105TH CONGRESS
1st Session

COMMITTEE PRINT

S. PRT.
105–27

Concurrent Resolution on the Budget FY 1998

COMMITTEE PRINT TO ACCOMPANY
S. CON. RES. 27

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

PETE V. DOMENICI, *Chairman*

MAY 1997

Printed for the use of the Committee on the Budget

U.S. GOVERNMENT PRINTING OFFICE
40–646 WASHINGTON : 1997

For sale by the U.S. Government Printing Office
Superintendent of Documents, Mail Stop: SSOP, Washington, DC 20402–9328

COMMITTEE ON THE BUDGET

PETE V. DOMENICI, New Mexico, *Chairman*

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

G. WILLIAM HOAGLAND, *Staff Director*

BRUCE KING, *Staff Director for the Minority*

CONTENTS

I. Introduction and Overview

The FY 1998 Concurrent Budget Resolution is the first Congressional step in implementing the Bipartisan Budget Agreement announced by President Clinton and the Bipartisan Congressional Leadership on May 2, 1997. The Agreement represents commitments to good faith efforts including this first step of adopting a 1998 Budget Resolution with reconciliation instructions fully reflecting the Agreement.

This budget resolution—built on the parameters of the Agreement and the economic projections of the Congressional Budget Office—when implemented through statutory legislation will balance the Unified Federal Budget, reduce spending, reduce the scope of spending, and reduce federal taxes while it protects priority spending programs.

The FY 1998 Budget Resolution will result in a balanced unified federal budget in FY 2002—the first balanced unified federal budget since 1969. The unified federal deficit, expected to reach nearly $150 billion in FY 2002 if left on automatic pilot, would be reduced each year beginning in 1998. Total trust fund surpluses, primarily in the social security trust fund, are projected to stand at about $96 billion in 2002. The federal funds deficit, therefore, will total $96 billion in 2002 down from $240 billion in 1996.

The FY 1998 Budget Resolution will result in federal government spending reductions over the next five years and beyond. Total federal spending will slow from a currently projected 4.4 percent to 3.1 percent annual rate of increase over the next five years. Compared to current projections federal spending will be reduced by $290 billion over the next five years, and if reformed policies continue beyond 2002, total federal spending will be reduced nearly $1.1 trillion over the next ten years not counting debt service savings.

The FY 1998 Budget Resolution will reduce the scope of spending. Measured by the size of a growing economy resulting from a balanced federal budget, federal spending will decline from 20.8 percent in 1996 to 18.9 percent in 2002, the lowest level since 1974. The Agreement's reduction in federal spending generally reflects the makeup of current federal spending: (1) 27 percent of the five year spending savings is from discretionary defense spending, defense spending would decline from 3.6 percent of GDP in 1996 to an estimated 2.7 percent in 2002; (2) 21 percent of the five year savings is from discretionary nondefense spending, nondefense discretionary spending would decline from 3.6 percent of GDP to day to an estimated 2.9 percent in 2002; and (3) 52 percent of the five year savings is from reduced entitlement growth—entitlement spending (including debt service) would decline slightly from today's 13.7 percent of GDP to 13.3 percent in 2002. Over 40 percent of the entitlement savings are achieved through reforming the Medicare program in order to avert imminent bankruptcy in that program and to extend the solvency of the Part A Trust Fund at least for 10 years.

The Agreement achieves a balanced federal budget while also reducing taxes on American families and businesses. The growth of federal taxes will decline from 4.2 percent to 4.0 percent annually over the next five years. By 2002, federal tax receipts will balance spending at 18.9 percent of GDP, down from 19.4 percent in 1996.

In aggregate, implementing legislation from the resolution would provide for $135 billion in tax reductions over the next five years primarily focused on child tax credits, broad-based capital gains tax reductions, tax relief for post-secondary education, and other provisions. Offsetting the tax reductions and resulting in a net tax cut of $85 billion over the next five years, $250 billion over the next ten, the tax writing committees will identify various expiring tax raising provisions and other tax reform items.

While achieving balance in 2002, the Agreement does assume an allocation of limited federal resources to some priority spending programs in education, environment, transportation, crime fighting, and international affairs. Spending for these functions of the federal budget would grow from $144.2 billion in 1998 to $152 billion in 2002, but all other nondefense discretionary spending would be reduced from $142.3 billion in 1998 to $135 billion in 2002. In total, nondefense discretionary spending—controlled by discretionary spending caps—will grow by slightly less than 0.5 percent over the next five years. The Agreement also provides for a children's health insurance initiative, modifications last year's welfare reform law and other initiatives that could total $33.6 billion.

The Agreement is enforced through the existing budget process rules—two reconciliation bills, Committee allocations, and existing pay-go procedures. The FY 1998 Budget Resolution also includes provisions to enforce by rule, firewalls between defense and nondefense discretionary spending for two years and make it out of order to consider future budget resolutions that exceed the discretionary spending allocations included in the Agreement. Since the statutory enforcement provisions expire at the end of FY 1998, the Agreement commits to the enactment of new budget enforcement legislation to extend discretionary caps in law, establish PAYGO procedures to 2002, and other enforcement provisions.

II. Economics

The Committee's baseline is built upon multi-year economic assumptions, which reflect the expected benefit from balancing the budget by 2002. The economic projections were developed by the Congressional Budget Office (CBO), as published in their January 1997 report. Slight adjustments were made, however, to CBO's price measures, in response to recently announced technical CPI changes by the BLS. The baseline also includes CBO's technical revenue re-estimate which reflects the higher than expected revenue inflow in FY1997 and its implications for the revenue baseline.

The forecasts for 1997 and 1998 are short-term forecasts which consider the current state of the economy and relative position in the business cycle. The out year forecasts are based upon long-term trends in the economy.

ECONOMIC OVERVIEW

Economic growth continued apace in 1996, despite the fact that the expansion has now entered its sixth year. Real GDP grew 3.1 percent last year on a fourth quarter over fourth quarter basis, above its commonly assumed potential growth rate. Growth was concentrated in the latter half of 1996, and carried over to the first quarter of 1997, which posted an impressive annualized growth rate of 5.6 percent. The first quarter surge was accompanied by a drop in the unemployment rate to 4.9 percent.

While some slowdown seems likely going forward, the Federal Reserve remains apprehensive that inflationary pressures may build in the latter part of 1997. The primary concern is the tightness of the labor market. Historically, recent levels of unemployment have been consistent with rising price pressures. It is an open question, however, as to whether labor market developments (ie declining unionization, increased foreign competition and greater outsourcing over the last several years) now permit a lower noninflationary, unemployment rate. Inflation has been more subdued in the last two years than one would have expected given the low unemployment rates, although technical CPI changes by the BLS have also played a role here.

While the Federal Reserve has tried to allow for the fact that the economy's potential growth rate may have risen slightly of late, they nonetheless thought it prudent to raise interest rates by 25 basis points in March, as an insurance policy. It remains to be seen whether the Federal Reserve's action will have a negative, short-term impact on the economy going forward. However, the Fed's recent track record bodes well—its 1994–1995 tightening laid the groundwork for today's continued economic expansion.

Optimism is also fueled by the fact that there are surprisingly few signs of economic imbalance at present, despite the fact that the current expansion is already the third longest on record—inventories are lean, the banking sector is healthy, and the rise in consumer net wealth tempers concerns over growing consumer debt. For this reason, neither CBO nor OMB forecasts a recession during the next two years. Evidence of recent broad-based economic strength is seen in Table 1.

TABLE 1.—YEARLY GROWTH IN GDP SECTORS (PERCENT)

	Overall GDP growth	Personal consumption	Non-residential fixed investment	Residential fixed investment	Exports	Total government
1992	2.7	2.8	1.8	17.1	6.5	0.5
1993	2.3	2.8	6.5	7.5	3.0	−0.2
1994	3.5	3.1	9.8	10.7	8.2	−0.1
1995	2.0	2.3	9.5	−2.2	8.8	0.0
1996	2.4	2.5	7.4	5.3	6.6	0.9

COMPARISON OF CBO VERSUS OMB ECONOMICS

CBO's and OMB's underlying economic projections are very similar and indeed are within the margin of error for both forecasts. Despite this closeness, they still produce a $68 billion difference in deficit projections in 2002 alone, according to CBO's "An Analysis of the President's Budgetary Proposals for FY1998". (Note, this was calculated before the recent CBO revenue re-estimate). Both sets of economic assumptions are predicated on the assumption of a balanced budget in 2002 and are thus termed "post-policy" forecasts.

Growth and unemployment

CBO is slightly less optimistic than OMB regarding the long-run potential growth rate of the economy—CBO believes potential GDP growth from 1996–2002 will be 2.2 percent, versus OMB's 2.3 percent assumption over the same period. Furthermore, CBO also believes the risk of a negative economic shock during the budget window are slightly greater than the risks of a positive shock. For this reason, they assume that GDP remains 0.3 percent below its potential level in 2002, while unemployment remains slightly above its NAIRU (non-accelerating inflation rate of unemployment). For its part, OMB believes that the risks of recession or boom are equally balanced and hence makes no explicit adjustment for the prospect of recession.

For all intents and purposes, however, the gap between CBO's and OMB's real GDP growth forecasts is very small. CBO projects average annualized real GDP growth of 2.18 percent over the budget window, while OMB forecasts 2.23 percent growth.

Income shares

Income shares are a less publicized part of economic forecasts, however, they have great deficit impact. These shares depict the breakdown of national income between wages & salaries, benefits, corporate profits, proprietors' income, rental income and net interest. They are expressed as a share of GDP.

If all of the above areas were taxed the same, the division between income categories would make little budget difference. However, this is not the case. Wages and salaries and corporate profits are taxed at a higher effective rate than the others. Thus, the higher the projected wage & salary and corporate profit share, the higher the projected revenue stream.

CBO has slightly more pessimistic wage & salary and corporate profit shares than does OMB. In the case of wages & salaries, CBO believes that this share will fall somewhat over the budget window as benefit costs begin to grow faster than wages. In contrast, OMB expects the wage & salary share to remain relatively stable over the budget window.

CBO also expects a steeper drop-off in the corporate profit share than does OMB. One main reason is that CBO expects companies" net interest costs as a share of GDP to begin rising again, in a reversion to historical trend. OMB is less concerned about this prospect, since they believe the drop in interest rates from a balanced budget agreement will temper net interest costs.

ECONOMIC PROJECTIONS

While both CBO and OMB offer reasonable forecasts for the main economic variables, the Committee has chosen to use CBO's slightly more conservative projections, which are believed to accurately reflect the risks to the economy going forward.

It is important to note that the FY 1998 Budget Resolution uses CBO's winter projections, which do not reflect the surge in first quarter 1997 GDP growth nor the Federal Reserve's recent interest rate tightening. Complete reflection of these developments would need to be examined in the context of a formal re-opening of CBO's economic forecasts. Since this will not occur until this summer at the earliest, the baseline assumes CBO's winter economic forecasts. However, it should be noted that CBO's recent revenue re-estimate does reflect recent economic developments, and so does provide some partial consideration of the current status of the economy.

The baseline economics have been adjusted, however, to reflect new information about BLS' technical CPI changes. In a May 1, 1997 letter, CBO Director O'Neill provided the Senate Budget Committee Chairman with her estimates of these changes' likely CPI impact. As such, the FY 1998 Budget Resolution updates CBO's CPI forecasts to reflect two technical CPI changes which the BLS will make in early 1999. The Committee has reflected these two changes in CPI alone and has not made any alteration to CBO's GDP deflator nor real GDP growth forecasts, since nominal GDP will remain unchanged.

A small adjustment was also made to CBO's forecasts for taxable incomes, since CBO's initial treatment of the 1996 BLS correction in CPI formula bias may not have been fully reflected in CBO's taxable income forecasts. These adjustments will be discussed in greater detail in Section VII.

TABLE 3.—COMMITTEE'S ECONOMIC PROJECTIONS (POST POLICY; CALENDAR YEARS)

	1997	1998	1999	2000	2001	2002
Percent change (year to year):						
Real GDP growth	2.3	2.1	2.2	2.2	2.2	2.1
Consumer price index	2.9	2.9	2.7	2.7	2.7	2.7
GDP price deflator	2.3	2.5	2.6	2.6	2.6	2.6
Annual rate:						
Unemployment	5.3	5.6	5.8	5.9	6.0	6.0
Three-month T-bill	5.0	5.0	4.6	4.2	3.9	3.9
Ten-year T-note	6.2	6.1	5.8	5.5	5.5	5.5
Share of GDP:						
Wages and salaries	48.0	47.7	47.6	47.4	47.3	47.3
Corporate profits (book profits)	8.2	8.1	7.9	7.8	7.9	7.8

PRE-POLICY VERSUS POST-POLICY ECONOMICS

As mentioned in the previous section, both CBO and OMB use post-policy economic forecasts, which reflect the benefits of balancing the budget by 2002. Economists agree that balancing the budget would lower long-term interest rates, which would in turn boost investment and GDP growth. Such an improvement in economic fundamentals would itself contribute to lower deficits via increased tax revenues and smaller debt service. In 1995, CBO acknowledged that such a favorable feedback would reduce the amount of budget trimming that Congress would need to do, in essence, agreeing to dynamically score their deficit reduction plan.

CBO assumes that balancing the budget by 2002 will prompt a 70 basis point drop in both short and long term interest rates. This in turn will prompt GDP to be 0.2 percent higher by 2002 than it would otherwise be and boosts the corporate profits share of GDP by 0.6 percentage points in 2002.

It is not possible to view OMB's assumed impact of a balanced budget, since they only produce post-policy economic forecasts. However, it appears that they expect an even stronger economic impact from balancing the budget than does CBO.

FISCAL DIVIDEND

The size of the fiscal dividend has varied greatly since its inception in early 1995. It expanded notably in December 1995, as CBO included an expected boost in corporate income tax receipts from the balanced budget drop in interest rates. (Lower interest rates reduce businesses' borrowing costs, raising profits and hence taxes paid.)

However, the size of the fiscal dividend is considerably lower in the FY98 assumptions—at just $77 billion, it is roughly two thirds lower than May 1996's $254 billion dividend. There are several factors at play. First, baseline deficits are significantly lower given the drop in FY 1996's deficit. *Over the 1997-2002 period, there was a $454 billion cumulative drop in deficit projections between May 1996 and January 1997,* which would have reduced May 1996's fiscal dividend by one third.

Second, CBO expects that it will take longer for a balanced budget plan to be implemented. In May 1996, CBO assumed such a plan would come into effect at the end of 1996. In its most recent update, CBO now believes that early FY1998 would be the first possible date for enactment of all components of a balanced budget plan.

Lastly, CBO has delayed the response of long-term interest rates to deficit reduction. This delay has also reduced the fiscal dividend's size.

TABLE 4.—EVOLUTION OF THE FISCAL DIVIDEND

	1996	1997	1998	1999	2000	2001	2002	Cumulative
January 1997:								
Interest	....	0.0	....	−2.0	−8.0	−15.0	−20.0	−45.0
Debt service	....	....	....	....	−1.0	−2.0	−3.0	−5.0
Revenues	....	....	−1.0	−3.0	−5.0	−8.0	−11.0	−28.0
Student loans	....	....	....	....	....	....	....	....
Total	....	....	−1.0	−4.0	−13.0	−25.0	−34.0	−77.0
May 1996:								
Interest	−0.2	−3.2	−10.8	−21.9	−32.0	−38.3	−43.2	−149.6
Debt service	−0.0	−0.2	−0.9	−2.2	−4.2	−6.9	−10.1	−24.4
Revenues	−0.0	−2.1	−7.3	−12.7	−16.3	−18.6	−21.1	−78.1
Student loans	0.4	−0.0	−0.3	−0.5	−0.5	−0.6	−0.6	−1.0
Total	0.2	−5.5	−19.3	−37.3	−53.0	−64.4	−75.0	−254.1

ADJUSTMENT TO THE REVENUE BASELINE

In light of the strong economic growth that we've seen over the past year, tax receipts are surging in mid-FY1997. Indeed, CBO reported to the Budget Committees on May 2, 1997 that they believe FY1997 revenues will be $45 billion higher than they had anticipated in their winter baseline forecasts. Given CBO's belief that the bulk of the higher than expected revenue is likely to be persistent, CBO economists believe that most of the FY1997 revenue increase should be carried through the baseline forecast. As such, CBO wrote to the Budget Committees that they should decrease their deficit projections by a figure similar to $45 billion for each year of the budget window. This annual reduction would include both the revenue extrapolation and its accompanying debt service. Over the budget window, the revenue extrapolation shrinks gradually, while debt service savings increases.

TABLE 5.—POSSIBLE CHANGE IN DEFICIT INDICATED BY HIGHER REVENUES IN 1997 THAN WAS ANTICIPATED IN CBO'S MARCH 1997 BASELINE PROJECTIONS

	1997	1998	1999	2000	2001	2002	1998–2002
Increase in revenues	45	41	39	37	35	33	185
Debt service	0	−4	−6	−8	−10	−12	−40
Change in deficit	−45	−45	−45	−45	−45	−45	−225

Source: CBO, May 2, 1997.

Revenues have been strong throughout FY1997 to date. For the first 6 months of the fiscal year, personal withholding tax payments came in $10 billion higher than CBO's baseline assumptions. This was followed by a further $25 billion windfall in the month of April alone, as final 1996 tax payments were made. In the remaining 5 months of the fiscal year, CBO believes that an additional $10 billion in higher personal withholding payments will be received relative to their baseline assumptions, in light of the robust economy. Thus, in total, revenues are expected to be $45 billion higher in FY1997 than CBO had assumed. This suggests that the FY 1997 deficit will come in at $67 billion.

Faced with the strong rise in FY1997 tax receipts, CBO had to decide whether this was a one-off occurrence or whether it was due to more lasting factors. After reviewing the issue, CBO decided that the bulk of the revenue surprise will likely be persistent—almost half the revenue surge comes from higher personal withholding, which reflects the strong growth in wages and salaries seen in this economic expansion. Furthermore, CBO believes that one-off, capital gains realizations are unlikely to account for the bulk of the April windfall. Lastly, a large upward revenue surprise was seen in FY 1996 as well, which supports the view that these high tax inflows are likely to be persistent.

CBO believes that there are several likely reasons why revenues have come in so much higher than their baseline estimates. (1) Real potential GDP may be higher than that assumed in CBO's economic forecasts. This implies higher taxable incomes. (2) Government statistics may be consistently missing some of the incomes generated altogether, which means there will be a gap between actual receipts received and incomes as measured by the Commerce Department. Since CBO bases its forecasts on Commerce Department data, this could lead to a persistently lower, CBO forecast stream for incomes. (3) Furthermore, there may be a tendency for the gap between measured GDP and gross domestic income to widen—this gap is called the NIPA statistical discrepancy. In theory, the statistical discrepancy should be random and should not trend. However, it has trended notably since 1994, suggesting that there may be a systematic measurement problem within the NIPA accounts. If the statistical discrepancy continues to trend higher, there will be consistently higher incomes relative to GDP. At present, CBO assumes that the discrepancy will shrink over the budget window, which tempers CBO's income projections. (4) Effective tax rates may be slightly higher than what CBO assumes. This could be the case if the current economic expansion has led to larger tax payments by wealthier individuals.

CBO believes that the FY1997 revenue increase resulted from a combination of the above factors. If the above changes were thought to be persistent, CBO could have projected the revenue adjustment to grow over the budget window. Indeed, CBO does believe that most of the FY1997 revenue increase will be persistent. However, it is also possible that the positive revenue impact of these structural developments could be offset if the economy were to go into a recession within the budget window—this would be consistent with the view that the economy is in a short-lived boom right now, which will soon be followed by a bust. In light of this risk, CBO chose a more cautious path which attempts to balance the likelihood that the FY1997 revenue increase will grow or fall off—CBO suggested a broadly constant deficit adjustment over the budget window, in which the revenue component tapers off gradually over the budget window.

ADJUSTMENT TO CBO'S PRICE MEASURES

The Committee's baseline reflects technical CPI changes that the BLS has either made recently or has announced that it will make. Several of these changes are reflected in the current CBO baseline. In addition, the Committee will reflect two technical CPI changes which were announced after CBO's winter baseline had been completed. All of the above changes are technical in nature and will have been made by BLS staff. The FY1998 Budget Resolution does *not* assume any legislated CPI adjustment.

The Committee has also made a slight adjustment to CBO's taxable income stream. This was done after CBO stated that their winter taxable incomes estimates may have been understated by 0.04 percent each year in the budget window, during their adjustment for the 1996 reduction in CPI formula bias.

Changes already reflected in baseline

There are three technical changes which are currently reflected in both CBO's and OMB's winter CPI forecast streams: the 1998 basket-weighting, the January 1997 hospital pricing change and the July 1996 correction of formula bias.

First, both OMB and CBO make adjustment for the likely effect of the reweighting of the CPI basket in 1998. BLS makes this adjustment roughly every 10 years to ensure its expenditure weights remain current. OMB assumes this action will shave 0.1 percent from CPI over the budget window. CBO's baseline assumes this change will shave just under 0.2 percent from CPI in 1998. Yet, CBO also assumes that the basket becomes steadily more out-of-date as it ages, thus eroding some of the initial bias reduction in later years. Thus, during the entire budget window, OMB and CBO make similar baseline adjustments for the 1998 basket reweighting.

Secondly, both OMB and CBO make small adjustments for an expected reduction in CPI stemming from the January 1997 change in hospital pricing. However, OMB assumed that these changes would shave 0.1 percentage point from CPI, while CBO assumed a 0.01 percentage point reduction in its winter forecast.

Lastly, both OMB and CBO make the same adjustments to their CPI forecasts for BLS' 0.1 percent reduction in formula bias which occurred in July 1996.

Changes not reflected in the baseline

The BLS has recently made two announcements regarding upcoming CPI technical revisions, both of which will come into effect in early 1999.

The BLS is currently reviewing whether *geometric mean calculations should be employed at the lowest level of CPI aggregation*. It will announce its findings in 1998 and will reflect them in CPI–U in January 1999. Unlike the current CPI structure, geometric means would allow for the fact that consumers change their purchasing patterns of closely related goods as relative prices change. (For example, switching from Red Delicious to Granny Smith apples as the former's price rises.) Allowing for such switching would reduce lower level substitution bias. (This differs from upper level substitution bias which results as consumers switch between disparate items like chicken and beef.) BLS has stated that a switch to geometric means could shave annual CPI growth by 0.00–0.25 percent. In her May 1 letter, CBO Director O'Neill concurred with this range and stated that 0.15 percent is a likely point estimate. Since this estimate was made after the formulation of the CBO winter baseline, we have adjusted CBO's CPI stream to reflect this new information.

In early 1999, BLS will also change the way that it incorporates new items into the CPI. It will begin to shift from area sample rotation to item category rotation. This should speed up the introduction of new goods into the CPI survey, particularly those with rapidly changing technologies. This should help to *reduce the new product bias*. In her May letter, CBO Director O'Neill said that this change could shave CPI by 0.0–0.2 percent from 1999 onwards. She believes 0.1 percent is a likely point estimate. Since this estimate was done after the formulation of the CBO baseline, the Budget Resolution's baseline adjusts CBO's CPI stream to reflect this new information as well.

It is important to note that BLS will make these two CPI changes irrespective of anything that happens in Congress. Since these will have direct impact on CPI growth, they are reflected in the resolution's CPI assumptions, in order to have the most accurate CPI forecast stream possible. CBO has often reflected upcoming technical CPI changes in their baseline (before their actual implementation by BLS), so the committee's action is consistent with past CBO precedent.

In addition to the two CPI adjustments noted above, a minor adjustment to CBO's taxable income stream has also been made. In her May letter, CBO Director O'Neill stated that CBO's taxable income forecasts may not have fully factored in the July 1996 change in CPI formula bias and that these forecasts may be 0.04 percent too low each year. As such, the resolution baseline contains an increase to CBO's taxable income stream of 0.04 percent each year. This adjustment stems from CBO's treatment of BLS' 1996 technical CPI change and does not relate to CBO's $45 billion revenue extrapolation.

In the same May letter, CBO Director O'Neill also stated that CBO had slightly altered its views on the impact of the 1998 CPI basket re-weighting and the 1997 change in CPI's hospital pricing. However, since the impact of these two small revisions largely cancel, no adjustment was made for them in the FY1998 Budget Resolution's assumptions.

LONG-TERM FISCAL OUTLOOK

Since most of the current focus is on 2002, many may believe the country's fiscal problems will be solved if we balance the budget that year. This is not the case. Without substantive policy action, our deficits and debt/GNP levels will soon spiral out of control.

As in most developed countries, the US will face severe fiscal strains as the baby boomers retire, leaving only a small working age population. This trend is demonstrated in a time series of the US' elderly dependency ratios (the percentage of people over the age of 65 in relation to those aged 20-64). This ratio will climb from 1990's 21 percent to 36 percent in 2030 and 37 percent in 2050.

CBO examined such demographic pressures in its recent "Long-Term Budgetary Pressures and Policy Options" update. Without policy changes, they concluded that the deficit will grow to 5 percent by 2015, ballooning to 28 percent by 2035. Concomitant with this rise in deficits, the US debt to GNP ratio will also soar, topping 100 percent by 2025 and shooting off to infinity after 2035.

The situation quickly becomes unsustainable, as the dynamic effects of higher interest rates choke off economic growth. This can be seen by the fact that by 2030, per capita incomes will actually begin to fall.

CBO depicts the size of the long-term fiscal imbalance by showing the amount by which taxes would have to be increased permanently in order to keep the debt/GNP ratio constant at its current level. With no policy change, this would require a tax hike today equal to 4.1 percent of GDP or a 20 percent increase in total revenues. Even if the budget were to be balanced from 2002–2007 by cuts in program levels only, a long-term fiscal imbalance would still remain—a permanent tax hike of 2.3 percent of GDP or a 12 percent rise in current revenues would still be needed to rectify the long-term situation.

Given this bleak backdrop, the need for meaningful entitlement reform is imperative. It is only in this way that we can ensure steadily rising per capita incomes for our children.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 2, 1997.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Based on the daily Treasury statements for April and the monthly Treasury statement for March, it is clear that budget receipts this year will be significantly higher than CBO estimated in early March. At this point, we judge that the 1997 fiscal year deficit will be about $45 billion lower than we expected. Our previous estimate was that the 1997 deficit would be $112 billion, including the reinstatement of the Airport and Airway Trust Fund excise taxes through September 30, 1997.

Withheld income and payroll taxes through March were $10 billion higher than CBO expected, and nonwithheld income tax receipts in April were $25 billion higher than anticipated. The higher-than-expected withheld tax collections are consistent with the strong economic growth reported this week by the Department of Commerce and other economic indicators. We now expect that tax receipts will be another $10 billion higher than previously estimated for the remaining months of the fiscal year.

The higher level of receipts in 1997 will affect revenue levels next year and beyond. Although CBO has not prepared a new economic forecast and new baseline budget projections, we believe that a downward adjustment in the deficit of $45 billion in 1997 and similar amounts for 1998 though 2002 would be reasonable for planning the budget resolution. These amounts would include reduced debt service costs that would result from lower deficits.

Sincerely,

JAMES BLUM
For June E. O'Neill.

Identical letter sent to Chairman John R. Kasich, with a copy to Ranking Minority Member John M. Spratt, Jr., House Committee on the Budget.

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 9, 1997.

Hon. J. ROBERT KERREY,
U.S. Senate,
Washington, DC.

DEAR SENATOR: Thank you for your letter of May 6, which was cosigned by Senator Conrad, regarding our recent estimate of the budget deficit for the current fiscal year and the implications of that estimate for 1998 and the years beyond.

We regularly monitor the monthly Treasury statements of receipts and outlays to determine the accuracy of our budget estimates for the current fiscal year. We also monitor the daily Treasury statements, particularly those for April which is a crucial revenue month. The information that we glean from those statements is reported to the budget committees and other interested Congressional staff in a series of monthly internal memoranda and is incorporated in our periodic published economic and budget update reports.

It was clear from the Treasury data through March that withheld income and payroll tax collections were running about $10 billion higher than we estimated in our budget projections. We held off drawing any conclusions from that higher stream of receipts until we could see what the April tax collections actually brought in. April is the biggest receipt month for the year, as final payments on the previous calendar year's income tax liabilities are made. It was possible that nonwithheld income and employment tax receipts in April would be lower than we had assumed, thereby offsetting the higher receipts through March. However, April's nonwithheld payments were $25 billion higher than expected, which meant that revenues for the fiscal year would be much higher than we had estimated.

On April 28, the Treasury Department announced its borrowing estimates for the April–June and July–September quarters. Based on Treasury estimates of cash flows during those two quarters, the department announced its plan to pay down outstanding federal debt by $65 billion in the April-June quarter, in sharp contrast to its earlier plan announced on February 3 to pay down debt in the range of $10 billion to $15 billion in the quarter. In reporting the Treasury's new borrowing plan, the Wall Street Journal the next day indicated that the federal budget deficit for the fiscal year ending September 30 would be as low as $70 billion. Earlier press reports had also noted that this year's deficit would be much lower than expected.

CBO was asked by budget committee staff last week what we thought our monthly evaluation of the 1997 deficit would show and what the implications of a lower-than-expected deficit for this year would be for 1998 and beyond. Our intention had been to send the budget committees a letter this week to provide that information, once we were confident of the April receipts, but we were urged to provide an answer as soon as possible and to give specific estimates.

The higher-than-expected withheld tax collections are consistent with the strong economic growth reported for the past six months and other economic indicators. It is reasonable to expect that higher income levels will persist during the remainder of the fiscal year and that tax receipts will exceed our previous estimate by $10 billion, pushing receipts for 1997 about $45 billion above our last estimate. Outlays to date have been consistent with our budget estimates, so the higher receipts point to a deficit that is lower by the same amount.

We believe that the higher income and revenue levels for 1996 and 1997 will affect the budget outlook for 1998 and beyond. We will not have complete information on 1996 and 1997 tax collections for several years, but taxable income is clearly higher than we or the Administration had previously discerned.

The current high levels of income and revenue make it likely that future deficits will be lower than CBO projected. Several factors could contribute to such an outcome: revenues may continue to be high relative to income reported in the national income and product accounts, the noninflationary potential level of the economy may be somewhat higher, and the composition of income may generate more revenues. It is also possible that revenues have been temporarily boosted by a short-lived economic boom or by special factors such as higher capital gains realizations. In any event, debt service in the future will be reduced even if the higher income and revenues prove to be partly temporary.

Without making a new economic forecast and a new set of baseline budget projections, it is not possible to provide precise estimates of the expected change in the deficit. For the purpose of planning the budget resolution, however, amounts similar to the $45 billion adjustment to the 1997 deficit could reasonably be applied to the deficits currently projected for both the 1998-2002 period and the five subsequent years. These amounts reflect possible changes in the deficit (including reduced debt service) that CBO believes is likely, rather than any specific revisions to our economic and budget projections.

Following our customary practice, we plan to prepare a new economic forecast and update our budget projections this summer. That process will take into account any new data that become available over the next few months.

The question we were asked last week was logical and appropriate, given the press accounts about reduced Treasury borrowing needs and the lower deficit for 1997. While the revenue picture for fiscal year 1997 is reasonably clear, the potential changes for 1998 and beyond are quite uncertain. We provided an answer that we think is reasonable given the time and information that was available.

You also asked whether the effects of the 1993 deficit reduction package could be responsible for the unexpected growth in revenues this year. It is difficult to sort out the effects of particular pieces of past legislation on current revenues given the many other factors that come into play. Our assumptions about the economy and our budget baselines regularly incorporate everything we know about the effect of past fiscal policy changes. Thus, further consideration of the 1993 agreement would probably not help us explain the rise of revenues above our baseline this year.

I hope that this description of our recent deficit estimate for 1997 and the implications for subsequent years is helpful. I would be happy to answer any additional questions you may have. I am sending an identical letter to Senator Conrad.

Sincerely,

JUNE E. O'NEILL, *Director.*

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, May 1, 1997.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR MR. CHAIRMAN: Thank you for your letter on April 29 inquiring about the effect of changes to the Consumer Price Index (CPI) that may affect budget projections. As you note, the Bureau of Labor Statistics (BLS) announced a number of proposed changes to the CPI after CBO completed its baseline economic forecast, and those effects were not incorporated in that forecast. In addition, because the BLS has made new estimates of the effects of changes that CBO did include in the forecast, the estimates CBO used should also be reexamined. The five areas you mentioned in your letter are discussed below.

1. Use of Geometric Weighting for Lower Level Aggregation.—BLS announced that it plans to use geometric weighting starting in 1999 for some categories, and they noted that this would slow the growth of the CPI by 0 to 0.25 percentage points per year. Analysts generally assume that this type of weighting is likely to be used for somewhat more than half of the categories. Therefore, a reasonable point estimate of the effect is 0.15 percentage points.

2. Pricing of Hospital Services.—In January 1997, BLS changed its method of pricing hospital services in order to better capture actual transaction prices and to better reflect changes in the provision of hospital care, such as the shift from inpatient to outpatient care. BLS has not estimated how this would affect the growth of the overall CPI, so CBO used its own estimate. In our winter economic forecast, we assumed that the effect would be very small, perhaps 0.01 percentage point. Subsequent conversations with BLS suggest that the effect is a little larger, though still small, reducing overall CPI growth by between 0.02 and 0.04 percentage points. A reasonable point estimate of the effect is the midpoint of this range, i.e., 0.03 percent, or three ten-thousandths per year.

3. Changes in the Selection of Outlet Samples.—In January 1999, BLS plans to change the way in which they choose outlets for refreshing the sample of items used in the CPI. BLS says that the new sample design permits more frequent rotation (that is, refreshment of the sample) for categories in which products are introduced into the market more frequently. If they do more frequent rotation of those categories, CPI growth may be slower because new products could be included in a more timely way. Since the prices of new products often decline in the years after their introduction, including them in the CPI earlier in their life cycle would tend to depress the growth of the CPI.

The magnitude of the effect depends upon how often the BLS refreshes the sample for categories in which new products are introduced, as well as how rapidly new products are introduced in the future. Although there are indications that BLS will refresh the relevant categories more often, they have not announced when they will do it (that is, whether they will start more frequent rotation when they first use the new outlet sampling methods in 1999 or whether the rotation rate will increase later), nor have they said how much more timely the sampling will be.

If rotation is done more frequently, and if the rate of introduction of new products and the evolution of their prices in the future are similar to that of the past 15 years, the new methods could reduce CPI growth by up to 0.2 percentage points. However, from what BLS has announced so far, effects could also be insignificant. A prudent point estimate would be 0.1 percentage point, the midpoint of the range.

