts	–323	–367	–356	–371	–376	–389	–397
Total, Recreational resources	361	574	441	537	532	543	564

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Pollution control and abatement:							
Superfund resources and other mandatory	-302	-123	-125	-127	-126	-126	-127
Proposed Legislation (PAYGO)			200	200	200	200	200
Subtotal, Superfund resources and other mandatory	-302	-123	75	73	74	74	73
Other natural resources:							
Other fees and mandatory programs	-40	-8	-32	-26	-28	-29	-28
Total, Mandatory	51	1,059	915	1,069	1,043	881	1,009
Total, Natural resources and environment	21,369	23,822	23,237	23,853	23,815	23,243	23,516
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	386	336	342	339	339	339	339
P.L.480 market development activities	139	224	140	106	100	100	100
Administrative expenses [1]	818	842	823	704	634	604	600
Total, Farm income stabilization	1,343	1,402	1,305	1,149	1,073	1,043	1,039
Agricultural research and services:							
Research programs	1,208	1,278	1,302	1,298	1,264	1,235	1,233
Proposed Legislation (non-PAYGO)			1	5	8	10	10
Subtotal, Research programs	1,208	1,278	1,303	1,303	1,272	1,245	1,243
Extension programs	420	422	420	419	419	419	419
Marketing programs	43	43	57	59	59	59	59
Animal and plant inspection programs [1]	480	383	427	444	425	425	341
Economic intelligence	138	187	167	154	153	156	172
Grain inspection [1]	23	24	14	5	5	5	5
Foreign agricultural service	121	128	137	141	141	141	141
Other programs and unallocated overhead	296	322	367	367	373	372	372
Proposed Legislation (non-PAYGO)			2	4	4	4	4
Subtotal, Other programs and unallocated overhead	296	322	369	371	377	376	376
Total, Agricultural research and services	2,729	2,787	2,894	2,896	2,851	2,826	2,756
Total, Discretionary	4,072	4,189	4,199	4,045	3,924	3,869	3,795

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	5,476	6,466	6,702	6,425	4,967	4,889	4,894
Proposed Legislation (PAYGO)	.....	.....	–340	–407	–258	–258	–270
Subtotal, Commodity Credit Corporation	5,476	6,466	6,362	6,018	4,709	4,631	4,624
Crop insurance and other farm credit activities	744	1,088	1,472	1,474	1,555	1,624	1,687
Proposed Legislation (PAYGO)	.....	.....	185	108	88	97	107
Subtotal, Crop insurance and other farm credit activities	744	1,088	1,657	1,582	1,643	1,721	1,794
Credit liquidating accounts (ACIF and FAC)	–1,291	–1,216	–1,260	–1,208	–1,168	–1,170	–1,092
Total, Farm income stabilization	4,929	6,338	6,759	6,392	5,184	5,182	5,326
Agricultural research and services:							
Miscellaneous mandatory programs	166	195	201	216	228	224	303
Offsetting receipts	–135	–142	–142	–142	–142	–142	–143
Total, Agricultural research and services	31	53	59	74	86	82	160
Total, Mandatory	4,960	6,391	6,818	6,466	5,270	5,264	5,486
Total, Agriculture	9,032	10,580	11,017	10,511	9,194	9,133	9,281
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	236	326	308	284	172	122	93
Proposed Legislation (non-PAYGO)	.....	.....	–50	.....	.....	.....	.....
Subtotal, Federal Housing Administration (FHA) loan programs	236	326	258	284	172	122	93
Other Housing and Urban Development	3	3	4	5	5	4	4
Proposed Legislation (non-PAYGO)	.....	.....	–527	.....	.....	.....	.....
Subtotal, Other Housing and Urban Development	3	3	–523	5	5	4	4
Rural housing insurance fund	580	620	585	580	545	539	568
Total, Mortgage credit	819	949	320	869	722	665	665

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Postal service:							
Payments to the Postal Service fund (On-budget)	90	86	100	100	100	100	100
Deposit insurance:							
National Credit Union Administration	2	1	.....	.....	.....	.....	.....
Other advancement of commerce:							
Small and minority business assistance	535	569	581	552	546	545	554
Science and technology	703	698	675	697	741	780	813
Economic and demographic statistics	349	689	1,140	2,502	702	462	467
Regulatory agencies	81	47	115	122	117	113	110
International Trade Administration	271	279	282	285	279	278	278
Other discretionary [1]	150	12	–25	–10	–84	–78	–87
Total, Other advancement of commerce	2,089	2,294	2,768	4,148	2,301	2,100	2,135
Total, Discretionary	3,000	3,330	3,188	5,117	3,123	2,865	2,900
Mandatory:							
Mortgage credit:							
FHA and GNMA negative subsidies	–490	–944	–5,806	–1,743	–1,586	–1,534	–1,696
Proposed Legislation (PAYGO)	.....	.....	.....	–241	–234	–233	–237
Subtotal, FHA and GNMA negative subsidies	–490	–944	–5,806	–1,984	–1,820	–1,767	–1,933
FHA Multifamily portfolio reengineering (Proposed Legislation non-PAYGO)	.....	.....	–2	–1	–2	.....	.....
Mortgage credit liquidating accounts	–4,272	–2,635	3,338	–1,808	–2,157	–1,690	–2,350
Proposed Legislation (PAYGO)	.....	.....	–228	.....	.....	.....	.....
Subtotal, Mortgage credit liquidating accounts	–4,272	–2,635	3,110	–1,808	–2,157	–1,690	–2,350
Other mortgage credit activities	–63	–1	.....	.....	.....	.....	.....
Total, Mortgage credit	–4,825	–3,580	–2,698	–3,793	–3,979	–3,457	–4,283
Postal service:							
Payments to the Postal Service fund for nonfunded liabilities (On-budget)	36	.....	.....	.....	.....	.....	.....
Postal Service (Off-budget)	–49	1,721	846	2,444	484	–788	–1,679
Total, Postal service	–13	1,721	846	2,444	484	–788	–1,679

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Deposit insurance:							
Bank Insurance Fund	–4,025	–1,678	–761	–316	–317	115	361
Proposed Legislation (non-PAYGO)		–6	–17	–21	–30	–37	–45
Proposed Legislation (PAYGO)			–89	–94	–97	–101	–106
Subtotal, Bank Insurance Fund	–4,025	–1,684	–867	–431	–444	–23	210
FSLIC Resolution Fund	–5,604	–2,335	–3,071	–1,003	–653	–926	–452
Savings Association Insurance Fund	–4,554	–327	–322	–269	–171	–51	144
National Credit Union Administration	–171	–187	–201	–168	–168	–168	–168
Other deposit insurance activities	–32	–14	–14	–14	–14	–14	–14
Total, Deposit insurance	–14,386	–4,547	–4,475	–1,885	–1,450	–1,182	–280
Other advancement of commerce:							
Universal Service Fund	1,001	3,336	7,096	10,348	12,532	13,210	13,377
Payments to copyright owners	142	412	255	220	220	220	220
Spectrum auction subsidy	940	3,295	2	2	2	2	2
Regulatory fees	–37	–36	–36	–36	–36	–36	–36
Patent and trademark fees	–115	–119					
Credit liquidating accounts	–310	–147	–624	–556			
Other mandatory	–21	–140	–13	–27	31	32	25
Total, Other advancement of commerce	1,600	6,601	6,680	9,951	12,749	13,428	13,588
Total, Mandatory	–17,624	195	353	6,717	7,804	8,001	7,346
Total, Commerce and housing credit	–14,624	3,525	3,541	11,834	10,927	10,866	10,246
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	18,839	19,913	21,131	21,417	21,465	21,475	21,528
State infrastructure banks	2	84	62	72	97	125	153
Highway safety	373	418	474	513	500	506	506
Mass transit	4,581	4,150	3,907	4,251	4,486	4,783	4,940
Railroads [1]	1,146	880	597	585	609	577	560
Regulation [1]	14	15	1				
Total, Ground transportation	24,955	25,460	26,172	26,838	27,157	27,466	27,687
Air transportation:							
Airports and airways (FAA) [1]	8,814	8,940	9,246	9,736	10,241	10,747	11,437
Aeronautical research and technology	1,302	1,541	1,435	1,165	1,116	1,159	1,178
Payments to air carriers	22	12					
Total, Air transportation	10,138	10,493	10,681	10,901	11,357	11,906	12,615
Water transportation:							
Marine safety and transportation [1]	2,784	2,673	2,795	2,735	2,668	2,692	2,696

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Ocean shipping	229	193	59	46	41	33	32
Panama Canal Commission	–1	–10	.....	41	14	.....	.....
Total, Water transportation	3,012	2,856	2,854	2,822	2,723	2,725	2,728
Other transportation:							
Other discretionary programs [1]	320	263	226	231	232	233	234
Total, Discretionary	38,425	39,072	39,933	40,792	41,469	42,330	43,264
Mandatory:							
Ground transportation:							
Highways	1,886	1,914	1,652	1,411	1,231	1,080	966
Proposed Legislation (PAYGO)	.....	25	53	36	–9	–53	–83
Subtotal, Highways	1,886	1,939	1,705	1,447	1,222	1,027	883
Offsetting receipts and liquidating accounts	–46	–41	–43	–46	–45	–45	–45
Total, Ground transportation	1,840	1,898	1,662	1,401	1,177	982	838
Air transportation:							
Airports and airways (FAA)	.....	30	42	43	43	43	43
Payments to air carriers	.....	30	50	50	50	50	50
Total, Air transportation	.....	60	92	93	93	93	93
Water transportation:							
Coast Guard retired pay	623	623	671	717	755	793	835
Other water transportation programs	–81	–89	–101	106	–102	–104	–44
Proposed Legislation (PAYGO)	.....	.....	37	55	68	69	69
Subtotal, Other water transportation programs	–81	–89	–64	161	–34	–35	25
Total, Water transportation	542	534	607	878	721	758	860
Other transportation:							
Other mandatory transportation programs	–40	–29	–35	–33	–31	–573	–34
Total, Mandatory	2,342	2,463	2,326	2,339	1,960	1,260	1,757
Total, Transportation	40,767	41,535	42,259	43,131	43,429	43,590	45,021
450 Community and regional development:							
Discretionary:							
Community development:							
Community development loan guarantees	3	16	19	24	29	29	29
Community development block grant	4,517	4,989	4,959	4,959	4,639	4,155	4,026
Community adjustment and investment program	.....	.....	37	.....	.....	.....	.....

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Community development financial institutions	40	54	111	129	125	125	125
Economic development initiative			8	138	218	98	29
Brownfields redevelopment		1	10	30	43	31	9
Other community development programs	311	337	350	305	289	242	227
Proposed Legislation (non-PAYGO)			1	4	10	7	4
Subtotal, Other community development programs	311	337	351	309	299	249	231
Total, Community development	4,871	5,397	5,495	5,589	5,353	4,687	4,449
Area and regional development:							
Rural development	771	789	826	829	871	870	876
Economic Development Administration	423	441	430	418	387	366	350
Indian programs	959	995	1,036	1,072	1,112	1,122	1,122
Appalachian Regional Commission	240	165	183	145	105	98	77
Proposed Legislation (non-PAYGO)			3	8	16	20	23
Subtotal, Appalachian Regional Commission	240	165	186	153	121	118	100
Tennessee Valley Authority	112	72	76	69	84	99	109
Total, Area and regional development	2,505	2,462	2,554	2,541	2,575	2,575	2,557
Disaster relief and insurance:							
Disaster relief	2,551	3,252	2,642	1,793	1,135	780	304
Small Business Administration disaster loans	354	315	246	192	192	192	192
Other disaster assistance programs	412	495	396	379	377	372	376
Total, Disaster relief and insurance	3,317	4,062	3,284	2,364	1,704	1,344	872
Total, Discretionary	10,693	11,921	11,333	10,494	9,632	8,606	7,878
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	151	289	3	1			
Urban empowerment zones (Proposed Legislation PAYGO)			3	54	123	143	149
Credit liquidating accounts	–60	–40	–36	–38	–37	–35	–26
Total, Community development	91	249	–30	17	86	108	123
Area and regional development:							
Indian programs	462	493	449	448	447	450	451
Rural development programs	478	23	63	60	10	8	6

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Rural empowerment zones (Proposed Legislation PAYGO)				7	16	19	19
Credit liquidating accounts	–425	41	21	–47	–44	–190	–402
Offsetting receipts	–329	–256	–254	–257	–259	–259	–259
Total, Area and regional development	186	301	279	211	170	28	–185
Disaster relief and insurance:							
National flood insurance fund	278	–73	–107	–134	–163	–190	–219
Radiological emergency preparedness fees	–9	–12					
Credit liquidating accounts	–209	–194	–557	–444	–6	–6	–6
SBA disaster loan subsidy re-estimate		–390					
Offsetting receipts	–25						
Total, Disaster relief and insurance	35	–669	–664	–578	–169	–196	–225
Total, Mandatory	312	–119	–415	–350	87	–60	–287
Total, Community and regional development	11,005	11,802	10,918	10,144	9,719	8,546	7,591
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education reform	431	668	1,228	1,419	1,304	1,176	875
School improvement programs	1,276	1,386	1,460	1,339	1,286	1,273	1,273
Proposed Legislation (non-PAYGO)			10	148	279	361	362
Subtotal, School improvement programs	1,276	1,386	1,470	1,487	1,565	1,634	1,635
Education for the disadvantaged	7,198	6,250	7,943	8,332	8,458	8,481	8,481
Proposed Legislation (non-PAYGO)			1	11	14	15	15
Subtotal, Education for the disadvantaged	7,198	6,250	7,944	8,343	8,472	8,496	8,496
Special education	3,305	3,813	4,325	5,048	4,844	4,846	4,846
Impact aid	656	1,007	723	702	695	696	696
Vocational and adult education	1,395	1,332	1,418	450	75		
Proposed Legislation (non-PAYGO)			78	1,081	1,467	1,544	1,544
Subtotal, Vocational and adult education	1,395	1,332	1,496	1,531	1,542	1,544	1,544
Indian education programs	617	602	628	644	639	641	641
Bilingual and immigrant education	181	279	347	395	386	387	387

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other	7	14	24	193	255	268	268
Total, Elementary, secondary, and vocational education	15,066	15,351	18,185	19,762	19,702	19,688	19,388
Higher education:							
Student financial assistance	7,248	8,395	9,065	9,199	9,205	9,203	9,203
Higher education account	877	855	810	210	25	7	7
Proposed Legislation (non-PAYGO)	.....	.....	163	1,048	1,416	1,614	1,722
Subtotal, Higher education account	877	855	973	1,258	1,441	1,621	1,729
Federal family education loan program	36	33	46	48	50	50	49
Other higher education programs	329	328	344	344	343	341	339
Total, Higher education	8,490	9,611	10,428	10,849	11,039	11,215	11,320
Research and general education aids:							
Library of Congress	262	277	290	293	305	309	319
Public broadcasting	308	300	303	363	420	431	446
Smithsonian institution	492	446	500	511	534	547	560
Education research, statistics, and improvement	340	581	529	642	685	689	686
Other	720	817	769	809	811	815	815
Total, Research and general education aids	2,122	2,421	2,391	2,618	2,755	2,791	2,826
Training and employment:							
Training and employment services	4,432	4,990	4,938	5,231	5,244	5,300	5,369
Proposed Legislation (non-PAYGO)	.....	.....	−100	−36	−10	.....	.....
Subtotal, Training and employment services	4,432	4,990	4,838	5,195	5,234	5,300	5,369
Older Americans employment	401	454	441	440	440	440	440
Federal-State employment service [1]	1,203	1,280	1,226	1,215	1,221	1,190	1,184
Proposed Legislation (non-PAYGO)	.....	.....	.....	.....	−40	−40	−40
Subtotal, Federal-State employment service	1,203	1,280	1,226	1,215	1,181	1,150	1,144
Other employment and training [1]	80	94	97	97	94	90	90
Total, Training and employment	6,116	6,818	6,602	6,947	6,949	6,980	7,043
Other labor services:							
Labor law, statistics, and other administration	1,009	1,039	1,096	1,115	1,116	1,116	1,116

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Social services:							
National service initiative	565	550	683	711	742	768	789
Children and families services programs	5,122	5,500	5,786	6,089	6,344	6,525	6,642
Aging services program	828	851	860	878	871	871	871
Other		5	–422	–479	–556	–612	–996
Total, Social services	6,515	6,906	6,907	7,199	7,401	7,552	7,306
Total, Discretionary	39,318	42,146	45,609	48,490	48,962	49,342	48,999
Mandatory:							
Elementary, secondary, and vocational education:							
Vocational and adult education	7	6	2				
New teachers and smaller class size (Proposed Legislation PAYGO)			55	780	1,195	1,440	1,632
Total, Elementary, secondary, and vocational education	7	6	57	780	1,195	1,440	1,632
Higher education:							
Federal family education loan program	2,857	2,283	1,788	1,828	1,902	968	2,044
Proposed Legislation (PAYGO)		–158	–142	–538	–532	–432	–304
Subtotal, Federal family education loan program	2,857	2,125	1,646	1,290	1,370	536	1,740
Federal direct loan program	659	941	971	1,084	1,134	1,149	1,143
Proposed Legislation (PAYGO)			20	44	82	149	233
Subtotal, Federal direct loan program	659	941	991	1,128	1,216	1,298	1,376
Other higher education programs	–80	–69	–61	–26	–24	–21	–18
Credit liquidating account (Family education loan program)	372	–190	–534	–785	–912	–964	–967
Proposed Legislation (PAYGO)			–17	–66	–62	–58	–53
Subtotal, Credit liquidating account (Family education loan program)	372	–190	–551	–851	–974	–1,022	–1,020
Total, Higher education	3,808	2,807	2,025	1,541	1,588	791	2,078
Research and general education aids:							
Mandatory programs	14	13	13	13	15	15	16

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Training and employment:							
Trade adjustment assistance	120	106	112	116	94	94	95
Proposed Legislation (PAYGO)			21	52	66	66	67
Subtotal, Trade adjustment assistance	120	106	133	168	160	160	162
Welfare to work grants		466	1,299	890	322		
Payments to States for AFDC work programs	445	152	6				
Total, Training and employment	565	724	1,438	1,058	482	160	162
Social services:							
Payments to States for foster care and adoption assistance	4,047	4,224	4,803	5,180	5,632	6,146	6,710
Family support and preservation	216	236	252	270	288	300	304
Social services block grant	2,571	2,443	2,473	2,480	2,416	2,380	2,758
Rehabilitation services	2,462	2,515	2,818	2,712	2,741	2,803	2,867
Total, Social services	9,296	9,418	10,346	10,642	11,077	11,629	12,639
Total, Mandatory	13,690	12,968	13,879	14,034	14,357	14,035	16,527
Total, Education, training, employment, and social services	53,008	55,114	59,488	62,524	63,319	63,377	65,526
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	1,601	2,139	2,193	2,177	2,218	2,246	2,257
Indian health	2,169	2,102	2,093	2,114	2,100	2,068	2,102
Other discretionary health care services programs [1]	5,337	5,563	5,831	5,827	5,898	5,906	5,930
Total, Health care services	9,107	9,804	10,117	10,118	10,216	10,220	10,289
Health research and training:							
National Institutes of Health	11,193	12,893	13,898	14,934	15,816	16,896	18,460
Clinical training	348	289	292	291	290	286	287
Other health research and training	289	288	289	270	283	290	293
Total, Health research and training	11,830	13,470	14,479	15,495	16,389	17,472	19,040
Consumer and occupational health and safety:							
Food safety and inspection [1]	570	589	151	51	42	42	42
Occupational safety and health	537	551	576	579	580	580	580