4. Formula Bias.—The correction for formula bias that the BLS made in July 1996 is reflected in CBO's forecast of the CPI, be-

cause it affected the monthly CPI growth rates that CBO used for its assessment of the rate of inflation just prior to doing the forecast. In its analysis of the President's budget, CBO pointed out that one small difference between the CBO and Administration economic assumptions was that CBO did not calculate the impact of this formula bias correction on the relationship between the CPI growth rate and the growth of the GDP price index. Had that calculation been made, and not offset by any other assumption, it might have marginally increased the projected growth of the GDP price index (by about 0.04 percentage points) and consequently marginally increased CBO's projection of taxable income by about four ten-thousandths per year.

5. Upper Level Substitution Bias and the 1998 Basket Reweighting.—BLS has announced that the 1998 rebenchmarking is likely to reduce the rate of growth of the CPI by 0.15 percentage points, whereas CBO assumed in its winter forecast that the change would be 0.2 percentage points. CBO has no reason to question BLS's estimate. The reduction in growth comes from the reduction in substitution bias, which occurs because over time people have the ability to reduce purchases of products whose prices are rising particularly rapidly. When consumption weights are held constant, that substitution is missed and the growth of prices is overstated.

CBO's forecast also incorporated the conventional assumption that substitution bias would increase the further one moves from the base period. BLS has released a study that questions that assumption, finding no evidence of a systematic relation between substitution bias and the age of the market basket. (A study conducted at the Federal Reserve Board came to a similar conclusion.) However, as the BLS study noted, this empirical conclusion is theoretically hard to justify. Other evidence, from the National Income and Product Accounts, suggests that the age of the consumption basket should be of considerable importance to the substitution bias, raising the possibility that the BLS and Federal Reserve results come from some unusual characteristic of the data period examined. We do not regard the empirical issue as resolved, and therefore stick to the theoretically understandable assumption incorporated in the forecast. In the absence of better information, we assume that the drift in the substitution bias is related to the estimated effect of rebenchmarking. Thus a change in the estimated effect of rebenchmarking implies a small change (that grows from year to year) in the estimated bias. In 2002, for example, that small change amounts to 0.02 percentage points.

The 1998 re-benchmarking is unlikely to remove all substitution bias even in that year: the weights will still be five years old, and even very current weights would not completely avoid substitution bias. (The only way to do that is to change the index construction to a so-called "superlative" index, which cannot be done on a timely basis). We do not have a firm estimate of the bias that will remain after 1998, but will continue to research the topic.

The effects of the changes described above can be added together to derive a net effect on the CPI. The table below shows how they would affect the CPI indexes used for calculating Social Security COLAs and for adjusting income tax brackets. These effects differ slightly because they are calculated at different times in the year. The table assumes that BLS will increase the rate of sample rotation for rapidly evolving products in January 1999. Because both the tax code and Social Security rules have complex rounding rules, the actual changes in COLAs would differ from these calculations. The changes described in the table would determine the COLA or tax bracket adjustment for the subsequent year.

[In percent]

	1997	1998	1999	2000	2001	2002
Effect on growth of CPI used for tax brackets	−.01	−.02	−.06	−.22	−.23	−.24
Effect on growth of CPI used for Social Security COLA	−.01	−.01	−.13	−.23	−.23	−.24

We are unable to update the table attached to your letter. That table was sent unofficially at the request of a member of your staff in order to show how the various projected changes in the CPI could be reasonably reconciled with CBO's CPI projections. It does not reflect calculations that my staff used to produce its forecast of the CPI; indeed, we do not claim to forecast the CPI with the precision of hundredths of a percentage point as the table suggests. The CPI is not measured with sufficient precision to allow presentation with such accuracy even of historical data, and projections necessarily have less precision than historical data can achieve.

I hope this information is helpful to you. If you have any additional questions, please call me, or have your staff contact John Peterson.

JUNE E. O'NEILL, *Director.*

III. SPENDING AND REVENUES

BASELINE

This section of the committee print provides a discussion of the baseline underlying the Budget Resolution, which has been prepared by the Congressional Budget Office (CBO) in consultation with committee staff. The Budget Resolution baseline will be the basis for scoring congressional action in fiscal year 1998.

Baseline assumptions

The baseline has been calculated using CBO economic assumptions that incorporate the economic benefits of reaching a balanced budget by 2002. This is referred to as a post-policy baseline and includes the budgetary impact of higher GDP growth and lower interest rates in areas such as student loans, net interest, and revenues. The baseline also includes the fiscal impact, on revenues and net interest, of the revisions to the economic assumptions discussed in the Economics section of the committee print.

CBO calculates the baseline in the general manner prescribed by the BEA. For most discretionary appropriated accounts, personnel resources are adjusted by the Employment Cost Index (ECI) and program resources are adjusted by the chain-weight GDP deflator. Budget authority for multiyear subsidized housing contracts (Section 8 housing) is adjusted to reflect the renewal of all contracts expiring during the baseline period. Administrative expenses for the Medicare and unemployment trust funds and the railroad retirement program are adjusted by the projected change in the beneficiary population.

Estimates for direct spending, which is all spending authority provided by law other than appropriations acts, assume full funding of current law, including cost-of-living adjustments. Direct spending includes entitlements and other mandatory programs such as Social Security, Medicare, and Federal retirement, where spending levels are controlled by eligibility rules, benefit calculations, participation levels, and other non-discretionary cost factors. The baseline assumes that all programs in excess of $50 million a year will continue, even if their authorization expires. Net interest spending, which is another subset of direct spending, is driven by the size of the annual and cumulative cash deficits and interest rates and is rarely affected directly by Congressional action.

Likewise, revenue baseline estimates assume no change in current tax law. Excise taxes dedicated to a trust fund are assumed to continue if their expiration occurs during the baseline period. However, other expiring provisions of tax law, whether increasing or decreasing revenues, are not extended in the baseline.

The Budget Resolution baseline incorporates several technical changes, including a redesignation of VA medical care cost recovery receipts from mandatory to discretionary to facilitate the Administration's proposal to make the receipts available as additional resources to the agency. The effects of enacted legislation, specifically the airline ticket tax extension, have also been included. No assumptions have been made regarding the pending 1997 supplemental appropriations bill.

The following table shows the Budget Resolution baseline by major budget category.

A. SPENDING BY FUNCTION

Function 050: NATIONAL DEFENSE

MAJOR PROGRAMS IN FUNCTION

The National Defense function includes the Department of Defense (DOD) in subfunction 051, Atomic Energy Defense Activities (AEDA) in the Department of Energy (DOE) in subfunction 053, and other defense related activities in the Federal Emergency Management Agency, the Select Service, and other federal agencies in subfunction 054. More than 94.6 percent of the 1998 budget authority in the President's Budget are for the Department of Defense (051); 5.1 percent of the funds are for subfunction 053, and the remaining 0.3 percent is for subfunction 054.

DISCRETIONARY SPENDING

Discretionary spending in this function is a priority in the Bipartisan Budget Agreement.

The table below presents the discretionary spending figures for the reported resolution.

		1997	1998	1999	2000	2001	2002	Total 98–02
Reported budget	BA	265.8	269.0	271.5	275.4	281.8	289.6	1387.3
Resolution	OT	267.5	266.8	266.5	269.0	270.7	273.1	1346.1

The reported resolution is a middle ground between the Budget Resolution Baseline and a five year freeze at the final 1997 appropriated levels. It is an increase over the FY 1997 Congressional Budget Resolution projections for 1998 to 2002, and for the same years it exceeds the President's Budget in budget authority and is virtually the same in outlays.

The 1998–2002 totals of the Reported resolution are: (1) $63.0 billion in budget authority and $76.8 billion in outlays below the Budget Resolution Baseline; (2) $58.1 billion in budget authority and $24.1 billion in outlays above the Freeze Baseline; (3) $16.7 billion in budget authority and $5.2 billion in outlays above the FY 1997 Congressional Budget Resolution, and (4) $4.4 billion in budget authority above the President's Budget; in outlays it is $200 million lower.

The reported resolution assumes non-statutory "firewalls" for two years, 1998 and 1999. The Balanced Budget Agreement includes statutory firewalls to be enacted later.

When comparing the reported resolution to the President's Budget, one will notice the following differences. For 1998, the reported resolution is $2.6 billion higher in budget authority and $1.0 billion higher in outlays. Over the years 1998–2002, in budget authority, the reported resolution is higher or equal to the President's Budget for all years; overall it is an increase of $4.4 billion. Over the years 1998–2002, in outlays, the reported resolution's defense outlays exceed or are equal to the President's Budget in the years 1998 through 2001; in 2002, the President's Budget is higher. Overall, in outlays the reported resolution and the President's Budget are virtually the same; the reported resolution is $200 million lower, a difference of one hundredth of one percent.

MANDATORY SPENDING

For mandatory spending in the 050 function, $200 million in additional stockpile sales were requested by the President in 2002, but they were not scored by CBO because no implementing legislation had been requested.

Function 150: INTERNATIONAL AFFAIRS

MAJOR PROGRAMS IN FUNCTION

Function 150 includes the operation of foreign affairs establishments including embassies and other diplomatic missions abroad; foreign aid loan and technical assistance activities in less developed countries; security assistance to foreign governments; foreign military sales made through the Foreign Military Sales Trust Fund; U.S. contributions to international financial institutions; U.S. contributions to international organizations; trade promotion activities; and refugee assistance.

DISCRETIONARY SPENDING

Discretionary spending in this function is a priority in the Bipartisan Budget Agreement. International Affairs discretionary spending in 1998 for this function would rise to $19.0 billion in BA and $19.2 billion in outlays, an increase of $0.4 billion in BA and $0.04 billion in outlays above the Budget Resolution Baseline for FY 1998. Over the five year period, spending would drop to a level of $18.2 billion in BA and $18.4 billion in outlays by 2002.

In the 1998 budget request, the President proposed funding $3.521 billion for the New Arrangements to Borrow (NAB), the emergency reserves of the IMF. Funding for the NAB is accommodated at the requested level by a provision in the Budget Process and Enforcement category providing an allowance for an upward adjustment to the budget authority discretionary spending limits should Congress act to support the proposal. A similar adjustment was provided for the IMF in the 1990 Budget Enforcement Act.

In the 1998 budget request, the President proposed funding to pay off the US arrears to the United Nations and other international organizations and the multilateral development banks over three years. Funding for the arrearages is accommodated at the requested level by a provision in the Budget Process and Enforcement category providing an allowance for an upward adjustment to the discretionary spending limits should Congress act to appropriate these funds. The Committee intends for this adjustment to provide the committees of jurisdiction the necessary flexibility to reach a bipartisan agreement on benchmarks for reform and on the total amount of U.S. arrears owed to the U.N. The chairmen and ranking members of the committees of jurisdiction, the leadership and the administration are currently engaged in efforts to meet the Administration's goal of payment of U.S. arrears, linked to the achievement of mutually agreed reforms at the U.N. that are significant and demonstrable.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriations Committees. Examples of possible reductions include the following:

The reported resolution assumes the Administration's proposal to cut the 1998 level of funding for the Export Import Bank of the United States to a level of $630 million in BA in 1998, an $85 million decrease from 1997.

The reported resolution assumes the Administration request of $492 million in BA for the Assistance for Eastern Europe and the Baltic States. By 2002 the request falls to $50 million in BA, $425 million below the 1997 level.

MANDATORY SPENDING

Mandatory programs, in 1997, totaled $−2.8 billion in BA and $−4.6 billion in outlays. In 1998, mandatory accounts total $−3.1 billion in BA and $−4.6 billion in outlays and by 2002 total $−1.9 billion in BA and $−3.6 billion in outlays.

Function 250: GENERAL SCIENCE, SPACE & TRANSPORTATION

MAJOR PROGRAMS IN FUNCTION

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

Seventy-five percent of the function is comprised of spending for NASA. Nearly 100 percent of the function is discretionary, under the jurisdiction of the Appropriations subcommittees on VA, HUD and Independent Agencies and Energy and Water.

DISCRETIONARY SPENDING

Discretionary spending in 1998 for Function 250 would decrease by $0.9 billion in BA and $0.5 billion in outlays from the Budget Resolution baseline, resulting in total 1998 funding of $16.2 billion in BA and $16.8 billion in outlays. Over the five year period, budget authority would be decreased by $10.6 billion in BA and $9.0 billion in outlays by 2002 from the Budget Resolution baseline.

The reported resolution assumes continued support for basic research between 1998 and 2002. National Science Foundation (NSF) spending on research and related activities would grow from their current level of $2.4 billion to $2.5 billion in 2002.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriations Committee.

Examples of possible reductions include the following: (1) The reported resolution assumes the President's budget proposal to reduce DOE General Science programs from their 1997 level of $1.0 billion to $0.9 billion in 1998 through 2002. (2) The reported resolution assumes the President's reductions in these programs. Savings are achieved from the Budget Resolution baseline by allowing these programs to increase by an average of only two percent each year, from their current level of $4.8 billion to $5.2 billion in 2002. Proposal would result in savings of $0.8 billion over the five-year period. (3) The reported resolution assumes the President's budget reductions to NASA Human Space Flight accounts. These activities would be reduced from their current level of $5.5 billion to $4.7 billion, with much of this reduction coming from planned reductions to the Space Station, which is scheduled to be funded at $2.1 billion in 1998 and fall to $1.5 billion in 2002. Proposal would result in savings of $4.2 billion over the five-year period. (4) The reported resolution assumes the President's budget reductions to NASA Mission Support activities, which would be frozen at $2.5 billion per year, saving $1.7 billion over the five-year period. (5) The reported resolution assumes the President's budget reductions to NSF spending on education and human resources, which would be frozen at their current level of $0.6 billion. (6) The President has proposed to reduce these NSF activities by $0.1 billion between 1998 and 2002 from the Budget Resolution baseline.

MANDATORY SPENDING

There are no mandatory assumptions in Function 250.

Function 270: ENERGY

MAJOR PROGRAMS IN FUNCTION

Function 270 funds the civilian activities of the Department of Energy (DOE), the Rural Electrification Administration (REA), the Nuclear Regulatory Commission (NRC), and the net spending of the Tennessee Valley Authority (TVA) power program.

DISCRETIONARY SPENDING

The reported resolution assumes spending of $22.9 billion in budget authority and $24.0 billion in outlays for the function over the next five years. By 2002 spending would decrease by $0.5 billion in BA and $0.6 billion in outlays as compared to Budget Resolution baseline levels.

The aggregate numbers in this function will support the overall level of spending assumed in the Bipartisan Budget Agreement. In order to meet these levels, specific program reductions and freezes would be required beyond the President's request.

The reported resolution places a priority on the Department of Energy programs that support science and basic research, such as DOE's efforts to map the human genome and the activities at the Department of Energy National Laboratories.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriation Committees.

Examples of possible reductions include the following: (1) Naval Petroleum Reserves reductions. The President's Budget request proposes to reduce the Naval Petroleum Reserves program. The outyear discretionary savings result from the sale of Elk Hills Naval Petroleum Reserve scheduled for February 1998 and the subsequent reduced appropriation requirement. (2) Fossil Energy R&D reductions. The President's request would reduce fossil (coal, natural gas, and petroleum) technology development programs. (3) Other. The President's Budget request proposes reductions in the Uranium Enrichment decontamination and decommissioning fund and the Power Marketing Administrations. The President's request reduces the Rural Electrification Administration (REA) and the Energy Information Administration (EIA).

MANDATORY SPENDING

The reported resolution adopts a proposal from the 1997 Budget Resolution and the President's budget request that authorizes DOE to lease excess SPRO storage capacity.

Function 300: ENVIRONMENT AND NATURAL RESOURCES

MAJOR PROGRAMS IN FUNCTION

This function includes funding for water resources, conservation and land management, recreation resources, and pollution control and abatement. Agencies with major program in this function include: the Army Corp of Engineers (CORP), Bureau of Reclamation (BOR), Forest Service (USFS), Bureau of Land Management (BLM), Fish and Wildlife Service (USFWS), the National Park Service (NPS), Environmental Protection Agency (EPA), National Oceanic and Atmospheric Administration (NOAA), and the U.S. Geological Survey (USGS).

DISCRETIONARY SPENDING

Discretionary spending in this function is a priority in the Bipartisan Budget Agreement. Discretionary spending in 1998 for this function increases by $0.6 billion in BA and increases by 0.3 billion in outlays above the Budget Resolution Baseline, to $22.8 billion in BA and $22.4 billion in outlays. Over the five year period, discretionary spending decreases to $21.2 billion in BA and $21.5 billion in outlays in 2002. The reported resolution assumes total discretionary spending of $109.0 billion in BA and $108.3 billion in outlays over the five year period.

The Bipartisan Budget Agreement assumes, as a priority item, the President's request of $1.2 billion in both BA and outlays for National Park Service operations, an increase of $66 million in BA and $57 million in outlays above 1997. This is an increase of $25 million in BA and $19 million in outlays above the 1998 Budget Resolution Baseline.

The Bipartisan Budget Agreement assumes, as a priority item, the President's funding request within the National Park Service and the Corps of Engineers for the restoration of the Florida Everglades.

The Bipartisan Budget Agreement assumes, as a priority item, the President's request of $3.5 billion in BA and $3.3 billion in outlays for EPA's operating programs, an increase of $0.3 billion in both BA and outlays above 1997.

The Bipartisan Budget Agreement assumes, as a priority item, the President's request of $41 million in 1998 for National Park Service land acquisition, an increase of $17 million above 1997. The Bipartisan Budget Agreement assumes $162 million over the five year period.

The Bipartisan Budget Agreement assumes an additional $700 million in BA and outlays is available in 1998 through 2001 from the LWCF for high priority Federal land acquisitions and exchanges. The funding will be allocated as an allowance exclusively for this purpose.

In 1997, $1.3 billion was provided for the hazardous waste superfund operated through the Environmental Protection Agency. The Superfund authorization and the taxes to finance the superfund trust fund expired in 1994 and 1995, respectively. Increased funding can be accommodated at the President's request of $2.1 billion in 1998 and $8.4 billion over five years if policies can be worked out.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriation Committees.

Examples of possible reductions are: (1) Forest Service (FS) and Bureau of Land Management (BLM) Wildfire Management: In 1997, approximately $0.6 billion was spent on emergency firefighting for both the FS and BLM. The President's budget does not include the emergency funding but it does provide $0.8 billion in both BA and outlays in base funding. (2) FS construction and reconstruction: The President's budget proposes $0.1 billion in BA and $0.2 billion in outlays, a decrease of $34 million in BA and $24 million in outlays below the 1997 level. (3) Corps of Engineers: The President's budget proposes $3.5 billion for the major programs of the CORPs, an increase of $0.2 billion in BA above 1997 and a decrease of $0.1 billion in outlays below 1997. The reported resolution does not assume the President's proposal for Capital Asset Acquisitions.

MANDATORY SPENDING

The reported resolution assumes $1.0 billion over the five year period and $2.0 billion over ten years for new mandatory spending for orphan shares at Superfund hazardous waste cleanup sites. Orphan shares are portions of financial liability at Superfund sites allocated to non-Federal parties with limited or no ability to pay. The funds will be reserved for this purpose based on the assumption of a policy agreement on orphan share spending.

Function 350: AGRICULTURE

MAJOR PROGRAMS IN FUNCTION

This function includes programs that intend to promote economic stability in the agriculture sector. Programs in this function include direct assistance and loans to food and fiber producers, and market-information and agriculture research. Producers are assisted with production flexibility contract payment, crop insurance, non-recourse crop loans, operating loans and export promotion.

DISCRETIONARY SPENDING

Discretionary spending in 1998 for this function would decrease by $0.2 billion in BA and $0.1 billion in outlays below the Budget Resolution Baseline, to $4.1 billion in both BA and outlays. Over the five year period, discretionary spending would decrease to $3.8 billion in both BA and outlays in 2002. The Resolution assumes total discretionary spending of $19.6 billion in BA and $19.8 billion in outlays over the five year period. The aggregate numbers in this function will support the overall level of spending assumed in the Bipartisan Budget Agreement. In order to meet those levels, specific program reductions and freezes may be required beyond the President's request.

The reported resolution assumes the President's proposal of $0.2 billion in discretionary funds to reimburse agent's sales commissions and company administrative expenses for private delivery. Private sales agents and insurance companies administer federal crop insurance on the federal government's behalf. In exchange for private delivery, the Department of Agriculture reimburses the private companies. Under current law, reimbursements are paid from the mandatory Federal Crop Insurance Fund and in 1998 and, thereafter, sales commissions are discretionary.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriation Committees.

Examples of possible reductions include the following: (1) Farm Service Agency (FSA) salaries and expenses: The President's budget proposes $0.7 billion in both BA and outlays in 1998 for salaries and expenses, a decrease of $32 million in BA and $30 million in outlays below the Budget Resolution Baseline. Over the five year period the President proposes to reduce FSA salaries and expenses by 1.1 billion in both BA and outlays. (2) Agriculture Credit Insurance Fund (ACIF): The President's budget proposes $0.3 billion in both BA and outlays for the ACIF in 1998, a decease of $46 million in BA and $40 million in outlays below the Budget Resolution Baseline. (3) Agriculture Research Service (ARS) Buildings and Facilities and Cooperative State Research, Education, and Extension Service Buildings and Facilities (CSREES): The President's budget proposes to terminate CSREES building and facilities and reduce ARS buildings and facilities. The proposal saves $76 million in BA and $4 million in outlays in 1998 below the Budget Resolution Baseline. Over five years, this proposal saves $0.5 million in BA and $0.3 million in outlays. (4) Agriculture Research: The President's budget proposes $1.6 billion in both BA and outlays for agriculture research and extension, a reduction of $44 million in BA and $27 million in outlays below the Budget Resolution Baseline.

MANDATORY SPENDING

Over the five year period mandatory spending decreases from $7.7 billion in 1998 to $5.2 billion in 2002, a decrease of $2.5 billion. The majority of the decrease is associated with a reduction in flexibility contract payments and other policy changes enacted in the 1996 Farm Bill. The reported resolution assumes total mandatory spending of $32.6 billion over the five year period. It does not assume policy changes for mandatory programs in this function.

Function 370: COMMERCE AND HOUSING CREDIT

MAJOR PROGRAMS IN FUNCTION

Function 370 includes certain discretionary housing programs, such as subsidies for single and multifamily housing in rural areas and mortgage insurance provided by the Federal Housing Administration; net spending by the Postal Service; discretionary funding for commerce programs, such as international trade and exports, science and technology, the periodic census, and small business; and mandatory spending for deposit insurance activities related to banks, thrifts, and credit unions.

DISCRETIONARY SPENDING

Discretionary spending in 1998 for this function would increase by $0.3 billion in BA and outlays over the 1997 level, to $3.1 billion in BA and outlays. By 2002, spending would return approximately to 1997 levels of $2.9 billion in BA and $2.7 billion in outlays, after having peaked at $5 billion in BA and $4.6 billion in outlays in 2000 to cover the costs of conducting the decennial census.

The decennial census requires a level of resources that is an order of magnitude larger than the baseline amounts that are based on the 1997 appropriation of $0.2 million for the periodic census account. The reported resolution includes sufficient funding over the next five years to conduct the census, and reflects savings from implementing improvements in conducting the census.

The Bipartisan Budget Agreement provides, as a priority item, the President's request for the National Institute of Standards and Technology (NIST), which is an increase of $0.7 billion in budget authority and $0.3 billion in outlays over the Budget Resolution Baseline over the next five years.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriations Committees.

The following are examples of possible reductions. The President's Budget proposes to operate a group of programs over the next five years at a level of resources generally frozen at the 1997 level, including direct rural multifamily housing loans and associated administrative expenses (actually a 4.5 percent reduction in 1998 compared to 1997), SBA business loans and salaries and expenses, payment for postal subsidies, FHA multifamily housing loan insurance, and salaries and expenses for the International Trade Administration (ITA), salaries and expenses at NIST, the Census Bureau, and the Federal Communications Commission.

MANDATORY SPENDING

The apparent increase in BA and outlays from 1997 to 2002 in the reported resolution (an $11 billion BA change and a $22.4 billion outlay change) stems not from new policies but from baseline increases in the mandatory programs in this function. The primary component of the baseline increase is the Universal Service Fund, into which telecommunications carriers are required to pay amounts to cover the cost of guaranteeing certain levels of service in rural and high cost areas. These amounts appear as federal revenues on the tax side of the budget, with corresponding spending appearing in this budget function. While the fund has no net impact on the budget, the BA and outlays for the fund grow from $1 billion in 1997 to $12.2 billion in 2002, swamping any changes in other mandatory activities in this function.

The Treasury pays the Postal Service about $30 million annually for obligations incurred by the federal government before the Postal Service was reorganized and placed off-budget in 1971. The Bipartisan Budget Agreement provides for an end to these payments, with the costs shifting to postal rate payers, saving the Treasury $0.1 billion over the next five years.

Function 400: TRANSPORTATION

MAJOR PROGRAMS IN FUNCTION

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

DISCRETIONARY SPENDING

Discretionary spending in this function is a priority in the Bipartisan Budget Agreement. Discretionary spending in 1998 for Function 400 would decrease by $1.1 billion in BA, while outlays would increase by $0.6 billion from the Budget Resolution baseline, resulting in total 1998 spending of $13.6 billion in BA and $38.3 billion in outlays. Over the five year period, total discretionary spending would decrease by $4.1 billion in BA and $2.3 billion in outlays by 2002 below the Budget Resolution baseline.

The Resolution Mark assumes spending of all estimated Highway Trust Fund tax receipts between 1998 and 2002. Yearly allocations of Highway Trust Fund spending would be equal to the current estimates of tax receipts to the Highway Trust Fund, with a one-year delay. Proposal would increase total highway spending from its current level of $20.8 billion to $23.1 billion in 2002.

The Resolution Mark assumes the Budget Resolution baseline for FAA Operations, Facilities and Equipment, and Research, Engineering, and Development programs. The Resolution Mark would provide for these programs to grow from their 1997 level of $7.1 billion to $8.3 billion in 2002. The Resolution Mark also assumes a freeze in the Airport Improvement Program (AIP), through 2002, at its current level of $1.46 billion. The President's budget had provided for AIP to be reduced to $1.0 billion in 1998 and frozen at this figure through 2002.

The Resolution Mark assumes the Budget Resolution baseline for the Federal Transit Administration (FTA). This assumption would allow for total mass transit outlays to rise from their current level of $4.3 billion to $4.5 billion in 2002.

The Resolution Mark assumes the Budget Resolution baseline for Amtrak. This proposal would allow Amtrak spending to rise from its current level of $0.8 billion to $0.9 billion in 2002.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriations Committee.

Examples of possible reductions include: (1) The Department of Transportation Office of the Secretary accounts. (2) Maritime. (3) NASA Function 400 aeronautical facilities. In addition, Coast Guard prop period spending could be reduced by $0.8 billion over the five year period below the Budget Resolution baseline. Most of this reduction is from the President's proposal to freeze Coast Guard operations at $2.4 billion from 1998 through 2002.

MANDATORY SPENDING

The Resolution Mark provides for an increase in contract authority for highways, highway safety, and mass transit above the levels provided in 1997. Total highway and highway safety contract authority would rise from its current level of $22.6 billion to $25.1 billion in 2002. For mass transit, the Resolution Mark would increase contract authority from its current level of $4.8 billion to $5.5 billion in 2002.

The Bipartisan Budget Agreement assumes an extension of vessel tonnage fees, set to expire September 30, 1998, raising $0.2 billion over 1999—2002.

Function 450: COMMUNITY AND REGIONAL DEVELOPMENT

MAJOR PROGRAMS IN FUNCTION

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

DISCRETIONARY SPENDING

Discretionary spending in 1998 for this function would decrease by $1.3 billion in BA and $1.0 billion in outlays below the Budget Resolution Baseline, to $8.3 billion in BA and $10.0 billion in outlays. Over the five year period, discretionary spending would decrease to $7.6 billion in BA and $8.4 billion in outlays in 2002. The reported resolution assumes total discretionary spending of $39.1 billion in BA and $51.6 billion in outlays over the five year period. The aggregate numbers in this function will support the overall level of spending assumed in the Budget Agreement. In order to meet those levels, specific program reductions and freezes may be required beyond the President's request.

The reported resolution is $8.4 billion in BA and $1.0 billion in outlays below the President's 1998 request. The majority of the difference is due to the President's request of $5.8 billion for the emergency contingency fund and the President's $2.4 billion request for FEMA disaster relief. The reported resolution does not assume the emergency contingency fund. The 1997 emergency supplemental in the Senate-passed bill and the House-reported bill includes the President's request of $2.4 billion for FEMA disaster relief, thus the reported resolution does not assume the President's FEMA disaster relief request of $2.4 billion in 1998. The reported resolution does assume base non-emergency funding for FEMA disaster relief as requested by the President.

The Bipartisan Budget Agreement assumes, as a priority item, the President's request of $125 million in BA and $63 million in outlays for the community development financial institution fund.

The Bipartisan Budget Agreement assumes, as a priority item, the President's request of $0.8 billion for Tribal Priority Allocations, an increase of $0.1 billion over 1997. This program provides funds directly to tribes for tribal government operations and basic services such as law enforcement, child protection, education and road maintenance. Funding is also included in functions 300 and 500.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriation Committees.

Examples of possible reductions include the following: (1) Community Development Block Grants (CDBG): The President's budget proposes $4.6 billion in BA and $4.7 billion in outlays, a decrease of $115 million in BA below the Budget Resolution Baseline and is essentially at a freeze in outlays. (2) Appalachian Regional Commission: The President's budget proposes $165 million in BA and $185 million in outlays, an increase of $5 million above 1997 in BA and a decrease of $9 million in outlays below 1997. In 1999 through 2002, the President's budget proposes $70 million per year.

MANDATORY SPENDING

The Resolution assumes no changes in mandatory programs in this function.

Function 500: EDUCATION, TRAINING, EMPLOYMENT & SOCIAL SERVICES

MAJOR PROGRAMS IN FUNCTION

This function includes those activities designed to promote the acquiring of knowledge and skills, to provide social services for needy individuals, and for research directly related to these program areas. In general, the activities funded by this function are administered through the Departments of Labor, Health and Human Services, and Education.

DISCRETIONARY SPENDING

Discretionary spending in this function is a priority in the Bipartisan Budget Agreement. Discretionary spending in 1998 for this function would increase by $4.3 billion in BA and $2.8 billion in outlays over the 1997 level, to $46.7 billion in BA and $43.2 billion in outlays in 1998. By 2002, discretionary spending would grow by $6.8 billion in BA and $8.2 billion in outlays over the 1997 level, for a total of $49.2 billion in BA and $48.6 billion in outlays in 2002. Compared to the Budget Resolution Baseline, spending in this function would increase by $9.7 billion in BA and $5.8 billion in outlays over the next five years.

In order to work toward the statutory federal goal of providing 40 percent of the national average per pupil expenditure per disabled child, the reported resolution assumes a $5 billion increase over the next five years for Special Education.

Pell Grants are a critical form of student financial assistance in that they target students from low income families. The Bipartisan Budget Agreement supports, as a priority item, the President's request for an additional $8.6 billion for this program over the next five years, including bringing the maximum grant from $2,700 to $3,000.

For Head Start, a program which provides pre-school programming for disadvantaged children, the Bipartisan Budget Agreement provides, as a priority item, the President's request, which calls for an additional $2.7 billion over the next five years.

The Bipartisan Budget Agreement provides, as a priority item, funding for literacy programs consistent with the goals and concepts of the President's America Reads program.

The Bipartisan Budget Agreement provides, as a priority item, the President's request for the Technology Literary Challenge Fund, which will provide $946 million over the next four years for teacher training; updated computer equipment in classrooms; Internet connections; and other online learning resources. The program is scheduled to sunset in 2001.

The Bipartisan Budget Agreement provides, as a priority item, a $446 million increase over the next five years for Bilingual and Immigrant Education programs to help limited English-proficient students and local education agencies with large numbers of immigrant students.

The Bipartisan Budget Agreement, according to the President's Budget, provides, as a priority item, for growth at the rate of inflation for Job Corps, which provides basic education, training, work experience, and other support through primarily residential settings.

In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriation Committees.

Examples of possible reductions include the following: (1) Terminate Public Broadcasting Facilities. Funding for this program, which provides grants to noncommercial entities for the planning and construction of broadcasting facilities throughout the United States, would be terminated in the President's Budget. (2) School Improvement Programs. The President's Budget proposes to terminate the Innovative Program Strategies Grant Program. (3) Children and Families Services Programs. The President's Budget assumes reductions totaling nearly $1.4 billion over the next five years in the following programs: Community Services Block Grant, Social Services Research and Demonstration, termination of Community Services Discretionary Activities, termination of National Youth Sports, and termination of the Community Food and Nutrition program. (4) Unemployment Trust Fund and Service Operations. Appropriations for this account could be reduced by replacing federal funds through the enactment of a new alien labor certification fee that was proposed in the President's Budget.

MANDATORY SPENDING

A significant source of mandatory funding within Function 500 includes the student loan programs. The subsidy for student loans is expected to grow from $3.9 billion in 1998 to $4.1 billion in 2002. This federal subsidy will support $28.8 billion in student loan volume in 1998, growing to $35.8 billion in 2002.

Proposed savings in student loan programs provided in the Bipartisan Budget Agreement would not increase costs, reduce benefits, or limit access to loans for students and their families. The specific policies assumed in the Bipartisan Budget Agreement are intended to achieve an equitable balance in savings between the direct student loan program and the guaranteed student loan program.

The Bipartisan Budget Agreement provides for total savings in student loan programs of $1.8 billion over five years. Annual budget authority levels for the Section 458 of the Federal Direct Student Loan Program, Funds for Administrative Expenses account, would be reduced for a five year savings of $603 million. It would eliminate the $10 per loan federal payment to schools and alternate originators who make direct loans for a savings of $160 million over five years. The return to the federal government of $1 billion in excess guarantee agency reserves which are not necessary for guarantee agencies to carry out their essential functions would save $1 billion over five years. The Bipartisan Budget Agreement would eliminate the mandatory vocational education appropriation under the Smith-Hughes Act of 1918, as is proposed in the President's Budget, for a savings of $29 million over five years.

Function 550: HEALTH

MAJOR PROGRAMS IN FUNCTION

This function covers all health spending except that for Medicare, military health, and veterans' health. The major programs include Medicaid, health benefits for federal retirees, the National Institutes of Health, the Food and Drug Administration, the Health Resources and Services Administration, the Indian Health Service, the Centers for Disease Control, and the Substance Abuse and Mental Health Services Administration.

DISCRETIONARY SPENDING

The reported resolution provides discretionary spending for this function in 1998 of $24.9 billion in BA and $24.6 billion in outlays. Compared to 1997, BA is $0.1 billion lower, and outlays are $0.8 billion higher. Over five years, discretionary spending in this function is $13.2 billion in BA and $10.0 billion in outlays below the Budget Resolution Baseline. Discretionary spending is $2.2 billion in BA and $1.4 billion in outlays below a five year freeze baseline. The reported resolution assumes the National Institutes of Health will be given priority in terms of funding levels throughout the five year period. In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required in programs in this function. These savings will be determined by the Appropriations Committees. Following are examples of possible reductions. The President's proposals to reduce funding for Health Professions and General Departmental Management; and reductions in funding for the Agency for Health Care Policy and Research.