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other consumer health programs[1]	917	1,019	1,040	1,069	1,133	1,144	1,174
Total, Consumer and occupational health and safety	2,024	2,159	1,767	1,699	1,755	1,766	1,796
Total, Discretionary	22,961	25,433	26,363	27,312	28,360	29,458	31,125
Mandatory:							
Health care services:							
Medicaid grants	95,552	100,960	107,917	114,934	123,529	132,707	143,247
Proposed Legislation (PAYGO)	.....	.....	–210	–180	–130	–155	–165
Subtotal, Medicaid grants	95,552	100,960	107,707	114,754	123,399	132,552	143,082
State children's health insurance fund	.....	379	1,834	1,960	2,074	2,217	2,420
Proposed Legislation (PAYGO)	.....	.....	34	34	34	25	25
Subtotal, State children's health insurance fund	.....	379	1,868	1,994	2,108	2,242	2,445
Federal employees' and retired employees' health benefits	4,620	4,213	4,519	4,797	5,196	5,656	6,049
Coal miner retiree health benefits (including UMWA funds)	370	359	352	343	336	328	321
Health initiatives (Proposed Legislation PAYGO)	.....	.....	220	270	320	20	20
Other mandatory health services activities	324	385	390	383	399	412	388
Total, Health care services	100,866	106,296	115,056	122,541	131,758	141,210	152,305
Health research and safety:							
Health research and training	17	43	37	32	29	27	22
Consumer and occupational health and safety	–1	.....	1	1	1	.....	.....
Total, Health research and safety	16	43	38	33	30	27	22
Total, Mandatory	100,882	106,339	115,094	122,574	131,788	141,237	152,327
Total, Health	123,843	131,772	141,457	149,886	160,148	170,695	183,452
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,161	1,219	1,201	1,196	1,196	1,193	1,211
Supplementary medical insurance (SMI) administrative expenses	1,414	1,533	1,458	1,456	1,446	1,432	1,450
Total, Medicare	2,575	2,752	2,659	2,652	2,642	2,625	2,661
Total, Discretionary	2,575	2,752	2,659	2,652	2,642	2,625	2,661

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Mandatory:							
Medicare:							
Hospital insurance (HI)	136,217	139,568	142,562	145,933	152,684	152,377	162,927
Proposed Legislation (PAYGO)			93	413	427	475	559
Subtotal, Hospital insurance (HI)	136,217	139,568	142,655	146,346	153,111	152,852	163,486
Supplementary medical insurance (SMI)	71,139	75,754	82,749	90,707	101,905	106,908	119,945
Proposed Legislation (PAYGO)			–45	233	235	293	349
Subtotal, Supplementary medical insurance (SMI)	71,139	75,754	82,704	90,940	102,140	107,201	120,294
Health care fraud and abuse control [1]	506	733	764	864	950	1,010	1,075
Medicare premiums, collections, and interfunds [2]	–20,421	–20,672	–21,384	–23,255	–25,464	–27,791	–30,497
Proposed Legislation (PAYGO)			–127	–679	–814	–1,025	–1,234
Subtotal, Medicare premiums, collections, and interfunds	–20,421	–20,672	–21,511	–23,934	–26,278	–28,816	–31,731
Total, Medicare	187,441	195,383	204,612	214,216	229,923	232,247	253,124
Total, Mandatory	187,441	195,383	204,612	214,216	229,923	232,247	253,124
Total, Medicare	190,016	198,135	207,271	216,868	232,565	234,872	255,785
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	309	299	282	264	247	231	217
Pension Benefit Guaranty Corporation	10	11	11	11	11	11	11
Pension and Welfare Benefits Administration and other	74	88	91	92	92	92	92
Total, General retirement and disability insurance	393	398	384	367	350	334	320
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	92	88	90	87	83	81	84
Armed forces retirement home	58	64	68	66	61	59	59
Total, Federal employee retirement and disability	150	152	158	153	144	140	143
Unemployment compensation:							
Unemployment programs administrative expenses	2,293	2,421	2,512	2,432	2,416	2,416	2,416

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Housing assistance:							
Public housing operating fund	1,529	3,090	2,861	2,782	2,732	2,703	2,721
Public housing capital fund	.....	3,810	3,511	3,237	3,012	2,930	2,868
Subsidized, public, homeless and other HUD housing	25,588	21,114	21,689	22,404	22,650	22,462	22,358
Proposed Legislation (non-PAYGO)	.....	.....	3	9	8	3	.....
Subtotal, Subsidized, public, homeless and other HUD housing	25,588	21,114	21,692	22,413	22,658	22,465	22,358
Rural housing assistance	576	624	638	670	689	716	734
Total, Housing assistance	27,693	28,638	28,702	29,102	29,091	28,814	28,681
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,866	3,949	4,051	4,124	4,219	4,318	4,419
Other nutrition programs	536	508	553	553	553	553	553
Total, Food and nutrition assistance	4,402	4,457	4,604	4,677	4,772	4,871	4,972
Other income assistance:							
Refugee assistance	323	410	408	415	415	415	415
Low income home energy assistance	1,221	1,074	1,077	1,137	1,100	1,100	1,100
Child care and development block grant	909	978	994	1,002	1,003	1,003	1,003
Proposed Legislation (non-PAYGO)	.....	.....	75	133	178	180	180
Subtotal, Child care and development block grant	909	978	1,069	1,135	1,181	1,183	1,183
Supplemental security income (SSI) administrative expenses	2,057	2,275	2,331	2,299	2,291	2,283	2,282
Proposed Legislation (non-PAYGO)	.....	.....	–1	.....	.....	.....	.....
Proposed Legislation (PAYGO)	.....	.....	46	4	.....	.....	.....
Subtotal, Supplemental security income (SSI) administrative expenses	2,057	2,275	2,376	2,303	2,291	2,283	2,282
Total, Other income assistance	4,510	4,737	4,930	4,990	4,987	4,981	4,980
Total, Discretionary	39,441	40,803	41,290	41,721	41,760	41,556	41,512
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,242	4,303	4,348	4,374	4,542	4,505	4,587
Proposed Legislation (PAYGO)	.....	.....	32	48	49	49	49
Subtotal, Railroad retirement	4,242	4,303	4,380	4,422	4,591	4,554	4,636

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Special benefits for disabled coal miners	1,158	1,110	1,065	1,016	964	913	864
Pension Benefit Guaranty Corporation	–1,207	–1,297	–1,259	–1,029	–1,034	–1,039	–1,039
Proposed Legislation (PAYGO)			1	1	1	3	4
Subtotal, Pension Benefit Guaranty Corporation	–1,207	–1,297	–1,258	–1,028	–1,033	–1,036	–1,035
District of Columbia pension funds			–21	–42	–65	–90	–115
Special workers' compensation expenses	135	144	147	154	161	169	177
Total, General retirement and disability insurance	4,328	4,260	4,313	4,522	4,618	4,510	4,527
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	42,106	43,666	45,575	47,563	49,494	50,646	53,487
Military retirement	30,188	31,386	32,314	33,260	34,140	35,020	35,916
Federal employees workers' compensation (FECA)	90	69	73	121	171	192	204
Federal employees life insurance fund	–1,008	–1,108	–1,111	–1,156	–1,204	–1,244	–1,259
Total, Federal employee retirement and disability	71,376	74,013	76,851	79,788	82,601	84,614	88,348
Unemployment compensation:							
Unemployment insurance programs	20,403	20,804	23,549	25,391	27,159	28,186	29,969
Proposed Legislation (PAYGO)			126	101	197	245	8
Subtotal, Unemployment insurance programs	20,403	20,804	23,675	25,492	27,356	28,431	29,977
Trade adjustment assistance	192	213	244	225	233	241	249
Proposed Legislation (PAYGO)			73	81	83	84	85
Subtotal, Trade adjustment assistance	192	213	317	306	316	325	334
Total, Unemployment compensation	20,595	21,017	23,992	25,798	27,672	28,756	30,311
Housing assistance:							
Mandatory housing assistance programs	105	114	76	72	–17	–19	–26

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	22,852	22,316	23,649	24,831	25,694	26,457	27,828
Proposed Legislation (PAYGO)	.....	100	375	315	265	265	280
Subtotal, Food stamps (including Puerto Rico)	22,852	22,416	24,024	25,146	25,959	26,722	28,108
State child nutrition programs	8,258	8,785	9,056	9,594	10,030	10,463	10,918
Funds for strengthening markets, income, and supply (Sec.32)	549	479	416	416	416	416	416
Total, Food and nutrition assistance	31,659	31,680	33,496	35,156	36,405	37,601	39,442
Other income support:							
Supplemental security income (SSI)	26,662	27,506	28,089	29,087	30,058	31,072	32,140
Proposed Legislation (non-PAYGO)	.....	.....	–104	–104	–8	–4	–3
Proposed Legislation (PAYGO)	.....	.....	–39	–44	–39	–33	–33
Subtotal, Supplemental security income (SSI)	26,662	27,506	27,946	28,939	30,011	31,035	32,104
Family support payments	5,343	4,376	3,176	2,946	2,984	3,148	3,378
Proposed Legislation (PAYGO)	.....	.....	–8	–8	–8	–8	–9
Subtotal, Family support payments	5,343	4,376	3,168	2,938	2,976	3,140	3,369
Federal share of child support collections	–325	–1,022	–1,063	–1,058	–1,065	–1,102	–1,089
Proposed Legislation (PAYGO)	.....	.....	–40	–48	–57	–58	–56
Subtotal, Federal share of child support collections	–325	–1,022	–1,103	–1,106	–1,122	–1,160	–1,145
Temporary assistance for needy families and related programs	9,726	13,816	15,956	17,062	17,159	17,328	17,305
Child care entitlement to states	1,398	1,835	2,056	2,289	2,477	2,638	2,691
Proposed Legislation (PAYGO)	.....	.....	1,170	1,606	1,892	2,119	2,492
Subtotal, Child care entitlement to states	1,398	1,835	3,226	3,895	4,369	4,757	5,183
Earned income tax credit (EITC)	21,856	22,295	24,496	25,334	26,040	26,715	27,414
Proposed Legislation (PAYGO)	.....	.....	–65	–100	–101	–103	–106
Subtotal, Earned income tax credit (EITC)	21,856	22,295	24,431	25,234	25,939	26,612	27,308

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Child tax credit			538	685	662	624	589
Proposed Legislation (PAYGO)			–5	–5	–5	–5	–5
Subtotal, Child tax credit			533	680	657	619	584
Other assistance	17	49	54	64	73	67	68
SSI recoveries and receipts	–1,295	–1,393	–1,421	–1,466	–1,511	–1,558	–1,608
Total, Other income support	63,382	67,462	72,790	76,240	78,551	80,840	83,168
Total, Mandatory	191,445	198,546	211,518	221,576	229,830	236,302	245,770
Total, Income security	230,886	239,349	252,808	263,297	271,590	277,858	287,282
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,783	2,138	1,937	1,857	1,819	1,800	1,802
Disability insurance (DI) administrative expenses (Off-budget)	1,173	1,252	1,401	1,434	1,400	1,380	1,379
Proposed Legislation (non-PAYGO)			–1				
Subtotal, Disability insurance (DI) administrative expenses (Off-budget)	1,173	1,252	1,400	1,434	1,400	1,380	1,379
Office of the Inspector General—Social Security Adm.	5	10	12	12	12	13	13
Total, Discretionary	2,961	3,400	3,349	3,303	3,231	3,193	3,194
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	316,777	328,717	340,780	353,885	368,937	382,980	398,581
Proposed Legislation (non-PAYGO)			20	107	136	144	138
Subtotal, Old-age and survivors insurance (OASI)(Off-budget)	316,777	328,717	340,800	353,992	369,073	383,124	398,719
Disability insurance (DI)(Off-budget)	45,519	49,382	52,068	55,350	59,250	63,880	68,770
Proposed Legislation (non-PAYGO)				–5	1	7	13
Subtotal, Disability insurance (DI)(Off-budget)	45,519	49,382	52,068	55,345	59,251	63,887	68,783
Quinquennial OASI and DI adjustments					–1,182		
Intragovernmental transactions (On-budget)	6,880	9,650	8,899	9,363	9,913	10,562	11,267

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Intragovernmental transactions (Off-budget)	–6,880	–9,650	–8,899	–9,363	–9,913	–10,562	–11,267
Total, Social security	362,296	378,099	392,868	409,337	427,142	447,011	467,502
Total, Mandatory	362,296	378,099	392,868	409,337	427,142	447,011	467,502
Total, Social security	365,257	381,499	396,217	412,640	430,373	450,204	470,696
700 Veterans benefits and services:							
Discretionary:							
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	2	2	1	1	1
Hospital and medical care for veterans:							
Medical care and hospital services	16,901	18,150	18,027	18,077	18,251	18,339	18,944
Proposed Legislation (non-PAYGO)			87	87	87	87	87
Subtotal, Medical care and hospital services	16,901	18,150	18,114	18,164	18,338	18,426	19,031
Collections for medical care		–688	–677	–782	–870	–959	–708
Proposed Legislation (non-PAYGO)							–285
Subtotal, Collections for medical care		–688	–677	–782	–870	–959	–993
Construction of medical facilities	591	476	432	382	343	289	279
Total, Hospital and medical care for veterans	17,492	17,938	17,869	17,764	17,811	17,756	18,317
Veterans housing:							
Housing program loan subsidies	139	160	159	154	148	148	148
Other veterans benefits and services:							
Other general operating expenses	976	1,005	1,021	1,031	1,025	1,024	1,029
Total, Discretionary	18,608	19,104	19,051	18,951	18,985	18,929	19,495
Mandatory:							
Income security for veterans:							
Compensation	16,214	17,462	18,649	19,560	20,831	24,959	25,303
Proposed Legislation (non-PAYGO)			259	687	1,071	1,663	2,132
Proposed Legislation (PAYGO)			–736	–1,325	–2,286	–6,269	–6,328
Subtotal, Compensation	16,214	17,462	18,172	18,922	19,616	20,353	21,107
Pensions	3,055	3,084	3,067	3,074	3,073	3,071	3,567
Burial benefits and miscellaneous assistance	116	133	123	123	125	128	131

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
National service life insurance trust fund	1,227	1,296	1,310	1,306	1,291	1,281	1,265
All other insurance programs	28	84	78	92	96	92	102
Proposed Legislation (PAYGO)			5				
Subtotal, All other insurance programs	28	84	83	92	96	92	102
Insurance program receipts	–233	–226	–212	–194	–176	–160	–144
Proposed Legislation (PAYGO)			–5				
Subtotal, Insurance program receipts	–233	–226	–217	–194	–176	–160	–144
Total, Income security for veterans	20,407	21,833	22,538	23,323	24,025	24,765	26,028
Veterans education, training, and rehabilitation:							
Readjustment benefits (GI Bill and related programs)	1,288	1,345	1,330	1,333	1,449	1,419	1,421
Proposed Legislation (PAYGO)			291	291	309	306	305
Subtotal, Readjustment benefits (GI Bill and related programs)	1,288	1,345	1,621	1,624	1,758	1,725	1,726
Post-Vietnam era education	69	34	47	8	8	7	6
All-volunteer force educational assistance trust fund	–202	–264	–253	–250	–258	–240	–230
Total, Veterans education, training, and rehabilitation	1,155	1,115	1,415	1,382	1,508	1,492	1,502
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	–399	477		–2	–3	–3	–3
Veterans housing:							
Housing loan subsidies	417	669	264	275	273	262	473
Proposed Legislation (PAYGO)			–2	–9	–9	–11	–12
Subtotal, Housing loan subsidies	417	669	262	266	264	251	461
Housing loan liquidating account and reestimates	–898	–116	–28	–25	–22	–18	–16
Total, Veterans housing	–481	553	234	241	242	233	445

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other veterans programs:							
Other mandatory veterans programs	23	32	34	91	55	22	29
Total, Mandatory	20,705	24,010	24,221	25,035	25,827	26,509	28,001
Total, Veterans benefits and services	39,313	43,114	43,272	43,986	44,812	45,438	47,496
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	3,918	3,926	3,950	4,296	4,348	4,346	4,346
Alcohol, tobacco, and firearms investigations (ATF)	468	517	582	594	572	561	557
Border enforcement activities (Customs and INS)	3,331	3,646	4,305	4,316	4,409	4,418	4,458
Proposed Legislation (non-PAYGO)			44	48	48	48	48
Subtotal, Border enforcement activities (Customs and INS)	3,331	3,646	4,349	4,364	4,457	4,466	4,506
Equal Employment Opportunity Commission	232	250	279	287	297	307	318
Other law enforcement activities	1,113	1,349	1,501	1,612	1,557	1,473	1,471
Proposed Legislation (non-PAYGO)			–48	–48	–48	–48	–48
Subtotal, Other law enforcement activities	1,113	1,349	1,453	1,564	1,509	1,425	1,423
Total, Federal law enforcement activities	9,062	9,688	10,613	11,105	11,183	11,105	11,150
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,294	2,210	2,526	2,602	2,595	2,582	2,579
Representation of indigents in civil cases	282	283	335	349	360	371	382
Federal judicial and other litigative activities	2,997	3,194	3,613	3,744	3,873	4,004	4,141
Proposed Legislation (non-PAYGO)			–6	–6	–6	–6	–6
Subtotal, Federal judicial and other litigative activities	2,997	3,194	3,607	3,738	3,867	3,998	4,135
Total, Federal litigative and judicial activities	5,573	5,687	6,468	6,689	6,822	6,951	7,096
Correctional activities:							
Discretionary programs	2,968	2,897	3,621	3,884	4,356	3,889	4,065

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Criminal justice assistance:							
Discretionary programs	2,516	2,633	4,131	3,886	4,088	3,678	3,164
Total, Discretionary	20,119	20,905	24,833	25,564	26,449	25,623	25,475
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	338	415	412	406	403	403	403
Border enforcement activities (Customs and INS)	1,280	1,784	1,800	1,603	1,677	1,752	1,784
Customs and INS fees	–2,474	–2,360	–2,806	–2,860	–2,910	–2,977	–3,026
Other mandatory law enforcement programs	309	378	334	318	320	323	310
Total, Federal law enforcement activities	–547	217	–260	–533	–510	–499	–529
Federal litigative and judicial activities:							
Mandatory programs	407	672	516	478	446	454	464
Proposed Legislation (PAYGO)	.....	10	51	55	49	42	35
Subtotal, Mandatory programs	407	682	567	533	495	496	499
Correctional activities:							
Mandatory programs	–29	–17	–12	–22	–10	–10	–9
Criminal justice assistance:							
Mandatory programs	247	487	396	364	223	229	234
Total, Mandatory	78	1,369	691	342	198	216	195
Total, Administration of justice	20,197	22,274	25,524	25,906	26,647	25,839	25,670
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	1,831	1,984	2,129	2,201	2,203	2,242	2,294
Executive direction and management:							
Drug control programs	70	243	348	410	413	413	413
Executive Office of the President	221	228	247	241	238	238	243
Proposed Legislation (non-PAYGO)	.....	.....	2	.....	.....	.....	.....
Subtotal, Executive Office of the President	221	228	249	241	238	238	243
Presidential transition and former Presidents	2	2	2	2	8	3	3
Total, Executive direction and management	293	473	599	653	659	654	659

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Central fiscal operations:							
Tax administration	7,123	7,397	7,978	7,630	7,643	7,619	7,610
Other fiscal operations	558	495	587	592	588	583	583
Total, Central fiscal operations	7,681	7,892	8,565	8,222	8,231	8,202	8,193
General property and records management:							
Real property activities	682	485	40	65	84	–95	–8
Records management	198	200	235	230	229	227	227
Other general and records management	210	214	179	168	151	129	129
Total, General property and records management	1,090	899	454	463	464	261	348
Central personnel management:							
Discretionary central personnel management programs	137	150	152	148	148	148	150
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	719	823	427	264	272	131	124
Payments to States and counties from Federal land management activities	11	11	10	10	10	10	10
Payments in lieu of taxes	114	120	120	120	120	120	120
Other	–1	1	–1	.....	.....	.....	.....
Total, General purpose fiscal assistance	843	955	556	394	402	261	254
Other general government:							
Discretionary programs	201	174	183	174	164	165	167
Total, Discretionary	12,076	12,527	12,638	12,255	12,271	11,933	12,065
Mandatory:							
Legislative functions:							
Congressional members compensation and other	94	102	98	97	97	96	96
Central fiscal operations:							
Mandatory programs	–250	–100	–46	–59	–60	–59	–63
General property and records management:							
Mandatory programs	45	16	17	17	3	1	2
Offsetting receipts	–9	–66	–25	–26	–28	–29	–29
Total, General property and records management	36	–50	–8	–9	–25	–28	–27
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	–12	–12	–12	–12	–15	.....	.....