MANDATORY SPENDING

The reported resolution includes net Medicaid savings of $13.6 billion over five years. Net Medicaid savings in the reported resolution include a higher match for D.C., an inflation adjustment for programs in Puerto Rico and other territories, Part B premium interactions, and $1.5 billion to ease the impact of increasing Medicare premiums on low-income beneficiaries. The $13.6 billion in Medicaid savings do not reflect the health care investments for children's coverage, protections for legal immigrants under welfare reform, or the extension of veterans' Medicaid income protections. The reported resolution includes savings derived from reduced disproportionate share payments and flexibility provisions. The reported resolution includes provisions to allow States more flexibility in managing the Medicaid program, including repeal of the Boren amendment, converting current managed care and home/community-based care waivers to State Plan Amendment, and elimination of unnecessary administrative requirements.

The reported resolution spends $16 billion over five years (to provide up to 5 million additional children with health insurance coverage by 2002). This is a priority item in the Bipartisan Budget Agreement. The funding could be used for one or both of the following, and for other possibilities if mutually agreeable: (1) Medicaid, including outreach activities to identify and enroll eligible children and providing 12-month continuous eligibility; and also to restore Medicaid for current disabled children losing SSI because of the new, more strict definition of childhood eligibility; and (2) A program of capped mandatory grants to States to finance health insurance coverage for uninsured children. The resources will be used in the most cost-effective manner possible to expand coverage and services for low-income and uninsured children with a goal of up to 5 million currently uninsured children being served.

Function 570: MEDICARE

MAJOR PROGRAMS IN FUNCTION

This function includes only the Medicare program. Medicare pays for medical services for 38.1 million senior citizens, disabled workers, and persons with end-stage renal disease. Medicare is administered by the Health Care Financing Administration, part of the Department of Health and Human Services.

DISCRETIONARY SPENDING

The reported resolution assumes $2.7 billion in BA and outlays for discretionary spending in this function in 1998, which is $0.1 billion higher in BA compared to 1997 and essentially a freeze in outlays. Over five years, discretionary spending in this function is $1.5 billion in BA, $1.4 billion in outlays below the Budget Resolution Baseline and $0.4 billion in BA and outlays above a five year discretionary freeze.

MANDATORY SPENDING

Under current law, net Medicare mandatory spending is estimated to grow from $188.6 billion in 1997 to $288.1 billion in 2002, for an average annual growth rate of 8.8 percent. On a per capita basis, spending is expected to increase from $4,949 in 1997 to $7,114 in 2002, for a 7.5 percent average annual growth rate.

The Bipartisan Budget Agreement includes a reduction of projected Medicare spending by $115 billion over five years, and by an estimated $434 billion over ten years. The Part A Trust Fund will remain solvent for at least 10 years through a combination of savings and structural reforms (including the home health reallocation). Under the agreement, net Medicare spending will reach

$248.1 billion in 2002, for an average annual growth rate of 5.6 percent. On a per capita basis, spending will reach $6,127 in 2002, for an average annual growth rate of 4.4 percent.

Structural reforms, in the Bipartisan Budget Agreement will include provisions to give beneficiaries more choices among competing private insurance options, such as provider sponsored organizations and preferred provider organizations. The Medicare program reforms will provide beneficiaries with comparative information about their options, such as now provided Federal employees and annuitants in the FEHB program. These proposals are similar to reforms sponsored by Senator Gregg, Senator Wyden, and others.

The Bipartisan Budget Agreement maintains the Part B premium permanently at 25 percent of program costs and phase in over seven years the inclusion in the calculation of the Part B premium the portion of home health expenditures reallocated to Part B. It reforms managed care payment methodology to address geographic disparities. It also reforms payment methodology by establishing prospective payment systems for areas such as home health providers, skilled nursing facilities, and outpatient departments.

Funding for new health benefits, in the Bipartisan Budget Agreement includes: (1) expanded mammography coverage; (2) coverage for colorectal screenings; (3) coverage for diabetes self-management; and (4) higher payments to providers for preventive vaccinations to the extent it will lead to greater use by beneficiaries. Invest $4 billion over five years (and $20 billion over ten years) to limit beneficiary copayments for outpatient services, unless there is a more cost-effective way to provide such services to beneficiaries as mutually agreed.

Function 600: INCOME SECURITY

MAJOR PROGRAMS IN FUNCTION

Function 600, Income Security, funds a broad range of programs including federal retirement programs, the major cash and in-kind welfare programs, housing programs and nutrition programs. These programs are administered by several agencies and departments including the Department of Health and Human Services, the Office of Personnel Management, the Social Security Administration, the Department of Housing and Urban Development and the Department of Agriculture.

DISCRETIONARY SPENDING

Discretionary spending in 1998 for this function would increase by $6.3 billion in BA and $0.4 billion in outlays over the 1997 level, to $32.9 billion in BA and $41.3 billion in outlays. Comparing 1997 levels to those in 2002 under the reported resolution, spending would increase by $13.0 billion in BA (because of the requirements of additional BA to renew expiring section 8 housing contracts in place under current law), but would decrease by $0.1 billion in outlays by 2002 (baseline outlays increase by $5.2 billion from 1997 to 2002, but the reported resolution would save $5.3 billion in 2002).

The reported resolution includes sufficient funding to renew all section 8 contracts that expire over the next five years, while reflecting savings from policies proposed in the President's budget, which will guarantee that all those currently receiving assistance (or waiting for an existing unit to become available) will continue to receive such assistance.

The reported resolution assumes that basic administrative funds for unemployment insurance programs are frozen, but that additional funds will be available for payment integrity and anti-fraud actions. The additional payment integrity activities would generate $763 million in entitlement unemployment insurance savings. This policy is part of the President's 1998 Budget and saves an additional $1.6 billion in discretionary costs.

The aggregate numbers in this function will support the overall level of spending assumed in the Bipartisan Budget Agreement. In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriation Committees.

Examples of possible reductions include the following: (1) Public housing funds and other housing programs. The President's Budget would freeze at the 1997 appropriation level the funding for public housing. The public housing reauthorization changes expected to be passed by the Congress would facilitate the operation of public housing programs in a freeze environment. (2) Housing preservation. The President's Budget would end funding for housing preservation. (3) Other housing programs. The President's Budget would reduce funding below baseline levels for the HOME program, housing for special populations, revitalization of distressed public housing, HUD salaries and expenses, homeless assistance grants, drug elimination grants, very low income repair grants, mutual self-help grants, and rural housing preservation grants. (4) Food Program Administration. The costs of federal administration of food programs—food stamps, child nutrition—would be frozen at the 1997 level. These costs can be frozen since most food assistance program caseloads have declined over the past three years, and actual spending on entitlement nutrition program in 1997 will be lower than 1996 spending. This proposal is part of the President's Budget and would save $62 million over five years. (5) Railroad Retirement. The President's proposals for Railroad Retirement Board administrative expenses and for windfall benefit funding would yield savings relative to the Budget Resolution Baseline of $0.4 billion in BA and outlays over the next five years. The windfall benefit funding in the President's budget is not a cut in benefits but an adjustment to the baseline reflecting the natural decline in the number of eligible beneficiaries for this closed-group benefit.

MANDATORY SPENDING

Of total spending in this function for 1997, $197.0 billion (or 83 percent) is spent on mandatory programs. Six programs account for $165.9 billion in outlays in this function—$90.9 billion funds the major cash and in-kind means tested programs of Food Stamps, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF) and outlays for the Earned Income Tax Credit (EITC). The balance of mandatory outlays, $75.0 billion is spent on federal retirement programs and $24.5 billion is spent on unemployment insurance.

The Bipartisan Budget Agreement restores SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996. Those disabled legal immigrants who entered after August 22, 1996, and are on the SSI rolls before June 1, 1997 shall not be removed. This policy is a priority item and will cost $9.4 billion which includes $1.6 billion in Medicaid costs found in function 550.

The welfare reform bill exempted refugees and asylees from the ban on government assistance for five years. The agreement extends the refugee and asylee exemption from five years to seven years. This policy is a priority item and costs $200 million over five years.

The Bipartisan Budget Agreement $750 million in new capped mandatory funding to create additional work slots for individuals subject to the time limits. In addition, existing food stamps employment and training funds will be redirected to fund work slots. The agreement also allows states to exempt up to 15 percent of the individuals who would lose benefits because of the time limits (beyond current waiver policy) at a cost of $500 million over five years. These policies are priority items in the Bipartisan Budget Agreement.

The Bipartisan Budget Agreement adds $3 billion over the next four years to the Temporary Assistance for Needy Families (TANF) block grant. These additional funds will be distributed through a formula and targeted to areas with poverty and unemployment at least 20 percent higher than the state average. A share of the funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions. This policy is a priority item in the Bipartisan Budget Agreement.

The Bipartisan Budget Agreement increases the ceilings of the Federal FUTA-funded accounts in the Unemployment Trust Fund to increase solvency. This policy saves $624 million over five years.

The Bipartisan Budget Agreement includes savings from several EITC compliance initiatives concurrent with an IRS study finding a 23 percent error rate. Other mutually acceptable EITC reforms targeted to reducing noncompliance and fraud may also be considered. The savings from the President's initiatives are approximately $124 million over five years.

The reported resolution assumes continuation of proposals in the President's Budget to limit certain automatic increases in payments made to Section 8 landlords from 1999–2002.

The Bipartisan Budget Agreement assumes the President's proposal of a 1.51 percent increase in federal agency contributions for all employees in the Civil Service Retirement System (CSRS), excluding the Postal Service, for a savings of $2.9 billion (shown in Function 950, Undistributed Offsetting Receipts).

The Bipartisan Budget Agreement assumes the President's proposal for a 0.5 percentage point increase in the federal employee's current retirement contribution rate. Rates for employees in the Civil Service Retirement System (CSRS) will increase from 7 percent to 7.5 percent, and rates for employees in the Federal Employees Retirement System (FERS) will increase from 0.8 percent to 1.3 percent, both on a phased-in basis beginning in 1999, according to the following schedule: 0.25 percent in 1999, 0.15 percent in 2000, and 0.10 percent in 2001. Total savings would amount to $1.8 billion (shown in Revenues).

Function 650: SOCIAL SECURITY

MAJOR PROGRAMS IN FUNCTION

This function includes only Social Security old age, survivors, and disability insurance (OASDI). Benefits are paid from the Social Security trust funds and financed primarily with payroll taxes. For purposes of the Budget Enforcement Act, the Social Security trust funds are off-budget. However, the administrative expenses of the Social Security Administration (SSA) are on-budget and remain within the caps on discretionary spending.

DISCRETIONARY SPENDING

The reported resolution provides discretionary spending in 1998 for this function at $3.3 billion in BA and $3.4 billion in outlays, which is $0.2 billion below the 1997 level for BA and $0.1 billion lower for outlays. Over the five year period, discretionary spending is $3.2 billion in BA and $2.8 billion in outlays below the Budget Resolution Baseline and $1.4 billion in BA and $1.0 billion in outlays below a freeze baseline.

MANDATORY SPENDING

The reported resolution assumes no changes from current law for mandatory spending in this function.

Function 700: VETERAN AFFAIRS

MAJOR PROGRAMS IN FUNCTION

Function 700 funds the Department of Veterans Affairs which oversees programs for veterans of the armed forces. Compensation, pension and life insurance programs address the income security needs of disabled and indigent veterans as well as their survivors. Major education, training and rehabilitation and readjustment programs include the Montgomery GI bill, Veterans Educational Assistance program and the Vocational Rehabilitation and Counseling program. Veterans are also eligible for guaranteed home and farm loans. Roughly half of all spending on veterans goes to the Veterans Health Administration which comprises over 700 hospitals, nursing homes, domiciliaries and outpatient clinics.

DISCRETIONARY SPENDING

In 1998, discretionary spending is assumed to decrease by $0.4 billion in BA but increase by $0.1 billion in outlays over the 1997 level to $18.5 billion in BA and $19.3 billion in outlays. Over the next five years, spending is assumed to decrease modestly to $18.0 billion in BA and outlays. The discretionary funding level will be augmented by converting the receipts of the Medical Care Cost Recovery fund into additional spending for the Veteran Hospital system. The shift of offsetting receipts from mandatory spending to discretionary spending has been incorporated into the Budget Committee's adjusted baseline. Over the next five years the number of veterans will continue to decline and after 1999, the over-65 veteran population will decrease.

The aggregate numbers in this function will support the overall level of spending assumed in the Budget Agreement. In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriation Committees.

Examples of possible reductions include the following: (1) Medical Administration and Miscellaneous Expenditures. The President's Budget proposes $40 million in savings from freezing the Medical Administration account from the Budget Resolution Baseline. (2) Construction of Medical Facilities. Adopting the President's proposal of funding no new major construction but providing for renovations and repair of existing facilities would save about $800 million over five years compared to the baseline. (3) General Operating Expenses. Freeze General Operating Expenses (GOE) at the 1997 level. This proposal was part of the President's Budget and saves $395 million over five years from the Budget Resolution Baseline.

MANDATORY SPENDING

Spending on mandatory veterans programs will rise by 23 percent over the next five years because of: cost-of-living increases, regulatory expansion of eligible populations, and a growing veteran population over the short term. Mandatory compensation benefits will peak in 2005 and gradually decline. Compensation and pension benefits will rise with inflation, but the overall veteran population will begin declining shortly after 2000. Starting in 1999 the over-65 veteran population will begin to decline. Finally, there have been recent administrative actions that have expanded eligibility for compensation, especially the Vietnam-era population.

A provision in both the reported resolution and the Bipartisan Budget Agreement extends expiring provisions of OBRA 1993: Medical Care. 1) recovery of third party insurance costs, a $2 co-pay for prescription drugs and a per diem for hospital care, and 2) verification of income for medical care determination. The extensions of current law were part of the President's Budget and the 1997 budget resolution. Cumulatively the extensions add $1 billion to the Medical Care Cost Recovery fund which is transferred to discretionary spending. In addition the reported resolution assumes savings from the mandatory administrative costs of collecting the co-pays and per diems, saving $641 million over five years.

The reported resolution and the Bipartisan Budget Agreement extend expiring provisions of OBRA 1993: Housing Fees. Permanently extends 1) .75% home loan fee, 2) 3% fee on multiple use and 3) resale loss formula. In addition the Bipartisan Budget Agreement includes the President's proposal to charge non-veterans a fee when buying VA held properties to cover the costs of the program. In all the extended fees and new fees save $909 million over five years.

Both the reported resolution and the Bipartisan Budget Agreement extend expiring provisions of OBRA 1993: Pension Limitation for Veterans in Medicaid Nursing Homes. Extends an expiring provision of law that limits pension benefits to $90 per month for veterans residing in Medicaid paid nursing homes. Saves $677 million over five years net of increased Medicaid costs.

The Secretary of the Veterans' Administration lacks authority to withhold compensation payments for veterans' delinquent on housing loans. This proposal allows the Secretary to withhold a portion of VA payments for veterans delinquent on loan payments. This proposal is part of the President's Budget and the 1997 budget resolution and saves $90 million in 1998.

The Secretary has authority to bundle VA-backed mortgages into Real Estate Management Investment Contracts (REMICs). REMICs are securities sold to investors which carry the full faith and credit of the United States and command lower interest rates. This proposal extends current law indefinitely, and is part of the President's Budget and the 1997 Budget Resolution. This proposal saves $5 million per year and $25 million over five years.

Compensation and Pension beneficiaries receive annual Cost of Living Allowances which are tied to the Consumer Price Index (CPI). This proposal extends current law and rounds down the COLA increase per beneficiary to the nearest whole dollar. This proposal is part of the President's Budget and the 1997 Budget Resolution. Rounding down COLA's saves $391 million over five years.

Function 750: ADMINISTRATION OF JUSTICE

MAJOR PROGRAMS IN FUNCTION

Function 750 includes funding for federal law enforcement activities, including criminal investigations by the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA), border enforcement and the control of illegal immigration by the Customs Service and Immigration and Naturalization Service (INS), as well as funding for prison construction, drug treatment, crime prevention programs and the federal Judiciary.

DISCRETIONARY SPENDING

Discretionary spending in Function 750 Administration of Justice is a priority function in the Bipartisan Budget Agreement.

Discretionary spending in 1998 for this function would increase by $1.5 billion in BA and $1.8 in outlays over the 1997 level, to $24.4 billion in BA and $22.2 billion in outlays. Over the five year period, spending would increase to $24.7 billion in BA and $25.7 billion in outlays by 2002. The Administration of Justice function contains the Violent Crime Reduction Trust Fund programs which will expire after 2000 under current law. The reported resolution retains current law on separate violent crime reduction trust fund caps as assumed in the agreement.

In general the Bipartisan Budget Agreement assumes continued investments in federal and state law enforcement. Ongoing programs, including general fund programs, are generally assumed to increase with inflation. Several programs including the INS, FBI, DEA and Bureau of Justice Assistance will receive funds over baseline. The Bipartisan Budget Agreement assumes major investments in additional personnel to fight illegal immigration especially along the Southwest border, increased resources to prevent, combat, and adjudicate drug trafficking and violent crime, additional funding to modernize and maintain law enforcement equipment and facilities, additional resources to fight juvenile crime, and extra funding to combat acts of international and domestic terror.

The reported resolution assumes adequate funding for federal law enforcement agencies responsible for the control of illegal immigration and drugs, especially the Customs Service, the Immigration and Naturalization Service and the Drug Enforcement Administration. There is a particular emphasis for fully funding the Southwest border initiatives, proper staffing levels including support staff, and assuring access to the latest and best technologies for fighting drugs.

This program was created by the Violent Crime Reduction Act to automate paper-bound state legal systems. The reported resolution assumes the program is terminated once the automation goals are complete. This proposal saves roughly $100 million after from 2000 to 2002.

The state prison construction program was created with the Violent Crime Trust Fund. States currently receive $750 million per year. The reported resolution assumes sufficient spending to achieve the prison construction program goals. This proposal saves roughly $2.3 billion from 2000 to 2002 compared to the baseline.

The COPS program provides states with seed money to hire beat policemen. The goal of the program is to pay for an additional 100,000 cops on the beat over five years. The Bipartisan Budget Agreement provides sufficient funding to meet the goal of current law. The BBA also assumes that states will continue receiving assistance from the State and Local Law Enforcement Block Grant which focuses resources on areas of high crime.

Function 800: GENERAL GOVERNMENT

MAJOR PROGRAMS IN FUNCTION

Function 800 consists of the activities of the Legislative Branch, the Executive Office of the President, U.S. Treasury fiscal operations (including the Internal Revenue Service), personnel and property management, and general purpose fiscal assistance to states, localities, and U.S. territories. For 1997 discretionary spending for Function 800 will be approximately 84 percent of total spending for the function. About 60 percent of the discretionary spending is for the Internal Revenue Service. Slightly more than half of the mandatory spending is attributed to the Treasury claims fund. The remainder is primarily payments to states, localities, and Puerto Rico.

DISCRETIONARY SPENDING

Discretionary spending for this function will total $59.6 billion in budget authority and $59.8 billion in outlays from 1998-2002. For 1998, spending will increase by $0.8 billion in budget authority from the 1997 level to $12.6 billion; 1998 outlays will remain constant at $11.9 billion. Compared to the Budget Resolution Baseline, the Resolution Reported will save $5.7 billion in budget authority and $5.1 billion in outlays over five years. In order to meet the Bipartisan Budget Agreement's discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriation Committees. Following are examples of possible reductions.

The President has proposed aiding the District of Columbia through a plan which combines new mandatory spending, new tax breaks, and decreased discretionary spending. Mandatory spending for increased Medicaid benefits (see Function 550) would total $900 million over five years. Targeted tax breaks for the District would cost $260 million over five years (see Revenues). Finally, discretionary spending for a federal takeover of a portion of the District's justice, tax collection, and transportation responsibilities would total $2.8 billion over five years. In turn, annual payments to the District would be terminated, saving $3.9 billion over five years. Under this plan, Function 800 discretionary spending would decrease by $1.1 billion over five years compared to the Budget Resolution Baseline.

The Federal Buildings Fund is a quasi-revolving fund which charges agencies for rent and then uses the proceeds for rent, building operations, repairs, and new construction. In addition, a relatively small amount is appropriated each year to bolster this fund. The President has proposed eliminating the annual appropriation by 1999, which would save $2.0 billion over five years compared to the baseline.

The President has proposed holding the GSA, the National Archives and Records Administration, and central personnel management slightly below or at the 1997 level, which would save $362 million over five years compared to the baseline.

The President has proposed holding the Treasury's building repair and restoration appropriation, the Bureau of Public Debt, and the salaries and expenses of the Departmental Offices (which provide basic support to the Secretary of the Treasury) slightly below or at the 1997 level. This would save $269 million over five years compared to the baseline.

The majority of the remaining spending reductions in this function could come from the IRS, which will account for 60 percent of Function 800 discretionary spending in 1997. The IRS budget rose 32 percent in real terms from 1985 to 1997, and GAO has identified areas where efficiencies can be made.

MANDATORY SPENDING

Mandatory spending for this function will total $10.5 billion from 1998–2002, $0.5 billion below the baseline. Of this total, $7.5 billion is for legal payments to harmed savings and loans institutions. Last year, the Supreme Court ruled that a 1989 federal law broke an agreement between the federal government and a savings and loan institution. Mandatory spending in this function could be offset by $0.5 billion by selling unspecified government assets.

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

MAJOR PROGRAMS IN FUNCTION

Function 950 records offsetting receipts (receipts, not federal revenues or taxes, that the budget shows as offsets to spending programs) that are too large to record in other budget functions because they would skew the totals. Such receipts are either intrabudgetary (a payment from one federal agency to another, such as agency payments to the retirement trust funds) or proprietary (a payment from the public for some type of business transaction with the government). The main types of receipts recorded as "undistributed" in this function are—the payments federal agencies make to the retirement trust funds for their employees, payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf, and payments by those who bid for the right to buy or use the public property or resources, such as the electromagnetic spectrum.

MANDATORY SPENDING

The authority (provided for the first time by OBRA 93) of the Federal Communications Commission (FCC) to auction spectrum in certain instances (mutually-exclusive, subscription-based services) is about to expire (in 1998). Thus far, FCC auctions have yielded more than $20 billion in winning bids that would not have occurred using the previous methods of assigning licenses (lottery or comparative hearing). The Bipartisan Budget Agreement would extend the FCC auction authority and broaden it to include any license sought by a private business.

As assumed in the President's Budget and the 1996 and 1997 budget resolutions, the Bipartisan Budget Agreement would direct the FCC to reallocate 100 megahertz of spectrum reserved for private applications as well as 20 megahertz now used by the government to new applications and auction it.

The Bipartisan Budget Agreement proposes to auction a portion of channels 60–69. Because these channels will not be necessary under the current FCC plan for the transition from analog to digital television, the President's Budget proposes to auction a portion of the spectrum covered by these channels (with the balance allocated to public safety applications) for new commercial applications.

The President proposes to codify current FCC plans to reclaim surplus analog broadcast spectrum after broadcasters have migrated to new digital channels that the FCC has given broadcasters at no charge.

The President proposes to require the FCC to award certain toll-free vanity telephone numbers by auction.

As authorized by current law, a specific charge would be imposed on entities who receive free spectrum for the development of digital television but use it for certain other purposes.

The President's Budget proposes to increase the contribution of federal agencies to the Civil Service Retirement Trust Fund by 1.51 percentage points.

REVENUES

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

1998 Budget Resolution Revenues

1998–2002 (5-year total, $ billions)

Budget Resolution Baseline	$8,772.8
−Net Tax Cut	−85.0
+Other Provisions Affecting Revenues	+1.9
=Net Revenue Change from Baseline	−83.1
1998 Budget Resolution Revenues	$8,689.6

The Bipartisan Budget Agreement assumes the net tax cut shall be $85 billion over the next five years and not more than $250 billion over the next ten years, to provide tax relief to American families. Under the Agreement, revenues would continue to grow, from $1554.9 billion in 1997 to $1890.4 billion in 2002, an increase of $335.5 billion over the five year period.

As always, the Ways and Means Committee in the House and the Finance Committee in the Senate will determine the specific amounts and structure of the tax relief package. The tax-writing committees will be required to balance the interests and desires of many parties (while protecting the interests of taxpayers generally) in crafting the tax cut within the context of the goals adopted by the Bipartisan Budget Agreement. The Agreement establishes the following guidelines for the tax package:

—The level of tax cuts provide enough room for broad-based capital gains tax reductions, significant estate tax reform, a $500 per child tax credit, and expansion of IRAs;

—The committees of jurisdiction shall include tax relief of roughly $35 billion over five years for post-secondary education, including a deduction and a tax credit. The tax package should be consistent with the objectives put forward in the President's HOPE scholarship and tuition tax deduction proposals to assist middle-class parents;

—The House and Senate Leadership will seek to include other proposals from the President's 1998 budget (e.g., the welfare-to-work-tax credit, capital gains tax relief for home sales, enterprise zone and enterprise community proposals, brownfields legislation, foreign sales corporation (FSC) treatment of software, and tax incentives designed to spur economic growth in the District of Columbia), as well as various pending congressional tax proposals;

—The tax cuts shall not cause costs to explode in the outyears;

—Reforms to the Earned Income Tax Credit (EITC) or other programs designed to benefit primarily lower-income individuals, as well as revenues from extension of the Superfund tax shall not be used to offset the costs of the tax cuts; and,

—The tax estimating staffs at Treasury and the Joint Committee on Taxation shall continue to consult and share information necessary to understand fully the basis of their revenue estimates and to minimize revenue estimating differences.

OTHER PROVISIONS AFFECTING REVENUES IN THE BUDGET RESOLUTION

Revenue effects of the following two assumptions are not included in the $85 billion net tax cut number.

The Agreement assumes the President's April 1997 proposed reforms to the EITC to combat fraud and noncompliance, and the President's 1998 budget proposal to increase employee contributions to CSRS and FERS by 0.5 percent of base pay in three steps. Contributions would increase by 0.25 percent of base pay on January 1, 1999, another 0.15 percent on January 1, 2000 and a final 0.10 percent on January 1, 2001. These higher contribution rates would be effective through 2002; on January 1, 2003, contribution rates would return to current law levels.

1998 BUDGET RESOLUTION—FUNCTION TOTALS

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
050: National Defense:						
BA	264.9	268.2	270.8	274.8	281.3	289.1
OT	266.6	266.0	265.8	268.4	270.1	272.6
150: International Affairs:						
BA	15.3	15.9	14.9	15.8	16.1	16.4
OT	14.5	14.6	14.6	15.0	14.8	14.8
250: Science, Space and Technology:						
BA	16.7	16.2	16.2	15.9	15.8	15.6
OT	17.0	16.9	16.5	16.0	15.9	15.7
270: Energy:						
BA	2.6	3.1	3.5	3.2	2.9	2.8
OT	1.9	2.2	2.4	2.3	2.0	1.9
300: Natural Resources and Environment:						
BA	22.2	23.9	23.2	22.6	22.2	22.1
OT	22.4	22.4	22.7	23.0	22.7	22.3
350: Agriculture:						
BA	11.8	13.1	12.8	12.2	11.0	10.7
OT	9.9	11.9	11.3	10.7	9.5	9.1
370: Commerce and Housing Credit:						
On-budget:						
BA	4.6	6.6	11.1	15.2	16.1	16.7
OT	−11.0	−0.9	4.3	9.8	12.1	12.5
Off-budget:						
BA	1.4	2.7	−1.0	−1.3	−0.5	0.2
OT	1.4	2.7	−1.0	−1.3	−0.5	0.2
Total:						
BA	6.0	9.3	10.1	13.9	15.6	16.9
OT	−9.6	1.8	3.3	8.5	11.6	12.7
400: Transportation:						
BA	43.9	44.6	46.6	47.1	48.1	49.2
OT	39.5	40.9	41.3	41.4	41.3	41.2
450: Community and Regional Development:						
BA	10.2	8.8	8.5	7.8	7.8	7.8
OT	12.1	10.4	10.9	11.0	11.4	8.4
500: Education, Training, Employment and Social Services:						
BA	54.2	60.0	60.5	61.7	63.0	63.3
OT	50.5	56.1	59.3	60.7	61.9	62.3

1998 BUDGET RESOLUTION—FUNCTION TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
550: Health:						
BA	125.3	137.8	144.9	154.0	163.4	172.1
OT	127.4	137.8	144.9	153.9	163.1	171.7
570: Medicare:						
BA	190.8	201.6	212.1	225.5	239.6	251.5
OT	191.3	201.8	211.5	225.5	238.8	250.8
600: Income Security:						
BA	228.8	239.0	254.1	269.6	275.1	286.9
OT	237.8	247.8	258.1	268.2	277.3	285.2
650: Social Security:						
On-budget:						
BA	11.0	11.4	12.1	12.8	13.0	14.4
OT	11.0	11.5	12.2	12.9	13.0	14.4
Off-budget:						
BA	352.1	369.4	387.3	406.6	427.1	449.1
OT	355.4	372.6	390.6	409.9	430.9	452.4
Total:						
BA	363.1	380.8	399.4	419.4	440.1	463.5
OT	366.4	384.1	402.8	422.8	443.9	466.8
700: Veterans Benefits:						
BA	39.1	40.5	41.7	42.0	42.4	42.6
OT	39.4	41.3	41.9	42.2	42.5	42.7
750: Administration of Justice:						
BA	23.5	24.8	25.1	24.2	24.4	24.9
OT	20.7	22.6	24.5	25.2	25.9	24.9
800: General Government:						
BA	14.0	14.7	14.4	14.0	13.7	13.1
OT	13.9	14.0	14.4	14.7	14.1	13.1
900: Net Interest:						
On-budget:						
BA	291.1	296.5	304.6	304.9	303.7	303.8
OT	291.1	296.5	304.6	304.9	303.7	303.8
Off-budget:						
BA	−43.5	−48.0	−52.5	−57.2	−61.9	−66.9
OT	−43.5	−48.0	−52.5	−57.2	−61.9	−66.9
Total:						
BA	247.6	248.5	252.1	247.7	241.8	236.9
OT	247.6	248.5	252.1	247.7	241.8	236.9
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
950: Undistributed Offsetting Receipts:						
On-budget:						
BA	−41.0	−41.8	−36.9	−36.9	−39.2	−51.1
OT	−41.0	−41.8	−36.9	−36.9	−39.2	−51.1
Off-budget:						
BA	−6.5	−7.0	−7.5	−9.1	−10.9	−13.0
OT	−6.5	−7.0	−7.5	−9.1	−10.9	−13.0
Total:						
BA	−47.5	−48.8	−44.4	−46.0	−50.1	−64.1
OT	−47.5	−48.8	−44.4	−46.0	−50.1	−64.1
Total Spending:						
On-budget:						
BA	1,329.0	1,384.9	1,440.2	1,486.4	1,520.4	1,551.9
OT	1,315.0	1,372.0	1,424.3	1,468.9	1,500.9	1,516.3
Off-budget:						
BA	303.5	317.1	326.3	339.0	353.8	369.4
OT	306.8	320.3	329.6	342.3	357.6	372.7
Total:						
BA	1,632.5	1,702.0	1,766.5	1,825.4	1,874.2	1,921.3
OT	1,621.8	1,692.3	1,753.9	1,811.2	1,858.5	1,889.0

1998 BUDGET RESOLUTION—FUNCTION TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
Revenues:						
On-budget	1,166.9	1,199.0	1,241.9	1,285.6	1,343.6	1,407.6
Off-budget	388.0	402.8	422.3	442.6	461.6	482.8
Total	1,554.9	1,601.8	1,664.2	1,728.3	1,805.2	1,890.4
Deficit:						
On-budget	−148.1	−173.0	−182.4	−183.3	−157.3	−108.7
Off-budget	81.2	82.5	92.7	100.3	104.0	110.1
Total	−66.9	−90.5	−89.7	−83.0	−53.3	1.4

BUDGET RESOLUTION BASELINE—FUNCTION TOTALS

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
050: National Defense:						
BA	264.9	272.4	280.7	289.2	297.9	306.9
OT	266.6	269.0	275.7	286.3	288.4	300.3
150: International Affairs:						
BA	15.3	15.5	15.6	17.1	18.2	19.1
OT	14.5	14.5	15.1	15.9	16.1	16.7
250: Science, Space and Technology:						
BA	16.7	17.1	17.6	18.1	18.6	19.1
OT	17.0	17.4	17.6	17.8	18.3	18.8
270: Energy:						
BA	2.6	2.8	3.1	3.3	3.4	3.6
OT	1.9	1.9	2.1	2.2	2.3	2.4
300: Natural Resources and Environment:						
BA	22.2	23.1	23.7	24.4	25.2	25.9
OT	22.4	22.0	22.7	23.5	24.4	25.1
350: Agriculture:						
BA	11.8	13.4	13.3	12.9	11.9	11.8
OT	9.9	12.0	11.6	11.3	10.3	10.2
370: Commerce and Housing Credit:						
On-budget:						
BA	4.6	6.5	10.7	13.5	16.5	17.2
OT	−11.0	−0.9	4.1	8.5	12.2	13.3
Off-budget:						
BA	1.4	2.7	−1.0	−1.3	−0.5	0.2
OT	1.4	2.7	−1.0	−1.3	−0.5	0.2
Total:						
BA	6.0	9.2	9.8	12.3	16.0	17.4
OT	−9.6	1.7	3.1	7.2	11.7	13.5
400: Transportation:						
BA	43.9	45.6	46.7	47.9	49.1	50.4
OT	39.5	40.4	40.8	41.4	42.4	43.6
450: Community and Regional Development:						
BA	10.2	10.1	10.1	10.4	10.6	10.9
OT	12.1	11.4	10.7	10.5	10.3	10.4
500: Education, Training, Employment and Social Services:						
BA	54.2	57.0	58.3	59.9	61.7	63.6
OT	50.5	55.9	57.6	59.3	60.9	62.7
550: Health:						
BA	125.3	135.7	145.0	155.5	166.6	178.8
OT	127.4	135.3	144.4	154.6	165.6	177.6
570: Medicare:						
BA	190.8	208.1	229.0	248.5	269.1	292.2
OT	191.3	208.2	228.5	252.5	264.2	291.4
600: Income Security:						
BA	228.8	238.3	253.4	269.8	277.6	291.5
OT	237.8	245.7	257.0	271.1	276.9	289.6