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Payments to States and counties	834	836	884	875	876	875	883
Proposed Legislation (PAYGO)			10	22	30	41	48
Subtotal, Payments to States and counties	834	836	894	897	906	916	931
Payments to territories and Puerto Rico	107	110	111	114	116	119	122
Tax revenues for Puerto Rico (Treasury, BATF)	205	210	201	201	201	201	201
Proposed Legislation (PAYGO)			34	34	34	34	34
Subtotal, Tax revenues for Puerto Rico (Treasury, BATF)	205	210	235	235	235	235	235
Miscellaneous activities authorized in tobacco legislation			3,425	3,943	4,582	4,972	5,362
Other general purpose fiscal assistance	90	98	95	95	95	95	95
Proposed Legislation (PAYGO)			12	12	12	12	12
Subtotal, Other general purpose fiscal assistance	90	98	107	107	107	107	107
Total, General purpose fiscal assistance	1,224	1,242	4,760	5,284	5,931	6,349	6,757
Other general government:							
Territories	164	191	221	222	169	194	197
Treasury claims	1,035	635	685	615	660	660	660
Presidential election campaign fund			26	242	7		29
Other mandatory programs	–120	–23	–62	–56	–54	–72	–68
Total, Other general government	1,079	803	870	1,023	782	782	818
Deductions for offsetting receipts:							
Offsetting receipts	–1,491	–1,646	–1,160	–1,160	–1,160	–1,160	–1,160
Proposed Legislation (PAYGO)			21	22	23	24	24
Subtotal, Offsetting receipts	–1,491	–1,646	–1,139	–1,138	–1,137	–1,136	–1,136
Total, Mandatory	692	351	4,535	5,198	5,588	6,004	6,445
Total, General government	12,768	12,878	17,173	17,453	17,859	17,937	18,510

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
900 Net interest:							
Mandatory:							
Interest on the public debt:							
Interest on the public debt	355,796	362,021	366,399	368,513	373,213	375,257	377,734
Proposed Legislation (non-PAYGO)	.....	99	218	464	743	987	1,213
Subtotal, Interest on the public debt	355,796	362,120	366,617	368,977	373,956	376,244	378,947
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–30,484	–32,456	–33,555	–34,181	–34,952	–35,786	–36,568
Military retirement	–11,920	–12,121	–12,328	–12,533	–12,740	–12,952	–13,173
Medicare	–11,949	–11,642	–11,366	–10,865	–10,499	–10,204	–10,189
Other on-budget trust funds	–9,423	–9,633	–9,957	–11,225	–11,892	–12,706	–13,379
Proposed Legislation (non-PAYGO)	.....	–99	–214	–457	–728	–967	–1,187
Subtotal, Other on-budget trust funds	–9,423	–9,732	–10,171	–11,682	–12,620	–13,673	–14,566
Total, Interest received by on-budget trust funds	–63,776	–65,951	–67,420	–69,261	–70,811	–72,615	–74,496
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–41,214	–46,730	–51,623	–56,966	–62,889	–69,318	–76,337
Other interest:							
Interest on loans to Federal Financing Bank	–4,171	–3,142	–2,758	–2,518	–2,344	–2,113	–1,853
Interest on refunds of tax collections	2,341	2,497	2,580	2,648	2,756	2,869	3,006
Payment to the Resolution Funding Corporation	2,328	2,328	2,328	2,328	2,328	2,328	2,328
Interest paid to loan guarantee financing accounts	1,997	2,434	2,408	2,399	2,408	2,428	2,447
Interest received from direct loan financing accounts	–4,988	–5,552	–6,392	–7,157	–7,922	–8,719	–9,488
Interest on deposits in tax and loan accounts	–948	–920	–920	–908	–908	–908	–908
Interest received from Outer Continental Shelf escrow account, Interior	–6	–1,120	–30	.....	.....	.....	.....
All other interest	–3,346	–3,270	–3,036	–3,046	–3,018	–3,060	–3,045
Total, Other interest	–6,793	–6,745	–5,820	–6,254	–6,700	–7,175	–7,513
Total, Net interest	244,013	242,694	241,754	236,496	233,556	227,136	220,601

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
920 Allowances:							
Discretionary:							
Emergencies, including unforeseen defense and non-defense costs, natural disasters, and unanticipated, but non-emergency, expenses of the year 2000 conversion	.....	.....	3,250	.....	.....	.....	.....
Total, Allowances	.....	.....	3,250	.....	.....	.....	.....
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to military retirement fund	–11,102	–10,543	–10,563	–10,535	–10,584	–10,750	–11,000
Postal Service contributions to Civil Service Retirement and Disability Fund	–5,927	–6,068	–6,014	–6,237	–6,452	–6,715	–6,863
Other contributions to civil and foreign service retirement and disability fund	–8,279	–8,798	–8,904	–9,164	–9,537	–9,962	–9,919
Contributions to HI trust fund	–2,465	–2,499	–2,596	–2,708	–2,788	–2,918	–3,044
Total, Employer share, employee retirement (on-budget)	–27,773	–27,908	–28,077	–28,644	–29,361	–30,345	–30,826
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–6,483	–7,155	–7,667	–8,317	–8,831	–9,571	–10,304
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–4,711	–4,663	–4,187	–3,952	–4,134	–4,277	–3,886
Sale of major assets:							
Proceeds from Sale of U.S. Enrichment Corporation	.....	–1,600	.....	.....	.....	.....	.....
Privatization of Elk Hills	.....	–2,739	–728	.....	.....	.....	.....
Proceeds from sale of Power Marketing Administrations	.....	–85	.....	.....	.....	.....	.....
Total, Sale of major assets	.....	–4,424	–728	.....	.....	.....	.....
Other undistributed offsetting receipts:							
Spectrum Auction	–11,006	–2,216	–1,833	–4,889	–4,841	–11,354	–3,300
Total, Undistributed offsetting receipts	–49,973	–46,366	–42,492	–45,802	–47,167	–55,547	–48,316

Table 33–2. OUTLAYS BY FUNCTION, CATEGORY AND PROGRAM—Continued

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Total	1,601,235	1,667,815	1,733,217	1,785,046	1,834,392	1,859,554	1,945,374
On-budget	(1,290,609)	(1,348,140)	(1,404,355)	(1,444,620)	(1,483,998)	(1,499,602)	(1,574,278)
Off-budget	(310,626)	(319,675)	(328,862)	(340,426)	(350,394)	(359,952)	(371,096)

[1] Additional spending would be funded by proposed user fee increases to be deposited into appropriations accounts. In *Analytical Perspectives*, see Table 4–2, "Proposed User Fees and Other Collections," and Chapter 26, "Federal Programs by Agency and Account."

[2] Budget authority exceeds outlays in 1997–1998 due to expiring balances.

Table 33–3. DIRECT AND GUARANTEED LOANS BY FUNCTION

(In millions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
NATIONAL DEFENSE:							
DIRECT LOANS:							
Total, direct loans:							
Loan disbursements	.....	7	.....	175	345	319	334
Outstandings	1,308	1,232	1,146	1,230	1,468	1,626	1,800
GUARANTEED LOANS:							
Total, guaranteed loans:							
New guaranteed loans	.....	20	176	216	1,236	1,164	1,205
Outstandings	441	461	633	835	2,047	3,149	4,254
INTERNATIONAL AFFAIRS:							
DIRECT LOANS:							
Public Law 480:							
Loan disbursements	.....	.....	.....	.....	.....	.....	.....
Outstandings	9,446	9,092	8,686	8,223	7,893	7,561	7,228
Foreign Military Financing Loans:							
Loan disbursements	393	494	552	600	622	270	174
Outstandings	7,608	7,032	6,628	6,351	6,101	5,482	4,819
USAID Development Assistance Loans:							
Loan disbursements	10	70	89	199	.....	.....	.....
Outstandings	12,505	11,846	11,241	10,735	10,122	9,520	8,986
Export-Import Bank:							
Loan disbursements	1,333	1,042	1,113	1,062	1,128	1,197	1,269
Outstandings	10,124	9,759	9,630	8,729	8,643	8,556	8,523
Other, International Affairs:							
Loan disbursements	19	542	296	909	81	81	81
Outstandings	156	677	956	1,845	1,904	1,959	2,007
Total, direct loans:							
Loan disbursements	1,755	2,148	2,050	2,770	1,831	1,548	1,524
Outstandings	39,839	38,406	37,141	35,883	34,663	33,078	31,563
GUARANTEED LOANS:							
Foreign Military Financing Loans:							
New guaranteed loans	.....	.....	.....	.....	.....	.....	.....
Outstandings	5,691	5,303	4,923	4,550	4,193	3,843	3,494
Loan Guarantees to Israel:							
New guaranteed loans	1,250	1,412	.....	.....	.....	.....	.....
Outstandings	7,814	9,226	9,226	9,226	9,226	9,226	9,226
Overseas Private Investment Corporation:							
New guaranteed loans	877	1,100	1,300	1,500	1,800	2,000	2,000
Outstandings	2,122	2,747	3,491	4,281	5,281	6,281	7,081
USAID Development Assistance Loans:							
New guaranteed loans	212	212	195	211	255	267	284
Outstandings	2,409	2,403	2,400	2,484	2,613	2,759	2,889
Export-Import Bank:							
New guaranteed loans	10,683	10,102	10,693	11,036	11,302	11,600	11,600
Outstandings	22,111	21,824	21,402	20,787	19,761	18,597	17,502
Total, guaranteed loans:							
New guaranteed loans	13,022	12,826	12,188	12,747	13,357	13,867	13,884
Outstandings	40,147	41,503	41,442	41,328	41,074	40,706	40,192
ENERGY:							
DIRECT LOANS:							
Rural electrification and telecommunications:							
Loan disbursements	980	1,942	1,524	1,363	1,299	1,222	1,418
Outstandings	32,552	32,973	32,714	32,880	33,061	33,241	33,684
Other, Energy:							
Loan disbursements	49	50	38	38	38	33	33
Outstandings	49	83	108	129	145	153	161

Table 33–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Total, direct loans:							
Loan disbursements	1,029	1,992	1,562	1,401	1,337	1,255	1,451
Outstandings	32,601	33,056	32,822	33,009	33,206	33,394	33,845
GUARANTEED LOANS:							
Rural electrification and telecommunications:							
New guaranteed loans	.....	.....	.....	.....	.....	.....	.....
Outstandings	642	622	602	582	562	542	522
NATURAL RESOURCES AND ENVIRONMENT:							
DIRECT LOANS:							
Total, direct loans:							
Loan disbursements	31	42	40	44	46	48	51
Outstandings	315	339	362	390	418	449	482
AGRICULTURE:							
DIRECT LOANS:							
Agricultural credit insurance fund:							
Loan disbursements	786	650	666	681	670	670	670
Outstandings	9,967	9,144	8,308	7,513	6,844	6,214	5,719
Commodity credit corporation fund:							
Loan disbursements	5,333	6,408	7,451	7,525	6,849	6,288	5,970
Outstandings	1,769	1,676	1,549	1,496	1,384	1,324	1,286
Public Law 480:							
Loan disbursements	156	267	414	182	102	102	102
Outstandings	1,942	2,193	2,574	2,711	2,710	2,699	2,688
Financial Assistance Corporation Loans:							
Loan disbursements	127	125	120	117	117	117	114
Outstandings	1,132	1,055	967	870	767	657	518
Total, direct loans:							
Loan disbursements	6,402	7,450	8,651	8,505	7,738	7,177	6,856
Outstandings	14,810	14,068	13,398	12,590	11,705	10,894	10,211
GUARANTEED LOANS:							
Agricultural credit insurance fund:							
New guaranteed loans	1,550	2,255	2,280	2,279	2,279	2,279	2,279
Outstandings	7,031	7,915	8,616	9,348	10,101	10,865	11,641
Commodity credit corporation export guarantees:							
New guaranteed loans	2,411	5,000	4,615	4,615	4,615	4,615	4,615
Outstandings	4,564	5,987	6,336	6,159	6,173	6,176	6,175
Agricultural resource conservation demonstration:							
New guaranteed loans	.....	.....	.....	.....	.....	.....	.....
Outstandings	17	17	17	17	17	17	17
Total, guaranteed loans:							
New guaranteed loans	3,961	7,255	6,895	6,894	6,894	6,894	6,894
Outstandings	11,612	13,919	14,969	15,524	16,291	17,058	17,833
COMMERCE AND HOUSING CREDIT:							
DIRECT LOANS:							
Rural Housing insurance fund:							
Loan disbursements	952	1,196	1,196	1,196	1,186	1,180	1,180
Outstandings	29,514	29,329	29,051	28,693	28,291	27,857	27,399
Housing for the elderly or handicapped fund liquidating account:							
Loan disbursements	6	184	.....	.....	.....	.....	.....
Outstandings	8,228	8,342	8,271	8,201	8,131	8,062	7,993
SBA-Business Loans:							
Loan disbursements	117	90	69	.....	.....	.....	.....

Table 33–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Outstandings	1,325	760	112				
Spectrum Auction Direct Loans:							
Loan disbursements	7,481	713					
Outstandings	6,803	1,314	1,195	1,076	1,066	1,066	1,066
Other, Commerce and Housing Credit:							
Loan disbursements	110	479	235	185	155	142	134
Outstandings	770	756	822	781	821	846	839
Total, direct loans:							
Loan disbursements	8,666	2,662	1,500	1,381	1,341	1,322	1,314
Outstandings	46,640	40,501	39,451	38,751	38,309	37,831	37,297
GUARANTEED LOANS:							
Rural Housing insurance fund:							
New guaranteed loans	1,690	2,888	3,026	3,127	3,139	3,138	3,139
Outstandings	5,069	7,705	10,415	13,111	15,693	18,129	20,408
FHA-Mutual mortgage and cooperative housing insurance:							
New guaranteed loans	61,175	58,613	67,222	68,315	69,369	70,473	71,590
Outstandings	360,505	400,211	442,302	479,922	514,483	548,355	598,347
FHA-General and special risk insurance:							
New guaranteed loans	12,677	14,323	14,416	14,073	13,805	12,331	13,480
Outstandings	88,068	95,352	101,759	107,088	112,526	116,174	121,114
GNMA-Guarantees of mortgage-backed securities:							
New guaranteed loans	97,569	107,472	108,658	110,772	111,853	112,522	114,285
Outstandings	530,042	559,054	584,816	608,751	670,816	698,642	730,167
SBA-Business Loans:							
New guaranteed loans	6,956	7,144	7,337	7,535	7,739	7,948	7,948
Outstandings	33,793	36,869	40,203	43,766	47,986	52,331	56,676
Other, Commerce and Housing Credit:							
New guaranteed loans	23	23	3	3	1		
Outstandings	256	245	216	189	161	134	107
Total, guaranteed loans:							
New guaranteed loans	180,090	190,463	200,662	203,825	205,906	206,412	210,442
Outstandings	1,017,733	1,099,436	1,179,711	1,252,827	1,361,665	1,433,765	1,526,819
TRANSPORTATION:							
DIRECT LOANS:							
Direct loan financing account:							
Loan disbursements	140	140	120				
Outstandings	140	280	400	400	400	400	400
Other, Transportation:							
Loan disbursements	24	41	47	47	30	27	27
Outstandings	258	259	265	269	253	235	218
Total, direct loans:							
Loan disbursements	164	181	167	47	30	27	27
Outstandings	398	539	665	669	653	635	618
GUARANTEED LOANS:							
Maritime Loan Guarantees:							
New guaranteed loans	319	477	477	477	477	477	477
Outstandings	2,242	2,387	2,534	2,672	2,801	2,902	3,003
COMMUNITY AND REGIONAL DEVELOPMENT:							
DIRECT LOANS:							
Distance learning and medical link loans:							
Loan disbursements		90	195	180	150	150	150
Outstandings		83	256	399	498	583	653
Rural development insurance fund:							
Loan disbursements	17	10					

Table 33–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Outstandings	4,135	3,936	3,737	3,548	3,369	3,199	3,037
Rural water and waste disposal direct loans:							
Loan disbursements	670	726	680	649	757	635	642
Outstandings	2,260	2,961	3,607	4,212	4,916	5,485	6,049
Rural telephone bank loans:							
Loan disbursements	66	278	224	247	229	198	190
Outstandings	1,467	1,637	1,729	1,838	1,922	1,971	2,008
Rural community facility direct loans:							
Loan disbursements	159	163	192	196	189	176	201
Outstandings	493	645	823	1,000	1,166	1,314	1,483
SBA, Disaster Loans:							
Loan disbursements	1,168	744	533	878	902	936	936
Outstandings	9,348	9,257	8,149	348	348	348	348
Other, Community and Regional Development:							
Loan disbursements	112	142	160	128	165	178	180
Outstandings	927	987	1,076	1,125	1,209	1,291	1,367
Total, direct loans:							
Loan disbursements	2,192	2,153	1,984	2,278	2,392	2,273	2,299
Outstandings	18,630	19,506	19,377	12,470	13,428	14,191	14,945
GUARANTEED LOANS:							
Rural development insurance fund:							
New guaranteed loans	3	.....	.....	.....	.....	.....	.....
Outstandings	375	293	239	195	159	128	104
Rural community facility guaranteed loans:							
New guaranteed loans	32	67	107	124	173	196	210
Outstandings	121	182	279	388	540	707	878
Rural business and industry guaranteed loans:							
New guaranteed loans	666	711	813	771	763	766	750
Outstandings	1,306	1,856	2,449	2,938	3,372	3,764	4,098
Community development loan guarantees:							
New guaranteed loans	189	1,010	1,010	1,007	1,205	1,250	1,250
Outstandings	973	1,815	2,595	3,377	4,307	5,237	6,167
Other, Community and Regional Development:							
New guaranteed loans	6	40	46	103	88	110	110
Outstandings	187	186	198	267	318	381	439
Total, guaranteed loans:							
New guaranteed loans	896	1,828	1,976	2,005	2,229	2,322	2,320
Outstandings	2,962	4,332	5,760	7,165	8,696	10,217	11,686
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:							
DIRECT LOANS:							
Federal direct student loan program:							
Loan disbursements	10,271	13,333	13,670	14,477	15,274	16,093	16,951
Outstandings	21,212	33,528	45,417	57,150	68,537	79,435	89,744
Other, Education, Training, Employment and Social Services:							
Loan disbursements	15	5	1	6	6	.....	.....
Outstandings	773	736	719	710	701	689	677
Total, direct loans:							
Loan disbursements	10,286	13,338	13,671	14,483	15,280	16,093	16,951
Outstandings	21,985	34,264	46,136	57,860	69,238	80,124	90,421

Table 33–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
GUARANTEED LOANS:							
Federal family education loan program:							
New guaranteed loans	19,542	25,051	25,686	27,293	28,829	30,387	32,019
Outstandings	98,970	115,358	131,922	150,261	169,590	189,093	208,003
Other, Education, Training, Employment and Social Services:							
New guaranteed loans	.....	1	4	8	12	15	16
Outstandings	.....	1	5	13	25	40	56
Total, guaranteed loans:							
New guaranteed loans	19,542	25,052	25,690	27,301	28,841	30,402	32,035
Outstandings	98,970	115,359	131,927	150,274	169,615	189,133	208,059
HEALTH:							
DIRECT LOANS:							
Total, direct loans:							
Loan disbursements	21	.....	.....	.....	.....	.....	.....
Outstandings	821	790	759	730	701	677	653
GUARANTEED LOANS:							
Health Professions Graduate Student Loans:							
New guaranteed loans	140	85	.....	.....	.....	.....	.....
Outstandings	2,969	2,955	2,840	2,715	2,581	2,436	2,284
Other, Health:							
New guaranteed loans	.....	67	74	13	6	.....	.....
Outstandings	142	165	196	175	148	143	137
Total, guaranteed loans:							
New guaranteed loans	140	152	74	13	6	.....	.....
Outstandings	3,111	3,120	3,036	2,890	2,729	2,579	2,421
INCOME SECURITY:							
DIRECT LOANS:							
Low-rent public housing—loans and other expenses:							
Loan disbursements	.....	.....	.....	.....	.....	.....	.....
Outstandings	1,562	1,492	1,421	1,350	1,279	1,208	1,134
Other, Income Security:							
Loan disbursements	71	62	33	11	.....	.....	.....
Outstandings	745	803	832	839	835	831	827
Total, direct loans:							
Loan disbursements	71	62	33	11	.....	.....	.....
Outstandings	2,307	2,295	2,253	2,189	2,114	2,039	1,961
GUARANTEED LOANS:							
Low-rent public housing—loans and other expenses:							
New guaranteed loans	.....	.....	.....	.....	.....	.....	.....
Outstandings	3,586	3,306	3,026	2,746	2,466	2,186	1,906
Other, Income Security:							
New guaranteed loans	11	31	72	144	145	71	40
Outstandings	17	48	120	254	389	445	470
Total, guaranteed loans:							
New guaranteed loans	11	31	72	144	145	71	40
Outstandings	3,603	3,354	3,146	3,000	2,855	2,631	2,376
VETERANS BENEFITS AND SERVICES:							
DIRECT LOANS:							
Veterans housing loans:							
Loan disbursements	1,336	1,943	163	207	181	147	109
Outstandings	1,412	1,837	209	456	661	830	973

Table 33–3. DIRECT AND GUARANTEED LOANS BY FUNCTION—Continued

(In millions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Other, Veterans Benefits:							
Loan disbursements	5	7	11	13	17	7	3
Outstandings	16	20	28	39	53	57	57
Total, direct loans:							
Loan disbursements	1,341	1,950	174	220	198	154	112
Outstandings	1,428	1,857	237	495	714	887	1,030
GUARANTEED LOANS:							
Veterans Housing Loans:							
New guaranteed loans	24,287	24,844	23,440	22,895	23,399	22,786	23,287
Outstandings	170,470	184,560	196,446	207,097	217,728	227,235	236,757
GENERAL GOVERNMENT:							
DIRECT LOANS:							
Total, direct loans:							
Loan disbursements	223	.....	.....	.....	.....	.....	.....
Outstandings	293	57	44	31	15	13	11
FEDERAL GOVERNMENT TOTALS:							
DIRECT LOANS:							
Loan disbursements	32,181	31,985	29,832	31,315	30,538	30,216	30,919
Outstandings	181,375	186,910	193,791	196,297	206,632	215,838	224,837
GUARANTEED LOANS (GROSS):							
New guaranteed loans	242,268	262,948	271,650	276,517	282,490	284,395	290,584
Outstandings	1,351,933	1,469,053	1,580,206	1,684,194	1,826,063	1,929,917	2,053,922
Less secondary guaranteed loans: [1]							
GNMA guarantees of FHA/VA/FHA:							
New guaranteed loans	–97,569	–107,472	–108,658	–110,772	–111,853	–112,522	–114,285
Outstandings	–530,042	–559,054	–584,816	–608,751	–670,816	–698,642	–730,167
Total, primary guaranteed loans:							
New guaranteed loans	144,699	155,476	162,992	165,745	170,637	171,873	176,299
Outstandings	821,891	909,999	995,390	1,075,443	1,155,247	1,231,275	1,323,755

[1] Loans guaranteed by FHA, VA, or FmHA are included above. GNMA places a secondary guarantee on these loans, so they are deducted here to avoid double counting in the totals.

Table 33–4. TAX EXPENDITURES BY FUNCTION

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 1999–2003
	1997	1998	1999	2000	2001	2002	2003	
National defense:								
Current law tax expenditures:								
Exclusion of benefits and allowances to armed forces personnel	2,080	2,095	2,120	2,140	2,160	2,180	2,200	10,800
Total, current law tax expenditures	2,080	2,095	2,120	2,140	2,160	2,180	2,200	10,800
International affairs:								
Current law tax expenditures:								
Exclusion of income earned abroad by U.S. citizens	1,790	1,985	2,205	2,450	2,725	3,035	3,345	13,760
Exclusion of income of foreign sales corporations	1,600	1,700	1,800	1,900	2,000	2,100	2,200	10,000
Inventory property sales source rules exception	1,500	1,600	1,700	1,800	1,900	2,000	2,100	9,500
Deferral of income from controlled foreign corporations (normal tax method)	2,200	2,400	2,600	2,800	3,000	3,200	3,400	15,000
Total, current law tax expenditures	7,090	7,685	8,305	8,950	9,625	10,335	11,045	48,260
Proposals affecting tax expenditures:								
Sales source rule changes			–580	–1,356	–1,456	–1,545	–1,634	–6,571
Total, proposals affecting tax expenditures			–580	–1,356	–1,456	–1,545	–1,634	–6,571
General science, space, and technology:								
Current law tax expenditures:								
Expensing of research and experimentation expenditures (normal tax method)	195	430	580	685	740	765	785	3,555
Credit for increasing research activities	880	2,125	860	370	165	55	10	1,460
Total, current law tax expenditures	1,075	2,555	1,440	1,055	905	820	795	5,015
Proposals affecting tax expenditures:								
Extend research and experimentation tax credit		365	802	608	261	124	49	1,844
Total, proposals affecting tax expenditures		365	802	608	261	124	49	1,844
Energy:								
Current law tax expenditures:								
Expensing of exploration and development costs, fuels	–160	–95	–50	10	–10		20	–30
Excess of percentage over cost depletion, fuels	830	835	840	855	865	880	890	4,330
Alternative fuel production credit	710	670	630	600	560	530	350	2,670
Exception from passive loss limitation for working interests in oil and gas properties	45	50	50	50	55	55	60	270
Capital gains treatment of royalties on coal	50	50	50	55	60	60	60	285
Exclusion of interest on energy facility bonds	175	175	170	165	155	150	140	780
Enhanced oil recovery credit	95	100	100	110	115	120	130	575
New technology credit	60	65	70	80	80	80	80	390
Alcohol fuel credit [1]	20	20	20	20	20	20	20	100
Tax credit and deduction for clean-fuel burning vehicles and properties	65	75	80	85	100	95	70	430
Exclusion from income of conservation subsidies provided by public utilities	70	20	30	40	45	50	60	225
Total, current law tax expenditures	1,960	1,965	1,990	2,070	2,045	2,040	1,880	10,025
Proposals affecting tax expenditures:								
Tax credit for energy-efficient building equipment			123	223	283	341	409	1,379
Tax credit for energy-efficient homes			7	23	38	54	75	197
Tax credit for fuel-efficient vehicles					60	200	400	660
Tax credit for CHP equipment		–10	270	281	113	95	183	942
Tax credit for solar rooftop systems			6	16	24	31	43	120
Extend wind credit			5	20	38	55	73	191
Total, proposals affecting tax expenditures		–10	411	563	556	776	1,183	3,489
Natural resources and environment:								
Current law tax expenditures:								
Expensing of exploration and development costs, nonfuel minerals	45	55	55	55	55	55	55	275

Table 33–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 1999–2003
	1997	1998	1999	2000	2001	2002	2003	
Excess of percentage over cost depletion, nonfuel minerals	335	340	355	360	365	380	385	1,845
Capital gains treatment of iron ore								
Special rules for mining reclamation reserves	20	20	20	20	20	20	20	100
Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	625	605	590	565	540	500	455	2,650
Capital gains treatment of certain timber income	50	50	50	55	60	60	60	285
Expensing of multiperiod timber growing costs	460	480	505	525	540	555	575	2,700
Investment credit and seven-year amortization for reforestation expenditures	45	45	50	50	50	50	55	255
Tax incentives for preservation of historic structures	120	115	115	110	105	105	105	540
Total, current law tax expenditures	1,700	1,710	1,740	1,740	1,735	1,725	1,710	8,650
Proposals affecting tax expenditures:								
Repeal percentage depletion for nonfuel minerals on certain Federal lands			–92	–94	–96	–97	–99	–478
Tax credit for SF6 circuit breakers			3	9	11	8	5	36
Tax credit for PFC recycling equipment			3	7	7	6	3	26
Total, proposals affecting tax expenditures			–86	–78	–78	–83	–91	–416
Agriculture:								
Current law tax expenditures:								
Expensing of certain capital outlays	65	65	70	70	70	70	70	350
Expensing of certain multiperiod production costs	80	80	85	85	85	85	85	425
Treatment of loans for solvent farmers	10	10	10	10	10	10	10	50
Capital gains treatment of certain income	505	520	535	550	570	585	600	2,840
Income averaging for farmers		5	30	35	25			90
Total, current law tax expenditures	660	680	730	750	760	750	765	3,755
Commerce and housing:								
Current law tax expenditures:								
Financial institutions and insurance:								
Exemption of credit union income	800	880	960	1,050	1,150	1,260	1,380	5,800
Excess bad debt reserves of financial institutions	70	45	20	10	5	5		40
Exclusion of interest on life insurance savings	12,765	13,465	14,200	14,990	15,810	16,680	17,585	79,265
Special alternative tax on small property and casualty insurance companies	5	5	5	5	5	5	5	25
Tax exemption of insurance companies owned by tax-exempt organizations	200	215	230	245	260	280	300	1,315
Small life insurance company deduction	110	115	120	125	130	135	140	650
Housing:								
Exclusion of interest on owner-occupied mortgage subsidy bonds	1,750	1,670	1,595	1,520	1,440	1,365	1,290	7,210
Exclusion of interest on rental housing bonds	810	750	695	615	530	450	320	2,610
Deductibility of mortgage interest on owner-occupied homes	49,060	51,245	53,695	56,515	59,505	62,730	66,245	298,690
Deductibility of State and local property tax on owner-occupied homes	16,915	17,700	18,440	19,220	20,045	20,920	21,855	100,480
Deferral of income from post 1987 installment sales	960	975	995	1,015	1,035	1,055	1,075	5,175
Deferral of capital gains on home sales	12,245	5,770						
Exclusion of capital gains on home sales for persons age 55 and over	3,740	1,110						
Capital gains exclusion on home sales	8,750	9,100	9,465	9,845	10,235	10,645	11,070	51,260
Exception from passive loss rules for $25,000 of rental loss	4,175	3,910	3,680	3,465	3,270	3,080	2,900	16,395
Credit for low-income housing investment	2,300	2,420	2,365	2,340	2,385	2,415	2,490	11,995
Accelerated depreciation on rental housing (normal tax method)	1,365	1,585	1,845	2,100	2,235	2,560	2,880	11,620
Commerce:								
Cancellation of indebtedness	40	15		–10	–5	–5		–20
Exceptions from imputed interest rules	155	155	160	160	160	165	165	810

Table 33–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 1999–2003
	1997	1998	1999	2000	2001	2002	2003	
Capital gains (other than agriculture, timber, iron ore, and coal) (normal tax method)	24,620	25,360	26,120	26,900	27,710	28,540	29,395	138,665
Capital gains exclusion of small corporation stock	35	35	35	35	40	40	40	190
Step-up basis of capital gains at death	8,750	9,100	9,465	9,845	10,235	10,645	11,070	51,260
Carryover basis of capital gains on gifts	155	165	180	190	200	210	220	1,000
Ordinary income treatment of loss from small business corporation stock sale			5	20	40	70	95	230
Accelerated depreciation of buildings other than rental housing (normal tax method)	5,830	4,690	3,470	2,530	1,705	1,070	350	9,125
Accelerated depreciation of machinery and equipment (normal tax method)	24,970	26,655	28,535	29,410	30,620	31,620	31,935	152,120
Expensing of certain small investments (normal tax method)	1,050	970	880	815	1,360	1,285	930	5,270
Amortization of start-up costs (normal tax method)	200	205	210	215	220	225	230	1,100
Graduated corporation income tax rate (normal tax method)	4,695	4,950	5,085	5,280	5,525	5,820	6,130	27,840
Exclusion of interest on small-issue bonds	350	295	275	255	245	230	225	1,230
Total, current law tax expenditures	186,870	183,555	182,730	188,705	196,095	203,500	210,320	981,350
Proposals affecting tax expenditures:								
Modify COLI rules		–251	–409	–414	–434	–460	–487	–2,204
Repeal tax-free section 1035 exchanges for certain life insurance and annuity contracts		–2	–37	–95	–168	–259	–368	–927
Reduce investment in certain insurance contracts by mortality and expenses			–1	–2	–11	–28	–58	–100
Increase low-income housing tax credit			45	167	306	448	593	1,559
Tax incentives for SSBICs		*	*	*	*	*	*	*
Disallowance of interest on debt allocable to tax-exempt obligations		–4	–10	–17	–22	–26	–30	–105
Statutory hedging and other rules to ensure business property is treated as ordinary property		1	20	24	23	23	23	113
Modify depreciation method for tax-exempt property			–1	–5	–11	–16	–22	–55
Restrict basis creation through section 357(c)		–4	–10	–16	–23	–30	–37	–116
Total, proposals affecting tax expenditures		–260	–403	–358	–340	–348	–386	1,396
Transportation:								
Current law tax expenditures:								
Deferral of tax on shipping companies	20	20	20	20	20	20	20	100
Exclusion of reimbursed employee parking expenses	1,280	1,315	1,340	1,370	1,405	1,440	1,475	7,030
Exclusion for employer-provided transit passes	60	70	80	95	110	125	145	555
Total, current law tax expenditures	1,360	1,405	1,440	1,485	1,535	1,585	1,640	7,685
Proposals affecting tax expenditures:								
Tax benefits for transit and vanpool benefits; increase transit limit			4	11	16	23	30	84
Total, proposals affecting tax expenditures			4	11	16	23	30	84
Community and regional development:								
Current law tax expenditures:								
Investment credit for rehabilitation of structures (other than historic)	80	70	70	70	65	65	65	335
Exclusion of interest for airport, dock, and similar bonds	970	1,020	1,060	1,095	1,125	1,140	1,160	5,580
Exemption of certain mutuals and cooperatives income	60	65	65	65	65	70	70	335
Empowerment zones and enterprise communities	255	460	555	640	670	620	465	2,950
Expensing of environmental remediation costs		100	120	160	65	–10	–30	305
Total, current law tax expenditures	1,365	1,715	1,870	2,030	1,990	1,885	1,730	9,505

Table 33–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 1999–2003
	1997	1998	1999	2000	2001	2002	2003	
Proposals affecting tax expenditures:								
Accelerate startup of two new EZ/ECs			44	19				63
Make permanent the expensing of brownfields					133	205	196	534
Total, proposals affecting tax expenditures			44	19	133	205	196	597
Education, training, employment, and social services:								
Current law tax expenditures:								
Education:								
Exclusion of scholarship and fellowship income (normal tax method)	875	909	954	995	1,039	1,085	1,135	5,210
HOPE tax credit		205	4,160	4,870	5,225	5,525	5,625	25,405
Lifetime Learning tax credit		115	2,550	2,590	2,805	2,840	3,160	13,945
Education Individual Retirement Accounts		15	85	190	295	405	520	1,495
Deductibility of student-loan interest		65	235	285	345	410	430	1,705
Deferral of state prepaid tuition plans		65	110	120	130	145	155	660
Exclusion of interest on student loan bonds	290	275	255	240	230	215	210	1,150
Exclusion of interest on bonds for private non-profit educational facilities	835	860	885	910	920	935	940	4,590
Credit for holders of zone academy bonds		5	35	45	45	45	45	215
Exclusion of interest on savings bonds transferred to educational institutions	10	10	10	15	15	15	15	70
Parental personal exemption for students age 19 or over	845	875	925	970	1,025	1,070	1,125	5,115
Child credit[2]		3,590	19,175	19,240	19,015	18,845	18,580	94,855
Deductibility of charitable contributions (education)	2,670	2,890	3,010	3,145	3,295	3,460	3,640	16,550
Exclusion of employer provided educational assistance	320	215	215	210	15			440
Training, employment, and social services:								
Work opportunity tax credit	110	275	200	100	30	10		340
Welfare-to-work tax credit		10	30	30	15	10	5	90
Exclusion of employer provided child care	860	910	950	995	1,040	1,085	1,135	5,205
Adoption assistance	10	200	320	355	370	365	225	1,635
Exclusion of employee meals and lodging (other than military)	595	620	650	680	710	740	775	3,555
Credit for child and dependent care expenses	2,515	2,510	2,510	2,505	2,500	2,500	2,495	12,510
Credit for disabled access expenditures	65	65	65	70	70	70	70	345
Expensing of costs of removing certain architectural barriers to the handicapped	20	20	20	20	20	20	20	100
Deductibility of charitable contributions, other than education and health	17,080	18,700	19,565	20,530	21,555	22,655	23,830	108,135
Exclusion of certain foster care payments	35	35	40	40	45	45	50	220
Exclusion of parsonage allowances	295	315	340	360	385	410	440	1,935
Total, current law tax expenditures	27,430	33,755	57,295	59,510	61,139	62,905	64,625	305,475
Proposals affecting tax expenditures:								
Extend employer-provided educational assistance and include graduate education		10	234	299	408	98		1,039
School construction bonds, increase qualified zone academy bonds			215	865	1,309	1,309	1,309	5,007
Eliminate tax when forgiving student loans subject to income-contingent repayment								
Extend work opportunity tax credit		5	206	279	181	72	40	778
Extend welfare-to-work tax credit			11	53	51	37	17	169
Increase child and dependent care tax credit			256	1,192	1,077	1,125	1,163	4,813
Eliminate household maintenance test for child and dependent care tax credit			10	67	71	74	78	300
Employer provided child-care tax credit			38	77	108	124	131	478
Extend deduction for contributions of stock to private foundations			40	27				67
Total, proposals affecting tax expenditures		15	1,010	2,859	3,205	2,839	2,738	12,651

Table 33–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 1999–2003
	1997	1998	1999	2000	2001	2002	2003	
Health:								
Current law tax expenditures:								
Exclusion of employer contributions for medical insurance premiums and medical care	67,050	71,464	76,230	81,294	86,874	93,045	100,244	437,689
Medical savings accounts	.....	30	110	115	115	120	125	585
Deductibility of medical expenses	4,175	4,550	4,814	5,110	5,425	5,775	6,149	27,274
Exclusion of interest on hospital construction bonds	1,675	1,740	1,795	1,845	1,880	1,910	1,930	9,360
Deductibility of charitable contributions (health)	2,365	2,570	2,685	2,805	2,940	3,095	3,250	14,775
Tax credit for orphan drug research	15	40	50	55	60	70	80	315
Special Blue Cross/Blue Shield deduction	225	185	240	255	290	340	330	1,455
Total, current law tax expenditures	75,505	80,580	85,925	91,479	97,584	104,355	112,109	491,454
Income security:								
Current law tax expenditures:								
Exclusion of railroad retirement system benefits	445	455	460	465	465	470	480	2,340
Exclusion of workmens compensation benefits	4,410	4,950	5,210	5,480	5,775	6,090	6,420	28,975
Exclusion of public assistance benefits (normal tax method)	545	580	605	630	655	685	710	3,285
Exclusion of special benefits for disabled coal miners	85	85	80	75	70	70	65	360
Exclusion of military disability pensions	125	130	135	140	145	150	155	725
Net exclusion of pension contributions and earnings:								
Employer plans	71,145	72,135	72,375	73,500	73,285	73,225	73,480	365,865
Individual Retirement Accounts	9,770	10,275	10,780	11,085	11,485	11,865	12,160	57,375
Keogh plans	3,520	3,655	3,755	3,895	4,070	4,260	4,450	20,430
Exclusion of employer provided death benefits	184	189	199	209	219	229	240	1,098
Exclusion of other employee benefits:								
Premiums on group term life insurance	2,065	2,110	2,150	2,200	2,240	2,290	2,340	11,220
Premiums on accident and disability insurance	165	175	185	195	205	215	225	1,025
Income of trusts to finance supplementary unemployment benefits	5	5	5	5	5	5	5	25
Special ESOP rules	735	720	740	760	790	820	850	3,960
Additional deduction for the blind	25	30	30	30	30	35	35	160
Additional deduction for the elderly	1,545	1,710	1,785	1,800	1,800	1,805	1,845	9,035
Tax credit for the elderly and disabled	50	50	50	50	50	50	50	250
Deductibility of casualty losses	465	485	510	535	560	590	620	2,815
Earned income tax credit[3]	6,065	6,210	4,635	4,515	4,625	4,790	4,965	23,530
Total, current law tax expenditures	101,349	103,949	103,689	105,569	106,474	107,644	109,095	532,473
Proposals affecting tax expenditures:								
Three-year subsidy plus voluntary excludable IRA	.....	41	80	103	111	90	83	467
Simplified pension plan for small business (SMART)	.....	.....	43	62	64	67	68	304
Faster vesting of employer 401(k) matching contributions	.....	.....	.....	.....	.....	.....	.....	.....
Simplified method of improving benefits for non-highly compenasted employees under the 401(k) safe harbor	.....	.....	6	11	15	18	23	73
Simplify definition of highly compensated employees	.....	.....	1	1	1	1	2	6
Simplify benefit limits for multiemployer plans under section 415	.....	.....	3	6	6	6	6	27
Simplify full funding limitation for multiemployer plans	.....	1	6	8	8	8	8	38
Eliminate partial termination rules for multiemployer plans	.....	.....	.....	.....	.....	.....	.....	.....
Make $2,000 of severance pay exempt from income tax	.....	.....	42	169	174	180	185	750
Suspend statute of limitations during period of disability	.....	.....	.....	.....	.....	.....	15	15
Clarify and expand math error procedures	.....	.....	–48	–67	–69	–70	–72	–326
Simplification of foster child definition	.....	.....	.....	–40	–40	–41	–42	–163