BUDGET RESOLUTION BASELINE—FUNCTION TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
650: Social Security:						
On-budget:						
BA	11.0	11.7	12.5	13.4	13.8	15.3
OT	11.0	11.7	12.5	13.4	13.8	15.3
Off-budget:						
BA	352.1	369.4	387.3	406.6	427.1	449.1
OT	355.4	372.6	390.6	409.9	430.9	452.4
Total:						
BA	363.2	381.1	399.9	420.0	440.9	464.5
OT	366.4	384.3	403.1	423.3	444.6	467.7
700: Veterans Benefits:						
BA	39.1	41.3	43.5	44.6	45.8	47.0
OT	39.4	41.8	43.4	46.3	43.9	47.0
750: Administration of Justice:						
BA	23.5	24.1	24.8	25.6	26.4	27.2
OT	20.7	22.0	24.1	25.2	25.9	26.7
800: General Government:						
BA	14.0	14.3	14.7	15.2	15.7	16.2
OT	13.9	14.3	14.7	15.3	15.6	15.9
900: Net Interest:						
On-budget:						
BA	291.1	296.5	305.0	306.8	307.5	311.2
OT	291.1	296.5	305.0	306.8	307.5	311.2
Off-budget:						
BA	−43.5	−48.0	−52.5	−57.2	−61.9	−66.9
OT	−43.5	−48.0	−52.5	−57.2	−61.9	−66.9
Total:						
BA	247.6	248.5	252.5	249.6	245.5	244.3
OT	247.6	248.5	252.5	249.6	245.5	244.3
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
950: Undistributed Offsetting Receipts:						
On-budget:						
BA	−41.0	−41.2	−32.9	−32.9	−34.1	−35.7
OT	−41.0	−41.2	−32.9	−32.9	−34.1	−35.7
Off-budget:						
BA	−6.5	−7.0	−7.5	−9.1	−10.9	−13.0
OT	−6.5	−7.0	−7.5	−9.1	−10.9	−13.0
Total:						
BA	−47.4	−48.2	−40.3	−41.9	−44.9	−48.7
OT	−47.4	−48.2	−40.3	−41.9	−44.9	−48.7
Total Spending:						
On-budget:						
BA	1,329.0	1,392.5	1,475.2	1,543.3	1,601.3	1,672.2
OT	1,315.3	1,377.8	1,454.8	1,529.0	1,565.0	1,642.4
Off-budget:						
BA	303.5	317.1	326.3	339.1	353.8	369.5
OT	306.8	320.3	329.6	342.4	357.5	372.8
Total:						
BA	1,632.5	1,709.6	1,801.5	1,882.4	1,955.1	2,041.7
OT	1,622.1	1,698.1	1,784.4	1,871.4	1,922.5	2,015.2
Revenues:						
On-budget	1,166.9	1,206.4	1,252.9	1,307.5	1,366.4	1,427.4
Off-budget	388.0	402.8	422.3	442.6	461.6	482.8
Total	1,554.9	1,609.2	1,675.3	1,750.1	1,828.0	1,910.3
Deficit:						
On-budget	−148.4	−171.5	−201.8	−221.5	−198.6	−215.0
Off-budget	81.2	82.5	92.7	100.2	104.0	110.0
Total	−67.2	−89.0	−109.1	−121.3	−94.5	−104.9

FREEZE BASELINE—FUNCTION TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002
050: National Defense:					
BA	265.0	265.1	265.3	265.3	265.3
OT	264.1	263.9	266.5	260.7	263.6
150: International Affairs:					
BA	15.0	14.5	15.5	16.0	16.4
OT	14.2	14.4	14.7	14.4	14.5
250: Science, Space and Technology:					
BA	16.7	16.7	16.7	16.7	16.7
OT	17.1	16.9	16.7	16.7	16.7
270: Energy:					
BA	2.7	2.9	2.9	2.9	2.9
OT	1.8	2.0	2.0	1.9	1.9
300: Natural Resources and Environment:					
BA	22.4	22.4	22.4	22.3	22.3
OT	21.6	21.7	21.9	22.0	22.0
350: Agriculture:					
BA	13.2	13.0	12.5	11.3	11.1
OT	11.9	11.4	10.9	9.8	9.5
370: Commerce and Housing Credit:					
On-budget:					
BA	6.5	10.5	13.2	16.1	16.7
OT	−1.0	3.9	8.2	11.9	12.8
Off-budget:					
BA	2.7	−1.0	−1.3	−0.5	0.2
OT	2.7	−1.0	−1.3	−0.5	0.2
Total:					
BA	9.1	9.6	11.9	15.5	16.9
OT	1.7	3.0	7.0	11.3	13.0
400: Transportation:					
BA	45.2	45.8	46.6	47.3	48.1
OT	40.0	39.6	39.3	39.3	39.3
450: Community and Regional Development:					
BA	9.8	9.6	9.6	9.6	9.6
OT	11.4	10.5	10.1	9.6	9.5
500: Education, Training, Employment and Social Services:					
BA	56.7	56.1	56.4	57.0	57.6
OT	56.1	56.3	56.8	57.2	57.7
550: Health:					
BA	135.1	143.6	153.3	163.6	175.0
OT	134.9	143.4	152.9	163.1	174.4
570: Medicare:					
BA	208.0	228.8	248.2	268.6	291.5
OT	208.1	228.3	252.1	263.7	290.7
600: Income Security:					
BA	237.7	252.0	267.6	274.6	287.8
OT	245.3	256.1	269.5	274.8	286.8
650: Social Security:					
On-budget:					
BA	11.6	12.3	13.1	13.3	14.7
OT	11.6	12.3	13.1	13.3	14.7
Off-budget:					
BA	369.4	387.3	406.6	427.1	449.1
OT	372.6	390.6	409.9	430.9	452.4
Total:					
BA	381.0	399.6	419.7	440.4	463.8
OT	384.2	402.9	423.0	444.2	467.1
700: Veterans Benefits:					
BA	40.7	42.1	42.6	43.1	43.5
OT	41.2	42.1	44.4	41.3	43.6
750: Administration of Justice:					
BA	23.3	23.3	23.3	23.2	23.2
OT	21.5	22.9	23.2	23.2	23.1

FREEZE BASELINE—FUNCTION TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002
800: General Government:					
BA	13.9	13.9	14.0	14.0	14.1
OT	14.0	14.0	14.2	14.1	13.9
900: Net Interest:					
On-budget:					
BA	296.2	303.8	304.0	302.2	302.6
OT	296.2	303.8	304.0	302.2	302.6
Off-budget:					
BA	−48.0	−52.5	−57.2	−61.9	−66.9
OT	−48.0	−52.5	−57.2	−61.9	−66.9
Total:					
BA	248.3	251.3	246.8	240.3	235.7
OT	248.3	251.3	246.8	240.3	235.7
920: Allowances:					
BA	....	....	....	....	....
OT	....	....	....	....	....
950: Undistributed Offsetting Receipts:					
On-budget:					
BA	−41.2	−32.9	−32.9	−34.1	−35.7
OT	−41.2	−32.9	−32.9	−34.1	−35.7
Off-budget:					
BA	−7.0	−7.5	−9.1	−10.9	−13.0
OT	−7.0	−7.5	−9.1	−10.9	−13.0
Total:					
BA	−48.2	−40.3	−41.9	−44.9	−48.7
OT	−48.2	−40.3	−41.9	−44.9	−48.7
Total Spending:					
On-budget:					
BA	1,378.5	1,443.6	1,494.1	1,533.0	1,583.2
OT	1,368.9	1,430.6	1,487.7	1,505.1	1,561.6
Off-budget:					
BA	317.1	326.3	339.1	353.8	369.5
OT	320.3	329.6	342.4	357.5	372.8
Total:					
BA	1,695.6	1,770.0	1,833.2	1,886.8	1,952.7
OT	1,689.2	1,760.3	1,830.1	1,862.6	1,934.4
Revenues:					
On-budget	1,206.4	1,252.9	1,307.5	1,366.4	1,427.4
Off-budget	402.8	422.3	442.6	461.6	482.8
Total	1,609.2	1,675.3	1,750.1	1,828.0	1,910.3
Deficit:					
On-budget	−162.5	−177.7	−180.1	−138.7	−134.2
Off-budget	82.5	92.7	100.2	104.0	110.0
Total	−80.0	−85.0	−80.0	−34.7	−24.1

PRESIDENT'S BUDGET—FUNCTION TOTALS

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
050: National Defense:						
BA	262.1	265.6	269.0	274.8	281.3	289.1
OT	266.7	265.0	263.0	268.4	269.3	277.4
150: International Affairs:						
BA	15.3	19.9	16.4	16.4	16.6	16.9
OT	14.5	14.7	15.7	15.3	15.1	15.3
250: Science, Space and Technology:						
BA	16.7	16.5	16.5	16.3	16.3	16.3
OT	17.0	17.0	16.7	16.3	16.2	16.2
270: Energy:						
BA	2.6	3.1	3.5	3.3	3.1	2.3

PRESIDENT'S BUDGET—FUNCTION TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
OT	1.9	2.3	2.5	2.4	2.1	1.3
300: Natural Resources and Environment:						
BA	22.1	23.5	23.4	22.9	22.7	22.8
OT	22.3	22.0	22.7	23.1	23.1	22.9
350: Agriculture:						
BA	11.8	13.2	12.8	12.2	11.1	10.8
OT	9.9	11.9	11.3	10.7	9.6	9.2
370: Commerce and Housing Credit:						
On-budget:						
BA	4.6	6.7	11.1	15.2	16.1	16.7
OT	−10.9	−1.2	3.9	9.5	11.8	12.2
Off-budget:						
BA	1.4	2.7	−1.0	−1.3	−0.5	0.2
OT	1.4	2.7	−1.0	−1.3	−0.5	0.2
Total:						
BA	6.0	9.4	10.1	14.0	15.6	16.9
OT	−9.6	1.5	3.0	8.2	11.3	12.4
400: Transportation:						
BA	43.9	44.2	42.7	43.0	43.3	43.5
OT	39.6	40.2	39.0	39.3	39.4	39.5
450: Community and Regional Development:						
BA	10.4	17.2	8.6	7.9	8.0	8.1
OT	12.3	11.4	12.0	11.7	11.6	8.7
500: Education, Training, Employment and Social Services:						
BA	54.0	64.8	62.3	64.0	64.4	65.0
OT	50.2	57.2	62.0	63.7	64.6	63.7
550: Health:						
BA	125.4	139.8	148.6	155.4	163.9	170.1
OT	127.6	139.5	148.4	155.2	163.5	169.6
570: Medicare:						
BA	190.8	205.4	219.0	230.6	246.4	262.8
OT	191.3	205.5	218.4	234.6	241.6	262.0
600: Income Security:						
BA	229.2	238.8	254.4	270.7	277.0	290.6
OT	238.4	248.2	258.9	272.0	276.6	289.1
650: Social Security:						
On-budget:						
BA	11.0	11.5	12.1	12.9	13.1	14.5
OT	11.0	11.5	12.2	12.9	13.1	14.5
Off-budget:						
BA	352.1	369.4	387.3	406.6	427.1	449.1
OT	355.4	372.6	390.6	409.9	430.9	452.4
Total:						
BA	363.2	380.7	399.4	419.5	440.2	463.6
OT	366.4	384.1	402.8	422.8	444.0	466.9
700: Veterans Benefits:						
BA	39.1	40.9	41.4	41.9	42.3	42.7
OT	39.4	41.5	41.6	43.7	40.6	42.8
750: Administration of Justice:						
BA	23.5	24.8	25.5	24.7	25.1	25.7
OT	20.7	22.6	24.7	25.6	26.5	25.6
800: General Government:						
BA	14.0	14.9	14.7	14.4	14.3	14.5
OT	13.9	14.0	14.5	15.1	14.7	14.5
900: Net Interest:						
On-budget:						
BA	291.0	297.2	306.1	307.1	305.9	306.4
OT	291.0	297.2	306.1	307.1	305.9	306.4
Off-budget:						
BA	−43.5	−48.0	−52.5	−57.2	−61.9	−66.9
OT	−43.5	−48.0	−52.5	−57.2	−61.9	−66.9

PRESIDENT'S BUDGET—FUNCTION TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
Total:						
BA	247.5	249.2	253.6	249.9	244.0	239.6
OT	247.5	249.2	253.6	249.9	244.0	239.6
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
950: Undistributed Offsetting Receipts:						
BA	−41.0	−41.8	−36.7	−38.0	−41.2	−49.1
OT	−41.0	−41.8	−36.7	−38.0	−41.2	−49.1
Off-budget:						
BA	−6.5	−7.0	−7.5	−9.1	−10.9	−13.0
OT	−6.5	−7.0	−7.5	−9.1	−10.9	−13.0
Total:						
BA	−47.4	−48.8	−44.2	−47.1	−52.1	−62.1
OT	−47.4	−48.8	−44.2	−47.1	−52.1	−62.1
Total Spending:						
On-budget:						
BA	1,326.5	1,406.2	1,451.4	1,495.4	1,529.6	1,570.0
OT	1,316.0	1,378.7	1,437.0	1,488.3	1,504.0	1,541.8
Off-budget:						
BA	303.5	317.1	326.3	339.1	353.8	369.5
OT	306.8	320.3	329.6	342.4	357.5	372.8
Total:						
BA	1,630.0	1,723.2	1,777.7	1,834.5	1,883.4	1,939.5
OT	1,622.8	1,699.0	1,766.7	1,830.7	1,861.5	1,914.6
Revenues:						
On-budget	1,167.0	1,196.3	1,247.9	1,302.5	1,356.8	1,418.0
Off-budget	388.0	402.8	422.3	442.6	461.6	482.8
Total	1,555.1	1,599.1	1,670.3	1,745.1	1,818.4	1,900.8
Deficit:						
On-budget	−149.0	−182.4	−189.1	−185.8	−147.2	−123.8
Off-budget	81.2	82.5	92.7	100.2	104.0	110.0
Total	−67.8	−99.4	−96.4	−85.6	−43.1	−13.8

PRESIDENT'S ALTERNATIVE BUDGETARY POLICIES—FUNCTION TOTALS

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
050: National Defense:						
BA	262.1	265.6	269.0	274.8	269.9	277.4
OT	266.7	265.0	263.0	268.4	261.9	267.6
150: International Affairs:						
BA	15.3	19.9	16.4	16.4	15.8	16.2
OT	14.5	14.7	15.7	15.3	14.7	14.7
250: Science, Space and Technology:						
BA	16.7	16.5	16.5	16.3	15.6	15.6
OT	17.0	17.0	16.7	16.3	15.8	15.7
270: Energy:						
BA	2.6	3.1	3.5	3.3	2.9	2.1
OT	1.9	2.3	2.5	2.4	2.0	1.1
300: Natural Resources and Environment:						
BA	22.1	23.5	23.4	22.9	21.9	21.9
OT	22.3	22.0	22.7	23.1	22.6	22.2
350: Agriculture:						
BA	11.8	13.2	12.8	12.2	10.9	10.6
OT	9.9	11.9	11.3	10.7	9.4	9.1
370: Commerce and Housing Credit:						
On-budget:						
BA	4.6	6.7	11.1	15.2	16.0	16.6
OT	−10.9	−1.2	3.9	9.5	11.7	12.1

PRESIDENT'S ALTERNATIVE BUDGETARY POLICIES—FUNCTION TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
Off-budget:						
BA	1.4	2.7	−1.0	−1.3	−0.5	0.2
OT	1.4	2.7	−1.0	−1.3	−0.5	0.2
Total:						
BA	6.0	9.4	10.1	14.0	15.4	16.8
OT	−9.6	1.5	3.0	8.2	11.2	12.3
400: Transportation:						
BA	43.9	44.2	42.7	43.0	42.7	42.9
OT	39.6	40.2	39.0	39.3	38.7	38.4
450: Community and Regional Development:						
BA	10.4	17.2	8.6	7.9	7.7	7.8
OT	12.3	11.4	12.0	11.7	11.5	8.6
500: Education, Training, Employment and Social Services:						
BA	54.0	64.8	62.3	64.0	62.4	63.0
OT	50.2	57.2	62.0	63.7	64.0	61.9
550: Health:						
BA	125.4	139.8	148.6	155.4	162.9	166.0
OT	127.6	139.5	148.4	155.2	163.0	165.6
570: Medicare:						
BA	190.8	205.4	219.0	230.6	246.3	256.2
OT	191.3	205.5	218.4	234.6	241.5	255.4
600: Income Security:						
BA	229.2	238.8	254.4	270.7	275.4	284.5
OT	238.4	248.2	258.9	272.0	275.8	283.4
650: Social Security:						
On-budget:						
BA	11.0	11.5	12.1	12.9	13.0	14.4
OT	11.0	11.6	12.2	12.9	13.0	14.4
Off-budget:						
BA	352.1	369.3	387.3	406.6	427.1	449.1
OT	355.4	372.6	390.6	409.9	430.8	452.4
Total:						
BA	363.2	380.8	399.4	419.5	440.1	463.5
OT	366.4	384.1	402.8	422.8	443.9	466.8
700: Veterans Benefits:						
BA	39.1	40.9	41.4	41.9	41.5	41.9
OT	39.4	41.5	41.6	43.7	39.9	42.0
750: Administration of Justice:						
BA	23.5	24.8	25.5	24.7	24.1	24.7
OT	20.7	22.6	24.7	25.6	25.8	24.7
800: General Government:						
BA	14.0	14.9	14.7	14.4	13.8	14.1
OT	13.9	14.0	14.5	15.1	14.3	14.0
900: Net Interest:						
On-budget:						
BA	291.0	297.2	306.1	307.1	303.4	303.6
OT	291.0	297.2	306.1	307.1	303.4	303.6
Off-budget:						
BA	−43.5	−48.0	−52.5	−57.2	−61.9	−66.9
OT	−43.5	−48.0	−52.5	−57.2	−61.9	−66.9
Total:						
BA	247.5	249.2	253.6	249.9	241.5	236.8
OT	247.5	249.2	253.6	249.9	241.5	236.8
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
950: Undistributed Offsetting Receipts:						
On-budget:						
BA	−41.0	−41.8	−36.7	−38.0	−41.2	−58.5
OT	−41.0	−41.8	−36.7	−38.0	−41.2	−58.5
Off-budget:						
BA	−6.5	−7.0	−7.5	−9.1	−10.9	−13.0

PRESIDENT'S ALTERNATIVE BUDGETARY POLICIES—FUNCTION TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
OT	−6.5	−7.0	−7.5	−9.1	−10.9	−13.0
Total:						
BA	−47.4	−48.8	−44.2	−47.1	−52.1	−71.5
OT	−47.4	−48.8	−44.2	−47.1	−52.1	−71.5
Total Spending:						
On-budget:						
BA	1,326.5	1,406.2	1,451.4	1,495.5	1,504.9	1,521.0
OT	1,316.0	1,378.7	1,437.1	1,488.4	1,487.9	1,496.0
Off-budget:						
BA	303.5	317.1	326.3	339.1	353.8	369.5
OT	306.8	320.3	329.6	342.4	357.5	372.8
Total:						
BA	1,630.0	1,723.2	1,777.7	1,834.6	1,858.6	1,890.5
OT	1,622.8	1,699.0	1,766.7	1,830.7	1,845.4	1,868.7
Revenues:						
On-budget	1,167.0	1,196.3	1,248.0	1,300.8	1,359.9	1,441.8
Off-budget	388.0	402.8	422.3	442.6	461.6	482.8
Total	1,555.1	1,599.1	1,670.3	1,743.4	1,821.5	1,924.6
Deficit:						
On-budget	−149.0	−182.4	−189.1	−187.5	−127.9	−54.2
Off-budget	81.3	82.5	92.7	100.2	104.0	110.0
Total	−67.8	−99.9	−96.4	−87.3	−23.9	55.8

1998 BUDGET RESOLUTION COMPARED TO BASELINE—FUNCTION TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
050: National Defense:						
BA	−4.3	−9.9	−14.4	−16.6	−17.9	−63.0
OT	−3.0	−9.9	−17.9	−18.3	−27.7	−76.8
150: International Affairs:						
BA	0.4	−0.7	−1.3	−2.0	−2.8	−6.4
OT	(*)	−0.5	−0.9	−1.4	−1.9	−4.6
250: Science, Space and Technology:						
BA	−0.9	−1.4	−2.1	−2.8	−3.5	−10.6
OT	−0.5	−1.1	−1.8	−2.5	−3.2	−9.0
270: Energy:						
BA	0.3	0.3	−0.1	−0.4	−0.7	−0.6
OT	0.4	0.4	0.1	−0.2	−0.5	0.1
300: Natural Resources and Environment:						
BA	0.8	−0.5	−1.9	−3.0	−3.8	−8.4
OT	0.5	0.1	−0.6	−1.6	−2.8	−4.5
350: Agriculture:						
BA	−0.2	−0.5	−0.7	−0.9	−1.1	−3.5
OT	−0.1	−0.3	−0.6	−0.8	−1.1	−3.0
370: Commerce and Housing Credit:						
On-budget:						
BA	0.1	0.3	1.7	−0.4	−0.5	1.1
OT	−(*)	0.2	1.3	−0.1	−0.7	0.7
Off-budget:						
BA	(*)	(*)	....	....	....	(*)
OT	(*)	(*)	....	....	....	(*)
Total:						
BA	0.1	0.4	1.7	−0.4	−0.5	1.1
OT	(*)	0.2	1.3	−0.1	−0.7	0.7
400: Transportation:						
BA	−1.1	−0.1	−0.8	−1.0	−1.2	−4.3
OT	0.6	0.5	−0.1	−1.1	−2.4	−2.5
450: Community and Regional Development:						
BA	−1.3	−1.6	−2.6	−2.9	−3.1	−11.5

1998 BUDGET RESOLUTION COMPARED TO BASELINE—FUNCTION TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
OT	−1.0	0.2	0.4	1.1	−2.0	−1.3
500: Education, Training, Employment and Social Services:						
BA	3.0	2.1	1.8	1.3	−0.3	7.9
OT	0.2	1.7	1.5	1.1	−0.4	4.0
550: Health:						
BA	2.1	−0.1	−1.5	−3.1	−6.6	−9.2
OT	2.5	0.6	−0.7	−2.4	−5.9	−6.0
570: Medicare:						
BA	−6.5	−16.9	−23.0	−29.4	−40.6	−116.5
OT	−6.5	−17.0	−26.9	−25.4	−40.6	−116.4
600: Income Security:						
BA	0.7	0.6	−0.3	−2.4	−4.6	−5.9
OT	2.1	1.0	−2.9	0.3	−4.4	−3.9
650: Social Security:						
On-Budget:						
BA	−0.3	−0.5	−0.6	−0.8	−1.0	−3.2
OT	−0.2	−0.3	−0.5	−0.8	−0.9	−2.8
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	−0.3	−0.5	−0.6	−0.8	−1.0	−3.2
OT	−0.2	−0.3	−0.5	−0.8	−0.9	−2.8
700: Veterans Benefits:						
BA	−0.8	−1.8	−2.6	−3.5	−4.5	−13.1
OT	−0.5	−1.4	−4.1	−1.4	−4.3	−11.7
750: Administration of Justice:						
BA	0.7	0.3	−1.4	−2.0	−2.3	−4.6
OT	0.6	0.4	0.1	−(*)	−1.9	−0.8
800: General Government:						
BA	0.4	−0.3	−1.2	−2.0	−3.1	−6.2
OT	−0.3	−0.4	−0.6	−1.5	−2.8	−5.6
900: Net Interest:						
On-budget:						
BA	(*)	−0.5	−2.0	−3.8	−7.4	−13.6
OT	(*)	−0.5	−2.0	−3.8	−7.4	−13.6
Off-Budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	(*)	−0.5	−2.0	−3.8	−7.4	−13.6
OT	(*)	−0.5	−2.0	−3.8	−7.4	−13.6
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
950: Undistributed Offsetting Receipts:						
On budget:						
BA	−0.6	−4.1	−4.1	−5.1	−15.4	−29.2
OT	−0.6	−4.1	−4.1	−5.1	−15.4	−29.2
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total						
BA	−0.6	−4.1	−4.1	−5.1	−15.4	−29.2
OT	−0.6	−4.1	−4.1	−5.1	−15.4	−29.2
Total Spending:						
On-budget						
BA	−7.4	−35.1	−57.0	−81.0	−120.4	−300.8
OT	−5.9	−30.5	−60.3	−64.0	−126.1	−286.8
Off-budget						
BA	(*)	(*)	....	....	....	(*)

1998 BUDGET RESOLUTION COMPARED TO BASELINE—FUNCTION TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
OT	(*)	(*)	....	....	....	(*)
BA	−7.4	−35.1	−57.0	−81.0	−120.4	−300.8
OT	−5.9	−30.5	−60.3	−64.0	−126.1	−286.8
Revenues:						
On-budget	−7.4	−11.1	−22.0	−22.8	−19.9	−83.1
Off-budget	....	....	....	....	....	....
Total	−7.4	−11.1	−22.0	−22.8	−19.9	−83.1
Deficit:						
On-budget	−1.5	19.4	38.3	41.2	106.3	203.7
Off-budget	−(*)	−(*)	....	....	....	−(*)
Total	−1.5	19.4	38.3	41.2	106.3	203.7

1998 BUDGET RESOLUTION COMPARED TO FREEZE BASELINE—FUNCTION TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
050: National Defense:						
BA	3.2	5.7	9.5	16.0	23.8	58.1
OT	1.9	1.9	1.9	9.4	9.0	24.1
150: International Affairs:						
BA	0.9	0.4	0.3	0.1	−(*)	1.7
OT	0.3	0.2	0.3	0.3	0.3	1.4
250: Science, Space and Technology:						
BA	−0.4	−0.5	−0.7	−0.9	−1.1	−3.5
OT	−0.3	−0.4	−0.6	−0.8	−1.0	−3.1
270: Energy:						
BA	0.4	0.6	0.3	0.1	−0.1	1.2
OT	0.4	0.5	0.3	0.2	(*)	1.4
300: Natural Resources and Environment:						
BA	1.5	0.9	0.2	−0.2	−0.2	2.2
OT	0.9	1.0	1.1	0.7	0.3	4.0
350: Agriculture:						
BA	−0.1	−0.2	−0.3	−0.4	−0.4	−1.4
OT	−(*)	−0.1	−0.2	−0.3	−0.4	−1.1
370: Commerce and Housing Credit:						
On-budget:						
BA	0.2	0.6	2.0	−(*)	−(*)	2.7
OT	0.1	0.4	1.6	0.3	−0.2	2.1
Off-budget:						
BA	(*)	(*)	....	....	....	(*)
OT	(*)	(*)	....	....	....	(*)
Total:						
BA	0.2	0.6	2.0	−(*)	−(*)	2.7
OT	0.1	0.4	1.6	0.3	−0.2	2.1
400: Transportation:						
BA	−0.6	0.7	0.6	0.8	1.1	2.6
OT	1.0	1.7	2.0	2.0	1.9	8.6
450: Community and Regional Development:						
BA	−1.0	−1.1	−1.8	−1.8	−1.8	−7.6
OT	−1.0	0.4	0.8	1.7	−1.1	0.9
500: Education, Training, Employment and Social Services:						
BA	3.3	4.4	5.3	6.0	5.7	24.6
OT	−(*)	3.0	3.9	4.8	4.6	16.3
550: Health:						
BA	2.8	1.3	0.7	−0.2	−2.9	1.8
OT	2.9	1.5	1.0	(*)	−2.7	2.6
570: Medicare:						
BA	−6.4	−16.7	−22.6	−28.9	−40.0	−114.6
OT	−6.4	−16.8	−26.6	−25.0	−40.0	−114.6

1998 BUDGET RESOLUTION COMPARED TO FREEZE BASELINE—FUNCTION TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
600: Income Security:						
BA	1.4	2.1	1.9	0.6	−0.8	5.2
OT	2.5	2.0	−1.4	2.5	−1.5	4.0
650: Social Security:						
On-budget:						
BA	−0.2	−0.3	−0.3	−0.3	−0.3	−1.4
OT	−0.1	−0.1	−0.2	−0.3	−0.3	−1.0
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	−0.2	−0.3	−0.3	−0.3	−0.3	−1.4
OT	−0.1	−0.1	−0.2	−0.3	−0.3	−1.0
700: Veterans Benefits:						
BA	−0.1	−0.4	−0.6	−0.7	−1.0	−2.8
OT	0.1	−0.2	−2.2	1.2	−0.9	−1.9
750: Administration of Justice:						
BA	1.4	1.8	0.9	1.1	1.7	7.0
OT	1.1	1.6	2.0	2.7	1.8	9.2
800: General Government:						
BA	0.8	0.5	(*)	−0.3	−1.0	(*)
OT	−(*)	0.3	0.5	(*)	−0.8	(*)
900: Net Interest:						
On-budget:						
BA	0.3	0.7	0.9	1.4	1.2	4.6
OT	0.3	0.7	0.9	1.4	1.2	4.6
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	0.3	0.7	0.9	1.4	1.2	4.6
OT	0.3	0.7	0.9	1.4	1.2	4.6
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
950: Undistributed Offsetting Receipts:						
On-budget:						
BA	−0.6	−4.1	−4.1	−5.1	−15.4	−29.2
OT	−0.6	−4.1	−4.1	−5.1	−15.4	−29.2
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	−0.6	−4.1	−4.1	−5.1	−15.4	−29.2
OT	−0.6	−4.1	−4.1	−5.1	−15.4	−29.2
Total Spending:						
On-budget:						
BA	6.6	−3.6	−7.8	−12.7	−31.4	−48.9
OT	3.0	−6.4	−18.9	−4.1	−45.3	−71.8
Off-budget:						
BA	(*)	(*)	(*)	....	....	(*)
OT	(*)	(*)	....	....	....	(*)
Total:						
BA	6.6	−3.6	−7.8	−12.7	−31.4	−48.8
OT	3.1	−6.4	−18.9	−4.1	−45.3	−71.7
Revenues:						
On-budget	−7.4	−11.1	−22.0	−22.8	−19.9	−83.1
Off-budget	....	....	....	....	....	....
Total	−7.4	−11.1	−22.0	−22.8	−19.9	−83.1
Deficit:						
On-budget	−10.4	−4.7	−3.0	−18.7	25.4	−11.4
Off-budget	−(*)	−(*)	....	....	....	−(*)

1998 BUDGET RESOLUTION COMPARED TO FREEZE BASELINE—FUNCTION TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
Total	−10.5	−4.7	−3.0	−18.7	25.4	−11.4

1998 BUDGET RESOLUTION COMPARED TO PRESIDENT'S REQUEST—FUNCTION TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
050: National Defense:						
BA	2.6	1.8	....	(*)	....	4.4
OT	1.0	2.8	(*)	0.8	−4.8	−0.2
150: International Affairs:						
BA	−4.0	−1.5	−0.6	−0.5	−0.6	−7.1
OT	−0.2	−1.1	−0.3	−0.4	−0.5	−2.4
250: Science, Space and Technology:						
BA	−0.2	−0.3	−0.3	−0.5	−0.7	−1.9
OT	−0.1	−0.2	−0.3	−0.4	−0.6	−1.5
270: Energy:						
BA	(*)	−(*)	−0.1	−0.1	0.6	0.4
OT	−(*)	−(*)	−0.1	−0.1	0.6	0.4
300: Natural Resources and Environment:						
BA	0.4	−0.2	−0.3	−0.6	−0.7	−1.4
OT	0.4	−(*)	−0.1	−0.4	−0.6	−0.8
350: Agriculture:						
BA	−0.1	−0.1	−(*)	−0.1	−0.1	−0.4
OT	−(*)	−0.1	−0.1	−0.1	−0.1	−0.3
370: Commerce and Housing Credit:						
On-budget:						
BA	−0.1	−(*)	−0.1	−(*)	−(*)	−0.3
OT	0.3	0.4	0.3	0.3	0.3	1.6
Off-budget:						
BA	(*)	(*)	....	....	....	(*)
OT	(*)	(*)	....	....	....	(*)
Total:						
BA	−0.1	−(*)	−0.1	−(*)	−(*)	−0.2
OT	0.3	0.4	0.3	0.3	0.3	1.7
400: Transportation:						
BA	0.4	3.8	4.1	4.8	5.6	18.8
OT	0.8	2.3	2.0	1.9	1.7	8.7
450: Community and Regional Development:						
BA	−8.5	−0.1	−0.1	−0.2	−0.3	−9.3
OT	−1.0	−1.1	−0.7	−0.3	−0.3	−3.3
500: Education, Training, Employment and Social Services:						
BA	−4.8	−1.8	−2.3	−1.5	−1.7	−12.0
OT	−1.1	−2.6	−2.9	−2.7	−1.4	−10.7
550: Health:						
BA	−1.9	−3.6	−1.4	−0.5	2.0	−5.5
OT	−1.7	−3.5	−1.3	−0.3	2.1	−4.6
570: Medicare:						
BA	−3.8	−6.9	−5.1	−6.8	−11.3	−33.8
OT	−3.8	−6.9	−9.0	−2.8	−11.3	−33.7
600: Income Security:						
BA	0.2	−0.3	−1.1	−1.9	−3.7	−6.8
OT	−0.4	−0.8	−3.8	0.6	−3.8	−8.2
650: Social Security:						
On-budget:						
BA	−(*)	−0.1	−0.1	−0.1	−0.1	−0.4
BA	−(*)	−(*)	−0.1	−0.1	−0.1	−0.3
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....