Table 33–4. TAX EXPENDITURES BY FUNCTION—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 1999–2003
	1997	1998	1999	2000	2001	2002	2003	
Clarification of the tie-breaker rule under the EITC	.....	.....	–3	–3	–3	–3	–3	–15
Total, proposals affecting tax expenditures	.....	42	130	250	267	256	273	1,176
Social Security:								
Current law tax expenditures:								
Exclusion of social security benefits:								
Social Security benefits for retired workers	17,470	18,330	19,115	20,025	20,840	21,830	22,930	104,740
Social Security benefits for disabled	2,270	2,495	2,685	2,875	3,090	3,325	3,590	15,565
Social Security benefits for dependents and survivors	3,825	4,000	4,160	4,310	4,470	4,640	4,795	22,375
Total, current law tax expenditures	23,565	24,825	25,960	27,210	28,400	29,795	31,315	142,680
Veterans benefits and services:								
Current law tax expenditures:								
Exclusion of veterans death benefits and disability compensation	2,770	2,930	3,100	3,280	3,470	3,675	3,890	17,415
Exclusion of veterans pensions	70	70	65	69	75	80	85	375
Exclusion of GI bill benefits	50	60	69	80	89	94	100	434
Exclusion of interest on veterans housing bonds	75	75	75	75	75	80	85	390
Total, current law tax expenditures	2,965	3,135	3,310	3,505	3,709	3,930	4,160	18,615
General purpose fiscal assistance:								
Current law tax expenditures:								
Exclusion of interest on public purpose bonds	13,800	14,315	14,760	15,125	15,390	15,600	15,750	76,625
Deductibility of nonbusiness State and local taxes other than on owner-occupied homes	30,720	32,145	33,490	34,910	36,410	37,995	39,695	182,500
Tax credit for corporations receiving income from doing business in U.S. possessions	2,700	2,770	2,800	2,885	2,970	3,060	3,075	14,790
Total, current law tax expenditures	47,220	49,230	51,050	52,920	54,770	56,655	58,520	273,915
Proposals affecting tax expenditures:								
Extend and modify Puerto Rico economic activity credit	.....	.....	42	79	124	165	197	607
Total, proposals affecting tax expenditures	.....	.....	42	79	124	165	197	607
Interest:								
Current law tax expenditures:								
Deferral of interest on U.S. savings bonds	915	965	1,015	1,065	1,115	1,175	1,235	5,605
Total, current law tax expenditures	915	965	1,015	1,065	1,115	1,175	1,235	5,605

Notes:

* $2.5 million or less.

Revenue loss estimates for new proposals are not directly comparable to estimates for current law tax expenditures, because the current law estimates do not reflect behavioral effects. Total revenue loss estimates by function are calculated here as the simple totals for the provisions listed for each function. Because of interactions across provisions, these estimates are only rough approximations of the total revenue loss for the functions.

Negative numbers for proposals affecting tax expenditures indicate the expected increase in receipts; positive numbers indicate the expected decrease in receipts. Provisions with estimates denoted normal tax method have no revenue loss under the reference tax law method. For a discussion of these alternative baselines, see Chapter 5 of *Analytical Perspectives.*

All current law tax expenditure estimates have been rounded to the nearest $5 million.

Current law tax expenditure estimates here are the arithmetic sums of corporate and individual income tax revenue loss estimates from Table 5–2 in *Analytical Perspectives,* and do not reflect possible interactions across these two taxes.

[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 1997 $675; 1998 $720; 1999 $750; 2000 $780; 2001 $810; 2002 $845; 2003 $875.

[2] The figures in the table indicate the effect of the child credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1997 $0; 1998 $0; 1999 $538; 2000 $685; 2001 $662; 2002 $624; and 2003 $589.

[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 1997 $21,856; 1998 $22,295; 1999 $24,496; 2000 $25,334; 2001 $26,040; 2002 $26,715; and 2003 $27,414.

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VII. SUMMARY TABLES

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1999 Budget Proposals

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1999 BUDGET PROPOSALS

Table S–1. OUTLAYS AND RECEIPTS

(In billions of dollars)

	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Outlays:							
Discretionary:							
National defense	271.6	265.1	266.5	269.7	270.8	273.1	289.5
International	19.0	18.9	18.6	19.1	19.0	19.1	18.9
Domestic	257.6	268.6	281.1	285.1	285.3	284.6	286.9
Subtotal, discretionary	548.3	552.7	566.2	573.8	575.1	576.8	595.3
Mandatory:							
Programmatic:							
Social security	362.3	378.1	392.9	409.3	427.1	447.0	467.5
Medicare and Medicaid	283.0	296.3	312.3	329.0	353.3	364.8	396.2
Means-tested entitlements (except Medicaid)	98.4	103.6	111.7	116.8	120.5	124.2	129.1
Deposit insurance	–14.4	–4.5	–4.5	–1.9	–1.4	–1.2	–0.3
Other	129.6	145.3	155.3	167.3	173.3	176.3	185.2
Subtotal, programmatic	858.9	918.8	967.7	1,020.5	1,072.9	1,111.2	1,177.8
Undistributed offsetting receipts	–50.0	–46.4	–42.5	–45.8	–47.2	–55.5	–48.3
Subtotal, mandatory	809.0	872.4	925.2	974.7	1,025.7	1,055.6	1,129.5
Net interest	244.0	242.7	241.8	236.5	233.6	227.1	220.6
Subtotal, mandatory and net interest	1,053.0	1,115.1	1,167.0	1,211.2	1,259.2	1,282.8	1,350.1
Total outlays	**1,601.2**	**1,667.8**	**1,733.2**	**1,785.0**	**1,834.4**	**1,859.6**	**1,945.4**
Receipts	**1,579.3**	**1,657.9**	**1,742.7**	**1,793.6**	**1,862.6**	**1,949.3**	**2,028.2**
Reserve Pending Social Security Reform	**NA**	**NA**	**9.5**	**8.5**	**28.2**	**89.7**	**82.8**
Surplus/Deficit (–)	**–21.9**	**–10.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Memorandum:							
Total Discretionary Net of Funds for America Offsets:							
Budget Authority	536.3	555.3	562.4	565.7	572.0	573.0	589.2
Outlays	548.3	552.6	558.0	564.5	564.7	561.2	580.3

NA = Not applicable.

Table S–2. SUMMARY OF BUDGET PROPOSALS

(In billions of dollars)

	Estimate						Total 1999–2003
	1998	1999	2000	2001	2002	2003	
Capped baseline surplus/deficit (–)	–9.9	5.6	5.2	27.8	90.3	89.1	.....
Programmatic changes:							
Funds for America:[1]							
Spending (outlays):							
Research Fund	(24.3)	27.8	30.7	32.5	34.0	36.0	161.1
Environmental Resources Fund	(5.4)	6.5	7.1	7.2	7.1	7.1	35.1
Transportation Fund	(33.5)	34.8	36.0	36.8	37.6	38.6	183.8
Subtotal, spending	(63.1)	69.1	73.9	76.5	78.8	81.7	380.0
Offsets:							
Tobacco revenues	.....	–3.6	–4.6	–5.0	–5.7	–6.3	–25.3
VA tobacco reform	.....	–0.5	–0.6	–0.9	–4.0	–3.1	–9.1
Superfund tax extension	–0.1	–1.8	–1.4	–1.4	–1.4	–1.4	–7.4
Fuels tax extension	.....	.....	–0.4	–0.4	–0.4	–0.4	–1.5
New FAA fees	.....	.....	–1.7	–1.7	–1.7	–0.9	–6.0
Other mandatory reductions	.....	.....	–0.6	–1.0	–2.3	–2.9	–6.9
Transfers within discretionary caps	.....	–63.3	–64.6	–66.0	–63.2	–66.7	–323.8
Subtotal, offsets	–0.1	–69.1	–73.9	–76.5	–78.8	–81.7	–380.0
Total, Funds for America	–0.1	.....	.....	.....	.....	.....	.....
Other proposals:							
Spending:							
Transfer to Funds for America	.....	.....	0.6	1.0	2.3	2.9	6.9
Child care	.....	0.8	1.1	1.3	1.5	1.9	6.6
Teachers	.....	0.1	0.8	1.2	1.4	1.6	5.1
Early Learning Fund	.....	0.4	0.5	0.6	0.6	0.6	2.7
Student loans	0.3	0.3	0.5	0.6	0.7	0.9	3.1
Legal immigrants	0.1	0.5	0.5	0.5	0.5	0.5	2.5
Medicare	.....	0.1	0.5	0.5	0.5	0.5	2.1
Miscellaneous activities authorized in tobacco legislation	.....	3.4	3.9	4.6	5.0	5.4	22.3
Other mandatory	*	1.5	1.7	2.1	1.9	1.7	8.8
Reserve for emergency discretionary	.....	2.4	.....	.....	.....	.....	2.4
Residual discretionary	–*	–3.5	–0.9	–0.2	.....	6.7	2.2
Subtotal, spending	0.4	6.1	9.2	12.1	14.5	22.6	64.5
Offsets:							
Medicare	.....	–0.2	–0.4	–0.5	–0.6	–0.7	–2.4
VA tobacco reform	.....	–0.3	–0.7	–1.4	–2.3	–3.3	–7.9
Other mandatory	–0.4	–1.7	–2.5	–2.5	–2.6	–2.5	–11.8
Tobacco revenues	.....	–6.2	–7.2	–8.3	–8.8	–9.7	–40.2
Other revenues (net)	0.1	–1.2	0.8	0.3	–0.2	0.3	*
Subtotal, offsets	–0.3	–9.6	–10.1	–12.4	–14.5	–15.9	–62.3
Total, other proposals	0.1	–3.5	–0.9	–0.2	.....	6.7	2.2
Debt service	*	–0.1	–0.3	–0.4	–0.4	–0.3	–1.5
Spectrum and other items	–*	–0.3	–2.2	0.2	1.0	–0.2	–1.5
Reserve pending social security reform	.....	9.5	8.5	28.2	89.7	82.8	218.8
Proposed surplus/deficit (–)	–10.0	.....	.....	.....	.....	.....	.....

* $50 million or less.

[1] 1998 figures are for comparison purposes only; Funds for America proposal to begin in 1999.

Table S–3. DISCRETIONARY SPENDING CAPS AND BUDGET PROPOSALS

(In billions of dollars)

	Estimate							
	1999		2000		2001		2002	
	BA	OL	BA	OL	BA	OL	BA	OL
Discretionary Spending Cap	562.4	561.4	566.6	565.4	572.1	564.9	581.8	561.2
Defense Funding (Cap in 1999)	271.6	266.5	277.0	269.7	284.8	270.8	288.1	273.1
Non-defense Discretionary (NDD) Spending (Total Discretionary Spending Cap less Defense Funding)	290.7	294.9	289.7	295.7	287.3	294.1	293.7	288.1
Proposed Funding for Funds for America	75.5	69.1	76.6	73.9	78.6	76.5	80.9	78.8
Designated Offsets	–5.8	–5.8	–9.3	–9.3	–10.5	–10.5	–15.6	–15.6
Net Transfers Within Cap to Funds for America	69.7	63.3	67.3	64.6	68.1	66.0	65.3	63.2
NDD Spending Under Cap	290.7	294.9	289.7	295.7	287.3	294.1	293.7	288.1
Net Transfers Within Cap to Funds for America	–69.7	–63.3	–67.3	–64.6	–68.1	–66.0	–65.3	–63.2
Remaining NDD Under Cap	221.1	231.6	222.4	231.1	219.2	228.1	228.4	224.9
Available Discretionary Spending:								
Defense Funding (Cap in 1999)	271.6	266.5	277.0	269.7	284.8	270.8	288.1	273.1
NDD Funding:								
Funds for America (net)	69.7	63.3	67.3	64.6	68.1	66.0	65.3	63.2
Funding from Designated Offsets:								
Funds for America	5.8	5.8	9.3	9.3	10.5	10.5	15.6	15.6
Emergency Discretionary	2.4	2.4	.....	.....	.....	.....	.....	.....
Other NDD Funding	221.1	231.6	222.4	231.1	219.2	228.1	228.4	224.9
Subtotal, NDD Funding	299.0	303.2	299.0	305.0	297.8	304.6	309.3	303.6
Total	570.6	569.7	575.9	574.7	582.6	575.4	597.4	576.8
Budget Proposals:								
Defense Funding	271.6	266.5	277.0	269.7	284.8	270.8	288.1	273.1
NDD Funding:								
Funds for America	75.5	69.1	76.6	73.9	78.6	76.5	80.9	78.8
Other NDD Funding	223.5	230.6	221.5	230.3	219.1	227.9	219.6	224.9
Subtotal, NDD Funding	299.0	299.7	298.1	304.1	297.7	304.4	300.5	303.6
Total	570.6	566.2	575.0	573.8	582.5	575.1	588.6	576.8
Residual Available Under the Caps	.....	**3.5**	**0.9**	**0.9**	**0.1**	**0.2**	**8.8**	.....

Table S–4. FUNDS FOR AMERICA PROPOSAL

(In millions of dollars)

	Estimate												Total	
	1998[1]		1999		2000		2001		2002		2003		1999–2003	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Research Fund For America:														
Spending	(27,907)	(26,439)	31,102	27,828	32,222	30,750	33,715	32,479	35,523	34,029	38,034	36,003	170,596	161,089
Dedicated Offsets			–4,048	–4,048	–6,196	–6,196	–7,380	–7,380	–12,443	–12,443	–12,711	–12,711	–42,778	–42,778
Net Transfer within Cap to Funds for America	(–27,907)	(–26,439)	–27,054	–23,780	–26,026	–24,554	–26,335	–25,099	–23,080	–21,586	–25,323	–23,292	–127,818	–118,311
Net Deficit/Surplus Effect														
Environmental Resources Fund For America:														
Spending	(6,722)	(5,376)	7,672	6,500	7,015	7,142	7,054	7,217	7,003	7,092	6,951	7,119	35,695	35,070
Dedicated Offsets	(–75)	(–75)	–1,775	–1,775	–1,407	–1,407	–1,410	–1,410	–1,421	–1,421	–1,434	–1,434	–7,447	–7,447
Net Transfer within Cap to Funds for America	(–6,647)	(–5,301)	–5,897	–4,725	–5,608	–5,735	–5,644	–5,807	–5,582	–5,671	–5,517	–5,685	–28,248	–27,623
Net Deficit/Surplus Effect														
Transportation Fund For America:														
Spending	(36,140)	(33,499)	36,739	34,819	37,320	35,990	37,839	36,793	38,371	37,640	38,938	38,568	189,207	183,810
Dedicated Offsets					–1,700	–1,700	–1,700	–1,700	–1,700	–1,700	–850	–850	–5,950	–5,950
Net Transfer within Cap to Funds for America	(–36,140)	(–33,499)	–36,739	–34,819	–35,620	–34,290	–36,139	–35,093	–36,671	–35,940	–38,088	–37,718	–183,257	–177,860
Net Deficit/Surplus Effect														
TOTAL, FUNDS FOR AMERICA:														
Spending	(70,769)	(65,314)	75,513	69,147	76,557	73,882	78,608	76,489	80,897	78,761	83,923	81,690	395,498	379,969
Dedicated Offsets	(–75)	(–75)	–5,823	–5,823	–9,303	–9,303	–10,490	–10,490	–15,564	–15,564	–14,995	–14,995	–56,175	–56,175
Net Transfer within Cap to Funds for America	(–70,694)	(–65,239)	–69,690	–63,324	–67,254	–64,579	–68,118	–65,999	–65,333	–63,197	–68,928	–66,695	–339,323	–323,794
Net Deficit/Surplus Effect														
Research Fund For America—Spending:														
Agriculture:														
Forest Service	(188)	(169)	198	196	199	199	200	200	201	201	201	201	999	997
Economic Research Service	(72)	(72)	56	59	56	56	56	56	56	56	56	56	280	283
Agricultural Research Service	(745)	(743)	777	771	788	785	783	784	785	785	785	785	3,918	3,910
Cooperative State Research, Education and Extension Service	(436)	(415)	427	422	427	430	422	432	422	422	422	422	2,120	2,128
Subtotal, Agriculture	(1,441)	(1,399)	1,458	1,448	1,470	1,470	1,461	1,472	1,464	1,464	1,464	1,464	7,317	7,318
Commerce:														
National Oceanic and Atmospheric Administration	(271)	(266)	251	254	251	251	251	252	251	253	251	251	1,255	1,261

Table S–4. FUNDS FOR AMERICA PROPOSAL—Continued

(In millions of dollars)

	Estimate												Total	
	1998[1]		1999		2000		2001		2002		2003		1999–2003	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
National Institutes of Standards and Technology	(559)	(337)	607	399	660	507	698	611	724	660	698	698	3,387	2,875
Subtotal, Commerce	(830)	(603)	858	653	911	758	949	863	975	913	949	949	4,642	4,136
Education:														
Office of Educational Research and Improvement			50	20	50	40	50	50	50	50	50	50	250	210
Energy:														
Science	(1,238)	(1,277)	2,482	1,430	2,497	2,244	2,622	2,635	2,688	2,675	2,660	2,662	12,949	11,646
Fossil energy research and development			30	12	33	25	35	33	35	35	35	35	168	140
Energy conservation	(436)	(406)	618	185	625	528	643	629	662	646	662	659	3,210	2,647
Energy supply	(501)	(490)	610	275	593	511	592	595	571	583	596	585	2,962	2,549
Energy information administration			3	2	3	3	4	4	4	4	4	4	18	17
Subtotal, Energy	(2,175)	(2,173)	3,743	1,904	3,751	3,311	3,896	3,896	3,960	3,943	3,957	3,945	19,307	16,999
HHS:														
National Institutes of Health	(13,648)	(12,893)	14,798	13,898	15,661	14,934	16,632	15,816	17,997	16,896	20,188	18,460	85,276	80,004
Agency for Health Care Policy Research			46	7	48	27	51	43	53	48	56	52	254	177
Centers for Disease Control			25	8	26	20	28	25	29	27	30	29	138	109
Subtotal, HHS	(13,648)	(12,893)	14,869	13,913	15,735	14,981	16,711	15,884	18,079	16,971	20,274	18,541	85,668	80,290
HUD: Research and Technology			10	4		5		1		1			10	11
Interior: U.S. Geological Survey	(759)	(799)	807	806	813	812	797	798	797	797	797	797	4,011	4,010
Veterans Affairs: Medical and Prosthetic Research	(272)	(269)	300	292	300	299	300	300	300	300	300	300	1,500	1,491
EPA: Office of Research and Development	(628)	(575)	692	648	713	691	767	731	801	774	819	806	3,792	3,650
NASA: Science, Aeronautics, and Technology	(4,788)	(4,677)	4,605	4,796	4,656	4,805	4,843	4,732	5,037	4,913	5,240	5,111	24,381	24,357
NSF: Agency Total	(3,366)	(3,051)	3,710	3,344	3,823	3,578	3,941	3,752	4,060	3,903	4,184	4,040	19,718	18,617
Total, Research Fund For America Spending	**(27,907)**	**(26,439)**	**31,102**	**27,828**	**32,222**	**30,750**	**33,715**	**32,479**	**35,523**	**34,029**	**38,034**	**36,003**	**170,596**	**161,089**