1998 BUDGET RESOLUTION COMPARED TO PRESIDENT'S REQUEST—FUNCTION TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
Total:						
BA	−(*)	−0.1	−0.1	−0.1	−0.1	−0.4
OT	−(*)	−(*)	−0.1	−0.1	−0.1	−0.3
700: Veterans Benefits:						
BA	−0.4	0.3	0.1	0.1	−0.2	−(*)
OT	−0.1	0.4	−1.5	1.9	−0.1	0.6
750: Administration of Justice:						
BA	(*)	−0.4	−0.5	−0.7	−0.8	−2.4
OT	....	−0.3	−0.4	−0.6	−0.7	−2.0
800: General Government:						
BA	−0.2	−0.3	−0.4	−0.6	−1.4	−2.9
OT	−0.1	−0.2	−0.4	−0.6	−1.4	−2.6
900: Net Interest:						
On-budget:						
BA	−0.6	−1.6	−2.2	−2.2	−2.7	−9.3
OT	−0.6	−1.6	−2.2	−2.2	−2.7	−9.3
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	−0.6	−1.6	−2.2	−2.2	−2.7	−9.3
OT	−0.6	−1.6	−2.2	−2.2	−2.7	−9.3
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
950: Undistributed Offsetting Receipts:						
On-budget:						
BA	−(*)	−0.3	1.1	2.1	−2.0	0.9
OT	−(*)	−0.3	1.1	2.1	−2.0	0.9
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	−(*)	−0.3	1.1	2.1	−2.0	0.9
BA	−(*)	−0.3	1.1	2.1	−2.0	0.9
Total Spending:						
On-budget:						
BA	−21.1	−11.4	−9.1	−9.3	−18.1	−69.0
OT	−6.8	−12.8	−19.5	−3.0	−25.5	−67.8
Off-budget:						
BA	(*)	(*)	....	....	....	(*)
OT	(*)	(*)	....	....	....	(*)
Total:						
BA	−21.0	−11.3	−9.1	−9.3	−18.1	−68.9
OT	−6.8	−12.8	−19.5	−3.0	−25.6	−67.7
Revenues:						
On-budget	2.7	−6.1	−16.9	−13.2	−10.4	−44.1
Off-budget	....	....	....	....	....	....
Total	2.7	−6.1	−16.9	−13.2	−10.4	−44.1
Deficit:						
On-budget	9.5	6.7	2.6	−10.2	15.1	23.7
Off-budget	−(*)	−(*)	....	....	....	−(*)
Total	9.4	6.7	2.6	−10.2	15.1	23.7

1998 BUDGET RESOLUTION COMPARED TO PRESIDENT'S ALTERNATIVE—FUNCTION TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
050: National Defense:						
BA	2.6	1.8	....	11.4	11.7	27.6
OT	1.0	2.8	(*)	8.2	4.9	16.9
150: International Affairs:						
BA	−4.0	−1.5	−0.6	0.3	0.2	−5.6
OT	−0.2	−1.1	−0.3	0.1	0.1	−1.4
250: Science, Space and Technology:						
BA	−0.2	−0.3	−0.3	0.2	(*)	−0.6
OT	−0.1	−0.2	−0.3	(*)	−(*)	−0.6
270: Energy:						
BA	(*)	−(*)	−0.1	0.1	0.8	0.8
OT	−(*)	−(*)	−0.1	(*)	0.8	0.7
300: Natural Resources and Environment:						
BA	0.4	−0.2	−0.3	0.3	0.2	0.4
OT	0.4	−0(*)	−0.1	0.1	0.1	0.4
350: Agriculture:						
BA	−0.1	−0.1	−(*)	0.1	(*)	−0.1
OT	−(*)	−0.1	−0.1	0.1	(*)	−(*)
370: Commerce and Housing Credit:						
On-budget:						
BA	−0.1	−(*)	−0.1	0.1	0.1	(*)
OT	0.3	0.4	0.3	0.5	0.5	1.9
Off-budget:						
BA	(*)	(*)	....	....	....	(*)
OT	(*)	(*)	....	....	....	(*)
Total:						
BA	−0.1	−(*)	−0.1	0.1	0.1	0.1
OT	0.3	0.4	0.3	0.5	0.5	1.9
400: Transportation:						
BA	0.4	3.8	4.1	5.4	6.3	20.0
OT	0.8	2.3	2.0	2.6	2.9	10.5
450: Community and Regional Development:						
BA	−8.5	−0.1	−0.1	0.1	−(*)	−8.6
OT	−1.0	−1.1	−0.7	−0.2	−0.1	−3.1
500: Education, Training, Employment and Social Services:						
BA	−4.8	−1.8	−2.3	0.5	0.3	−8.0
OT	−1.1	−2.6	−2.9	−2.1	0.4	−8.4
550: Health:						
BA	−1.9	−3.6	−1.4	0.5	6.1	−0.4
OT	−1.7	−3.5	−1.3	0.1	6.1	−0.2
570: Medicare:						
BA	−3.8	−6.9	−5.1	−6.7	−4.7	−27.1
OT	−3.8	−6.9	−9.0	−2.7	−4.7	−27.0
600: Income Security:						
BA	0.2	−0.3	−1.1	−0.3	2.5	1.0
OT	−0.4	−0.8	−3.8	1.4	1.9	−1.8
650: Social Security:						
On-budget:						
BA	−0.1	−0.1	−0.1	(*)	−(*)	−0.2
OT	−(*)	−(*)	−0.1	(*)	(*)	−0.1
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	−0.1	−0.1	−0.1	(*)	(*)	−0.2
OT	−(*)	−(*)	−0.1	(*)	(*)	−0.1
700: Veterans Benefits:						
BA	−0.4	0.3	0.1	0.9	0.6	1.6
OT	−0.1	0.4	−1.5	2.6	0.7	2.0
750: Administration of Justice:						
BA	(*)	−0.4	−0.5	0.3	0.2	−0.4
OT	....	−0.3	−0.4	0.1	0.2	−0.3

1998 BUDGET RESOLUTION COMPARED TO PRESIDENT'S ALTERNATIVE—FUNCTION TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
800: General Government:						
BA	−0.2	−0.3	−0.4	−0.1	−1.0	−1.9
OT	−0.1	−0.2	−0.4	−0.1	−0.9	−1.7
900: Net Interest:						
On-budget:						
BA	−0.6	−1.6	−2.2	0.3	0.1	−4.1
OT	−0.6	−1.6	−2.2	0.3	0.1	−4.1
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	−0.6	−1.6	−2.2	0.3	0.1	−4.1
OT	−0.6	−1.6	−2.2	0.3	0.1	−4.1
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
950: Undistributed Offsetting Receipts:						
On-budget:						
BA	−(*)	−0.3	1.1	2.1	7.4	10.3
OT	−(*)	−0.3	1.1	2.1	7.4	10.3
Off-budget:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total:						
BA	−(*)	−0.3	1.1	2.1	7.4	10.3
OT	−(*)	−0.3	1.1	2.1	7.4	10.3
Total Spending:						
On-budget:						
BA	−21.1	−11.4	−9.2	15.5	30.9	4.7
OT	−6.8	−12.8	−19.6	13.1	20.3	−5.8
Off-budget:						
BA	(*)	(*)	....	....	....	(*)
OT	(*)	(*)	....	....	....	(*)
Total:						
BA	−21.0	−11.3	−9.2	15.5	30.9	4.8
OT	−6.8	−12.8	−19.6	13.1	20.3	−5.7
Revenues:						
On-budget	2.7	−6.1	−15.3	−16.3	−34.2	−69.2
Off-budget	....	....	....	....	....	....
Total	2.7	−6.1	−15.3	−16.3	−34.2	−69.2
Deficit:						
On-budget	9.5	6.7	4.3	−29.4	−54.5	−63.4
Off-budget	−(*)	−(*)	....	....	....	−(*)
Total	9.4	6.7	4.3	−29.4	−54.5	−63.5

1998 BUDGET RESOLUTION—DISCRETIONARY TOTALS

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
050: National Defense:						
BA	265.8	269.0	271.5	275.4	281.8	289.6
OT	267.5	266.8	266.5	269.0	270.7	273.1
150: International Affairs:						
BA	18.1	19.0	18.6	18.5	18.3	18.2
OT	19.2	19.2	18.8	18.8	18.5	18.4
250: Science, Space and Technology:						
BA	16.6	16.2	16.2	15.9	15.8	15.6
OT	17.0	16.8	16.5	16.0	15.8	15.6

1998 BUDGET RESOLUTION—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
270: Energy:						
BA	4.3	4.8	4.9	4.6	4.4	4.2
OT	4.9	5.0	5.1	4.8	4.6	4.4
300: Natural Resources and Environment:						
BA	21.5	22.8	22.2	21.6	21.2	21.2
OT	21.5	21.4	21.7	21.9	21.8	21.5
350: Agriculture:						
BA	4.2	4.1	4.0	3.9	3.8	3.8
OT	4.2	4.1	4.1	3.9	3.9	3.8
370: Commerce and Housing Credit:						
BA	2.8	3.1	3.5	5.0	3.0	2.9
OT	2.8	3.1	3.4	4.6	3.2	2.7
400: Transportation:						
BA	13.8	13.6	15.0	14.8	15.1	15.3
OT	36.9	38.3	38.9	39.3	39.4	39.4
450: Community and Regional Development:						
BA	9.3	8.3	8.2	7.5	7.5	7.6
OT	11.7	10.0	10.9	11.0	11.3	8.4
500: Education, Training, Employment and Social Services:						
BA	42.4	46.7	47.0	47.9	48.5	49.2
OT	40.3	43.2	46.1	47.1	47.8	48.6
550: Health:						
BA	25.0	24.9	24.7	24.6	24.4	24.2
OT	23.8	24.6	24.8	24.9	24.6	24.3
570: Medicare:						
BA	2.6	2.7	2.7	2.7	2.6	2.6
OT	2.7	2.7	2.6	2.7	2.7	2.6
600: Income Security:						
BA	26.6	32.9	35.7	37.7	38.7	39.6
OT	40.9	41.3	41.6	41.3	41.2	40.8
650: Social Security:						
BA	3.5	3.3	3.2	3.2	3.2	3.1
OT	3.4	3.4	3.3	3.3	3.2	3.1
700: Veterans Benefits:						
BA	18.9	18.5	18.4	18.3	18.2	18.0
OT	19.3	19.3	18.6	18.3	18.2	17.9
750: Administration of Justice:						
BA	22.9	24.4	24.8	23.9	24.1	24.7
OT	20.4	22.2	24.2	25.0	25.7	24.7
800: General Government:						
BA	11.8	12.6	12.3	11.8	11.5	11.4
OT	11.9	11.9	12.2	12.4	11.9	11.4
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total Discretionary:						
BA	510.1	526.9	533.0	537.2	542.0	551.1
OT	548.5	553.3	559.3	564.3	564.4	560.8
Defense:						
BA	265.8	269.0	271.5	275.4	281.8	289.6
OT	267.5	266.8	266.5	269.0	270.7	273.1
Nondefense:						
BA	244.3	257.9	261.5	261.8	260.2	261.5
OT	281.0	286.4	292.8	295.3	293.7	287.7

BUDGET RESOLUTION BASELINE—DISCRETIONARY TOTALS

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
050: National Defense:						
BA	265.8	273.3	281.4	289.7	298.4	307.5
OT	267.5	269.8	276.5	286.9	289.0	300.8
150: International Affairs:						
BA	18.1	18.6	19.3	19.8	20.4	21.0
OT	19.2	19.1	19.3	19.7	19.9	20.4
250: Science, Space and Technology:						
BA	16.6	17.1	17.6	18.0	18.5	19.1
OT	17.0	17.4	17.6	17.8	18.3	18.8
270: Energy:						
BA	4.3	4.4	4.6	4.7	4.8	5.0
OT	4.9	4.7	4.7	4.7	4.8	4.9
300: Natural Resources and Environment:						
BA	21.5	22.2	22.9	23.6	24.4	25.2
OT	21.5	21.1	21.8	22.7	23.7	24.4
350: Agriculture:						
BA	4.2	4.3	4.4	4.6	4.7	4.9
OT	4.2	4.3	4.4	4.5	4.7	4.8
370: Commerce and Housing Credit:						
BA	2.8	2.9	3.0	3.1	3.2	3.3
OT	2.8	2.9	3.0	3.1	3.2	3.3
400: Transportation:						
BA	13.8	14.6	15.1	15.5	16.0	16.5
OT	36.9	37.7	38.4	39.3	40.5	41.7
450: Community and Regional Development:						
BA	9.3	9.6	9.8	10.1	10.4	10.7
OT	11.7	11.1	10.7	10.5	10.2	10.4
500: Education, Training, Employment and Social Services:						
BA	42.4	43.5	44.7	45.9	47.1	48.4
OT	40.3	42.8	44.1	45.5	46.6	47.9
550: Health:						
BA	25.0	25.7	26.4	27.2	28.0	28.8
OT	23.8	25.0	25.9	26.7	27.4	28.2
570: Medicare:						
BA	2.6	2.7	2.8	3.0	3.1	3.2
OT	2.7	2.7	2.8	2.9	3.1	3.2
600: Income Security:						
BA	26.6	34.9	37.7	40.6	43.0	45.4
OT	40.9	41.9	43.1	44.1	45.0	46.1
650: Social Security:						
BA	3.5	3.6	3.7	3.8	3.9	4.1
OT	3.4	3.6	3.7	3.8	3.9	4.1
700: Veterans Benefits:						
BA	18.9	19.0	19.7	20.3	21.0	21.8
OT	19.3	19.5	19.5	20.1	20.7	21.5
750: Administration of Justice:						
BA	22.9	23.7	24.5	25.3	26.1	26.9
OT	20.4	21.6	23.8	24.9	25.7	26.6
800: General Government:						
BA	11.8	12.2	12.6	13.0	13.5	13.9
OT	11.9	12.2	12.6	13.0	13.4	13.7
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total Discretionary:						
BA	510.1	532.3	550.2	568.3	586.7	605.6
OT	548.5	557.3	571.8	590.2	600.1	620.7
Defense:						
BA	265.8	273.3	281.4	289.7	298.4	307.5
OT	267.5	269.8	276.5	286.9	289.0	300.8

BUDGET RESOLUTION BASELINE—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
Nondefense:						
BA	244.3	259.1	268.8	278.6	288.3	298.1
OT	281.0	287.5	295.3	303.3	311.1	320.0

FREEZE BASELINE—DISCRETIONARY TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002
050: National Defense:					
BA	265.8	265.8	265.8	265.8	265.8
OT	264.9	264.6	267.1	261.3	264.1
150: International Affairs:					
BA	18.1	18.2	18.2	18.2	18.2
OT	18.9	18.6	18.5	18.2	18.2
250: Science, Space and Technology:					
BA	16.6	16.6	16.6	16.6	16.6
OT	17.1	16.9	16.6	16.6	16.6
270: Energy:					
BA	4.3	4.3	4.3	4.3	4.3
OT	4.6	4.6	4.5	4.4	4.4
300: Natural Resources and Environment:					
BA	21.6	21.6	21.6	21.6	21.6
OT	20.7	20.8	21.1	21.3	21.3
350: Agriculture:					
BA	4.2	4.2	4.2	4.2	4.2
OT	4.2	4.2	4.2	4.2	4.2
370: Commerce and Housing Credit:					
BA	2.8	2.8	2.8	2.8	2.8
OT	2.8	2.8	2.8	2.8	2.8
400: Transportation:					
BA	14.2	14.2	14.2	14.2	14.2
OT	37.3	37.2	37.2	37.3	37.5
450: Community and Regional Development:					
BA	9.3	9.3	9.3	9.3	9.3
OT	11.0	10.5	10.1	9.6	9.5
500: Education, Training, Employment and Social Services:					
BA	43.2	42.4	42.4	42.4	42.4
OT	43.0	42.9	43.0	42.9	42.9
550: Health:					
BA	25.0	25.0	25.0	25.0	25.0
OT	24.7	24.9	25.0	25.0	25.0
570: Medicare:					
BA	2.6	2.6	2.6	2.6	2.6
OT	2.6	2.6	2.6	2.6	2.6
600: Income Security:					
BA	34.3	36.3	38.4	40.0	41.6
OT	41.5	42.2	42.6	42.8	43.2
650: Social Security:					
BA	3.5	3.5	3.5	3.5	3.5
OT	3.5	3.5	3.5	3.5	3.5
700: Veterans Benefits:					
BA	18.3	18.3	18.3	18.3	18.2
OT	18.9	18.2	18.1	18.1	18.1
750: Administration of Justice:					
BA	23.0	23.0	23.0	23.0	23.0
OT	21.0	22.6	23.0	23.0	23.0
800: General Government:					
BA	11.8	11.8	11.8	11.8	11.8
OT	11.9	11.9	11.9	11.9	11.7
920: Allowances:					
BA	....	....	....	....	....

FREEZE BASELINE—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002
OT	....	....	....	....	....
Total Discretionary:					
BA	518.6	519.9	522.0	523.6	525.1
OT	548.6	548.9	551.7	545.5	548.5
Defense:					
BA	265.8	265.8	265.8	265.8	265.8
OT	264.9	264.6	267.1	261.3	264.1
Nondefense:					
BA	252.8	254.0	256.2	257.8	259.3
OT	283.7	284.3	284.6	284.2	284.4

PRESIDENT'S BUDGET—DISCRETIONARY TOTALS

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
050: National Defense:						
BA	263.1	266.4	269.7	275.4	281.8	289.6
OT	267.7	265.8	263.8	269.0	269.8	277.9
150: International Affairs:						
BA	18.1	23.0	20.1	19.1	18.8	18.8
OT	19.2	19.3	19.9	19.1	18.9	18.9
250: Science, Space and Technology:						
BA	16.6	16.4	16.4	16.2	16.2	16.2
OT	17.0	17.0	16.7	16.2	16.2	16.2
270: Energy:						
BA	4.3	4.7	4.9	4.7	4.5	4.4
OT	4.9	5.1	5.1	4.9	4.7	4.6
300: Natural Resources and Environment:						
BA	21.4	22.4	22.4	21.9	21.8	21.9
OT	21.5	21.1	21.7	22.1	22.2	22.1
350: Agriculture:						
BA	4.1	4.1	4.0	3.9	3.9	3.9
OT	4.1	4.2	4.1	4.0	3.9	3.9
370: Commerce and Housing Credit:						
BA	2.8	3.2	3.6	5.1	3.1	3.1
OT	2.8	3.1	3.4	4.6	3.3	2.8
400: Transportation:						
BA	13.8	13.5	14.9	14.7	15.0	15.2
OT	37.1	37.5	37.1	37.2	37.5	37.8
450: Community and Regional Development:						
BA	9.3	16.7	8.3	7.7	7.8	7.9
OT	11.7	11.1	12.0	11.6	11.6	8.7
500: Education, Training, Employment and Social Services:						
BA	42.4	46.5	47.5	48.5	49.5	50.4
OT	40.3	43.2	46.4	47.5	48.5	49.6
550: Health:						
BA	25.0	25.2	25.1	25.1	25.1	25.1
OT	23.8	24.8	25.1	25.2	25.1	25.1
570: Medicare:						
BA	2.6	2.8	2.8	2.7	2.7	2.7
OT	2.7	2.7	2.7	2.7	2.7	2.7
600: Income Security:						
BA	26.4	32.9	36.1	38.9	40.4	41.8
OT	40.9	41.8	42.4	41.5	42.6	42.8
650: Social Security:						
BA	3.5	3.3	3.3	3.2	3.2	3.3
OT	3.4	3.4	3.4	3.3	3.2	3.3
700: Veterans Benefits:						
BA	18.9	18.8	18.7	18.7	18.7	18.7

PRESIDENT'S BUDGET—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
OT	19.3	18.4	18.8	18.6	18.6	18.5
750: Administration of Justice:						
BA	22.9	24.4	25.2	24.4	24.8	25.5
OT	20.4	22.2	24.4	25.4	26.3	25.4
800: General Government:						
BA	11.8	12.8	12.5	12.1	11.8	11.8
OT	11.9	12.0	12.3	12.6	12.2	11.8
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total Discretionary:						
BA	507.1	537.1	535.5	542.3	549.2	560.3
OT	548.9	552.4	559.2	565.7	567.4	572.3
Defense:						
BA	263.1	266.4	269.7	275.4	281.8	289.6
OT	267.7	265.8	263.8	269.0	269.8	277.9
Nondefense:						
BA	244.1	270.7	265.8	266.9	267.3	270.7
OT	281.2	286.6	295.4	296.7	297.5	294.4

PRESIDENT'S ALTERNATIVE BUDGETARY POLICIES—DISCRETIONARY TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002
050: National Defense:					
BA	266.4	269.7	275.4	270.4	277.9
OT	265.8	263.8	269.0	262.4	268.2
150: International Affairs:					
BA	23.0	20.1	19.1	18.1	18.0
OT	19.3	19.9	19.1	18.5	18.4
250: Science, Space and Technology:					
BA	16.4	16.4	16.2	15.6	15.6
OT	17.0	16.7	16.2	15.8	15.7
270: Energy:					
BA	4.7	4.9	4.7	4.3	4.2
OT	5.1	5.1	4.9	4.6	4.4
300: Natural Resources and Environment:					
BA	22.4	22.4	21.9	20.9	21.0
OT	21.1	21.7	22.1	21.7	21.4
350: Agriculture:					
BA	4.1	4.0	3.9	3.7	3.8
OT	4.2	4.1	4.0	3.8	3.8
370: Commerce and Housing Credit:					
BA	3.2	3.6	5.1	2.9	2.9
OT	3.1	3.4	4.6	3.2	2.7
400: Transportation:					
BA	13.5	14.9	14.7	14.4	14.6
OT	37.5	37.1	37.2	36.8	36.7
450: Community and Regional Development:					
BA	16.7	8.3	7.7	7.4	7.6
OT	11.1	12.0	11.6	11.5	8.6
500: Education, Training, Employment and Social Services:					
BA	46.5	47.5	48.5	47.5	48.4
OT	43.2	46.4	47.5	48.0	47.8
550: Health:					
BA	25.2	25.1	25.1	24.1	24.2
OT	24.8	25.1	25.2	24.7	24.3
570: Medicare:					
BA	2.8	2.8	2.7	2.6	2.6
OT	2.7	2.7	2.7	2.6	2.6

PRESIDENT'S ALTERNATIVE BUDGETARY POLICIES—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002
600: Income Security:					
BA	32.9	36.1	38.9	38.7	40.1
OT	41.8	42.4	41.5	41.8	41.6
650: Social Security:					
BA	3.3	3.3	3.2	3.1	3.1
OT	3.4	3.4	3.3	3.1	3.1
700: Veterans Benefits:					
BA	18.8	18.7	18.7	17.9	17.9
OT	18.4	18.8	18.6	17.9	17.8
750: Administration of Justice:					
BA	24.4	25.2	24.4	23.8	24.5
OT	22.2	24.4	25.4	25.5	24.5
800: General Government:					
BA	12.8	12.5	12.1	11.3	11.4
OT	12.0	12.3	12.6	11.7	11.4
920: Allowances:					
BA	....	....	....	....	....
OT	....	....	....	....	....
Total Discretionary:					
BA	537.1	535.5	542.3	526.9	537.6
OT	552.4	559.2	565.7	553.7	552.7
Defense:					
BA	266.4	269.7	275.4	270.4	277.9
OT	265.8	263.8	269.0	262.4	268.2
Nondefense:					
BA	270.7	265.8	266.9	256.5	259.8
OT	286.6	295.4	296.7	291.3	284.5

1998 BUDGET RESOLUTION COMPARED TO BASELINE—DISCRETIONARY TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
050: National Defense:						
BA	−4.3	−9.9	−14.4	−16.6	−17.9	−63.0
OT	−3.0	−9.9	−17.9	−18.3	−27.7	−76.8
150: International Affairs:						
BA	0.4	−0.7	−1.3	−2.0	−2.8	−6.4
OT	(*)	−0.5	−0.9	−1.4	−1.9	−4.6
250: Science, Space and Technology:						
BA	−0.9	−1.4	−2.1	−2.8	−3.5	−10.6
OT	−0.5	−1.1	−1.8	−2.5	−3.2	−9.0
270: Energy:						
BA	0.3	0.3	−0.1	−0.4	−0.7	−0.6
OT	0.4	0.4	0.1	−0.2	−0.5	0.1
300: Natural Resources and Environment:						
BA	0.6	−0.7	−2.1	−3.2	−4.0	−9.4
OT	0.3	−0.1	−0.8	−1.8	−3.0	−5.5
350: Agriculture:						
BA	−0.2	−0.5	−0.7	−0.9	−1.1	−3.5
OT	−0.1	−0.3	−0.6	−0.8	−1.1	−3.0
370: Commerce and Housing Credit:						
BA	0.2	0.5	1.9	−0.3	−0.4	1.9
OT	0.2	0.4	1.5	(*)	−0.6	1.5
400: Transportation:						
BA	−1.1	−0.1	−0.8	−1.0	−1.2	−4.1
OT	0.6	0.6	−(*)	−1.1	−2.3	−2.3
450: Community and Regional Development:						
BA	−1.3	−1.6	−2.6	−2.9	−3.1	−11.5
OT	−1.0	0.2	0.4	1.1	−2.0	−1.3

1998 BUDGET RESOLUTION COMPARED TO BASELINE—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
500: Education, Training, Employment and Social Services:						
BA	3.3	2.4	2.0	1.4	0.8	9.7
OT	0.4	2.0	1.6	1.2	0.7	5.8
550: Health:						
BA	−0.8	−1.7	−2.6	−3.5	−4.6	−13.2
OT	−0.4	−1.0	−1.8	−2.8	−3.9	−10.0
570: Medicare:						
BA	(*)	−0.1	−0.3	−0.4	−0.6	−1.5
OT	(*)	−0.2	−0.3	−0.4	−0.6	−1.4
600: Income Security:						
BA	−2.0	−2.0	−2.9	−4.3	−5.8	−16.9
OT	−0.6	−1.5	−2.7	−3.8	−5.3	−14.0
650: Social Security:						
BA	−0.3	−0.5	−0.6	−0.8	−1.0	−3.2
OT	−0.2	−0.3	−0.5	−0.8	−0.9	−2.8
700: Veterans Benefits:						
BA	−0.5	−1.2	−2.0	−2.9	−3.8	−10.4
OT	−0.2	−0.9	−1.7	−2.6	−3.6	−9.0
750: Administration of Justice:						
BA	0.7	0.3	−1.4	−2.0	−2.3	−4.6
OT	0.6	0.4	0.1	−(*)	−1.9	−0.8
800: General Government:						
BA	0.4	−0.3	−1.2	−2.0	−2.6	−5.7
OT	−0.3	−0.4	−0.6	−1.5	−2.3	−5.1
920: Allowances:						
BA	———	———	———	———	———	———
OT	———	———	———	———	———	———
Total Discretionary:						
BA	−5.5	−17.2	−31.1	−44.7	−54.5	−153.0
OT	−4.0	−12.5	−25.9	−35.7	−59.9	−138.0
Defense:						
BA	−4.3	−9.9	−14.4	−16.6	−17.9	−63.0
OT	−3.0	−9.9	−17.9	−18.3	−27.7	−76.8
Nondefense:						
BA	−1.2	−7.3	−16.8	−28.1	−36.7	−90.0
OT	−1.0	−2.5	−8.0	−17.4	−32.3	−61.2

1998 BUDGET RESOLUTION COMPARED TO FREEZE BASELINE—DISCRETIONARY TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
050: National Defense:						
BA	3.2	5.7	9.5	16.0	23.8	58.1
OT	1.9	1.9	1.9	9.4	9.0	24.1
150: International Affairs:						
BA	0.9	0.4	0.3	0.1	−(*)	1.7
OT	0.3	0.2	0.3	0.3	0.3	1.4
250: Science, Space and Technology:						
BA	−0.4	−0.5	−0.7	−0.9	−1.1	−3.5
OT	−0.3	−0.4	−0.6	−0.8	−1.0	−3.1
270: Energy:						
BA	0.4	0.6	0.3	0.1	−0.1	1.2
OT	0.4	0.5	0.3	0.2	(*)	1.4
300: Natural Resources and Environment:						
BA	1.3	0.7	(*)	−0.4	−0.4	1.2
OT	0.7	0.8	0.9	0.5	0.1	3.0
350: Agriculture:						
BA	−0.1	−0.2	−0.3	−0.4	−0.4	−1.4
OT	−(*)	−0.1	−0.2	−0.3	−0.4	−1.1

1998 BUDGET RESOLUTION COMPARED TO FREEZE BASELINE—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
370: Commerce and Housing Credit:						
BA	0.3	0.7	2.2	0.2	0.1	3.5
OT	0.2	0.6	1.8	0.4	−0.1	2.9
400: Transportation:						
BA	−0.6	0.8	0.6	0.9	1.2	2.8
OT	1.0	1.7	2.1	2.1	2.0	8.8
450: Community and Regional Development:						
BA	−1.0	−1.1	−1.8	−1.8	−1.8	−7.6
OT	−1.0	0.4	0.8	1.7	−1.1	0.9
500: Education, Training, Employment and Social Services:						
BA	3.5	4.6	5.4	6.1	6.8	26.4
OT	0.2	3.2	4.1	4.9	5.7	18.1
550: Health:						
BA	−0.1	−0.3	−0.4	−0.6	−0.9	−2.2
OT	−(*)	−0.1	−0.1	−0.4	−0.7	−1.4
570: Medicare:						
BA	0.1	0.1	0.1	0.1	(*)	0.4
OT	0.1	(*)	0.1	0.1	(*)	0.4
600: Income Security:						
BA	−1.3	−0.5	−0.7	−1.3	−2.0	−5.8
OT	−0.2	−0.6	−1.2	−1.7	−2.4	−6.1
650: Social Security:						
BA	−0.2	−0.3	−0.3	−0.3	−0.3	−1.4
OT	−0.1	−0.1	−0.2	−0.3	−0.3	−1.0
700: Veterans Benefits:						
BA	0.1	0.1	(*)	−0.1	−0.3	−0.1
OT	0.4	0.4	0.2	0.1	−0.2	0.9
750: Administration of Justice:						
BA	1.4	1.8	0.9	1.1	1.7	7.0
OT	1.1	1.6	2.0	2.7	1.8	9.2
800: General Government:						
BA	0.8	0.5	(*)	−0.3	−0.4	0.6
OT	−(*)	0.3	0.5	(*)	−0.3	0.6
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total Discretionary:						
BA	8.2	13.1	15.2	18.4	25.9	80.9
OT	4.7	10.4	12.6	18.9	12.3	58.9
Defense:						
BA	3.2	5.7	9.5	16.0	23.8	58.1
OT	1.9	1.9	1.9	9.4	9.0	24.1
Nondefense:						
BA	5.1	7.5	5.7	2.4	2.2	22.8
OT	2.8	8.5	10.7	9.5	3.3	34.9

1998 BUDGET RESOLUTION COMPARED TO PRESIDENT'S BUDGET—DISCRETIONARY TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
050: National Defense:						
BA	2.6	1.8	....	....	....	4.4
OT	1.0	2.8	(*)	0.8	−4.8	−0.2
150: International Affairs:						
BA	−3.9	−1.5	−0.6	−0.5	−0.6	−7.1
OT	−0.1	−1.1	−0.3	−0.4	−0.5	−2.4
250: Science, Space and Technology:						
BA	−0.2	−0.3	−0.3	−0.5	−0.7	−1.9

1998 BUDGET RESOLUTION COMPARED TO PRESIDENT'S BUDGET—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
OT	−0.1	−0.2	−0.3	−0.4	−0.6	−1.5
270: Energy:						
BA	(*)	−(*)	−0.1	−0.1	−0.2	−0.4
OT	−(*)	−0.1	−0.1	−0.1	−0.1	−0.4
300: Natural Resources and Environment:						
BA	0.4	−0.2	−0.3	−0.6	−0.7	−1.4
OT	0.3	−0.1	−0.2	−0.4	−0.6	−1.0
350: Agriculture:						
BA	−0.1	−0.1	−0.1	−0.1	−0.2	−0.5
OT	−(*)	−(*)	−0.1	−0.1	−0.1	−0.3
370:Commerce and Housing Credit:						
BA	−(*)	−0.1	−0.1	−0.1	−0.1	−0.4
OT	−(*)	−(*)	−0.1	−0.1	−0.1	−0.3
400 Transportation:						
BA	(*)	(*)	0.1	0.1	0.1	0.3
OT	0.8	1.8	2.1	1.9	1.6	8.2
450: Community and Regional Development:						
BA	−8.4	−0.1	−0.2	−0.2	−0.3	−9.3
OT	−1.0	−1.1	−0.7	−0.3	−0.3	−3.3
500: Education, Training, Employment and Social Services:						
BA	0.3	−0.4	−0.7	−1.0	−1.2	−3.1
OT	(*)	−0.3	−0.5	−0.8	−1.0	−2.5
550: Health:						
BA	−0.3	−0.3	−0.5	−0.7	−1.0	−2.8
OT	−0.2	−0.2	−0.4	−0.5	−0.9	−2.1
570 Medicare:						
BA	−(*)	−(*)	0.1	−0.1	0.1	−0.3
OT	−(*)	−(*)	−(*)	−0.1	−0.1	−0.2
600: Income Security:						
BA	0.1	−0.4	−1.2	−1.7	−2.2	−5.3
OT	−0.6	−0.8	−0.1	−1.4	−2.0	−4.9
650: Social Security:						
BA	−(*)	−0.1	−0.1	−0.1	−0.1	−0.4
OT	−(*)	−(*)	−0.1	−0.1	−0.1	−0.3
700: Veterans Benefits;						
BA	−0.3	−0.3	−0.4	−0.5	−0.8	−2.2
OT	0.9	−0.2	−0.3	−0.4	−0.7	−0.7
750: Administration of Justice:						
BA	....	−0.4	−0.5	−0.7	−0.8	−2.4
OT	....	−0.3	−0.4	−0.6	−0.7	−2.0
800: General Government:						
BA	−0.2	−0.2	−0.2	−0.3	−0.5	−1.4
OT	−0.1	−0.1	−0.2	−0.3	−0.4	−1.1
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total Discretionary:						
BA	−10.2	−2.5	−5.1	−7.2	−9.3	−34.2
OT	0.8	0.1	−1.4	−3.0	−11.5	−14.9
Defense:						
BA	2.6	1.8	....	....	....	4.4
OT	1.0	2.8	(*)	0.8	−4.8	−0.2
Nondefense:						
BA	−12.8	−4.3	−5.1	−7.2	−9.3	−38.6
OT	−0.2	−2.6	−1.4	−3.8	−6.7	−14.7

1998 BUDGET RESOLUTION COMPARED TO PRESIDENT'S ALTERNATIVE—DISCRETIONARY TOTALS

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
050: National Defense:						
BA	2.6	1.8	....	11.4	11.7	27.6
OT	1.0	2.8	(*)	8.2	4.9	16.9
150: International Affairs:						
BA	−3.9	−1.5	−0.6	0.3	0.2	−5.6
OT	−0.1	−1.1	−0.3	0.1	0.1	−1.3
250: Science, Space and Technology:						
BA	−0.2	−0.3	−0.3	0.2	(*)	−0.6
OT	−0.1	−0.2	−0.3	(*)	−(*)	−0.6
270: Energy:						
BA	(*)	−(*)	−0.1	0.1	(*)	(*)
OT	−(*)	−0.1	−0.1	(*)	0.1	−0.1
300: Natural Resources and Environment:						
BA	0.4	−0.2	−0.3	0.3	0.2	0.3
OT	0.3	−0.1	−0.2	0.1	0.1	0.3
350: Agriculture:						
BA	−0.1	−0.1	−0.1	(*)	−(*)	−0.2
OT	−(*)	−(*)	−0.1	(*)	(*)	−0.1
370: Commerce and Housing Credit:						
BA	−(*)	−0.1	−0.1	0.1	(*)	−0.1
OT	−(*)	−(*)	−0.1	(*)	(*)	−0.1
400: Transportation:						
BA	(*)	(*)	0.1	0.7	0.7	1.5
OT	0.8	1.8	2.1	2.6	2.7	10.0
450: Community and Regional Development:						
BA	−8.4	−0.1	−0.2	0.1	−(*)	−8.6
OT	−1.0	−1.1	−0.7	−0.2	−0.1	−3.1
500: Education, Training, Employment and Social Services:						
BA	0.3	−0.4	−0.7	1.0	0.8	0.9
OT	(*)	−0.3	−0.5	−0.2	0.7	−0.1
550: Health:						
BA	−0.3	−0.3	−0.5	0.3	(*)	−0.8
OT	−0.2	−0.2	−0.4	−0.1	−(*)	−0.8
570: Medicare:						
BA	−(*)	−(*)	−0.1	(*)	(*)	−0.1
OT	−(*)	−(*)	−(*)	(*)	(*)	−(*)
600: Income Security:						
BA	0.1	−0.4	−1.2	−(*)	−0.5	−2.0
OT	−0.6	−0.8	−0.1	−0.6	−0.8	−2.9
650: Social Security:						
BA	−(*)	−0.1	−0.1	(*)	(*)	−0.1
OT	−(*)	−(*)	−0.1	(*)	(*)	−0.1
700: Veterans Benefits:						
BA	−0.3	−0.3	−0.4	0.3	(*)	−0.7
OT	0.9	−0.2	−0.3	0.2	0.1	0.7
750: Administration of Justice:						
BA	....	−0.4	−0.5	0.3	0.2	−0.4
OT	....	−0.3	−0.4	0.1	0.2	−0.3
800: General Government:						
BA	−0.2	−0.2	−0.2	0.1	....	−0.5
OT	−0.1	−0.1	−0.2	0.1	(*)	−0.2
920: Allowances:						
BA	....	....	....	....	....	....
OT	....	....	....	....	....	....
Total Discretionary:						
BA	−10.2	−2.5	−5.1	15.1	13.4	10.8
OT	0.8	0.1	−1.4	10.7	8.1	18.3
Defense:						
BA	2.6	1.8	....	11.4	11.7	27.6
OT	1.0	2.8	(*)	8.2	4.9	16.9

1998 BUDGET RESOLUTION COMPARED TO PRESIDENT'S ALTERNATIVE—DISCRETIONARY TOTALS—Continued

[In billions of dollars]

	1998	1999	2000	2001	2002	Total
Nondefense:						
BA	−12.8	−4.3	−5.1	3.7	1.7	−16.8
OT	−0.2	−2.6	−1.4	2.4	3.2	1.4

CREDIT LEVELS BY FUNCTION

[In billions of dollars]

	Fiscal year—					5-year totals
	1998	1999	2000	2001	2002	
Direct loans	34.0	33.4	34.9	36.1	37.4	175.8
Loan guarantees	315.7	324.9	328.2	332.2	335.3	1,636.3
050: National Defense:						
Loan guarantees	0.6	0.8	1.1	1.1	1.1	4.7
150: International Affairs:						
Direct loans	2.0	2.0	2.1	2.1	2.2	10.4
Loan guarantees	12.8	13.1	13.4	13.8	14.2	67.3
270: Energy:						
Direct loans	1.1	1.1	1.1	1.1	1.2	5.6
300: Natural Resources and Environment:						
Direct loans	0.1	0.1	0.1	0.1	0.1	0.5
350: Agriculture:						
Direct loans	9.6	11.0	11.1	11.0	11.0	53.7
Loan guarantees	6.4	6.4	6.5	6.6	6.7	32.6
370: Commerce and Housing Credit:						
Direct loans	4.7	1.9	2.2	2.6	2.7	14.1
Loan guarantees	245.5	253.5	255.2	258.0	259.9	1,272.1
400: Transportation:						
Direct loans	0.2	0.1	0.1	0.1	0.1	0.6
450: Community and Regional Development:						
Direct loans	2.9	2.9	3.0	3.1	3.2	15.1
Loan guarantees	2.4	2.4	2.4	2.5	2.5	12.2
500: Education, Training, Employment, and Social Services:						
Direct loans	12.3	13.1	13.9	14.7	15.4	69.4
Loan guarantees	20.7	21.9	23.3	24.5	25.7	116.1
550: Health:						
Loan guarantees	0.1	0.0	0.0	0.0	0.0	0.1
600: Income Security:						
Direct loans	0.1	0.1	0.1	0.1	0.2	0.6
Loan guarantees	0.1	0.1	0.1	0.1	0.1	0.5
700: Veterans Benefits and Services:						
Direct loans	1.0	1.1	1.2	1.2	1.3	5.8
Loan guarantees	27.1	26.7	26.2	25.6	25.1	130.7

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

CONTENTS OF BUDGET RESOLUTION

Enforcement

A budget resolution does not become law and cannot amend law. Therefore, it cannot extend the Budget Enforcement Act as called for in the Balanced Budget Agreement. However, a budget resolution's miscellaneous provisions can affect the consideration of legislation to implement and enforce aspects of the Balanced Budget

Agreement. The reported budget resolution reduces the deficit and provides for a balanced budget by fiscal year 2002. During the Senate's consideration of this resolution; the committee urges the defeat of any amendment that would cause the deficit to be increased for any year relative to the budget resolution's levels or would result in a deficit in fiscal year 2002. The budget resolution includes the following provisions to implement and enforce a balanced budget by 2002:

Reconciliation

The reported resolution calls for two reconciliation bills. Committees would be reconciled for changes in spending and revenue levels for 2002 and the sum of years 1998 through 2002.