Table S–4. FUNDS FOR AMERICA PROPOSAL—Continued

(In millions of dollars)

	Estimate												Total	
	1998[1]		1999		2000		2001		2002		2003		1999–2003	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Dedicated Offsets:														
Receipts from tobacco legislation			–3,597	–3,597	–4,624	–4,624	–5,028	–5,028	–5,723	–5,723	–6,341	–6,341	–25,313	–25,313
Other mandatory					–575	–575	–1,043	–1,043	–2,345	–2,345	–2,889	–2,889	–6,852	–6,852
Extend expiring fuel taxes					–371	–371	–382	–382	–391	–391	–403	–403	–1,547	–1,547
VA tobacco reform			–451	–451	–626	–626	–927	–927	–3,984	–3,984	–3,078	–3,078	–9,066	–9,066
Total, Dedicated Offsets			**–4,048**	**–4,048**	**–6,196**	**–6,196**	**–7,380**	**–7,380**	**–12,443**	**–12,443**	**–12,711**	**–12,711**	**–42,778**	**–42,778**
Net Transfer within Cap to Funds for America	**(–27,907)**	**(–26,439)**	**–27,054**	**–23,780**	**–26,026**	**–24,554**	**–26,335**	**–25,099**	**–23,080**	**–21,586**	**–25,323**	**–23,292**	**–127,818**	**–118,311**
Net Deficit/Surplus Effect (–)/(+)														
Environmental Resources Fund For America—Spending:														
Agriculture:														
Rural Development	(577)	(22)	629	157	629	345	629	475	629	549	629	590	3,145	2,116
Forest Service	(599)	(534)	691	708	747	732	799	784	795	792	750	762	3,782	3,778
Other Agriculture	(4)	(4)	31	24	27	28	27	28	27	28	77	71	189	179
Subtotal, Agriculture	(1,180)	(560)	1,351	889	1,403	1,105	1,455	1,287	1,451	1,369	1,456	1,423	7,116	6,073
Commerce: National Oceanic and Atmospheric Administration	(16)	(16)	40	31	40	37	18	24	18	20	18	20	134	132
Interior:														
Bureau of Land Management	(191)	(190)	229	226	241	244	256	252	262	258	257	258	1,245	1,238
Office of Surface Mining	(5)	(2)	7	4	7	4	7	6	7	7	7	7	35	28
Bureau of Reclamation	(85)	(30)	143	105	143	143		93					286	341
U.S. Fish and Wildlife Service	(187)	(237)	193	230	251	267	291	269	302	291	279	286	1,316	1,343
Park Service	(779)	(776)	806	838	891	879	970	927	873	916	812	892	4,352	4,452
Bureau of Indian Affairs	(54)	(80)	92	65	92	65	92	85	92	92	92	92	460	399
Subtotal, Interior	(1,301)	(1,315)	1,470	1,468	1,625	1,602	1,616	1,632	1,536	1,564	1,447	1,535	7,694	7,801
Corps of Engineers:														
Construction, general	(37)	(22)	106	79	116	112	130	124	112	119	144	131	608	565
Operation and maintenance, general	(20)	(15)	14	16	14	15	14	14	14	14	14	14	70	73
Regulatory program	(106)	(107)	117	116	117	117	117	117	117	117	117	117	585	584
Subtotal, Corps of Engineers	(163)	(144)	237	211	247	244	261	255	243	250	275	262	1,263	1,222
EPA:														
Hazardous substance superfund	(1,500)	(1,396)	2,093	1,573	1,444	1,595	1,393	1,497	1,394	1,467	1,394	1,476	7,718	7,608
State and Tribal assistance grants	(2,311)	(1,688)	2,201	2,060	1,976	2,283	2,026	2,239	2,076	2,135	2,076	2,115	10,355	10,832

Table S–4. FUNDS FOR AMERICA PROPOSAL—Continued

(In millions of dollars)

	Estimate												Total	
	1998[1]		1999		2000		2001		2002		2003		1999–2003	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Environmental programs and management	(251)	(257)	280	268	280	276	285	283	285	287	285	288	1,415	1,402
Subtotal, EPA	(4,062)	(3,341)	4,574	3,901	3,700	4,154	3,704	4,019	3,755	3,889	3,755	3,879	19,488	19,842
Total, Environmental Resources Fund For America Spending	**(6,722)**	**(5,376)**	**7,672**	**6,500**	**7,015**	**7,142**	**7,054**	**7,217**	**7,003**	**7,092**	**6,951**	**7,119**	**35,695**	**35,070**
Dedicated Offsets: Superfund initiative	(–75)	(–75)	–1,775	–1,775	–1,407	–1,407	–1,410	–1,410	–1,421	–1,421	–1,434	–1,434	–7,447	–7,447
Total, Dedicated Offsets	**(–75)**	**(–75)**	**–1,775**	**–1,775**	**–1,407**	**–1,407**	**–1,410**	**–1,410**	**–1,421**	**–1,421**	**–1,434**	**–1,434**	**–7,447**	**–7,447**
Net Transfer within Cap to Funds for America	**(–6,647)**	**(–5,301)**	**–5,897**	**–4,725**	**–5,608**	**–5,735**	**–5,644**	**–5,807**	**–5,582**	**–5,671**	**–5,517**	**–5,685**	**–28,248**	**–27,623**
Net Deficit/Surplus Effect (–)/(+)														
Transportation Fund For America—Spending:														
Transportation:														
Surface Transportation	(27,063)	(24,557)	27,031	25,569	27,032	26,250	27,032	26,548	27,032	26,889	27,032	27,127	135,159	132,383
Federal Aviation Administration (FAA)	(9,077)	(8,942)	9,708	9,250	10,288	9,740	10,807	10,245	11,339	10,751	11,906	11,441	54,048	51,427
Subtotal, Transportation	(36,140)	(33,499)	36,739	34,819	37,320	35,990	37,839	36,793	38,371	37,640	38,938	38,568	189,207	183,810
Total, Transportation Fund For America Spending	**(36,140)**	**(33,499)**	**36,739**	**34,819**	**37,320**	**35,990**	**37,839**	**36,793**	**38,371**	**37,640**	**38,938**	**38,568**	**189,207**	**183,810**
Dedicated Offsets:														
FAA: convert to cost-based user fees					–1,700	–1,700	–1,700	–1,700	–1,700	–1,700	–850	–850	–5,950	–5,950
Total, Dedicated Offsets					**–1,700**	**–1,700**	**–1,700**	**–1,700**	**–1,700**	**–1,700**	**–850**	**–850**	**–5,950**	**–5,950**
Net Transfer within Cap to Funds for America	**(–36,140)**	**(–33,499)**	**–36,739**	**–34,819**	**–35,620**	**–34,290**	**–36,139**	**–35,093**	**–36,671**	**–35,940**	**–38,088**	**–37,718**	**–183,257**	**–177,860**
Net Deficit/Surplus Effect (–)/(+)														

[1] 1998 figures are for comparison purposes only; the Funds for America proposal is to begin in 1999.

Table S–5. PAY-AS-YOU-GO PROPOSALS

(Deficit impact in millions of dollars)

	Estimate						Total 1999–2003
	1998	1999	2000	2001	2002	2003	
Spending:							
Agriculture:							
Food stamps:							
Restrict States' ability to increase Federal outlays by shifting administrative costs from TANF to food stamps and medicaid (food stamps component)	.....	–160	–185	–190	–195	–200	–930
Restore benefits for vulnerable groups of legal immigrants (food stamps component)	100	535	500	455	460	480	2,430
Subtotal, Food Stamps	100	375	315	265	265	280	1,500
Shift certain crop insurance spending to mandatory	.....	185	123	118	127	137	690
Limit "catastrophic" crop insurance payments to $100,000	.....	.....	–15	–30	–30	–30	–105
Increase Environmental Quality Incentive Program (EQIP)	.....	13	49	70	59	52	243
Forest Service payments to States ("delinking from receipts")	.....	10	22	30	41	48	151
Rural EZ/EC economic development grants for Round II	.....	.....	7	16	19	19	61
Restructure Export Enhancement Program (EEP) consistent with market conditions	.....	–230	–359	–258	–258	–270	–1,375
Restructure CCC cotton user marketing certificates consistent with market conditions	.....	–110	–48	.....	.....	.....	–158
Spend existing and new Forest Service recreation and entrance fees	.....	.....	3	3	3	3	12
Education:							
Fund new teachers to help address teacher shortages and reduce class sizes	.....	55	780	1,195	1,440	1,632	5,102
Student loan increases	312	312	519	627	739	861	3,058
Recall education loan guaranty reserves	.....	.....	–275	–275	–275	–275	–1,100
Other student loan reforms	–470	–451	–804	–864	–805	–710	–3,634
Health and Human Services:							
Establish Early Learning Fund to provide challenge grants to communities for activities that improve early childhood education and the quality and safety of child care for children under five years old	.....	372	504	591	600	600	2,667
Increase child care subsidies provided to poor and near poor families	.....	798	1,102	1,301	1,519	1,892	6,612
Medicaid:							
Restore benefits for vulnerable groups of legal immigrants (medicaid component)	.....	25	35	50	55	65	230
Children's health outreach	.....	110	150	210	210	220	900
Restrict States' ability to increase Federal outlays by shifting administrative costs from TANF to food stamps and medicaid (medicaid component)	.....	–340	–360	–380	–410	–440	–1,930
Medicaid effect from Medicare changes	.....	–5	–5	–10	–10	–10	–40
Subtotal, Medicaid	.....	–210	–180	–130	–155	–165	–840
Health care:							
Voluntary purchasing cooperatives for small groups	.....	20	20	20	20	20	100
Increase aid to territories for children's health insurance	.....	34	34	34	25	25	153
Medicare/clinical demonstration:							
Medicare buy-in policies	.....	101	387	363	343	339	1,533
Medicare program integrity	.....	–180	–420	–515	–600	–665	–2,380
Subtotal, net effect on Medicare trust funds	.....	–79	–33	–152	–257	–326	–847
Clinical cancer trials demonstration	.....	200	250	300	.....	.....	750
Subtotal, Medicare/clinical demonstration	.....	121	217	148	–257	–326	–97
Non-TANF child support enforcement fees	.....	–48	–56	–65	–66	–65	–300

Table S–5. PAY-AS-YOU-GO PROPOSALS—Continued

(Deficit impact in millions of dollars)

	Estimate						Total 1999–2003
	1998	1999	2000	2001	2002	2003	
Housing and Urban Development:							
Fund new Urban Empowerment Zones		3	54	123	143	149	472
Increase FHA single family loan limit		–228	–241	–234	–233	–237	–1,173
Interior:							
BLM payments to States ("delinking from receipts")		6	7	12	14	17	56
Spend existing and new recreation and entrance fees			–21	33	79	79	170
Spend existing and new park concession fees [1]		5	10	15	16	14	60
Reduce Sport Fish Restoration (offsets increase in DOT Boat Safety account)			–3	–6	–10	–14	–33
Expand cover-over of distilled spirits tax to Virgin Islands		12	12	12	12	12	60
Labor:							
Reauthorize NAFTA-TAA for five years		27	45	52	53	55	232
Other TAA amendments		67	88	97	97	97	446
PBGC—raise guarantee cap for multiemployer pensions and other		1	1	1	3	4	10
UI "safety net" proposal:							
UI administrative costs special distribution		126	101	188	236		651
Extended benefits				9	9	8	26
Transportation:							
Shift St. Lawrence Seaway spending to mandatory		13	13	13	14	14	67
Shift Coast Guard Boat Safety spending to mandatory (partially offset by reductions in Sport Fish Restoration)		24	42	55	55	55	231
NEXTEA equity formula change for distribution of Federal-aid grants to States	25	53	36	–9	–53	–83	–56
Treasury:							
Expand cover-over of distilled spirits tax to Puerto Rico		34	34	34	34	34	170
Shift Winstar/FIRREA litigation expenses to mandatory (reimbursement to Department of Justice)	10	45	49	43	36	29	202
EITC and Child Credit (outlay component)		–70	–105	–106	–108	–111	–500
Miscellaneous activities authorized in tobacco legislation		3,425	3,943	4,582	4,972	5,362	22,284
Veterans:							
Pay full benefits for Filipinos residing in the U.S.		5	5	5	5	5	25
Establish a reserve to fully fund the "H" policyholders in the National Service Life Insurance Fund		*	*	*	*	*	2
Reinstate policy on post-service tobacco-related illnesses		–741	–1,330	–2,291	–6,274	–6,333	–16,969
Provide a one-time 20% increase in the Montgomery GI Bill and provide $100 million a year until 2003 to increase education and training programs administered by the Department of Labor		291	291	309	306	305	1,502
VA Housing:							
Charge fees to lenders participating in VA's home loan program to fund information technology improvements:							
Increased technology spending		5	5	5			15
Fees		–5	–5	–5			–15
Eliminate the vendee loan program		–2	–9	–9	–11	–12	–43
Environmental Protection Agency:							
Provide funding for Superfund orphan shares		200	200	200	200	200	1,000
Social Security Administration:							
Expand authority to collect SSI overpayments		–35	–40	–35	–30	–30	–170
Adjust discretionary caps to fund SSI non-disability redeterminations		46	4				50
Return to work pilot for recipients of disability benefits (SSI):		–4	–4	–4	–3	–3	–18

Table S–5. PAY-AS-YOU-GO PROPOSALS—Continued

(Deficit impact in millions of dollars)

	Estimate						Total 1999–2003
	1998	1999	2000	2001	2002	2003	
District of Columbia:							
Make annual contribution to the DC Judicial Retirement Fund mandatory	.....	6	6	6	6	6	30
Federal Deposit Insurance Corporation (FDIC):							
State bank examination fee (Non-Fed member state banks)	.....	–89	–94	–97	–101	–106	–487
Railroad Retirement Board:							
Conforming Social Security Equivalent Benefits to Social Security	.....	32	48	49	49	49	227
Subtotal, pay-as-you-go spending proposals	–23	4,498	5,100	5,843	2,527	3,293	21,261
Receipts:							
Provide new incentives	459	3,220	5,125	5,469	4,987	5,378	24,179
Eliminate unwarranted benefits	–323	–4,342	–4,289	–4,725	–4,699	–4,959	–23,014
Receipts from tobacco legislation	.....	–9,795	–11,787	–13,283	–14,544	–16,085	–65,494
Superfund initiative	–75	–1,775	–1,407	–1,410	–1,421	–1,434	–7,447
All other	.....	–73	–2,147	–2,521	–2,565	–1,339	–8,645
Subtotal, pay-as-you-go receipt proposals	61	–12,765	–14,505	–16,470	–18,242	–18,439	–80,421
TOTAL, pay-as-you-go proposals	**38**	**–8,267**	**–9,405**	**–10,627**	**–15,715**	**–15,146**	**–59,160**
ADDENDUM:							
Proposals not subject to pay-as-you-go:							
Spending:							
HUD:							
Equity share relaxation	.....	–2	–1	–2	.....	.....	–5
Interior:							
Utah mitigation receipts	.....	1	.....	.....	.....	.....	1
Labor:							
Special benefits	.....	–13	–29	–31	–16	46	–43
UI integrity	.....	–118	–160	–160	–160	–160	–758
Social Security Administration:							
Savings from SSI non-disability redetermination	.....	–104	–104	–8	–4	–3	–223
Interactive effect of Medicare initiatives	.....	20	107	136	144	138	545
Return to work pilot for recipients of disability benefits (DI):	.....	.....	–5	1	7	13	16
FDIC:							
Migration of Fed and FDIC retirees and certain active employees to FEHBP (FDIC component)	–6	–13	–14	–15	–17	–19	–78
Morris K. Udall Scholarship Fund:							
End of receipt of Federal payments to the fund, which are extended in the baseline but not proposed for continuation	.....	.....	.....	.....	.....	2	2
Undistributed offsetting receipts:							
Adjust timing of BBA–97 spectrum receipts	.....	.....	–1,800	500	1,300	.....	.....
Employer share impact of FERS "open season" repeal	3	93	113	119	125	171	621
Subtotal, non-pay-as-you-go spending proposals	–3	–136	–1,893	540	1,379	188	78
Receipts:							
Repeal FERS open season (will score as discretionary)	–6	–167	–201	–212	–224	–232	–1,036
Total, proposals not subject to pay-as-you-go	**–9**	**–303**	**–2,094**	**328**	**1,155**	**–44**	**–958**

[1] Includes shift of existing fees from miscellaneous receipts recorded in the Department of the Treasury to special fund receipts in the Department of the Interior.

Table S–6. EFFECT OF PROPOSALS ON RECEIPTS

(In millions of dollars)

	Estimate						Total 1999–2003
	1998	1999	2000	2001	2002	2003	
Provide tax relief and extend expiring provisions:							
Make child care more affordable:							
Increase and simplify child and dependent care tax credit	.....	–266	–1,259	–1,148	–1,199	–1,241	–5,113
Establish tax credit for employer-provided child care	.....	–38	–77	–108	–124	–131	–478
Subtotal, make child care more affordable	.....	–304	–1,336	–1,256	–1,323	–1,372	–5,591
Promote energy efficiency and improve the environment:							
Provide tax credit for energy-efficient building equipment	.....	–123	–223	–283	–341	–409	–1,379
Provide tax credit for the purchase of new energy-efficient homes	.....	–7	–23	–38	–54	–75	–197
Provide tax credit for high-fuel-economy vehicles	.....	.....	.....	–60	–200	–400	–660
Equalize treatment of parking and transit benefits	.....	–4	–11	–16	–23	–30	–84
Provide investment tax credit for CHP systems	10	–270	–281	–113	–95	–183	–942
Provide tax credit for replacement of certain circuitbreaker equipment	.....	–3	–9	–11	–8	–5	–36
Provide tax credit for certain PFC and HFC recycling equipment	.....	–3	–7	–7	–6	–3	–26
Provide tax credit for rooftop solar equipment	.....	–6	–16	–24	–31	–43	–120
Extend wind and biomass tax credit	.....	–5	–20	–38	–55	–73	–191
Subtotal, promote energy efficiency and improve the environment	10	–421	–590	–590	–813	–1,221	–3,635
Promote expanded retirement savings	–42	–139	–191	–205	–190	–190	–915
Expand education incentives:							
Provide incentives for public school construction	.....	–215	–865	–1,309	–1,309	–1,309	–5,007
Extend and expand exclusion for employer-provided educational assistance	–10	–234	–299	–408	–98	.....	–1,039
Eliminate tax when forgiving student loans subject to income contingent repayment	.....	.....	.....	.....	.....	.....	.....
Subtotal, expand education incentives	–10	–449	–1,164	–1,717	–1,407	–1,309	–6,046
Increase low-income housing tax credit per capita cap	.....	–45	–167	–306	–448	–593	–1,559
Extend expiring provisions:							
Extend work opportunity tax credit	–5	–206	–279	–181	–72	–40	–778
Extend welfare-to-work tax credit	.....	–11	–53	–51	–37	–17	–169
Extend R&E tax credit	–365	–802	–608	–261	–124	–49	–1,844
Extend deduction provided for contributions of appreciated stock to private foundations	.....	–40	–27	.....	.....	.....	–67
Make permanent the expensing of brownfields remediation costs	.....	.....	.....	–133	–205	–196	–534
Subtotal, extend expiring provisions	–370	–1,059	–967	–626	–438	–302	–3,392
Modify international trade provisions:							
Extend GSP and modify other trade provisions [1]	.....	–548	–477	–485	–18	–19	–1,547
Extend and modify Puerto Rico economic-activity tax credit	.....	–42	–79	–124	–165	–197	–607
Levy tariff on certain textiles and apparel products produced in the CNMI [1]	.....	.....	187	187	187	187	748
Expand Virgin Island tariff credits [1]	.....	.....	–*	–*	–2	–1	–3
Subtotal, modify international trade provisions [1]	.....	–590	–369	–422	2	–30	–1,409
Provide other tax incentives:							
Expand tax incentives for SSBICs	–*	–*	–*	–*	–*	–*	–*
Accelerate and expand start-up of incentives available to two new empowerment zones	.....	–44	–19	.....	.....	.....	–63
Make first $2,000 of severance pay exempt from income tax	.....	–42	–169	–174	–180	–185	–750
Subtotal, provide other tax incentives	–*	–86	–188	–174	–180	–185	–813
Simplify the tax laws	–47	–126	–142	–138	–136	–89	–631