The reported resolution would reconcile committees for direct spending reductions in this first reconciliation bill. The reported resolution directs committees to complete action on this first bill and report legislation to the Budget Committee by June 20, 1997.

The reported resolution would reconcile the Senate Finance Committee to reduce revenues in a second reconciliation bill and directs the Committee to complete action on this second bill by June 27, 1997. The budget resolution's directive of two reconciliation bills assumes that an accommodation can be reached for this second bill that the Budget Act would apply to the tax provisions as if they were considered with the spending in the first reconciliation bill.

The reported resolution includes a reconciliation instruction for the first reconciliation bill calling for the debt limit to be increased to a level sufficient to allow Treasury to meet its projected borrowing requirements through December 15, 1999.

RECONCILIATION INSTRUCTIONS BY SENATE COMMITTEE

[In billions of dollars]

Committee		1998	1999	2000	2001	2002	Total
FIRST RECONCILIATION							
Agriculture, Nutrition and Forestry	OT	0.300	0.300	0.300	0.300	0.300	1.500
Banking, Housing and Urban Affairs	DR	−0.136	−0.233	−0.365	−0.422	−0.434	−1.590
Commerce, Science and Transportation	OT	....	−3.549	−3.549	−4.549	−14.849	−26.496
Energy and Natural Resources	OT	....	−0.001	−0.002	−0.004	−0.006	−0.013
Finance	OT	−1.100	−12.710	−19.128	−26.837	−40.946	−100.721
Government Affairs	DR	−0.632	−0.839	−1.042	−1.185	−1.769	−5.467
Labor and Human Resources	OT	−0.242	−0.247	−0.158	−0.088	−1.057	−1.792
Veterans Affairs	OT	−0.247	−0.540	−0.659	−0.606	−0.681	−2.733
Total First Reconciliation	DR	−2.057	−17.819	−24.603	−33.391	−59.442	−137.312
SECOND RECONCILATION							
Finance	Rev	−7.400	−11.300	−22.400	−23.400	−20.500	−85.000

Note: OT=outlays, DR=deficit reduction, Rev=revenues.

DISCRETIONARY CAPS

The reported resolution establishes limits on discretionary spending through 2002. It provides that a future budget resolution or an appropriations measure that would cause these limits to be exceeded would be subject to a 60 vote point of order in the Senate. The enforcement of the discretionary limits beyond 1998 are dependent on the enactment of reconciliation legislation called for by the resolution.

The reported resolution also establishes separate caps on defense and non-defense ("firewalls") for FY 1998 and 1999, which are enforced by a 60 vote point of order in the Senate.

DISCRETIONARY CAPS

[In billions of dollars]

	1998	1999	2000	2001	2002
Defense:					
BA	269.0	271.5	275.4	281.8	289.6
OT	266.8	266.5	269.0	270.7	273.1
Nondefense:					
BA	257.9	261.5	261.8	260.2	261.5
OT	286.4	292.8	295.3	293.7	287.7
Total Discretionary:					
BA	526.9	533.0	537.2	542.0	551.1
OT	553.3	559.3	564.3	564.4	560.8

PAY-AS-YOU-GO

The committee notes that in the fiscal year 1996 budget resolution (House Concurrent Resolution 67) the pay-as-you-go [PAYGO] point of order for the Senate was extended through the end of fiscal year 2002. Consequently it was determined that it is not necessary to include the language in the text of this year's resolution. In order to emphasize the overall goal of balancing the budget set out in this resolution and that the pay-as-you-go discipline is still in effect, the text of section 202 from House Concurrent Resolution 67 is provided herein:

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

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

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

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

(b) POINT OF ORDER.—

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

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

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

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

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

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

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

(A) any concurrent resolution on the budget; or

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

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

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

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

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

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

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

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

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

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

Other

The reported resolution includes an allowance to provide an upward adjustment to the budget authority discretionary spending limits if the Appropriations Committee approves of U.S. participation in the International Monetary Fund (IMF) New Arrangements to Borrow (NAB) and for a potential increase in the U.S. quota subscription. This additional budget authority will not increase outlays or the deficit.

The reported resolution includes an allowance that effectively fences the additional funding assumed for Section 8 Housing Assistance contract renewals.

The reported resolution assumes additional mandatory spending for environmental programs as part of legislation to reform the Superfund program to facilitate the cleanup of hazardous waste sites.

The reported resolution includes an allowance that effectively fences additional funding for Federal land acquisition and exchanges.

The reported resolution provides for an upward adjustment to the discretionary caps and other levels in the resolution to accommodate appropriations for arrearages for international organizations, international peacekeeping, and multilateral development banks.

The reported resolution includes a reserve fund that allows the discretionary caps and the spending levels in the resolution to be adjusted for additional funding for an intercity passenger rail fund. These adjustments could only occur if they would not result in an increase in the deficit.

The reported resolution includes a reserve fund that allows the discretionary caps and the spending levels in the resolution to be adjusted for additional funding for mass transit programs. These adjustments could only occur if they would not result in an increase in the deficit.

The reported resolution includes a reserve fund that allows the discretionary caps and the spending levels in the resolution to be adjusted for additional funding for highway programs. These adjustments could only occur if they would not result in an increase in the deficit.

The Budget Enforcement Act (BEA) set caps on discretionary spending and a pay-as-you-go requirement, which expire in FY 1998. A budget resolution cannot amend a law and cannot extend the BEA. However, the Balanced Budget Agreement calls for the extension of the BEA through 2002 and a revision of the BEA's asset sale scoring rule to prohibit the crediting of savings associated with asset sales that would lead to a long-term financial loss to the federal government.

VI. Text of Bipartisan Budget Agreement

BIPARTISAN BUDGET AGREEMENT—MAY 16, 1997

I. Bipartisan Budget Agreement between the President and the Leadership of Congress.
II. Summary Tables.
III. Description of Agreement by Major Category: A. Discretionary Programs; and B. Mandatory Programs.
IV. Budget Process.
V. Letters pertaining to tax issues.

BIPARTISAN BUDGET AGREEMENT BETWEEN THE PRESIDENT AND THE LEADERSHIP OF CONGRESS

1. The elements of this Bipartisan Budget Agreement provide for deficit reduction amounts that are estimated to result in a Balanced Budget by fiscal year 2002.

2. The Bipartisan Budget Agreement is approved by the President, the Speaker of the House of Representatives, the Senate Majority Leader, and the Senate Minority Leader. The President and the Congressional leadership agree to engage in a coordinated effort seeking to enact the Bipartisan Budget Agreement. Their coordinated effort shall seek to produce support for the Agreement by a majority of Democrats and Republicans in both the House and the Senate. This agreement represents commitments to good faith efforts; it does not purport to amend or suspend rules of the House or Senate. If bills, resolutions, or conference reports are deemed to be inconsistent, remedial efforts shall be made by all parties to assure consistency. Such efforts shall include bipartisan Leadership consultation and concurrence on amendments and scheduling as necessary.

3. Agreed upon budget levels are shown on the tables included in this agreement, including deficit reduction levels, major category levels for discretionary, mandatory, and tax and receipt changes.

4. Discretionary priority spending will be protected by the amounts set forth in this Agreement.

5. Agreed budget process items will be included in the budget resolution (as appropriate) and reconciliation, and are set forth in the budget process description included in this Agreement.

6. An increase in the debt limit sufficient to extend the limit at least to December 15, 1999 will be included in a reconciliation bill carrying out this Agreement.

7. Both Houses shall pass the 1998 budget resolution with reconciliation instructions fully reflecting the Bipartisan Budget Agreement. Such budget resolution shall contain 602(a) allocations consistent with this Agreement and shall instruct appropriate Committees to report, with or without a recommendation, legislation necessary to implement this Agreement. Conference reports on the reconciliation bills and appropriations bills that reflect the Bi-

partisan Budget Agreement shall be voted in both Houses of Congress.

8. It is the intention of leaders that Congress shall present the revenue reconciliation bill to the President after the spending reduction reconciliation bill. This assumes a good faith effort by all parties to enable such a legislative process to succeed.

9. If during the reconciliation process it is determined that the target of a balanced budget in fiscal year 2002 cannot be achieved, all parties to the agreement commit to seeking additional savings necessary to achieve balance.

10. To the extent possible, efforts will be exercised to exclude other mandatory savings and appropriations riders unacceptable to the Congressional Leadership or the Administration, as so identified in official Administration announcements, letters, Statements of Administration Policy, or other communications.

SUMMARY OF DEFICIT REDUCTION IN BUDGET RESOLUTION MARK

[Dollars in billions]

	1997	1998	1999	2000	2001	2002	5-yr. total
Baseline deficits: [1]	67	89	109	121	95	105	....
Discretionary:							
Defense	....	−3	−10	−18	−18	−28	−77
Nondefense	....	−1	−3	−8	−17	−32	−61
Mandatory:							
Presidential initiatives	....	6	6	7	7	6	31
Medicare	....	−7	−17	−23	−29	−40	−115
Medicaid	....	....	−2	−2	−4	−6	−14
Other mandatory	....	−1	−6	−14	1	−19	−40
Revenues:							
Net tax relief	....	7	11	22	23	21	85
Total policy changes	....	1	−19	−36	−37	−99	−190
Debt service	....	0	−0	−2	−4	−7	−14
Total deficit reduction	1	−19	−38	−41	−106	−204	
Resulting deficit/surplus	67	90	90	83	53	−1	....

[1] Baseline includes fiscal dividend, CBO revenue update, and assumes discretionary spending increases at the rate of inflation. Prepared by SBC majority Staff, May 15, 1997.

Note: Details may not add to totals due to rounding. All totals shown on a unified budget basis. Revenue reduction shown as positive because it increases the deficit.

LONG RANGE SUMMARY, 1997–2007

[In billions of dollars]

	Agreement						Projections					Totals	
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	'98–'02	'98–'07
Current Services Deficit	67.2	89.0	109.1	121.3	94.5	104.9	103.2	108.6	133.3	127.8	117.0	....	....
Discretionary savings:													
Defense	....	−3.0	−9.9	−17.9	−18.3	−27.7	−32.1	−33.0	−34.0	−35.0	36.1	−76.8	−247.0
Nondefense	....	−1.0	−2.5	−8.0	−17.4	−32.3	−36.5	−39.9	−42.6	−45.1	−47.5	−61.2	−272.8
Subtotal, discretionary savings	....	−4.0	−12.5	−25.9	−35.7	−59.9	−68.6	−72.9	−76.6	−80.1	−83.6	−138.0	−519.9
Mandatory savings:													
Medicare, net	....	−6.5	−16.8	−22.7	−29.0	−40.0	−50.0	−60.0	−65.0	−70.0	−74.0	−115.0	−434.0
Medicaid, net	....	....	−1.5	2.4	−3.6	−6.2	−7.1	−8.6	−10.2	−12.0	−13.9	−13.7	−65.5
Other mandatory:													
Spectrum	....	....	−3.5	−3.5	−4.5	−14.8	−1.9	−1.0	−1.0	−1.0	−1.0	−26.3	−32.3
Other	....	−1.3	−2.1	−10.9	5.5	−4.4	−1.6	−3.2	−17.7	−4.9	12.3	−13.3	−28.2
Subtotal, mandatory savings	....	−7.8	−23.9	−39.5	−31.6	−65.4	−60.6	−72.8	−93.9	−87.9	−76.6	−166.3	−559.9
Debt service, net	....	0.0	−0.5	−2.0	−3.8	−7.4	−12.5	−18.2	−25.0	−32.5	−39.9	−13.6	−141.6
Subtotal, savings proposals	....	−11.8	−36.8	−67.4	−71.1	−132.8	−141.6	−163.9	−195.5	−200.5	−200.0	−319.9	−1,221.4
Domestic initiatives	....	5.9	6.1	6.7	6.5	6.0	6.6	7.0	7.0	7.0	7.0	31.2	65.8
Net tax cut	....	7.4	11.3	22.4	23.4	20.5	27.2	28.5	31.4	36.2	41.6	85.0	249.9
Total changes	....	1.5	−19.4	−38.3	−41.2	−106.3	−107.8	−128.4	−157.1	−157.3	−151.4	−203.7	−905.7
Resulting deficit/surplus (−)	67.2	90.4	89.7	83.0	53.3	−1.3	−4.6	−19.8	−23.9	−29.5	−34.4	....	....

Note: 2000 and 2005 have 13 benefit payments and 2001 and 2007 have 11. The baseline has been adjusted to reflect normalization to 12 benefit payments in each year.

DOMESTIC INITIATIVES AND RESTORATIONS IN AGREEMENT

[In billions of dollars]

	1998	1999	2000	2001	2002	5-yr total
Assistance to immigrants:						
Elderly/Disabled:						
Medicaid	0.4	0.4	0.3	0.3	0.3	1.7
SSI	1.7	1.6	1.6	1.2	1.2	7.5
Disabled kids (SSI only) [1]	.1	.1	.1	.1	.1	.3
Refugees/asylees	0.0	0.0	0.0	0.0	0.0	.2
Subtotal, immigrants	2.2	2.2	2.0	1.7	1.6	9.7
Nutrition assistance:						
Add work slots for 18–50's	.2	.2	.2	.2	.2	1.0
15% exemption for 18–50's	.1	.1	.1	.1	.1	.5
Subtotal, nutrition assistance	.3	.3	.3	.3	.3	1.5
Welfare to work add to TANF	.7	.7	1.0	.6	....	3.0
Subtotal, immigrants, nutrition, and work	3.2	3.3	3.4	2.4	2.0	14.2
Children's Health	2.3	2.7	3.2	3.7	3.9	16.0
Federal land acquisition & exchange [2]	.3	.2	.2	.1	....	.7
Environmental reserve	.2	.2	.2	.2	.2	1.0
Offset low-income Medicare premiums	.2	.3	.3	.3	.4	1.5
Total, Domestic Initiatives and restorations	6.2	6.7	7.3	6.7	6.5	33.4

[1] Medicaid costs reflected in elderly/disabled medicaid line.
[2] Discretionary.

AGREEMENT ON DISCRETIONARY FUNDING

[In millions of dollars]

[For functions specified below, Implementing legislation will protect the function levels]

	FY 1998		FY 1999		FY 2000		FY 2001		FY 2002	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
050—National Defense	269,000	266,823	271,500	266,518	275,367	268,995	281,847	270,663	289,610	273,100
Non-Defense Discretionary	257,857	286,445	261,499	292,803	261,826	295,270	260,185	293,733	261,464	287,699
Total Discretionary	526,857	553,268	532,999	559,321	537,193	564,265	542,032	564,396	551,074	560,799
Protected Functions:										
150—International Affairs	19,038	19,179	18,601	18,842	18,533	18,809	18,348	18,505	18,218	18,442
300—Natural Resources and Environment	22,807	21,393	22,222	21,657	21,586	21,944	21,185	21,822	21,152	21,472
400—Transportation	13,556	38,267	14,974	38,933	14,788	39,310	15,066	39,418	15,347	39,418
500—Education, Training, Employment and Social Services	46,721	43,185	47,015	46,107	47,858	47,065	48,478	47,776	49,199	48,559
750—Administration of Justice	24,405	22,170	24,795	24,191	23,887	24,996	24,094	25,683	24,675	24,713
Subtotal, Protected Functions	126,527	144,194	127,607	149,730	126,632	162,125	127,170	153,204	128,591	152,604
All Other	400,330	409,074	405,392	409,591	410,561	412,140	414,862	411,192	422,483	408,195
Total Discretionary Spending	526,857	553,268	532,999	559,321	537,193	564,265	542,032	564,396	551,074	560,799
Anomalies Included Above:										
Subsidized Housing (Function 600)	5,682		9,652		12,047		13,295		14,504	
Fixed Assets (Up-Front Funding and Advance Appropriations)										
050—Defense	2,218									
250—General Science, Space, and Technology			2,735		2,226		1,817		1,271	
270—Energy	110		52		8					
300—Environment	51		581		458		253		84	
370—Commerce and Housing Credit			724		551		480		375	
400—Transportation			675		724		424		206	
550—Health			129		71					
750—Administration of Justice			48							
800—General Government			500							
Total, Anomalies	8,061		15,096		16,085		16,269		16,440	

AGREEMENT ON DISCRETIONARY FUNDING—Continued

[In millions of dollars]

[For functions specified below, Implementing legislation will protect the function levels]

	FY 1998		FY 1999		FY 2000		FY 2001		FY 2002	
	BA	OL	BA	OL	BA	OL	BA	OL	BA	OL
Total Discretionary Less Anomalies	518,796	553,268	517,803	559,321	521,108	564,265	525,763	564,396	534,634	560,799

PROTECTED DOMESTIC DISCRETIONARY PRIORITIES

(Funded at levels proposed in the President's FY 1998 budget.)

Department of Commerce.—National Institute of Standards and Technology (NIST).

Department of Education.—Education Reform (includes Technology Literacy Challenge Fund), Bilingual and Immigrant Education, Pell ($300 increase in 1998 maximum award amount, to $3,000), Child literacy initiatives consistent with the goals and the concepts of the President's America Reads program.

Department of Health and Human Services.—Head Start.

Department of the Interior.—National Park Service: Operation of the National Park System, Land Acquisition and State Assistance, and Everglades Restoration Fund (including Corps of Engineers); Bureau of Indian Affairs, Tribal Priority Allocations.

Department of Labor.—Training and Employment Services, including Job Corps.

Department of Treasury.—Community Development Financial Institution Fund.

Environmental Protection Agency.—EPA Operating Program; Superfund appropriations will be at the President's level if policies can be worked out.

Violent Crime Reduction Trust Fund, including COPS.—

SPECTRUM AUCTIONS

[Outlay savings in billions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Spectrum	....	−3.5	−3.5	−4.5	−14.8	−26.3	−32.3

NOTE.—Estimates for 1998–2002 were developed by the Congressional Budget Office (CBO). CBO has not formally provided estimates for 2003–2007. Tentative estimates for 2003–2007 are provided.

Four auction proposals and a penalty fee are assumed with expected receipts totaling $26.3 billion over five years and $32.3 billion over ten years (CBO scoring).

1. *Auction of 78 Megahertz (MHz) of spectrum currently allocated to analog broadcasting:* Codify current Federal Communications Commission (FCC) plans to reclaim surplus "analog" broadcast spectrum after broadcasters have migrated to new digital channels.

2. *Auction of 36 MHz of spectrum currently allocated to television channels 60–69:* 24 MHz will be reserved for public safety uses (e.g., police and emergency vehicle communications).

3. *Broaden and Extend FCC Auction Authority:* Expand the FCC's current authority to auction non-broadcast spectrum and extend FCC auction authority beyond 1998, when it currently expires. This proposal continues a policy to allocate spectrum via auctions.

4. *Auction "Vanity" Toll Free Telephone Numbers:* Authorize the FCC to award new generations of toll-free vanity telephone numbers (e.g., 1–888–BALANCE) through an auction.

5. *Spectrum Penalty:* As authorized by current law, a penalty fee would be levied against those entities who received "free" spectrum for advanced, advertiser-based television services, but failed to utilize it fully.

STUDENT LOANS

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Total, Student Loans savings	−242	−240	−151	−81	−1,050	1,763	−1,996

The Agreement provides for outlay savings of $1.763 billion over five years and $1,996 billion over ten years from the student loan programs: savings will be achieved without increasing costs, reducing benefits, or limiting access to loans for student sand their families; savings will be derived as follows: (a) $1,000 million over five years from guaranty agency reserves. (b) $603 million over five years, and $606 million over ten years, from section 458. (c) $160 million over five years and $390 million over ten years from elimination of the $10 per loan fee paid to institutions participating in the direct loan program.

CIVIL SERVICE RETIREMENT

[Deficit reduction in millions of dollars]

	1998	1999	2000	2001	2002	5-yr savings	10-yr savings
Increased Agency Contributions	−597	−591	−586	−582	−577	−2,933	−2,933
Increased Employee Contributions	....	−214	−423	−571	−621	−1,829	−1,985

Increase agency contributions (except Postal Service and D.C.) for Civil Service Retirement System (CSRS) by 1.51 percentage points effective October 1, 1997 through September 30, 2002.

Phase in increased employee contributions to the Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS).

Employee contributions would increase 0.25 percentage points January 1, 1999; an additional 0.15 percentage points January 1, 2000; and a final 0.10 percentage points for a total cumulative increase of 0.50 percentage points January 1, 2001. Increased contributions remain in effect through December 31, 2002.

Legislation provides that agency contributions to FERS would remain unaffected by this change.

The CBO March Baseline is explicitly assumed for all Civil Service Retirement options, including any potential FEHB options.

U.S. POSTAL SERVICE

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
End Transitional Payment for Worker's Compensation	....	−25	−33	−32	−31	−121	−261

The proposal would repeal the payment to the U.S. Postal Service (USPS) to finance workers compensation benefits for employees injured before the USPS was created in 1971. USPS would be required to pay these costs out of the Postal Fund.

VETERANS HOME LOAN BENEFIT FUND

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Allow VA to use refund offset to collect deficiency balances	−90	0	0	0	0	−90	−90

This provision would allow VA to collect outstanding VA loan guaranty debts by Federal salary offset or Federal income tax offset. Currently VA is prohibited from using non-VA Federal offsets to satisfy debts unless the debtor consents in writing, or if a court has determined that the debtor is liable to VA for the deficiency.

This will save the program $90 million in outlays in the first year of implementation.

VETERANS COMPENSATION PROGRAM

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Round down monthly compensation benefits after applying COLA	−23	−51	−88	−101	−128	−391	−1,469

Authorizes VA to permanently round-down monthly compensation benefit payments to the nearest dollar after applying the annual COLA in each year, an extension of current law.

The practice of rounding down monthly benefit checks is consistent with all other major pension programs including veterans pensions and military and civilian retirement benefits.

MEDICAL CARE COST RECOVERY

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Mandatory Admin. savings from moving receipts to discretionary	−118	−123	−128	−133	−139	−641	−1,427

This proposal allows Medical Care to retain user fees to offset the cost of care provided in VA facilities. Currently, all receipts in excess of administrative costs are returned to Treasury. Under this structure, the administrative costs of debt collection are mandatory spending. Allowing the discretionary VA Medical Care account to retain all of these receipts and fund the cost of this activity out of its collections will result in a mandatory savings of $641 million over five years and $1,427 million over ten years.

VETERANS PENSION PROGRAM

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Extension of OBRA provisions for VA pensions (see note 1)	....	−133	−211	−143	−190	−677	−1,866

There are two OBRA savings provisions related to the veterans pension program. The overwhelming majority of the above savings are attributed to the $90 benefit limit described below.

This provision extends the current limitation on VA pension benefits to Medicaid-eligible recipients in nursing homes. Under this provision veterans get to keep a greater monthly benefit (the $90 VA benefit). The full cost of the beneficiaries' nursing home care would be paid by the Medicaid program, where costs are shared with the states.

This provision extends authorization for VA to match income information submitted by beneficiaries with IRS and SSA records.

Note 1: The savings reflected in the table are net of Medicaid costs.

VETERANS HOUSING BENEFIT FUND

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Extend loan asset sale authority	−5	−5	−5	−5	−5	−25	−50

This provision would extend VA's authority to guarantee VA securities issued in the secondary market directly, thereby enhancing their value.

To cover obligations of VA's home loan program, VA secures its direct or "vendee" loans and guarantees the certificates sold to investors. VA has its own securitization vehicle which issues multiple-class pass-through securities and is taxed as a Real Estate Mortgage Investment Conduit (REMIC). VA's REMIC currently carries the full faith and credit of the United States.

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Extend higher loans fees/resale loss provisions (OBRA) and increase home loan fees for nonveterans	−11	−228	−227	−224	−219	−909	−1,993

This includes two proposals—extend OBRA provisions and increase the fee for nonveterans financing through "vendee" loans.

The OBRA provisions permanently extend three provisions that sunset September 30, 1998. This extends VA's authority to:

(1) Charge borrowers using VA's home loan guaranty program a 2% instead of 1.25% percent fee,

(2) Charge veterans who use the loan guarantee benefit more than once a funding fee of 3 percent to reduce losses, and

(3) Include expected losses on the resale of foreclosed properties.

Second, this provision increases the fee for nonveterans using VA's vendee loan program to match FHA fees. When VA takes possession of properties resulting from defaulted veterans loans, the homes are ultimately sold to the general public. VA finances these properties through its vendee loan program, charging fees that are lower than those offered to veterans. this provision would raise these fees to 2.25%—the same up-front funding fee that the general public pays for FHA loans.

FHA ASSIGNMENT PROGRAM

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Extend FHA assignment	−136	−145	−147	−128	−110	−666	−1,126

This assumes continuation of current law policy to provide FHA with tools to encourage lenders to forbear for only up to 1 year. This would improve the targeting and efficiency of HUD's current program, and allow FHA homeowners experiencing temporary economic distress to stay in their homes.

VESSEL TONNAGE DUTIES

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Extend vessel tonnage fees	....	−49	−49	−49	−49	−196	−441

This proposal would extend vessel tonnage duties at their current levels through 2002. These duties, which would otherwise be reduced after 1998, are collected by the U.S. Customs Service from commercial vessels entering U.S. ports from foreign ports, based on their cargo-carrying capacity.

LEASE OF EXCESS STRATEGIC PETROLEUM RESERVE CAPACITY

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Lease excess SPR capacity	....	−1	−2	−4	−6	−13	−43

Proposal would lease excess Strategic Petroleum Reserve storage capacity to foreign nations for storage of their crude oil.

Proposal assumes that a total of five million barrels of oil are stored with a fee of $1.20 per barrel.

UNEMPLOYMENT TRUST FUND

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Raise UTF ceilings	....	....	−200	−208	−216	−624	−624

Increases the ceilings of the Federal FUTA-funded accounts in the Unemployment Trust Fund to increase trust fund solvency.

UNEMPLOYMENT BENEFITS

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
UI benefits integrity	−118	−158	−160	−162	−165	−763	−1,658

Provides savings in mandatory unemployment insurance (UI) benefits due to increased discretionary spending on UI integrity activities (e.g., increased eligibility reviews, tax audits).

Assumes President's Budget requested level of funding for UI integrity ($89 million in 1998) is provided in addition to continuing integrity activities already funded in the base UI administrative grants to obtain these savings.

VA MEDICAL CARE COST RECOVERY AND SSA USER FEES

[In millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Estimated spending associated with the VA user fee proposal:							
BA	604	628	654	681	710	3,277	7,282
OL	544	620	651	678	707	3,200	7,788
Estimated spending associated with the SSA user fee proposal:							
BA	35	75	80	90	100	380	1,065
OL	33	73	80	89	99	374	1,054

The proposals described below are included in the 1998 budget and are *assumed in the Budget Agreement.*

VA medical care cost recovery fees

The 1998 Budget included a proposal to shift existing offsetting receipts from the mandatory side to the discretionary side. The Agreement assumes that Medical Care Cost Recovery fees are available to support discretionary spending associated with VA Medical Care

The shift of the offsetting receipts from mandatory spending to discretionary spending has been incorporated into the Budget Committee's adjusted baseline.

SSA fees

The Agreement assumes a proposal to increase existing fees to offset SSA-related spending.

EARNED INCOME TAX CREDIT

[Deficit reduction savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Earned income tax credit	....	−13	−36	−37	−38	−124	−332

Treasury announced a package of legislative initiatives in April concurrent with the release of an IRS study on EITC noncompliance levels. Final scoring is not available.

Other mutually acceptable EITC reforms targeted to reducing noncompliance and fraud may also be considered within these total savings targets.

THE SMITH–HUGHES ACT OF 1918

[Outlay savings in millions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Repeal appropriations under Smith Hughes ...	−1	−7	−7	−7	−7	−29	−64

Eliminate the mandatory appropriation under the Smith-Hughes Act of 1918 in favor of increased discretionary spending on job training and vocational education in the Administration's GI Bill for America's Workers.

Eliminating this program would save $29 million over five years and $64 million over ten years.

Activities funded under the Smith-Hughes Act can be supported by the Department of Education's vocational education program.

ENVIRONMENTAL RESERVE FUND

[Outlay increases in millions of dollars]

	1998	1999	2000	2001	2002	5-year spend-ing	10-year spending
Orphan share spending	200	200	200	200	200	950	2,028

The proposal would provide new mandatory spending for orphan shares at Superfund hazardous waste cleanup sites. Orphan shares are portions of financial liability at Superfund sites allocated to non-Federal parties with limited or no ability to pay.

The funds will be reserved for this purpose based on the assumption of a policy agreement on orphan share spending.

PRIORITY FEDERAL LAND ACQUISITIONS AND EXCHANGES

[Outlay increases in millions of dollars]

	1998	1999	2000	2001	2002	5-year spend-ing	10-year spending
Priority Federal land acquisitions and exchanges	300	150	150	100	....	700	700

Under this proposal, up to $315 million would be available from the Land and Water Conservation Fund (LWCF) to finalize priority Federal land exchanges in FY 1998 and FY 1999.

Funding from the LWCF for other high priority Federal land acquisitions and exchanges (totaling $385 million) would be available in fiscal years 1999 through 2001.

The funding will be allocated to function 300 as a reserve fund exclusively for this purpose.

MAJOR MANDATORY PROGRAMS

MEDICARE

[Outlay savings in billions of dollars]

	1998	1999	2000	2001	2002	5-year savings	10-year savings
Medicare, net	−6.5	−16.8	−22.7	−29.0	−40.0	−115.0	−434.2

Reduce projected Medicare spending by $115 billion over five years.

Extend solvency of the Part A Trust Fund for at least 10 years through a combination of savings and structural reforms (including the home health reallocation).

Structural reforms will include provisions to give beneficiaries more choices among competing health plans, such as provider sponsored organizations and preferred provider organizations.

The Medicare program reforms provide beneficiaries with comparative information about their options, such as now provided Federal employees and annuitants in the FEHB program.

Maintain the Part B premium at 25 percent of program costs and phase in over seven years the inclusion in the calculation of the Part B premium the portion of home health expenditures reallocated to Part B.

Reform managed care payment methodology to address geographic disparities.

Reform payment methodology by establishing prospective payment systems for areas such as home health providers, skilled nursing facilities, and outpatient departments.

Funding for new health benefits including: (1) expanded mammography coverage; (2) coverage for colorectal screenings; (3) coverage for diabetes self-management; and (4) higher payments to provides for preventive vaccinations to the extent it will lead to greater use by beneficiaries. Invest $4 billion over five years (and $20 billion over ten years) to limit beneficiary copayments for outpatient services, unless there is a more cost-effective way to provide such services to beneficiaries as mutually agreed.