Table S–6. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						Total 1999–2003
	1998	1999	2000	2001	2002	2003	
Enhance taxpayers' rights	.....	–1	–11	–35	–54	–87	–188
Subtotal, provide tax relief and extend expiring provisions[1]	**–459**	**–3,220**	**–5,125**	**–5,469**	**–4,987**	**–5,378**	**–24,179**
Eliminate unwarranted benefits and adopt other revenue measures:							
Defer deduction for interest and OID on convertible debt	2	10	22	34	44	54	164
Eliminate dividends-received deduction for certain preferred stock	3	10	20	30	41	53	154
Repeal percentage depletion for non-fuel minerals mined on Federal and formerly Federal lands.	.....	92	94	96	97	99	478
Repeal tax-free conversions of large C corporations to S corporations	.....	1	13	31	44	55	144
Replace sales-source rules with activity-based rules	.....	580	1,356	1,456	1,545	1,634	6,571
Modify rules relating to foreign oil and gas extraction income	.....	5	62	102	107	112	388
Repeal lower-of-cost-or-market inventory accounting method	16	407	507	417	237	79	1,647
Increase penalties for failure to file correct information returns..	.....	6	12	15	19	13	65
Tighten the substantial understatement penalty for large corporations	.....	.....	25	42	43	37	147
Repeal exemption for withholding on gambling winnings from bingo and keno in excess of $5,000	.....	17	4	1	1	1	24
Reinstate oil spill excise tax[1]	34	238	241	243	248	251	1,221
Modify Federal Unemployment Act provisions	.....	.....	.....	.....	.....	.....	.....
Extend pro-rata disallowance of tax-exempt interest expense that applies to banks to all financial intermediaries	4	10	17	22	26	30	105
Increase proration percentage for P&C insurance companies	–16	43	55	76	96	126	396
Preclude certain taxpayers from prematurely claiming losses from receivables	.....	416	57	62	65	68	668
Restrict special net operating loss carryback rules for specified liability losses	.....	12	21	22	24	25	104
Freeze grandfather status of stapled (or "paired-share") REITs	3	9	17	25	35	46	132
Restrict impermissible business indirectly conducted by REITs	.....	1	2	4	5	7	19
Modify treatment of closely held REITs	.....	29	12	16	18	19	94
Modify depreciation method for tax-exempt use property	.....	1	5	11	16	22	55
Impose excise tax on purchase of structured settlements[1]	.....	10	14	18	19	21	82
Clarify and expand math-error procedures	.....	48	67	69	70	72	326
Clarify the meaning of "subject to" liabilities under section 357(c)	4	10	16	23	30	37	116
Simplify foster child definition under EITC	.....	.....	6	6	6	6	24
Clarify tie-breaker rule under EITC	.....	*	*	*	*	*	*
Eliminate non-business valuation discounts	.....	.....	232	242	260	274	1,008
Eliminate "Crummey" rule	.....	.....	20	21	22	24	87
Eliminate gift tax exemption for personal residence trusts	.....	–1	–1	1	7	19	25
Include QTIP trust assets in surviving spouse's estate	.....	.....	2	2	2	2	8
Apply 7.7% capitalization rate to credit life insurance premiums	6	22	34	32	21	10	119
Modify corporate-owned life insurance (COLI) rules	251	409	414	434	460	487	2,204
Modify reserve rules for annuity contracts	.....	1,815	674	821	639	692	4,641
Tax certain exchanges of insurance contracts and reallocations of assets within variable insurance contracts	2	37	95	168	259	368	927
Reduce "investment in the contract" for mortality and expense charges on certain insurance contracts	.....	1	2	11	28	58	100
Amend 80/20 company rules	13	36	48	49	51	52	236
Prescribe regulatory directive to address tax avoidance involving foreign built-in losses	.....	30	51	52	54	56	243
Prescribe regulatory directive to address tax avoidance through use of hybrids	.....	27	54	54	44	34	213

Table S–6. EFFECT OF PROPOSALS ON RECEIPTS—Continued

(In millions of dollars)

	Estimate						Total 1999–2003
	1998	1999	2000	2001	2002	2003	
Modify foreign office material participation exception applicable to inventory sales attributable to nonresident's U.S. office	1	7	10	10	11	11	49
Stop abuse of CFC exception to ownership requirements	.....	4	9	7	5	5	30
Subtotal, eliminate unwarranted benefits and adopt other revenue measures[1]	**323**	**4,342**	**4,289**	**4,725**	**4,699**	**4,959**	**23,014**
Other provisions that affect receipts:							
Reinstate environmental tax imposed on corporate taxable income[2]	.....	1,074	696	690	690	691	3,841
Reinstate Superfund excise taxes[1]	75	701	711	720	731	743	3,606
Extend excise taxes on gasoline, diesel fuel and special motor fuels[1]	.....	.....	371	382	391	403	1,547
Convert airport and airway trust fund taxes to a cost-based user fee system[1]	.....	.....	1,700	1,700	1,700	850	5,950
Receipts from tobacco legislation	.....	9,795	11,787	13,283	14,544	16,085	65,494
Assess fees for examination of bank holding companies and State-chartered member banks (receipt effect)[1]	.....	72	75	78	81	85	391
Transfer retirees and certain active employees of the FDIC and Board of Governors of the Federal Reserve to FEHBP (receipt effect)	.....	1	1	1	1	1	5
Repeal FERS open season (receipt effect)	6	167	201	212	224	232	1,036
Create solvency incentive for State unemployment trust fund accounts[1]	.....	.....	.....	360	392	.....	752
Subtotal, other provisions that affect receipts[1]	**81**	**11,810**	**15,542**	**17,426**	**18,754**	**19,090**	**82,622**
Total effect of proposals[1]	**–55**	**12,932**	**14,706**	**16,682**	**18,466**	**18,671**	**81,457**
(Paygo proposals)[1]	**–61**	**12,765**	**14,505**	**16,470**	**18,242**	**18,439**	**80,421**
(Non-paygo proposals)	**6**	**167**	**201**	**212**	**224**	**232**	**1,036**

* $500,000 or less.

[1] Net of income offsets.

[2] Net of deductibility for income tax purposes.

Table S–7. TOBACCO LEGISLATION

(In billions of dollars)

	Estimate					Total 1999–2003
	1999	2000	2001	2002	2003	
USES OF RECEIPTS FROM TOBACCO LEGISLATION						
Federally-operated Programs:						
Research Fund for America	3.6	4.6	5.0	5.7	6.3	25.3
Food and Drug Administration Enforcement Activities	0.1	0.2	0.3	0.3	0.3	1.2
Health and Human Services/Centers for Disease Control Smoking Prevention	0.1	0.1	0.1	0.1	0.1	0.4
Medicare Beneficiaries Cancer Clinical Trials Demonstration	0.2	0.2	0.3	.....	.....	0.8
Subtotal, Federally-operated programs	4.0	5.1	5.6	6.1	6.7	27.5
State-administered Programs:						
Child Care and Development Block Grant	1.2	1.3	1.4	1.6	2.1	7.5
Medicaid Child Outreach Reforms	0.1	0.2	0.2	0.2	0.2	0.9
Class Size Initiative	1.1	1.3	1.5	1.7	1.7	7.3
Subtotal, State-administered programs	2.4	2.7	3.1	3.5	4.0	15.7
Other Uses (Includes unrestricted funds for States, cessation programs, farmer assistance, etc.)	3.4	3.9	4.6	5.0	5.4	22.3
Total Uses	**9.8**	**11.8**	**13.3**	**14.5**	**16.1**	**65.5**
TOBACCO LEGISLATION RECEIPTS PROPOSED	**9.8**	**11.8**	**13.3**	**14.5**	**16.1**	**65.5**

Table S–8. DISCRETIONARY PROPOSALS BY APPROPRIATIONS SUBCOMMITTEE

(In millions of dollars)

Appropriations Subcommittee	1997 Enacted		1998 Estimate		1999 Proposed		Change: 1998 to 1999	
	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Defense Discretionary								
Commerce, Justice, State, and the Judiciary	263	180	265	347	336	326	71	–21
National Security	244,267	249,593	247,326	243,163	250,763	245,042	3,437	1,879
Energy and Water Development	11,372	11,293	11,680	11,655	12,298	11,787	618	132
Military Construction	9,850	10,190	8,896	9,505	7,779	8,935	–1,117	–570
Transportation and Related Agencies	300	279	300	300	309	307	9	7
Veterans Affairs, HUD, and Independent Agencies	128	107	131	139	131	127	.....	–12
Subtotal, Defense Discretionary Spending	266,180	271,642	268,598	265,109	271,616	266,524	3,018	1,415
Non-Defense Discretionary								
Agriculture and Rural Development	13,890	13,645	13,944	14,449	13,672	13,796	–272	–653
Commerce, Justice, State, and the Judiciary	25,105	25,194	25,684	24,801	27,743	27,262	2,059	2,461
National Security	.....	12	.....	.....	.....	.....	.....	.....
District of Columbia	719	719	823	823	427	427	–396	–396
Energy and Water Development	9,301	9,290	9,000	8,991	8,645	8,575	–355	–416
Foreign Operations	12,277	13,112	13,192	12,959	14,003	12,639	811	–320
Interior and Related Agencies	13,238	13,459	13,788	13,788	14,098	14,282	310	494
Labor, HHS, and Education	74,721	69,394	80,557	75,637	84,313	80,424	3,756	4,787
Legislative	2,202	2,127	2,257	2,299	2,466	2,461	209	162
Transportation and Related Agencies	37,377	36,978	40,053	37,411	40,620	38,506	567	1,095
Treasury, Postal Service, and General Government	12,042	12,102	12,700	12,613	13,562	13,203	862	590
Veterans Affairs, HUD, and Independent Agencies	64,639	78,217	69,332	80,456	70,391	79,935	1,059	–521
Unassigned	.....	.....	.....	.....	3,250	3,250	3,250	3,250
Subtotal, Non-Defense Discretionary Spending	265,512	274,250	281,330	284,228	293,190	294,760	11,860	10,533
Violent Crime Reduction								
Commerce, Justice, State, and the Judiciary	4,525	2,274	5,225	3,171	5,524	4,697	299	1,526
Labor, HHS, and Education	61	41	144	97	144	133	.....	36
Treasury, Postal Service, and General Government	66	47	122	79	132	123	10	44
Subtotal, Violent Crime Reduction Spending	4,652	2,362	5,491	3,347	5,800	4,953	309	1,606
Subtotal, Discretionary Spending	536,344	548,254	555,419	552,684	570,606	566,237	15,187	13,554
Designated Offsets for Discretionary Spending								
Funds for America	.....	.....	.....	.....	–5,823	–5,823	–5,823	–5,823
Emergency Discretionary	.....	.....	.....	.....	–2,424	–2,424	–2,424	–2,424
Subtotal, Designated Offsets	.....	.....	.....	.....	–8,247	–8,247	–8,247	–8,247
Total, Discretionary Spending	**536,344**	**548,254**	**555,419**	**552,684**	**562,359**	**557,990**	**6,940**	**5,307**

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Summaries by Agency

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SUMMARIES BY AGENCY

Table S–9. DISCRETIONARY BUDGET AUTHORITY BY AGENCY

(In billions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Legislative Branch	2.2	2.3	2.5	2.5	2.6	2.6	2.7
Judicial Branch	3.0	3.2	3.5	3.6	3.8	3.9	4.0
Agriculture	15.7	15.6	15.2	15.2	15.2	15.3	15.3
Commerce	3.8	4.2	4.9	6.1	4.0	3.9	3.9
Defense—Military	254.0	256.1	258.4	264.1	272.3	275.5	285.2
Education	26.3	29.4	31.2	31.4	31.5	31.2	31.1
Energy	16.5	16.5	18.0	17.4	17.0	17.2	17.5
Health and Human Services	34.4	36.9	38.5	39.7	40.7	42.1	44.2
Housing and Urban Development	16.4	24.6	25.0	28.1	28.7	29.8	31.1
Interior	7.3	8.0	7.9	8.1	8.1	8.1	8.1
Justice	16.4	17.3	18.1	17.0	16.7	16.6	16.9
Labor	10.2	10.7	11.1	11.0	11.0	11.0	11.1
State	4.8	4.7	5.1	4.8	4.9	4.9	4.9
Transportation	37.8	40.4	41.1	41.6	41.9	42.4	43.0
Treasury	10.6	11.5	12.3	11.5	11.5	11.5	11.5
Veterans Affairs	18.9	18.9	18.9	18.9	18.9	18.9	19.5
Corps of Engineers	4.1	4.1	3.2	3.5	3.3	3.3	3.4
Other Defense Civil Programs	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Environmental Protection Agency	6.8	7.4	7.8	6.9	6.9	7.0	7.1
Executive Office of the President	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Federal Emergency Management Agency	5.1	0.8	0.8	0.8	0.8	0.8	0.8
General Services Administration	0.6	0.1	0.1	0.1	0.1	0.1	0.1
International Assistance Programs	10.6	11.6	12.2	11.5	11.2	11.0	11.0
National Aeronautics and Space Administration	13.7	13.6	13.5	13.3	13.3	13.4	13.4
National Science Foundation	3.3	3.4	3.8	3.9	4.0	4.1	4.2
Office of Personnel Management	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Small Business Administration	0.9	0.8	0.7	0.7	0.7	0.7	0.7
Social Security Administration	5.6	5.5	5.5	5.5	5.5	5.5	5.5
Other Independent Agencies	6.7	7.0	7.4	7.3	7.4	7.2	7.2
Allowances	.....	.....	3.2	.....	.....	.....	.....
Total	**536.3**	**555.4**	**570.6**	**575.0**	**582.5**	**588.6**	**604.2**

Table S–10. DISCRETIONARY OUTLAYS BY AGENCY

(In billions of dollars)

Function	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Legislative Branch	2.2	2.3	2.5	2.6	2.6	2.6	2.7
Judicial Branch	3.0	3.2	3.5	3.6	3.8	3.9	4.0
Agriculture	15.3	16.1	15.4	15.2	15.2	15.2	15.3
Commerce	4.0	4.2	4.6	6.0	4.2	3.9	3.9
Defense—Military	259.6	252.6	253.9	257.1	258.3	260.9	277.1
Education	23.7	25.4	29.0	31.1	31.3	31.5	31.3
Energy	17.1	16.4	17.2	17.3	17.2	16.9	17.2
Health and Human Services	32.8	35.8	37.1	38.5	39.8	41.0	42.4
Housing and Urban Development	32.2	33.7	33.2	34.2	33.9	32.9	32.4
Interior	7.2	7.9	8.0	8.2	8.3	8.1	8.2
Justice	13.8	14.1	17.3	18.0	18.8	17.7	17.4
Labor	9.8	10.7	10.6	10.9	10.9	11.0	11.0
State	4.8	4.8	4.8	4.8	4.9	4.9	4.9
Transportation	37.5	37.9	38.9	40.0	40.8	41.6	42.5
Treasury	10.4	10.9	11.9	11.5	11.4	11.4	11.5
Veterans Affairs	18.6	19.1	19.0	18.9	18.9	18.9	19.4
Corps of Engineers	3.7	4.1	3.5	3.4	3.4	3.3	3.4
Other Defense Civil Programs	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Environmental Protection Agency	6.5	6.6	7.1	7.4	7.4	7.2	7.3
Executive Office of the President	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Federal Emergency Management Agency	3.1	3.8	3.2	2.3	1.7	1.3	0.8
General Services Administration	0.9	0.7	0.2	0.2	0.2	*	0.1
International Assistance Programs	11.3	11.5	11.0	11.5	11.3	11.3	11.2
National Aeronautics and Space Administration	14.4	13.7	13.5	13.3	13.1	13.3	13.4
National Science Foundation	3.1	3.1	3.4	3.6	3.8	4.0	4.1
Office of Personnel Management	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Small Business Administration	0.9	0.8	0.8	0.7	0.7	0.7	0.7
Social Security Administration	5.0	5.7	5.7	5.6	5.5	5.5	5.5
Other Independent Agencies	7.0	6.8	7.0	7.1	7.2	7.1	7.1
Allowances	.....	.....	3.2	.....	.....	.....	.....
Total	**548.3**	**552.7**	**566.2**	**573.8**	**575.1**	**576.8**	**595.3**

* $50 million or less.

Table S–11. BUDGET AUTHORITY BY AGENCY

(In billions of dollars)

Agency	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Legislative Branch	2.6	2.6	2.9	2.9	2.9	2.9	3.0
Judicial Branch	3.4	3.6	3.9	4.1	4.2	4.3	4.5
Agriculture	60.9	55.9	57.4	58.1	58.8	61.0	61.6
Commerce	3.8	4.1	5.0	6.2	4.0	3.9	3.9
Defense—Military	258.0	254.9	257.3	262.9	271.1	274.3	284.0
Education	33.5	34.8	37.8	38.1	38.7	37.9	39.2
Energy	14.1	14.5	16.1	15.3	14.7	14.7	14.9
Health and Human Services	353.7	362.6	381.0	404.8	431.2	444.0	478.6
Housing and Urban Development	16.1	23.8	21.4	27.9	28.5	30.1	30.5
Interior	7.4	7.9	7.9	8.2	8.1	8.1	8.1
Justice	17.3	18.5	18.8	17.4	17.2	17.1	17.5
Labor	32.2	34.6	38.1	38.2	40.1	41.2	42.8
State	5.2	5.2	5.6	5.3	5.4	5.5	5.5
Transportation	40.2	42.1	42.6	43.0	43.4	43.9	44.6
Treasury	380.2	389.3	401.0	403.5	409.4	412.4	415.9
Veterans Affairs	39.9	42.7	42.8	43.6	44.4	45.1	47.1
Corps of Engineers	4.2	4.1	3.3	3.5	3.3	3.4	3.4
Other Defense Civil Programs	30.3	31.6	32.5	33.5	34.3	35.2	36.1
Environmental Protection Agency	6.5	7.2	7.8	6.9	6.9	7.0	7.1
Executive Office of the President	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Federal Emergency Management Agency	5.2	0.8	0.8	0.7	0.7	0.7	0.7
General Services Administration	0.6	0.3	0.1	0.1	0.1	–0.5	0.1
International Assistance Programs	8.5	10.3	10.4	9.4	9.8	9.8	9.7
National Aeronautics and Space Administration	13.7	13.6	13.5	13.3	13.3	13.4	13.4
National Science Foundation	3.3	3.5	3.8	3.9	4.0	4.2	4.3
Office of Personnel Management	44.8	47.5	50.0	52.3	54.6	56.9	59.3
Small Business Administration	0.8	0.2	0.7	0.7	0.7	0.7	0.7
Social Security Administration	394.2	408.7	426.4	444.3	463.1	484.1	505.7
On-Budget	(35.0)	(37.0)	(38.3)	(39.6)	(40.0)	(42.8)	(44.5)
Off-Budget	(359.2)	(371.7)	(388.2)	(404.6)	(423.1)	(441.3)	(461.2)
Other Independent Agencies	17.1	22.4	20.5	22.3	23.8	22.5	24.4
On-Budget	(13.4)	(17.8)	(18.6)	(21.9)	(24.1)	(24.5)	(24.7)
Off-Budget	(3.7)	(4.6)	(1.9)	(0.4)	(–0.4)	(–2.1)	(–0.3)
Allowances	.....	.....	3.2	.....	.....	.....	.....
Undistributed Offsetting Receipts	–155.0	–160.2	–161.6	–172.0	–180.9	–197.5	–199.1
On-Budget	(–107.3)	(–106.3)	(–102.3)	(–106.7)	(–109.1)	(–118.6)	(–112.5)
Off-Budget	(–47.7)	(–53.9)	(–59.3)	(–65.3)	(–71.7)	(–78.9)	(–86.6)
Total	**1,642.9**	**1,687.3**	**1,751.0**	**1,798.7**	**1,856.1**	**1,886.4**	**1,967.7**
On-Budget	(1,327.7)	(1,364.9)	(1,420.2)	(1,458.9)	(1,505.1)	(1,526.0)	(1,593.5)
Off-Budget	(315.2)	(322.4)	(330.7)	(339.8)	(351.1)	(360.4)	(374.2)

Table S–12. OUTLAYS BY AGENCY

(In billions of dollars)

Agency	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Legislative Branch	2.4	2.9	2.8	2.9	2.9	2.9	3.0
Judicial Branch	3.3	3.7	4.0	4.0	4.1	4.3	4.4
Agriculture	52.5	55.0	54.3	56.4	56.6	58.0	60.3
Commerce	3.8	4.1	4.6	6.0	4.1	3.9	3.9
Defense—Military	258.3	251.4	252.6	255.8	257.1	259.7	275.8
Education	30.0	30.7	33.9	36.2	36.8	36.5	37.8
Energy	14.5	14.4	15.2	15.2	14.9	14.4	14.6
Health and Human Services	339.5	359.1	380.8	401.0	427.7	441.4	476.0
Housing and Urban Development	27.5	31.0	31.6	31.9	31.4	30.8	29.5
Interior	6.7	7.9	7.9	8.2	8.2	7.9	8.1
Justice	14.3	15.5	18.2	18.5	19.2	18.2	17.9
Labor	30.5	32.1	36.0	38.0	39.3	40.1	41.8
State	5.2	5.3	5.3	5.4	5.5	5.5	5.5
Transportation	39.8	40.5	41.3	42.2	42.8	43.5	44.4
Treasury	379.3	387.2	399.2	402.3	407.9	410.8	414.4
Veterans Affairs	39.3	43.1	43.2	43.9	44.7	45.4	47.4
Corps of Engineers	3.6	4.1	3.5	3.4	3.3	3.3	3.3
Other Defense Civil Programs	30.3	31.5	32.4	33.4	34.3	35.1	36.0
Environmental Protection Agency	6.2	6.4	7.1	7.4	7.4	7.3	7.3
Executive Office of the President	0.2	0.2	0.3	0.2	0.2	0.2	0.2
Federal Emergency Management Agency	3.3	3.7	3.1	2.2	1.5	1.1	0.6
General Services Administration	1.1	0.9	0.2	0.2	0.2	–0.5	0.1
International Assistance Programs	10.1	9.6	9.5	10.2	10.0	10.2	10.2
National Aeronautics and Space Administration	14.4	13.7	13.5	13.3	13.1	13.3	13.4
National Science Foundation	3.1	3.2	3.4	3.7	3.9	4.0	4.1
Office of Personnel Management	45.4	46.4	48.6	50.8	53.0	54.6	57.8
Small Business Administration	0.3	–0.1	–0.4	–0.3	0.7	0.7	0.7
Social Security Administration	393.3	410.5	425.7	442.9	461.7	482.4	503.9
On-Budget	(34.9)	(38.6)	(38.4)	(39.7)	(40.0)	(42.8)	(44.5)
Off-Budget	(358.4)	(371.8)	(387.3)	(403.3)	(421.6)	(439.6)	(459.4)
Other Independent Agencies	–2.1	14.0	13.7	21.8	22.5	21.9	22.1
On-Budget	(–2.1)	(12.3)	(12.9)	(19.3)	(22.0)	(22.7)	(23.8)
Off-Budget	(–0.0)	(1.7)	(0.8)	(2.4)	(0.5)	(–0.8)	(–1.7)
Allowances	.....	.....	3.2	.....	.....	.....	.....
Undistributed Offsetting Receipts	–155.0	–160.2	–161.6	–172.0	–180.9	–197.5	–199.1
On-Budget	(–107.3)	(–106.3)	(–102.3)	(–106.7)	(–109.1)	(–118.6)	(–112.5)
Off-Budget	(–47.7)	(–53.9)	(–59.3)	(–65.3)	(–71.7)	(–78.9)	(–86.6)
Total	**1,601.2**	**1,667.8**	**1,733.2**	**1,785.0**	**1,834.4**	**1,859.6**	**1,945.4**
On-Budget	(1,290.6)	(1,348.1)	(1,404.4)	(1,444.6)	(1,484.0)	(1,499.6)	(1,574.3)
Off-Budget	(310.6)	(319.7)	(328.9)	(340.4)	(350.4)	(360.0)	(371.1)

Other Summary Tables

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OTHER SUMMARY TABLES

Table S–13. RECEIPTS BY SOURCE—SUMMARY

(In millions of dollars)

Source	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Individual income taxes	737,466	767,768	791,454	804,564	833,364	877,053	915,533
Corporation income taxes	182,293	190,842	197,965	202,929	209,151	214,684	220,436
Social insurance and retirement receipts	539,371	571,374	595,886	623,038	649,048	677,808	706,520
(On-budget)	(147,381)	(155,383)	(161,758)	(169,135)	(176,317)	(183,466)	(189,877)
(Off-budget)	(391,990)	(415,991)	(434,128)	(453,903)	(472,731)	(494,342)	(516,643)
Excise taxes	56,924	55,540	72,009	69,632	71,631	73,950	74,577
Estate and gift taxes	19,845	20,436	20,541	21,642	22,619	24,447	25,619
Customs duties	17,928	18,363	18,175	19,531	20,387	22,375	24,050
Miscellaneous receipts	25,465	33,535	46,706	52,240	56,382	58,982	61,422
Total receipts	1,579,292	1,657,858	1,742,736	1,793,576	1,862,582	1,949,299	2,028,157
(On-budget)	(1,187,302)	(1,241,867)	(1,308,608)	(1,339,673)	(1,389,851)	(1,454,957)	(1,511,514)
(Off-budget)	(391,990)	(415,991)	(434,128)	(453,903)	(472,731)	(494,342)	(516,643)

Table S–14. FEDERAL EMPLOYMENT IN THE EXECUTIVE BRANCH

(Civilian employment as measured by Full-Time Equivalents, in thousands)

Agency	1993 Base	Actual					Estimate		Change: 1993 base to 1999	
		1993	1994	1995	1996	1997	1998	1999	FTE's	Percent
Cabinet agencies:										
Agriculture[1]	115.6	114.4	109.8	103.8	100.7	98.5	99.0	97.1	–18.6	–16.1%
Commerce	36.7	36.1	36.0	35.3	33.8	32.6	38.3	44.2	7.4	20.2%
Defense-military functions	931.3	931.8	868.3	821.7	778.9	745.8	731.0	708.5	–222.8	–23.9%
Education	5.0	4.9	4.8	4.8	4.7	4.5	4.6	4.6	–0.4	–8.0%
Energy	20.6	20.3	19.8	19.7	19.1	17.3	17.1	16.6	–4.0	–19.3%
Health and Human Services[1]	65.0	66.1	62.9	59.3	57.2	57.6	58.5	59.8	–5.1	–7.9%
Social Security Administration	65.4	64.8	64.5	64.6	64.0	65.2	65.7	63.9	–1.5	–2.3%
Housing and Urban Development	13.6	13.3	13.1	12.1	11.4	11.0	10.4	10.0	–3.6	–26.7%
Interior	79.3	78.1	76.3	72.0	66.7	65.7	67.6	69.1	–10.2	–12.9%
Justice	99.4	95.4	95.3	97.9	103.8	111.0	119.8	125.4	26.0	26.1%
Labor	18.3	18.0	17.5	16.8	16.0	15.9	16.7	17.0	–1.3	–7.2%
State	26.0	25.6	25.2	23.9	22.9	22.4	22.9	23.2	–2.8	–10.9%
Transportation	70.3	69.1	66.4	63.2	62.4	62.5	64.9	65.9	–4.5	–6.3%
Treasury	166.1	161.1	157.3	157.5	151.1	145.5	146.0	147.9	–18.2	–10.9%
Veterans Affairs[1]	232.4	234.2	233.1	228.5	221.9	211.5	206.0	203.9	–28.5	–12.3%
Other agencies—excluding Postal Service:										
AID[1]	4.4	4.1	3.9	3.6	3.4	2.8	2.9	2.8	–1.5	–35.1%
Corps of Engineers	29.2	28.4	27.9	27.7	27.1	26.0	26.1	25.6	–3.6	–12.3%
Environmental Protection Agency	18.6	17.9	17.6	17.5	17.2	17.0	18.0	18.4	–0.2	–1.1%
EEOC	2.9	2.8	2.8	2.8	2.7	2.6	2.6	2.7	–0.1	–3.8%
FEMA	2.7	4.0	4.9	4.6	4.7	5.1	4.7	4.7	1.9	70.2%
FDIC/RTC	21.6	21.9	20.0	15.7	11.8	8.7	8.5	7.7	–13.9	–64.3%
General Services Administration	20.6	20.2	19.5	17.0	15.7	14.5	14.1	14.0	–6.6	–32.2%
NASA	25.7	24.9	23.9	22.4	21.1	20.1	19.6	18.7	–7.0	–27.3%
National Archives and Records	2.8	2.6	2.6	2.4	2.5	2.5	2.5	2.6	–0.2	–6.5%
National Labor Relations Board	2.1	2.1	2.1	2.0	1.9	1.9	1.9	1.9	–0.2	–10.7%
National Science Foundation	1.3	1.2	1.2	1.2	1.3	1.2	1.2	1.2	–0.1	–10.7%
Nuclear Regulatory Commission	3.4	3.4	3.3	3.2	3.1	3.0	3.0	3.0	–0.4	–13.0%
Office of Personnel Management	6.2	5.9	5.3	4.2	3.4	2.8	3.0	3.0	–3.2	–51.6%
Panama Canal Commission	8.7	8.5	8.5	8.8	9.0	9.5	10.0	10.0	1.3	14.8%
Peace Corps	1.3	1.2	1.2	1.2	1.1	1.1	1.1	1.3	0.0	1.7%
Railroad Retirement Board	2.0	1.8	1.7	1.6	1.5	1.4	1.3	1.2	–0.6	–34.8%
SEC	2.7	2.7	2.7	2.7	2.8	2.8	2.8	2.8	0.1	3.2%
Small Business Administration	4.0	5.6	6.3	5.7	4.7	4.5	4.7	4.9	0.9	22.8%
Smithsonian Institution	5.9	5.5	5.4	5.3	5.1	5.0	5.2	5.3	–0.6	–9.6%
Tennessee Valley Authority	19.1	17.3	18.6	16.6	16.0	14.9	14.4	13.8	–5.4	–28.1%
United States Information Agency	8.7	8.3	8.1	7.7	7.0	6.6	6.7	6.7	–1.9	–22.4%
All other small agencies	16.1	15.4	15.0	15.1	14.1	13.9	14.6	14.7	–1.4	–9.0%
Total, Executive Branch civilian employment	**2,155.2**	**2,138.8**	**2,052.7**	**1,970.2**	**1,891.7**	**1,834.7**	**1,837.4**	**1,824.2**	**–331.1**	**–15.4%**
Reduction from 1993 Base	.....	–16.4	–102.5	–185.0	–263.5	–320.5	–317.8	–331.1	.....	.....
Subtotal, Defense	931.3	931.8	868.3	821.7	778.9	745.8	731.0	708.5	–222.8	–23.9%
Subtotal, Non-Defense	1,223.9	1,207.1	1,184.4	1,148.4	1,112.8	1,088.9	1,106.4	1,115.6	–108.3	–8.8%
Status of Federal Civilian Employment Relative to FWRA[2]										
Total, Executive Branch Employment	.....	.....	2,052.7	1,970.2	1,891.7	1,834.7	1,837.4	1,824.2	.....	.....
Less: FTEs exempt from FWRA	.....	.....	5.7	5.7	7.6	7.4	5.4	5.5	.....	.....
Total, Executive Branch subject to FWRA Ceiling	.....	.....	2,047.0	1,964.4	1,884.1	1,827.3	1,832.0	1,818.7	.....	.....
FWRA Ceiling	.....	.....	2,084.6	2,043.3	2,003.3	1,963.3	1,922.3	1,882.3	.....	.....
Executive Branch Employment Relative to FWRA Ceiling	.....	.....	–37.6	–78.9	–119.2	–136.1	–90.3	–63.6	.....	.....

[1] The Departments of Agriculture, Health and Human Services, Veterans Affairs, and the Agency for International Development have components that are exempt from FTE controls. In 1999, Agriculture has 2,128 exemptions; HHS has 342 exemptions; Veterans Affairs has 3,020 exemptions and AID has 10 exemptions.

[2] FTE liminations are set for the Executive Branch in the Federal Workforce Restructuring Act of 1994 (P.L. 103–226) from 1994–99.

Table S–15. FEDERAL GOVERNMENT FINANCING AND DEBT[1]

(In billions of dollars)

	1997 Actual	Estimate					
		1998	1999	2000	2001	2002	2003
Financing:							
Surplus or deficit (–)	–21.9	–10.0	9.5	8.5	28.2	89.7	82.8
(On-budget)	–103.3	–106.3	–95.7	–104.9	–94.1	–44.6	–62.8
(Off-budget)	81.4	96.3	105.3	113.5	122.3	134.4	145.5
Means of financing other than borrowing from the public:							
Changes in:[2]							
Treasury operating cash balance	0.6	3.6	.....	.....	.....	.....	.....
Checks outstanding, etc.[3]	4.0	–2.2	–4.5	.....	.....	.....	.....
Deposit fund balances	–0.4	–1.6	–*	.....	.....	.....	.....
Seigniorage on coins	0.5	0.4	0.7	0.7	0.7	0.7	0.7
Less: Net financing disbursements:							
Direct loan financing accounts	–21.0	–15.0	–15.4	–13.2	–15.4	–14.1	–13.4
Guaranteed loan financing accounts	0.1	–0.9	–0.7	–0.5	–0.1	–0.1	–0.1
Total, means of financing other than borrowing from the public	–16.2	–15.7	–20.0	–13.0	–14.8	–13.5	–12.8
Total, requirement for borrowing from the public	–38.2	–25.7	–10.5	–4.4	13.4	76.2	70.0
Change in debt held by the public	38.2	25.7	10.5	4.4	–13.4	–76.2	–70.0
Debt Outstanding, End of Year:							
Gross Federal debt:							
Debt issued by Treasury	5,336.5	5,514.5	5,710.1	5,888.7	6,052.9	6,178.8	6,313.4
Debt issued by other agencies	33.2	29.1	28.0	27.1	26.0	24.9	22.8
Total, gross Federal debt	5,369.7	5,543.6	5,738.1	5,915.7	6,078.9	6,203.7	6,336.2
Held by:							
Government accounts	1,598.6	1,746.8	1,930.8	2,104.0	2,280.6	2,481.6	2,684.1
The public	3,771.1	3,796.8	3,807.3	3,811.7	3,798.3	3,722.1	3,652.1
Federal Reserve Banks	424.5	.....	.....	.....	.....	.....	.....
Other	3,346.6	.....	.....	.....	.....	.....	.....
Debt Subject to Statutory Limitation, End of Year:							
Debt issued by Treasury	5,336.5	5,514.5	5,710.1	5,888.7	6,052.9	6,178.8	6,313.4
Less: Treasury debt not subject to limitation[4]	–15.5	–15.5	–15.5	–15.5	–15.5	–15.5	–15.5
Agency debt subject to limitation	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Adjustment for discount and premium[5]	6.6	6.6	6.6	6.6	6.6	6.6	6.6
Total, debt subject to statutory limitation[6]	5,327.6	5,505.6	5,701.2	5,879.8	6,044.0	6,169.9	6,304.5

* $50 million or less.

[1] Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt is almost entirely measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

[2] A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing the deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing the deficit and therefore would also have a positive sign.

[3] Besides checks outstanding, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

[4] Consists primarily of Federal Financing Bank debt.

[5] Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

[6] The statutory debt limit is $5,950 billion.

Table S–16. COMPARISON OF ECONOMIC ASSUMPTIONS

(Calendar years)

	Projections					
	1998	1999	2000	2001	2002	2003
Real GDP (chain-weighted): [1]						
1998 Mid-Session Review	2.0	2.0	2.2	2.4	2.4	2.4
CBO January	2.3	1.9	1.9	2.0	2.2	2.3
1999 Budget	2.0	2.0	2.0	2.3	2.4	2.4
Chain-weighted GDP Price Index: [1]						
1998 Mid-Session Review	2.5	2.4	2.4	2.4	2.4	2.4
CBO January	2.1	2.2	2.4	2.5	2.4	2.5
1999 Budget	2.0	2.1	2.2	2.2	2.2	2.2
Consumer Price Index (all-urban): [1]						
1998 Mid-Session Review	2.6	2.5	2.5	2.5	2.5	2.5
CBO January	2.4	2.5	2.7	2.8	2.8	2.8
1999 Budget	2.2	2.2	2.3	2.3	2.3	2.3
Unemployment rate: [2]						
1998 Mid-Session Review	5.2	5.4	5.5	5.5	5.5	5.5
CBO January	4.8	5.1	5.4	5.6	5.8	5.9
1999 Budget	4.9	5.1	5.3	5.4	5.4	5.4
Interest rates: [2]						
91-day Treasury bills:						
1998 Mid-Session Review	5.1	4.9	4.6	4.4	4.4	4.4
CBO January	5.3	5.2	4.8	4.7	4.7	4.7
1999 Budget	5.0	4.9	4.8	4.7	4.7	4.7
10-year Treasury notes:						
1998 Mid-Session Review	6.1	5.8	5.6	5.4	5.4	5.4
CBO January	6.0	6.1	6.0	5.9	5.9	5.9
1999 Budget	5.9	5.8	5.8	5.7	5.7	5.7

[1] Percent change, fourth quarter over fourth quarter.
[2] Annual averages, percent.

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Errata

This table corrects errors in tables I-1 and II-1.

Receipts, Outlays, and Surplus or Deficit
(in billions of dollars)

	1997 Actual	Estimates										
		1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Receipts	1,579.3	1,657.9	1,742.7	1,793.6	1,862.6	1,949.3	2,028.2	2,122.7	2,226.9	2,329.0	2,444.2	2,565.5
Outlays	1,601.2	1,667.8	1,733.2	1,785.0	1,834.4	1,859.6	1,945.4	2,011.3	2,087.8	2,162.1	2,225.2	2,304.2
Reserve Pending Social Security Reform	NA	NA	9.5	8.5	28.2	89.7	82.8	111.4	139.1	166.8	219.0	261.3
Deficit (-)/Surplus	-21.9	-10.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On-Budget Deficit (-)	-103.3	-106.3	-95.7	-104.9	-94.1	-44.6	-62.8	-41.8	-31.5	-12.6	26.4	58.4
Off-Budget Surplus	81.4	96.3	105.3	113.5	122.3	134.4	145.5	153.3	170.5	179.4	192.6	202.9
	As Percentages of GDP											
Receipts	19.8	19.9	20.1	19.8	19.7	19.7	19.6	19.6	19.7	19.7	19.7	19.8
Outlays	20.1	20.0	20.0	19.7	19.4	18.8	18.8	18.6	18.4	18.2	17.9	17.7
Reserve Pending Social Security Reform	NA	NA	0.1	0.1	0.3	0.9	0.8	1.0	1.2	1.4	1.8	2.0
Deficit (-)/Surplus	-0.3	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
On-Budget Deficit (-)	-1.3	-1.3	-1.1	-1.2	-1.0	-0.5	-0.6	-0.4	-0.3	-0.1	0.2	0.4
Off-Budget Surplus	1.0	1.2	1.2	1.3	1.3	1.4	1.4	1.4	1.5	1.5	1.6	1.6

NA = Not applicable.