MEDICAID

[Outlay savings in billions of dollars]

	1998	1999	2000	2001	2002	5-year spending	10-year spending
Medicaid, net	0.0	−1.5	−2.4	−3.6	−6.2	−13.6	−65.5

Include net Medicaid savings of $13.6 billion over five years.

Net Medicaid savings include a higher match for D.C., an inflation adjustment for programs in Puerto Rico and other territories, Part B premium interactions, and $1.5 billion to ease the impact of increasing Medicare premiums on low-income beneficiaries.

The $13.6 billion in Medicaid savings do not reflect the health care investments for children's coverage, protections for legal immigrants under welfare reform, or the extension of veterans' Medicaid income protections.

Savings derived from reduced disproportionate share payments and flexibility provisions.

Include provisions to allow States more flexibility in managing the Medicare program, including repeal of the Boren amendment, converting current managed care and home/community-based care waiver process to State Plan Amendment, and elimination of unnecessary administrative requirements.

IMMIGRATION, NUTRITION, ASSISTANCE AND WORK

[Outlay increases in billions of dollars]

	1998	1999	2000	2001	2002	5-year expenditures	10-year expenditures
Immigrants	2.2	2.1	2.0	1.6	1.6	9.7	16.5
Nutrition assistance	0.3	0.3	0.3	0.3	0.3	1.5	3.1
Welfare to work	0.7	0.7	1.0	0.6	....	3.0	3.0
Total	3.2	3.3	3.4	2.4	2.0	14.2	22.5

Immigrants

Eligibility for legal immigrants.—Restore SSI and Medicaid eligibility for all disabled legal immigrants who are or become disabled and who entered the U.S. prior to August 23, 1996. Those disabled legal immigrants who entered the U.S. after August 22, 1996, and are on the rolls before June 1, 1997 shall not be removed.

Refugees and asylees.—Lengthen the exemption for refugees and asylees from the first 5 years in the country to 7 years in order to provide SSI and Medicaid.

Nutrition Assistance

Redirect existing food stamps employment and training funds and add $750 million in new capped mandatory funding to create additional work slots for individuals subject to the time limits.

Permit States to exempt 15 percent of the individual who would lose benefits because of the time limits (beyond the current waiver policy), at a total cost of $0.5 billion.

Welfare to Work

Add $3.0 billion in capped mandatory spending through 2001 to TANF, allocated to States through a formula and targeted within a State to areas with poverty and unemployment rates at least 20 percent higher than the State average. A share of funds would go to cities/counties with large poverty populations commensurate with the share of long-term welfare recipients in those jurisdictions.

CHILDREN'S HEALTH

[Outlay increases in billions of dollars]

	1998	1999	2000	2001	2002	5-year expenditures	10-year expenditures
Children's health	2.3	2.7	3.2	3.7	3.9	16.0	38.9

Spend $16 billion over five years (to provide up to 5 million additional children with health insurance coverage by 2002)

The funding could be used for one or both of the following, and for other possibilities, if mutually agreeable:

1. Medicaid, including outreach activities to identify and enroll eligible children and providing 12-month continuous eligibility; and also to restore Medicaid for current disabled children losing SSI because of the new, more strict definition of childhood eligibility; and

2. A program of capped mandatory grants to States to finance health insurance coverage for uninsured children.

The resources will be used in the most cost-effective manner possible to expand coverage and services for low-income and uninsured children with a goal of up to 5 million currently uninsured children being served.

BUDGET PROCESS

Extend discretionary caps to 2002.

Extend and revise discretionary caps for 1998–2002 at agreed levels shown in tables included in this agreement, and extend current law sequester enforcement mechanism.

Within discretionary caps, establish separate categories (firewalls) for Defense and Non-Defense Discretionary (NDD) at agreed levels shown in agreement tables for each year 1998–1999 with associated sequester firewall enforcement as provided in BEA for 1990–93.

Retain current law on separate crime caps (VCRTF) at levels shown in agreement tables.

Extend and update special allowance for outlays; extend existing adjustment for emergencies.

Cap adjustment for exchanges of monetary assets, such as New Arrangements to Borrow, and for international organization arrears.

Extend PAYGO to 2002.

Revise the asset sales rule, which prohibits scoring the proceeds of asset sales, to score if net present value of all associated cash flows would not increase the deficit; scoring, if allowed, based on cash effect, not NPV.

The Superfund tax shall not be used as a revenue offset.

Reduce paygo balances to zero, including those derived from budget agreement.

Provide for debt limit increase sufficient to extend limit to December 15, 1999.

CONGRESS OF THE UNITED STATES,
Washington, DC, May 15, 1997.

Hon. WILLIAM J. CLINTON,
President of the United States,
The White House, Washington, DC.

DEAR MR. PRESIDENT: We would like to take this opportunity to confirm important aspects of the Balanced Budget Agreement. It was agreed that the net tax cut shall be $85 billion through 2002 and not more than $250 billion through 2007. We believe these levels provide enough room for important reforms, including broad-based permanent capital gains tax reductions, significant death tax relief, $500 per child tax credit, and expansion of IRAs.

In the course of drafting the legislation to implement the balanced budget plan, there are some additional areas that we want to be sure the committees of jurisdiction consider. Specifically, it was agreed that the package must include tax relief of roughly $35 billion over five years for post-secondary education, including a deduction and a tax credit. We believe this package should be consistent with the objectives put forward in the HOPE scholarship and tuition tax proposals contained in the Administration's FY 1998 budget to assist middle-class parents.

Additionally, the House and Senate Leadership will seek to include various proposals in the Administration's FY 1998 budget (e.g., the welfare-to-work tax credit, capital gains tax relief for home sales, the Administration's EZ/EC proposals, brownfields legislation, FSC software, and tax incentives designed to spur economic growth in the District of Columbia), as well as various pending congressional tax proposals.

In this context, it should be noted that the tax-writing committees will be required to balance the interests and desires of many parties in crafting tax legislation within the context of the net tax reduction goals which have been adopted, while at the same time protecting the interests of taxpayers generally.

We stand to work with you toward these ends. Thank you very much for your cooperation.

Sincerely,

NEWT GINGRICH,
Speaker.
TRENT LOTT,
Senate Majority Leader.

CONGRESS OF THE UNITED STATES,
Washington, DC, May 15, 1997.

Hon. ERSKINE BOWLES,
Chief of Staff to the President,
The White House, Washington, DC.

DEAR MR. BOWLES: We are writing to express our desire for continued cooperation between Congressional staff and the staff of the various Administration agencies during the development of the current budget agreement.

Much of the most difficult work in connection with the budget agreement will involve the development of the revenue provisions that will satisfy the parameters of the agreement. Historically, the staff of the Joint Committee on Taxation has provided technical legal and quantitative support to the House and Senate. The Budget Act requires the use of Joint Committee on Taxation revenue estimates. Ken Kies and his staff are committed to facilitating our work on the tax provisions of this budget agreement. You can be assured that they will cooperate with Administration counterparts in receiving Administration input as they carry out their statutory responsibilities.

The revenue estimating staffs of the Joint Committee on Taxation and the Office of Tax Analysis at Treasury have a long history of cooperation and communication among analysts. It is our understanding that steps have already been taken to insure that the cooperative efforts of these two staffs will be intensified during the current budget process. It is also our understanding that the professional staffs at the Office of Tax Analysis at Treasury and the Joint Committee on Taxation will consult and share information necessary to understand fully the basis of their revenue estimates and to minimize revenue estimating differences. The proposal shall not cause costs to explode in the outyears.

Now that we have agreed upon the overall parameters of this significant agreement, an inordinate number of details concerning specific provisions must be drafted and analyzed by the JCT and the committees of jurisdiction. We look forward to working with the Administration.

Sincerely,

NEWT GINGRICH,
Speaker.
TRENT LOTT,
Senate Majority Leader.

COMMITTEE VIEWS AND ESTIMATES

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

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

U.S. SENATE,
COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
Washington, DC, February 28, 1997.

Senator PETE V. DOMENICI, *Chairman,*
Senator FRANK R. LAUTENBERG, *Ranking Minority Member, Committee on the Budget, Washington, DC.*

DEAR SENATORS DOMENICI AND LAUTENBERG: This letter provides the views of the Senate Committee on Agriculture, Nutrition, and Forestry regarding the FY 1998 Budget Resolution. These views are provided in response to your January 22 letter and are in accordance with the requirements of the Congressional Budget Act, as amended.

Members of the Committee believe that Congress should continue efforts to balance the federal budget by 2002. As a capital intensive industry, U.S. agriculture has much to gain from the lower interest rates that will accompany a balanced budget. We are encouraged that the Congressional Budget Office's preliminary baseline released last month projects sharply reduced federal deficits compared to CBO projections last spring. The Congress and the Administration deserve credit for restraining the growth in federal spending. Legislation enacted last year contributed cumulative savings of $74 billion over the FY 1996–2002 period. The Agriculture Committee accounted for $28 billion, or 38 percent of this total, by reducing mandatory programs within its jurisdiction through enactment of the Federal Agriculture Improvement and Reform Act of 1996 and the Personal Responsibility and Work Opportunity Reconciliation Act of 1996.

RECENT CHANGES IN CBO'S DEFICIT OUTLOOK

[By fiscal year, in billions of dollars] [a]

	Actual						
	1996	1997	1998	1999	2000	2001	2002
May 1996	144	171	194	219	244	259	285

RECENT CHANGES IN CBO'S DEFICIT OUTLOOK—Continued

[By fiscal year, in billions of dollars] [a]

	Actual						
	1996	1997	1998	1999	2000	2001	2002
January 1997	107	124	120	147	171	167	188
Change	−37	−47	−74	−72	−73	−92	−97

[a] FY 1998 discretionary spending is capped by the Budget Enforcement Act in FY 1998. In later years, CBO assumes it grows at the rate of projected inflation.

Obviously, much more needs to be done. The Congress and the Administration must work together to provide tax relief and spending restraint within a balanced budget framework. In general, the President's FY 1998 budget is a constructive first step in this year's budget process. Recent testimony by CBO Director, June O'Neill, revealed significant differences between CBO and OMB estimates and therefore differences on the eventual deficit effects of the President's budget plan.

MANDATORY PROGRAMS UNDER THE COMMITTEE'S JURISDICTION

CBO's January 1997 baseline projects that mandatory spending under the Agriculture Committee's jurisdiction will total $224 billion over FY 1998–2002. Food and nutrition programs account for $184.3 billion, or 82.3 percent of the total. The other $39.7 billion or 17.7 percent, is in three areas. Farm and conservation programs, which underwent dramatic reforms in last year's farm bill, including Agricultural Market Transition Payments, commodity price-support, trade, crop insurance, environmental cost share, land retirement, rural development, and agricultural research programs and account for a combined $48.3 billion over the next five years. Various mandatory activities of the Forest Service and other Department of Agriculture agencies account for another $5.5 billion. Finally, CBO projects repayments of $14.1 billion on certain Farm Service Agency, P.L. 480, and Rural Utilities Service loans.

Farm and Conservation Program Spending

Over the FY 1996–2002 period, CBO's new baseline projects that farm and conservation program spending will be $1.8 billion lower than the December 1995 CBO baseline, adjusted for enactment of the 1996 farm bill. Actual FY 1996 and estimated 1997 outlays are substantially lower than projected last year because high commodity prices in 1996 reduced outlays for the Commodity Credit Corporation's dairy and tobacco price-support and marketing loan programs. In addition, a correction for previous overestimates of subsidy rates in the CCC's export credit guarantee program substantially reduced FY 1996 outlays.

CHANGES IN CBO BASELINE PROJECTIONS FOR MANDATORY FARM AND CONSERVATION PROGRAMS

[Outlays by fiscal year, in billions of dollars]

	Actual							Cumulative [a]	
	1996	1997	1998	1999	2000	2001	2002	1996–2002	1998–2002
Dec. 1995—Adjusted for the Farm Bill	10.5	10.4	10.4	10.2	9.6	8.4	8.1	67.5	46.6

CHANGES IN CBO BASELINE PROJECTIONS FOR MANDATORY FARM AND CONSERVATION PROGRAMS—Continued

[Outlays by fiscal year, in billions of dollars]

	Actual							Cumulative [a]	
	1996	1997	1998	1999	2000	2001	2002	1996–2002	1998–2002
Jan. 1997	8.2	9.2	10.7	10.7	9.8	8.8	8.3	65.7	48.3
Change [a]	−2.2	−1.2	0.3	0.5	0.3	0.4	0.2	−1.8	1.6

[a] Note.—Totals or changes may not add due to rounding.

While significant, these temporary factors that have reduced near term spending have probably run their course. Over the FY 1998–2002 period covered by this year's budget resolution, CBO projects that farm and conservation program mandatory spending will be up by $1.6 billion compared to the December 1995 baseline, adjusted for enactment of the farm bill.

The Conservation Reserve Program's Expanding Baseline.—The main reason for this increase is that the CBO now projects USDA to use its authority to enroll significantly more acreage in the CRP than was expected last March, when the farm bill conference report was finalized. Cumulatively over the FY 1998–2002 period, CBO expects CRP farmer rental payments and other costs to total $10.0 billion, $2.5 billion more than CBO's December 1995 baseline, adjusted for enactment of the farm bill.

CBO PROJECTIONS FOR THE CONSERVATION RESERVE PROGRAM

[By fiscal year]

	1996	1997	1998	1999	2000	2001	2002	Cumulative 1998–2002 [1]
Dec. 1995—Adjusted for the Farm Bill:								
Outlays ($bil.)	1.8	1.8	1.6	1.5	1.5	1.5	1.5	7.5
Enrolled Acres (mil.)	35.7	29.7	25.3	22.0	19.7	19.3	18.3	....
January 1997 actual:								
Outlays ($bil.)	1.7	1.9	1.8	2.3	2.0	2.1	1.8	10.0
Enrolled Acres (mil.)	33.5	32.4	30.0	31.0	31.5	32.0	32.3	....
Change: [1]								
Outlays ($bil.)	−0.1	0.1	0.2	0.8	0.5	0.6	0.3	2.5
Enrolled Acres (mil.)	−2.2	2.7	4.7	9.0	11.8	12.7	14.0	....

[1] Totals or changes may not add due to rounding.

Recent actions by the Administration may cause CBO to raise its acreage and spending estimates when it releases its revised baseline later this winter. On February 19, USDA issued final CRP regulations which included changes that will significantly expand the amount of cropland eligible to be offered for CRP enrollment, including, presumably, most of the approximately 22 million acres currently enrolled in contracts scheduled to expire at the end of FY 1997.

The President's budget assumed that the CRP will attain its maximum 36.4 million acre level. We have written to Secretary Glickman expressing our concern whether the final CRP rule honors the intent of Congress to enroll only the most environmentally beneficial land in the CRP. This policy raises significant questions at a time when world agricultural markets are projected to remain relatively tight with the emergence of China as a major grain importer, and when agriculture is under continued scrutiny for its potential adverse impacts on the environment. In short, we have similar concerns to those voiced by Senators Domenici, Cochran, and Bumpers in their February 7 letter to Secretary Glickman.

The President's Farm Safety Net Proposals.—The President proposes legislation to authorize a nationwide farm revenue insurance program through the Federal Crop Insurance Corporation beginning in crop year 1998. The proposal would allow the Department of Agriculture to expand federally subsidized, privately developed revenue insurance products, government developed products, or both. The proposal appears to give the Department authority to offer revenue insurance for virtually all crops covered under federal crop insurance on a national basis. The Office of Management and Budget estimates that the national program will increase mandatory spending by $288 million in budget authority and $267 million in outlays over the FY 1998–2002 period. The President also proposes legislation to partially offset these costs by reducing the crop insurance program's loss ratio.

USDA is presently carrying out a significant expansion of federally backed revenue insurance crops under current law. In early February, USDA announced a major expansion of Crop Revenue Coverage, a privately developed revenue insurance program, which will be available for 1997 crop corn and soybeans this spring in states representing approximately 80 percent of national production, and for wheat, cotton, and grain sorghum in states representing 40 to 50 percent of production for these crops. USDA appears to have every intention of continuing this expansion in 1998 and beyond. The potential costs to the taxpayer of this expansion remain unclear, but the Congress will begin to have some estimates when CBO incorporates the CRC expansion decision into its revised baseline.

The Crop Insurance Program's Discretionary Budget Problem.—Private sales agents and insurance companies administer federal crop insurance on the federal government's behalf. In exchange for private delivery, USDA reimburses agents' sales commissions and company administrative expenses based on a percentage of insurance premiums. For the 1995–1997 crops, these delivery costs, half of which are agents' sales commissions, received mandatory funding through the Federal Crop Insurance Corporation. Only salaries and expenses of USDA's Risk Management Agency, which oversees federal crop insurance, relied on discretionary appropriations ($64 million in FY 1997).

But under current law, mandatory funding for agents' sales commissions ends beginning in FY 1998. As a result, agents' sales commissions of approximately $200 million, under the current law reimbursement rate, must be provided in the FY 1998 Agriculture Appropriations bill even though available discretionary funding will likely be no greater than last year. The President lessens the funding problem by proposing legislation to permanently reduce the maximum administrative expense reimbursement rate to 24.5 percent of premium, down from current law's 28 percent for 1998 crops and 27.5 percent for 1999 and later crops. Under the President's proposal, the rate reduction is used solely to lessen the need for discretionary appropriations to fund agents' sales commissions. Taking into account the proposed rate reduction, the President requests a total of $218 million in discretionary funding, $150 million for agents' sales commissions and the remaining $68 million for RMA salaries and expenses.

Section 118 of the Federal Crop Insurance Reform and Department of Agriculture Reorganization Act of 1994 directed the General Accounting Office and USDA to jointly evaluate the financial arrangements between USDA and insurance providers for delivering federal crop insurance. The GAO/USDA report, which is due to be released this April, will likely help in evaluating the proposed reduction in the current law reimbursement rate.

THE PRESIDENT'S PROPOSED SPENDING FOR THE FEDERAL CROP INSURANCE PROGRAM

[OMB estimated spending in millions by fiscal year]

	Actual 1996	1997	1998	1999	2000	2001	2002
			Mandatory spending				
FCIC Fund:							
BA	1,650	1,785	1,610	1,527	1,594	1,678	1,776
OT	1,760	1,729	1,679	1,570	1,555	1,626	1,716
			Discretionary spending				
Administrative Expenses: [1]							
BA	([2])	64	218	218	218	218	218
OT	9	60	147	218	218	218	218
Total:							
BA	1,650	1,849	1,828	1,745	1,812	1,896	1,994
OT	1,769	1,789	1,826	1,788	1,773	1,844	1,934

[1] Private agents' sales commissions and RMA salaries and expenses.
[2] In FY 1996 RMA function was performed by the Farm Service Agency.
Note: BA is budget authority and OT is outlays.

Food and Nutrition Programs.—Because of the combination of federal welfare reform legislation, state reform efforts, and continuing economic expansion with relatively strong employment growth, CBO projects that mandatory food and nutrition spending will grow, on average, at a modest annual rate of 3.0 percent over the next seven years.

CBO JAN. 1997 BASELINE PROJECTIONS FOR MANDATORY FOOD AND NUTRITION PROGRAMS

[Outlays by fiscal year, in billions of dollars]

	Actual 1996	1997	1998	1999	2000	2001	2002
Food Stamp Program	25.5	24.8	25.3	26.5	27.6	28.7	29.5
Child Nutrition Program	7.9	8.2	8.5	8.9	9.4	9.8	10.3
Total [a]	33.3	33.0	33.7	35.4	36.9	38.5	39.8

[a] Totals may not add due to rounding.

The President is proposing "Add-backs" of about $3.7 billion over the FY 1998–2002 period in Food Stamp spending as part of his initiative to modify welfare reform. The Administration wants to (1) slightly increase the excess shelter deduction cap in FY 1998 and FY 2000, then eliminate it in FY 2002; (2) index the standard deduction for inflation beginning FY 2002; (3) increase and index the limit on asset value of a motor vehicle; (4) change the work requirement for 18–50-year-olds without dependents, from the welfare reform law's limit of 3 months of Food Stamp assistance in 3 years to 6 months in 1 year, denying benefits to persons who turn down a job or a federally funded work slot; and (5) a five-week delay (to September 30, 1997) in the partial ban on Food Stamps for legal immigrants. The bulk of the cost of the President's proposal is related to changing the welfare reform bill's work requirement for 18–50-year-olds without dependents.

Discretionary Programs Under the Committee's Jurisdiction

The Agriculture Committee has authorizing jurisdiction over programs which received a combined $16.4 billion in discretionary appropriations in FY 1997, most which are funded in the Agriculture Appropriations bill. A variety of natural resources and environmental programs, food inspection, and nutrition programs account for 60 percent of this total. Agricultural research and extension, information collection, and the operating budgets of USDA agencies responsible for administering and analyzing federal farm and rural development programs account for 25 percent. Community development and international assistance programs account for 15 percent.

New User Fee Proposal to Pay for FSIS In-Plant Inspections

The President proposes a new user fee of $390 million beginning in FY 1998, to pay the in-plant costs of inspection performed by USDA's Food Safety Inspection Service. This user fee proposal would result in industry paying about 70 percent of the total cost of the meat, poultry, and egg products inspection system.

Special Supplemental Nutrition Program for Women, Infants and Children (WIC)

In pursuit of the President's goal of full funding for the WIC program, the Administration has requested a $100 million supplemental to support the current caseload through FY 1997. Assuming approval of this supplemental, the President has made an additional request of $233 million to achieve full funding for the WIC program in FY 1998. This request of increased funding would allow 7.5 million participants to be served by the WIC program. This year, the committee will begin reviewing the funding formula and eligibility criteria, among other issues, in preparation for reauthorization of the Child Nutrition Act of 1996. Our Committee has found the WIC program to be a cost effective means of improving the nutrition and health of women, infants, and children at risk.

Agricultural Research, Extension, and Education

Agricultural research, extension and education play a vital role in ensuring a productive, efficient and competitive agricultural sector in our nation. As we move further into the global marketplace, our nation's farmers need the assurance that high quality agricultural research will enable them to remain internationally competitive. In addition, agricultural research can be instrumental in developing new markets, uses, and products from agricultural commodities and in spurring economic growth and new jobs in rural areas. This year our committee will undertake a thorough review of the current agricultural research system in preparation for reauthorizing research programs.

Food Aid

U.S. food aid commitments have steadily decreased over recent years. This President's budget proposal reduces P.L. Title I (long-term concessional sales) by almost $100 million. The U.S. Department of Agriculture estimates that the total food aid budget will ship almost 1 million tons of food assistance less than it did just a few years ago. This not only prevents U.S. farmers from exporting more agricultural commodities, but gives the appearance that there is a lack of commitment to foreign assistance.

USDA's Farm Service Agency Salaries and Expense Appropriation

The Department of Agriculture argues that large savings have been achieved in FSA's budget through workforce reductions and field office closures and consolidations. The Department also says that the 1996 farm bill, which has significantly reduced FSA's workload, will permit additional reductions in the agency's workforce. However, appropriations for FSA have not declined significantly. The President is requesting $773 million for FY 1998 FSA salaries and expenses, down only slightly from last year's appropriation of $746 million.

GPRA, ITMRA, and the Department of Agriculture

The Committee has received from USDA draft copies of the strategic plans required under the Government Performance and Results Act of 1993. Many of these are very preliminary. The Committee intends in the next few months to initiate a formal effort to review these plans and consult with USDA regarding the final product. In this process we will ensure that "input to outcome" measures are used to provide meaningful performance based budgeting. USDA has also provided to the Committee a preliminary draft of an information technology architecture which, according to the Information Technology Management Reform Act of 1996, should be a plan that designs information technology systems within USDA that facilitate the goals of the strategic plans required by GPRA. The Committee intends to oversee this process to ensure that the information technology architecture actually provides systems to carry out the goals of the strategic plans.

CONCLUDING COMMENTS

Finally, a comment about budget process. The farm bill ends the dairy price support program in 1999. In order to receive full budget credit for ending this mandatory program, the Committee was required to include language which effectively amended Section 257 of the Budget Act. We recommend that your Committee consider permitting authorizing Committees to receive full budget credit for terminating a mandatory program without having to amend or reference the Budget Act.

The Agriculture Committee made major contributions to deficit reduction last year with enactment of the 1996 farm bill and welfare reform legislation. The Committee will closely monitor spending on the Conservation Reserve and the Federal Crop Insurance programs. The Committee is aware that overall discretionary spending will be restrained in the years ahead. As your Committee considers the aggregate discretionary spending levels in the 1998 budget resolution, we ask that you keep in mind the need to accommodate a continued strong U.S. role in international food aid, as well as the critical importance of securing future productivity gains through agricultural research, especially competitive grants. As always, the Agriculture Committee is prepared to do its share to help restrain federal spending.

Sincerely,

RICHARD G. LUGAR,
Chairman.
TOM HARKIN,
Ranking Minority Member.

U.S. SENATE,
COMMITTEE ON ARMED SERVICES,
Washington, DC, March 14, 1997.

Sen. PETE V. DOMENICI, *Chairman,*
Sen. FRANK R. LAUTENBERG, *Ranking Minority Member,*
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR PETE AND FRANK: In accordance with your request, I am forwarding my recommendations, agreed to by all Republican Members of the Committee, for the Fiscal Year 1998 Budget Resolution.

The defense budget must provide sufficient resources to meet our national security requirements and preserve the United States' position as a world leader. I propose setting the budget authority for fiscal year 1998 at $268.2 billion, as in the budget resolution, and increasing outlays by $4.3 billion to $267.3 billion. At this level of funding, an appropriate balance can be maintained between quality of life for our military personnel and their families, as well as current and future readiness.

The defense budget, as proposed, confronts the Congress with a serious dilemma. Hearings held by the Armed Services Committee confirm a shared concern by senior military and civilian officials in DoD, that increased modernization funding is essential for the future readiness of our military forces. The procurement budget is at its lowest level since 1950 with procurement accounts declining 69 percent since 1985. The Chairman of the Joint Chiefs of Staff, General Shalikashvili, again highlighted this problem at a recent hearing where he stated, "The most challenging problem, however, remains the continuing underfunding of our acquisition accounts." We cannot continue to defer our modernization requirements.

Quality of life for our military personnel and their families remains an important bipartisan priority for this Committee. I am committed to providing equitable pay and benefits and restoring funding for the maintenance of troop billets and family housing to more acceptable levels.

In a recent posture hearing, General Shalikashvili requested the Congress avoid further changes to the military retirement system. Changing the military retirement system or delaying cost of living allowances (COLAs) have far-reaching morale and retention implications. As you know, the Committee has little flexibility in meeting any reconciliation instructions in this account.

The Administration's budget request contains several policy changes that contribute to sharply increased budget authority for the Department of Energy (DOE). The DOE budget request reflects full funding for capital construction projects and support for privatization initiatives. While the Committee has been consistently supportive of such projects, I believe strongly that the defense function as a whole should be appropriately adjusted in accordance with these newly instituted accounting procedures, since the Administration's new funding policies were not considered in previous budget resolutions.

Over the next couple of months, the Committee will continue to review the defense budget request in an effort to address our national security requirements, current and future. I will work to reduce defense spending that does not contribute directly to the national security of the United States and to reevaluate the budget impacts of peacekeeping roles, policies, and operations.

The Republican Members of the Committee are unified in supporting increased funding levels for our Armed Forces. They agree with the proposed funding level and are prepared to assist you in achieving this objective.

I look forward to working with you on a Budget Resolution for Fiscal Year 1998 which supports the elements essential for a strong national defense.

Sincerely,

STROM THURMOND, *Chairman.*

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC, February 28, 1997.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. FRANK R. LAUTENBERG, *Ranking Member,*
Committee on the Budget, Washington, DC.

DEAR SENATORS DOMENICI AND LAUTENBERG: This letter transmits the views and estimates of the Committee on Banking, Housing, and Urban Affairs regarding the funding of programs in our jurisdiction, as required by Section 301 of the Congressional Budget Act of 1974.

Mass Transit

The appropriate role for the federal government in funding our transportation system is among the most critical issues facing the 105th Congress. Congress must reauthorize the Intermodal Surface Transportation and Efficiency Act of 1991 (ISTEA) which expires on September 30, 1997. The Committee has jurisdiction over the mass transit portion of the highway trust fund account, and will work on reauthorizing that portion of the bill.

The President's FY 1998 Budget proposes level (or no-growth) funding for transit of $4.38 billion. This level is not sufficient to meet transit needs. Accordingly, we urge the Budget Committee to fund mass transit spending at no less than the Congressional Budget Office baseline estimates through FY 2002. We ask that the

Budget Committee give particular consideration to increasing outlay levels above the baseline estimates in order to prevent an increasing discrepancy between authorized and appropriated levels.

Housing and Community Development Programs

Developing a strategy for restructuring the Department of Housing and Urban Development's (HUD) multifamily mortgage portfolio is a priority for the Committee. We will propose legislation that will seek to reduce the costs of renewing oversubsidized section 8 contracts while protecting the Federal Housing Administration (FHA) insurance fund and minimizing the liability of the federal taxpayer.

Project-based section 8 assistance for these properties is provided under housing assistance payment contracts that are generally 20 years in duration. In many cases, contract rents on these multifamily properties far exceed market-area rents. Budget authority for the entire term of the contract is provided in discretionary appropriations in the year the contract is initiated. In FY 1997, about $3.6 billion was required to renew expiring section 8 contracts. Without changes in policy which will reduce rents and, therefore, subsidies, this number will grow to about $10 billion in FY 1998 and $16 billion in FY 2002, nearly equivalent to HUD's total FY 1997 discretionary budget authority.

A debt restructuring strategy would reduce the discretionary costs of renewing project-based contracts by refinancing the outstanding mortgage debt supported by the section 8 payments. With reduced monthly debt service payments, contracts may be renewed at lower rent levels which are sufficient to continue to preserve the existing affordable housing stock.

Nevertheless, restructuring insured debt may produce consequences through the creation of "cancellation of indebtedness income", which may discourage project owners from voluntarily restructuring. The Committee prefers that these transactions be tax-neutral in order to achieve maximum discretionary savings. However, the Committee notes that tax deferral legislation may be necessary for a debt restructuring strategy to be fully effective.

The Committee recognizes that the cost of renewing expiring section 8 rental assistance contracts will begin to grow substantially in FY 1998 and the years beyond. However, in the interest of preserving existing affordable housing opportunities, the Committee urges that it be the policy of the Congress to renew all expiring contracts and provide adequate funding for renewals, while the authorizing committee acts on policy changes that will reduce contract renewal costs.

The overall goal of the Committee is to consolidate HUD's housing and community development programs (where appropriate), to provide for greater responsibility and flexibility at the State and local level, and to facilitate private sector participation in developing solutions to the affordable housing and community development needs of the nation. These goals reflect the Committee's concern about HUD's capacity to carry out its mission, particularly in an era of government downsizing. As discussed in the 1994 report of the National Academy of Public Administration, the number of HUD programs has grown from 50 in 1980 to about 240 today.

HUD continues to demonstrate that it has limited management capacity to administer this multitude of complex programs.

The Committee believes that an essential component of restructuring housing and community development programs is the enactment of public housing reforms that will allow public housing authorities to operate their programs more effectively and cost-efficiently, and with less regulation by HUD. Enactment of this legislation will help reduce HUD's administrative burden, allowing it to more effectively focus its limited staff resources where they are needed. Reforms will also help to improve the quality of life in the nation's public housing stock. The Committee anticipates early action on a public housing reform bill similar to that which passed the Senate last year (S. 1260).

Finally, the Committee asks the Budget Committee to be cognizant of the fact that many HUD programs have sustained major funding reductions in recent years, and that even as programs are reformed, adequate resources will be necessary to ensure that the Department's programs can fulfill their basic missions.

Examination Fees for State-Chartered Banks

The Committee in the past has opposed a new Federal examination fee for state chartered banks. This proposal was submitted by the Administration in several previous budgets and was rejected by this Committee each time. The Administration has renewed its proposal to raise over $400 million by FY 2002 through the imposition of this fee on state-chartered banks.

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

National Flood Insurance Program

This year, the Committee has as one of its priorities the reauthorization of the National Flood Insurance Program (NFIP) administered by the Federal Emergency Management Agency (FEMA). The Committee asks the Budget Committee to be cognizant of the fact that the premiums on structures built before January 1, 1975 or built before the community in which they are located adopted its "Flood Insurance Rate Map" (FIRM), sometimes referred to as "pre-FIRM" structures, have already been increased by FEMA in FY 1996 by 10%. Furthermore, these premiums were increased again in FY 1997 by 13%. FEMA will continue to monitor the loss histories of several classes of properties, including those of pre-FIRM structures, in order to determine the advisability of recalculating premiums for FY 1998 and beyond.

The Committee is concerned that further increases in pre-FIRM premiums, beyond those currently anticipated under the existing structure of the program, may prove detrimental to the NFIP by deterring full participation in the program—ultimately resulting in greater costs to the federal government through disaster assistance payments. The Committee notes that a number of studies which were required under the Flood Insurance Reform Act of 1994 are expected to be completed this year. These studies will assist the Committee in analyzing the success of the 1994 reforms, as well as the advisability of further changes to this important program.

Securities and Exchange Commission Funding

The Committee has in the past opposed proposals to raise fees collected by the Securities and Exchange Commission (SEC). Instead, the Committee has endeavored to reduce these fees, which amounted to more than twice the annual budget of the SEC and which seemed, therefore, inconsistent with the definition of a "user fee."

During the last Congress, legislation was successfully enacted that will, over a series of years, steadily reduce the level of fees collected by the SEC and bring them more in line with the Commission's budget. Under provisions of Title IV of the National Securities Markets Improvement Act of 1996 (P.L. 104–290), an explicit, declining schedule for securities registration fees is mandated. In FY 1998, the rate for securities registration fees assessed as offsetting collections is $95 per $1,000,000 of the maximum aggregate price at which securities are proposed to be offered. That rate will be reduced in fiscal year 1999 to $78 per $1,000,000, and will eventually reach a level of $0 in FY 2006 and thereafter.

This schedule of fee reductions, assuming no increase in other SEC fees in FY 1998 and thereafter, was carefully negotiated among the relevant authorizing and appropriations committees of both Houses of Congress, the Securities and Exchange Commission, and the President, and will successfully resolve the problem of providing adequate resources for the SEC without imposing excessive costs on capital formation.

International Finance Programs

Authorization for the U.S. Export-Import Bank ("Eximbank") expires on September 30, 1997. The Committee intends to reauthorize this important program. The governments of the European Union countries and Japan regularly provide export financing assistance to their exporters. The Eximbank's direct loans, loan guarantees and export credit insurance permit U.S. exporters to compete on a level playing field against their heavily subsidized foreign counterparts in emerging markets in South America, Asia and Africa.

The Committee requests that the Budget Committee assume reauthorization of Eximbank and maintain adequate funding levels for this important program.

Sincerely,

ALFONSE M. D'AMATO, *Chairman.*

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC, February 27, 1997.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget.

Hon. FRANK R. LAUTENBERG,
Committee on the Budget, U.S. Senate,
Washington, DC.

DEAR SENATORS DOMENICI AND LAUTENBERG: In accordance with section 301(d) of the Congressional Budget Act, we are submitting the views and estimates of the Committee on Energy and Natural Resources on portions of the budget for fiscal year 1998 within the jurisdiction of this Committee.

We appreciate your consideration of our views and look forward to working with you and your Committee on the FY 1998 budget.

Sincerely,

FRANK H. MURKOWSKI,
Chairman.
DALE BUMPERS,
Ranking Democratic Member.

COMMITTEE ON ENERGY AND NATURAL RESOURCES, UNITED STATES SENATE

VIEWS AND ESTIMATES ON THE FISCAL YEAR 1998 BUDGET—FEBRUARY 27, 1997

The Committee continues to support the overall goal of a balanced budget by 2002.

The Committee does not support the President's proposal to sell oil from the Strategic Petroleum Reserve.

The Committee does not contemplate reporting any measures that would create unfunded mandates.

U.S. SENATE,
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS,
Washington, DC, March 5, 1997.

Hon. PETE V. DOMENICI,
Chairman, Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR CHAIRMAN DOMENICI: In response to your letter of January 22, 1997, I have prepared the following views and estimates report for programs under the jurisdiction of the Committee on Environment and Public Works. As in previous years, a brief summary of the Committee's legislative initiatives for this year is included as well.

NEW LEGISLATIVE INITIATIVES

There are five principle legislative initiatives before the Committee on Environment and Public Works this year: (1) to provide States and localities greater control over shipments of solid waste; (2) to enact a new ISTEA (Intermodal Surface Transportation Efficiency Act) bill before the deadline of October 1, 1997; (3) to consider proposals to reform the Endangered Species Act; (4) likewise, to consider proposals to reform the Superfund cleanup program; and (5) to consider targeted reforms to improve the Clean Water Act, including the Act's Section 404 wetlands program.

Beyond these specific legislative efforts, the Committee will continue to conduct oversight on the EPA's recently proposed regulations to significantly tighten particulate and ozone standards under the Clean Air Act. We will also review implementation of certain provisions of the 1996 Coast Guard Reauthorization and the 1996 Water Resources Development Act.

SPECIFIC DISCRETIONARY PROGRAMS

1. Environmental Protection Agency (EPA)

The EPA budget is divided into three primary categories: water infrastructure (clean water and drinking water State revolving funds); operating programs; and Superfund and leaking underground storage tank funds. The total EPA budget request for fiscal year 1998 is $7.645 billion, an increase of $846 million over the current funding level for fiscal year 1997. In broad terms, I support the President's request for EPA.

Water infrastructure

The fiscal year 1998 request for the water infrastructure account, which capitalizes State revolving loan funds for wastewater treatment and safe drinking water, is $2.078 billion, an overall reduction of $158 million from the current fiscal year.

This $2.078 billion total includes two key elements:

(1) Clean Water State Revolving Fund (SRF)—for which $1.075 billion is requested in fiscal year 1998. The Clean Water SRF has been instrumental in helping municipalities meet the requirements of the Water Pollution Prevention and Control Act and a major contributor to the clean-up of our limited water resources. The Federal government has used this loan fund and its predecessor grant program to contribute more than $65 billion to State and local governments since the early 1970's. This is a program that has proven to be cost effective and of tremendous environmental benefit.

(2) Drinking Water State Revolving Fund (SRF)—for which $725 million is requested in fiscal year 1997. Important amendments to the Safe Drinking Water Act were enacted into law last year. These resources will allow states to fund both the construction of needed infrastructure improvements for drinking water systems and the restructuring of small systems to improve compliance.

Operating programs

The President's fiscal year 1998 request for the operating programs account, which includes EPA's administration and enforcement of the air, water quality, drinking water, hazardous waste, pesticides, radiation, multimedia and toxic substances programs, is $3.402 billion, some $300 million more than current funding levels. In general, I support the operating programs request and applaud EPA's efforts to target resources to the most serious health risks.

Superfund and L.U.S.T. Trust Funds

The Presidents fiscal 1998 request for Superfund discretionary spending is $2.094 billion, an increase of $700 million over the fiscal 1997 discretionary spending level of $1.394 billion. The proposed increase for Superfund, which comprises most of the overall agency increase from the current year level, has been requested to attain goals announced by President Clinton on August 28, 1996, in Kalamazoo, Michigan. The President's goals include accelerating the pace of Superfund cleanups so that an additional 250 sites can reach the status of "construction completed" by the end of fiscal year 2000—and to increase spending for so-called "brownfields" redevelopment initiatives. Further, the Administration is requesting an additional $200 million in new fiscal year 1998 mandatory spending for the purpose of extending so-called "orphan share funding" to make settlements at Superfund sites fairer to settling parties.

Until we enact legislation to fix the many problems that plague the Superfund program, I recommend maintaining Superfund discretionary spending at the fiscal 1997 level of $1.394 billion. This level of funding is adequate to maintain the current pace of activity in the Superfund program. It may even permit acceleration of the pace of cleanup and increased funding for new initiatives, including brownfields redevelopment, if the Administration's claims of significant reductions in average site cleanup costs prove accurate.

On January 21, 1997, Senator Smith and I introduced S.8, the "Superfund Cleanup Acceleration Act of 1997." We held a hearing on S.8 on March 5, 1997, and expect to commence bipartisan negotiations on Superfund reform soon. The funding increases sought by the Administration are premature in light of the ongoing Superfund reauthorization policy debate. I believe that these reauthorization negotiations are the appropriate forum for the Administration to articulate its vision for the future of the Superfund program. Further, it is not appropriate to simply increase the level of spending for Superfund without significant reform. Superfund remains a legislatively flawed program, and, despite the Administration's attempts to correct or ameliorate some of Superfund's glaring problems with administrative initiatives, I do not believe we should be increasing Superfund spending levels until we enact needed legislatve reform and can be sure that the funds will be spent to clean up sites rather than paying for lawyers.

L.U.S.T.

The President's fiscal 1998 request for the Leaking Underground Storage Tank (L.U.S.T.) trust fund is $71.2 million, an increase of $11.2 million over the fiscal 1997 appropriation of $60.0 million. A portion of the fiscal 1998 request is dedicated to new, expanded use of the trust fund monies. While I welcome program improvements and look forward to learning more about the Administration's plan, I am reluctant to endorse a diversion of trust fund monies away from the core program which has provided direct assistance to the States and Tribal entities.

2. Federal highways

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) was enacted on December 18, 1991. ISTEA expires on September 30, 1997. New authorizing legislation must be passed by October 1 of this year for States and local governments to receive transportation funding when the new fiscal year begins. The Committee will be developing ISTEA reauthorization legislation in the spring of this year. The overall level of funding for the nation's surface transportation program is one of the most critical issues of the ISTEA reauthorization.

As part of the fiscal 1998 budget, the President has requested total obligations of $20.183 billion for the Federal Highway Administration (FHWA), a $58 million decrease from the fiscal 1997 enacted level. The $20.183 billion request for FHWA includes an obligation limitation of $18.170 billion for Federal-aid highways. The President also has requested $1.515 billion for categories not subject to the spending limitation, including minimum allocation, demonstration projects, and emergency relief.

I do not believe that the President's budget provides adequate funding for surface transportation programs under my committee's jurisdiction. I recommend that all of the incoming Highway Trust Fund taxes be spent—that is—spending from the Highway Trust Fund should be equal to the amount of Highway Trust Fund receipts collected for the prior year. I believe that this proposal is a reasonable way to balance the competing pressures of balancing the budget with concerns about the growing balances of the Highway Trust Fund.

1997 Supplemental budget request

The President's budget also includes a supplemental budget request of $318 million in additional Federal-aid highway obligation authority for 1997 and makes the additional funding available to a select group of States which were affected adversely by a Department of Treasury accounting error. I agree with the Administration's decision to correct the error. I do not believe that additional funding should be provided to States that would have benefitted had the accounting error not occurred.

3. Tennessee Valley Authority (TVA)—Economic Development Administration (EDA)—Appalachian Regional Commission (ARC)

It is my view that Congress should determine whether there is a compelling need for continued federal participation in programs carried out by the TVA, EDA and ARC. With respect to the TVA, in particular, I want to commend the Agency for its recent proposal to eliminate federal funding for its appropriated programs by fiscal 1999. Although the details of the proposal are not clear at this time, it represents a necessary first step in reducing federal participation in TVA programs. The Committee will continue to monitor TVA's progress on this important initiative.

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

The President's fiscal year 1998 request for the civil works program of the Army Corps of Engineers is $3.694 billion. Of that amount, $634 million, or 17 percent, would be derived from user fees and trust funds, including fuel and ad valorem taxes.

In the fiscal 1998 request, I am encouraged that the Administration has increased funding for various Army Corps environmental projects and initiatives, totaling $365.2 million. However, I am disappointed that the President did not propose funds for coastal storm protection—particularly since the Water Resources Development Act of 1996 specifically called for continuation of this vital program.

5. General Services Administration (Public Buildings Service)

The President's fiscal year 1998 request for the Public Buildings Service (PBS) totals $4.864 billion. Of this amount, $84 million is requested in direct appropriations. The remaining $4.78 billion is to be derived from the Federal Buildings Fund (FBF) administered by GSA. The overall PBS fiscal 1998 request is $687 million less than the current year funding level of $5.551 billion.

For the repairs and alterations account, $434 million is requested. Of this amount, $84 million is requested in direct appropriations. The remaining $350 million for repairs and alterations is to be derived from the FBF. For the construction and acquisition account, $680.54 million is requested for fiscal 1998. All of these funds are to be derived from the FBF. No direct appropriations request is made for the construction and acquisition category.

As the result of lower-than-expected rental receipts from fiscal years 1996 and 1997, the FBF is in shortfall by some $680 million. As a result, the Administration has chosen to make no direct appropriation request in fiscal 1998 for the construction and acquisition account. It is my intention to ensure that the agency implements procedures immediately to improve FBF forecasting so that such shortfalls are prevented in the future. As highlighted above, the PBS has requested FBF expenditure of $680.54 million to fund ongoing construction and acquisition projects.

CONCLUSION

In crafting the fiscal year 1998 budget resolution, it is incumbent upon the Congress to not only downsize the federal bureaucracy through consolidation, and in some cases, a complete closure of agencies and programs that have outlived their usefulness—but also to ensure that government is more responsive to its citizenry. It is my hope that the fiscal year 1997 Budget Resolution will initiate a multi-year plan to eliminate the federal debt with thoughtful, government-wide spending reductions.

Thank you for your consideration of my views and do not hesitate to get in touch if you have any questions regarding this submittal.

Sincerely,

JOHN H. CHAFEE.

U.S. SENATE,
COMMITTEE ON FOREIGN RELATIONS,
Washington, DC, February 27, 1997.

Hon. PETE V. DOMENICI, Chairman,
Hon. FRANK R. LAUTENBERG, Ranking Member,
Committee on the Budget, Washington, DC.

DEAR CHAIRMAN DOMENICI AND SENATOR LAUTENBERG: I write in response to your request for the views and estimates of the Senate Foreign Relations Committee on the FY 1998 budget for international affairs. As you know, on February 6, the President submitted his request for a total of $19.3 billion in spending for the so-called "150 account", encompassing programs under our jurisdiction, plus an additional $900 million over three years to pay our arrearages to the United Nations and affiliated agencies. Although this request exceeds the level of 150 funding envisioned under last year's budget resolution, I believe this increase represents an essential adjustment to the overall composition of discretionary spending. The level requested by the President should be seen as the absolute minimum required to effectively carry out the national interests of the United States.

Funding for international affairs has declined precipitously over the past decade by almost every measure, despite the important new opportunities and shifts in priorities that have occurred since the end of the Cold War. The $18.3 billion spent for international affairs last year, if adjusted for inflation, is 25 percent less than the average over the previous twenty years, and nearly one-third below the spending levels of a decade ago. Yet our international responsibilities have hardly diminished. Indeed, because we have significantly reduced our military presence overseas, we must retain a robust diplomatic presence around the world.

In fact, an independent, bipartisan blue ribbon panel jointly sponsored by the Brookings Institution and the Council on Foreign Relations recently sounded the following alarm, with which I agree: "The cuts already made in the international affairs discretionary account have adversely affected, to a significant degree, the ability of the United States to protect and promote its economic, diplomatic and strategic agendas abroad. Unless this trend is reversed, American vital interests will be jeopardized."

Diplomacy, as our nation's first line of defense, must be seen as an integral part of our overall national security strategy. In a world where the health, safety, prosperity and security of American citizens is threatened more by transnational problems—terrorism, drug trafficking, environmental degradation, proliferation of weapons of mass destruction, economic instability, rapid population growth and the spread of disease—than by traditional military means, American international leadership is increasingly essential. Effective diplomacy cannot be conducted "on the cheap," as our new Secretary of State warned during her confirmation hearing, and achieving our foreign policy objectives will require the availability of increased funding, the training and retention of additional skilled personnel, and the meeting of our international financial obligations.

While I agree that our foreign policy programs should undergo rigorous examination to eliminate duplication and waste, I also believe that any organizational restructuring must be designed to improve our diplomatic capabilities rather than to diminish our international presence.

I hope you will find these comments helpful as you prepare specific recommendations for the FY 1998 budget, and look forward to working with your Committee as the process continues.

With best regards,

Sincerely,

JOSEPH R. BIDEN, Jr.,
Ranking Minority Member.

U.S. SENATE,
COMMITTEE ON GOVERNMENTAL AFFAIRS,
Washington, DC, February 28, 1997.

Hon. PETE DOMENICI,
Chairman, Committee on the Budget, Washington, DC.

DEAR PETE: Pursuant to Section 301(d) of the Congressional Budget Act, we are submitting the Views and Estimates with respect to federal spending in the jurisdiction of the Senate Committee on Governmental Affairs.

The President's FY 1998 budget recommends a number of proposals that would affect federal employee pay and retirement. As a group, federal employees and retirees have been asked to bear a significant share of the deficit reduction burden for more than a decade. Taking previous cuts into consideration, it should be acknowledged that they deserve a budget slightly more lenient than those they have been subjected to in the past.

The Committee recognizes the President's effort to set forth a "federal employee budget package" designed to achieve a certain level of budget savings. However, it is difficult to endorse any specific proposals at this time of the potential for budgetary savings from a recalculation of the Consumer Price Index (CPI).

A number of federal programs include automatic cost-of-living adjustments (COLAs) which are linked to the CPI—most notably civil service retirement. Should the Senate recommend a CPI adjustment, it would be the Committee's intent to work with the Budget Committee so that any savings accrued from a recalculation would be credited proportionately to the Governmental Affairs Committee.

The President's federal employee retirement and pay-related proposals are:

CIVIL SERVICE RETIREMENT

Employee contributions

The President's budget proposes to increase employee contributions to both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS), which increases revenues by $1.8 billion over the period 1998 to 2002. Employee contributions would be increased by 0.25 percent of salary on January 1, 1999, an additional 0.15 percent in January 2000, and an additional 0.10 percent in January 2001 for a cumulative increase of

0.50 percent for 2001, which remains in effect through December 31, 2002.

Agency contributions

The President's budget proposal calls for agencies to increase contributions for CSRS employees by 1.51 percent each year beginning October 1, 1997, through September 30, 2002, for a savings of $30 billion over the five-year period. As has been the case with similar proposals in the past, no additional appropriations would be made to the agencies to cover the cost of these payments and the full amount would have to be absorbed by the agencies. This will necessarily result in offsetting program or manpower cuts across government.

Retiree cost-of-living adjustment (COLA)

The President proposes to reinstate a three-month delay in COLAs from January to April for the years 1998 through 2002 for federal civilian and foreign service retirees, saving $1.5 billion over the five-year period.

This Committee recognizes and supports the need for deficit reduction as an issue of utmost importance and supports the premise that deficit reduction must be shared in as fair manner as possible. To that end, we oppose the provision in the President's budget which would single out only civilian and foreign service retirees for a COLA delay. We believe that all federal retirees should be treated equally on the question of timing for COLAs. It is a simple matter of fairness that no one category of federal retirees should be singled out for unequal treatment.

FEDERAL EMPLOYEE PAY

The President proposes to give federal employees a COLA increase of 2.8 percent in January 1998. However, the President does not specify his intention as to whether the COLA should be paid in the form of nationwide cost-of-living adjustments or in the form of locality pay adjustments. The Committee will make a recommendation at the appropriate time.

FEDERAL EMPLOYEES HEALTH BENEFIT PLAN

The Committee notes that the President's budget also assumes a savings starting in January 1999 when employees will be required to pay a greater share of their health care premiums when the "Phantom 6" formula expires. The Office of Personnel Management has estimated this will shift approximately $4 billion of health care premium costs over five years from the government to the employee.

GOVERNMENT PERFORMANCE

Over the years this Committee has been consistently working to create a leaner, more efficient government. Legislation reported out of the Governmental Affairs Committee has established a new framework for government accountability. It is noted that your guidance to all Senate committees suggested a review of agency strategic plans and performance goals as required by the Government Performance and Results Act (GPRA). GPRA, along with financial management, procurement acquisition and information technology management reforms will be driving federal agencies to modernize and improve both performance and accountability.

GPRA compliance will be fully implemented to accompany the 1999 budget submissions. We have been working with agencies on the development of their strategic plans, and we have been holding briefings for Senate staff to provide a greater understanding of the value of this new information. It is noted that legislation you have introduced to institute biennial budgeting would statutorily link GPRA with the budget. We will work with the Budget Committee in support of this effort. The savings achieved by this Committee government-wide are not credited as a budget savings but should be considered in the larger context for their value.

The Committee is committed to reducing the deficit in as fair a manner as possible. We recognize the need for possible adjustments in federal employee programs in the coming years as we move forward in achieving a balanced budget. However, we should not lose sight of the fact that federal employees are a resource. A quality federal workforce is necessary for the successful implementation of the broad array of federal programs across government. The public expects the efficient delivery of services from the federal government, and we must ensure that the federal government can attract and retain the talent needed in support of that mission.

We appreciate the opportunity to comment on the areas within the jurisdiction of the Committee on Governmental Affairs and look forward to working with you in the year ahead.

Sincerely,

FRED THOMPSON,
Chairman.
JOHN GLENN,
Ranking Member.

U.S. SENATE,
COMMITTEE ON INDIAN AFFAIRS,
Washington, DC, March 12, 1997.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. FRANK R. LAUTENBERG, *Ranking Minority Member,*
Committee on the Budget, U.S. Senate, Washington, DC.

DEAR CHAIRMAN DOMENICI AND SENATOR LAUTENBERG: This letter is in response to your request for the views and estimates of the Committee on Indian Affairs on the President's Budget Request for fiscal year 1998 for Indian programs.

On February 26, 1997, the Committee held a hearing on the President's Budget Request to receive oral and written testimony from the Department of Interior, the Indian Health Service, and numerous other Federal agencies and tribal organizations.

Overall Federal spending patterns on Indians and non-Indians

As in previous years, the Committee requested the Library of Congress to prepare an analysis of the Federal spending trends on programs for American Indians and Alaska Natives over the past twenty-three years, as well as well as a comparison of this spending relative to spending for other Americans. We have attached a copy of the Library of Congress report for your reference.

The Library of Congress study reveals that despite the efforts of the Committee on the Budget and the Committee on Appropriations to respond to the acute needs of Indians and Native communities, the gap between what the Federal government has annually spent overall on Indians, in contrast to the funds which the United States has spent on non-Indians for purposes other than the national defense, has steadily worsened for Indians since 1985.

The Administration's fiscal year 1998 budget request seeks measurable increases in absolute dollars for many Indian programs. It also proposes to spend a significantly larger portion of these funds at the local level in Indian Reservation or Native American communities. In 1994 constant dollars, the fiscal year 1998 budget request for Indian programs overall would effect a modest reversal of the growing gap between the funds the United States annually spends on non-Indians and those it applies to the benefit of Native Americans. Given the harsh conditions and continuing needs that exist in much of Indian Country, the Committee supports the overall Indian program funding levels requested by the Administration for fiscal year 1998.

In its action on the fiscal year 1997 budget, the Congress applied minor increases in absolute dollars for many Indian programs with an emphasis of directing, where possible, greater resources to priorities identified by tribal governments for the provision of fundamental governmental services at the local level and which typically are spent under the direct control of Indian tribes. The Administration's fiscal year 1998 budget request seeks to continue efforts to acknowledge and fund priorities identified by tribal governments, while also continuing with reform initiatives to streamline the administration of services.

Tribal governments are, of course, the governments closest to the American Indians and Alaska Natives who suffer the most dire and unmet needs. Yet most of the Federal funds that have been made available for Native Americans in the past two decades have tended to result in an expanded Federal bureaucracy rather than an increase in tribally-controlled budgets. For Indian people, this fact has compounded their problems, as their tribal governments face greatly increased responsibilities without corresponding financial support.

Relative need for Federal spending on Indians

When compared with all other citizens of the United States, American Indians and Alaska Natives continue to suffer that worst conditions of unemployment, dilapidated and overcrowded housing, poor health, inadequate education, deteriorating or non-existent social and physical infrastructure systems, and other social and economic factors that seriously, and sometimes critically, erode the dignity and quality of life.

1990 census data released by the Bureau of the Census last year confirms these conclusions in the area of housing: 18% of all American Indian households on Reservations are "severely crowded." The comparable figure for non-Indians is 2%. Likewise, while 33% of all Reservation households are considered "crowded", the comparable figure for all households nationally is 5%. Approximately 90,000 Indian families are homeless or underhoused. One out of every five Indian homes lacks complete plumbing facilities.

According to the Census Bureau, nearly one in three Native Americans lives in poverty. The number of Indian families below the poverty line is nearly three times the national average. One-half of all Indian households headed by a female live in poverty. One-half of the Indian children under the age of six living on reservations live in poverty. For every $100 earned by U.S. families, Indian families earn $62. The average per capita annual income for an Indian living on the reservation is $4,478. Poverty in Indian country is a persistent, everyday reality.

Poor health is the twin sister of poverty. Tuberculosis strikes down Native Americans at four times the national mortality rate for this disease. The Indian mortality rate for diabetes exceeds the national average by 139 percent. Indians are four times more likely to die from alcoholism than are other Americans. Fetal Alcohol Syndrome rates among Native Americans are six times the national average. In some Indian communities, reported cases indicate that child abuse has victimized as many as one-fourth of the children. By all measures the health status of Native Americans lags significantly behind every other group of Americans.

In recent decades, there have been two basic justifications given for the Federal funding of Indian programs. The first can be understood as a desire by the United States to address the compelling human needs revealed in statistical surveys like those summarized above. Tribal and Federal officials continue to inform the Committee on Indian Affairs of the existence of an overwhelming backlog of underdeveloped social, physical, and human infrastructure in Indian Country, which they attribute to years of Federal under funding and relative Federal neglect. The second basis for Federal funding of Indian programs can be understood as one expression of the unique, government-to-government relationship between the United States and each tribal government arising from well-settled principles of Federal Indian law. The courts have construed this law on the basis of treaties, agreements, statutes, Executive Orders, course of dealings, and jurisprudential precedence, which typically have relied on a rationale that the Indian tribes transferred to the United States land or other resources in return for peace appropriations.

A. Committee recommendations on the Indian health service budget request

Within the Department of Health and Human Services, for fiscal year 1998, the Administration has requested $2.122 billion in budget authority for the Indian Health Service (IHS). This amount represents an increase of $68 million from FY97 enacted levels. This request represents a 3% increase for Indian Health programs. The requested increase is comprised of approximately $30 million for services and $40 million for facilities.

While the budget request reflects the resources needed to maintain the FY97 level of services provided to approximately 1.4 million American Indians and Alaska Natives, Tribal and Federal officials have informed the Committee of several factors that should be considered in determining adequate funding levels for effective service delivery: (a) the increasingly acute levels of unmet need for health care in Indian Country; (b) the expanding population growth of the Indian beneficiaries requiring service; and (c) higher than average inflationary costs in the field of rural health care delivery.

1. Population growth

The IHS fiscal year 1998 budget justification indicates there are about 1.4 million American Indians and Alaska Natives served by IHS funded operations. The Library of Congress reports that this service population is growing at an annual rate of 3.8%, creating an annual average increase of approximately 38,679 additional Indians to be served. Currently the IHS per capita health care expenditure is approximately $1,578, compared to the U.S. civilian per capita expenditure of $3,920. It is anticipated that a nearly $60 million increase for the additional patients associated with population growth would be required simply to maintain existing service levels for all American Indians and Alaska Natives at the current growth rate of 3.8%.

2. Contract support requirements

The fiscal year 1998 IHS budget request seeks an increase of $12 million for contract support costs. The Administration has informed the Committee that this request will meet existing requirements and allow expanded numbers of Indian tribes to assume the operation of programs and activities previously administered by ISH. For fiscal year 1998, and estimated $796 million will be transferred directly to tribes and tribal organizations under self determination contracts/grants and self-governance compacts, a $40 million increase from FY97 levels. The Committee comments the Administration for making this cost item a priority in its budget request.

3. Sanitation and health facility construction

In fiscal year 1990, Congress directed the IHS to prepare a 10-year plan to address the backlog of sanitation deficiencies for existing Indian homes and communities. Since then, annual appropriations have not met the level of need identified each year, and additionally, population growth, inflation, and more stringent environmental regulation have increased the backlog of need. IHS now estimates the backlog at $630 million. To meet the ten-year plan by the year 2000 would require annual funding levels of $146.5 million simply to meet the needs of existing housing. The Administration request is $247 million, an increase of $39 million over the FY97 levels. Given the constraints on increases in Federal spending, the Committee commends the Administration for making this matter a priority.

The Administration has requested $24 million for new health facility construction projects in fiscal year 1998 and, notably, $10 million to meet the obligation of several facilities coming on line. The Administration's 5-Year Planned Construction Budget has estimated the cost of projects already on the IHS new health care facilities and staff quarters new construction priority lists at more than $600 million.

The Committee wishes to emphasize that it desires to work with the Committee on the Budget, the Committee on Appropriations, the Congressional Budget Office, and the Office of Management and Budget in the immediate future to explore alternative financing mechanisms or other cost effective and aggressive means to address the overwhelming backlog of need for construction of new or replacement sanitation and health, facilities, by leveraging private capital investment, including consideration of how capital leases are scored, a Federally-guaranteed loan program, or a tribal investment bank that would result in the construction of much-needed facilities far more quickly than is now possible under the present discretionary appropriations structures.

B. Committee recommendations on the Bureau of Indian Affairs budget request

The Bureau of Indian Affairs (BIA) fiscal year 1998 request, within the Department of the Interior, would provide for $1.73 billion in current budget authority, a $126.1 million increase over FY97 enacted levels. The requested increases are primarily allocated to the Tribal Priority Allocation (TPA) account, $76.5 million over the FY97 enacted level, to contract supports costs, and to construction accounts.

For fiscal year 1998, the BIA has requested $105.8 in contract support costs, which is an increase of $10 million from last year's funding level. Of this $10 million increase, $5 million was transferred from the Indian Self-Determination Fund. Although the President's request reflects an increase, it is again estimated that contract support costs will not be funded at 100% of the need. By failing to meet 100% of the need, Indian tribes contracting or compacting BIA programs will be required to utilize badly-needed program funds to meet their contract support costs. This will result in reduced services to tribal members on the reservation. Continuing contract support shortfalls could create a significant disincentive to Indian tribal governments seeking to expand their contracting or compacting under the Indian Self-Determination Act and Tribal Self-Governance.

As education is a priority for many Indian communities, the BIA's fiscal year 1998 budget request reflects an increase of $16.8 million for School Operations, for a total of $467 million for FY 1998. In addition, the BIA budget request also proposes an increase of $49.1 million for maintenance and construction of educational facilities.

In general, the Committee generally commends the Administration for its fiscal year 1998 budget request for the BIA and urges the Committee on Budget to strongly consider these priorities.

C. Committee recommendations on other agencies' budget requests

1. Department of Housing and Urban Development (HUD)

Fiscal Year 1998 will be a crucial year for Indian housing programs at HUD. The Native American Housing Assistance and Self-Determination Act of 1996 (NAHASDA), signed by the President on October 26, 1996 and scheduled to take effect on October 1 of this year, marks a radical departure from the heavily bureaucratic structure used by HUD to provide housing assistance to Native American families in the past. The $485 million request by the administration to fund the block grant provided for under NAHASDA represents roughly level funding of Indian housing programs. This Committee strongly encourages the Budget Committee to consider funding efforts to help alleviate the tremendous need for housing construction and improvement in Indian Country. At the very least, this should entail no consideration of reducing the funds available for Indian housing block grant below the level requested by the Administration.

The Committee also supports the Administration's funding request for the Indian Community Development Block Grant set-aside. Though statutorily the Indian set-aside is only 1 percent, HUD has for two years provided one and half percent for this set-aside. CDBG is designed to focus resources on communities in need of development resources while providing local flexibility. Clearly, the challenges facing economic development efforts in Indian Country merit these funds, as Indian communities face poverty rates more than twice that of the rest of America as well as double the rates of unemployment and far lower median incomes.

While we are concerned that funding levels should represent the needs of Native American communities, the Committee is cognizant of the importance of maximizing dollars spend on Indian housing, what the President terms "doing more with less." NAHASDA provides such an opportunity through a loan guarantee authority, authorized under Title VI. This new authority, patterned after the very successful Section 108 loan guarantee program utilized with Community Development Block Grant funds, allows more money to be used for Indian housing for fewer appropriated dollars.

Despite the President's challenge to utilize public-private partnerships to solve problems, the Administration budget provides no funding for a credit subsidy for Title VI guarantees. This subsidy, required under the 1990 Credit Reform Act, is necessary before any guarantees can be made. The Committee urges the Budget Committee to provide funding for Title VI loan guarantees—even if only on a limited basis—so that partnerships between tribal governments and private markets can start the very difficult and important work of improving housing conditions for Native American families in a responsible, economically sound manner.

2. Department of Education

Many American Indian and Alaska Native children attend public schools, which are supported in large part by various programs administered through the U.S. Department of Education, as are schools funded through the BIA. The Administration's budget request for fiscal year 1998 for Indian education programs under the Department of Education seeks $62.6 million of which approximately $59.7 million will be committed to Formula Grants to Local Education Agencies. The purpose of these funds is to support financial support for elementary and secondary school programs that serve Indian students.

The committee again encourages full funding for the Indian programs within the Department of Education.

3. Administration for Native Americans (ANA)

The President's request for the Administration for Native Americans (ANA) is $34.9 million for FY 1998, a level equal to the FY 1997 enacted levels.

The ANA fosters tribal self-sufficiency by providing critical funds for tribal governance efforts, social and economic development projects, environmental compliance measures, and efforts to preserve Native languages.

In light of the acute tribal need for seed capital, employment, and governance initiatives, the Committee generally commends the Administration for its request, and recommends that the ANA program be maintained and strengthened in the future.

4. Environmental Protection Agency (EPA)

The focus of the Environmental Protection Agency's efforts for State and Tribal Assistance Grants (STAG) continues to be capacity building for tribal partners. The Administration's stated policy, of turning authority for running environmental programs over to the tribes themselves whenever feasible, is consistent with this Committee's goals of strengthening the government-to-government relationship between tribes and the federal government.

Of more than $41 million in increases to the STAG account, $31 million is for tribal priorities. Water quality issues, which for many tribes is their first priority for environmental issues, receives a $9,829,300 increase through the Section 106 pollution control program, designed to identify and monitor risks to water quality on reservations. This crucial program represents the only increase in STAG water program funding.

The problem of leaking underground storage tanks continues to plague Indian communities. The tanks, found commonly at gas stations, can be costly and require increased resources if they are to be dealt with effectively. The budget proposal includes $450,000 for underground tank clean-up, but this amount is clearly not enough to fully address the problem.

The committee strongly encourages that funding for EPA programs take into consideration the importance of the Indian General Assistance Program grants as a tool for tribes to locate and deal with environmental concerns. Particularly for smaller tribes, the flexibility of this grant has meant that tribal priorities take precedence over bureaucratic concerns. Considering the Administration's goal of dealing with "worst sites first," the usefulness of this grant cannot be overstated.

D. Conclusion

The Committee on Indian Affairs, in its March 11, 1997 business meeting, favorably adopted the foregoing letter of recommendations on the budget views and estimates.

We very much appreciate the opportunity to provide this information on the President's Budget Request for Indian programs for fiscal year 1998 to the Committee on the Budget and look forward to working with you in the coming year.

Sincerely,

BEN NIGHTHORSE CAMPBELL,
Chairman.

DANIEL K. INOUYE,
Vice-Chairman.

CONGRESSIONAL RESEARCH SERVICE,
LIBRARY OF CONGRESS,
Washington, DC, February 24, 1997.

To: Senate Committee on Indian Affairs. Attention: Gary Bohnee.

From: Roger Walke, Specialist in American Indian Policy, Government Division.

Subject: Indian-Related Federal Spending Trends, FY 1975–1998.[1]

This memorandum responds to your request that CRS update its analysis of Indian-related budget authority to include fiscal years 1975–1998. The Committee has previously published these CRS analyses in the appendix of its recurring committee print entitled *Budget Views and Estimates* for fiscal years 1989 and 1991–1993.[2] The Committee has also included the CRS analyses in its materials printed in the Senate Budget Committee reports on the concurrent budget resolutions for fiscal years 1995–1997.[3]

The memorandum summarizes trends in most Indian-related areas of the federal budget over the period FY 1975–1998. The budget items selected usually account for two-thirds to three-quarters or more of total federal spending each year on American Indians and Alaska Natives.

The trends are summarized in tables 1–4, and selected trends are illustrated in graphs 1–26. Both tables and graphs are based on the data in appendix tables 1 and 2. For each budget area, tables 1–4 show the following measures: the average level of spending in each year over the time period; the annual change (i.e., the annual trend) in such spending; the ratio of the annual change in spending to the average level of spending (called the "change ratio"); and an indicator of the consistency of the annual change.

Table 1 covers the period FY1975–1998, using current dollars. Table 2 covers the same period using constant, or inflation-adjusted, 1994 dollars. Tables 3 and 4 present the same current- and constant-dollar data for the period FY1982–1998.

The analysis presented here emphasizes constant-dollar figures. Since such figures are adjusted for the effects of inflation, they are better indicators of real changes in spending.

This memorandum is not intended to be a complete analysis of all the Indian-related budget items selected. Rather it compares trends in major budget items affecting the nation's Indian population (particularly those programs targeting Indians in federally recognized tribes), on the one hand, with trends in parallel budget items affecting the entire U.S. population. The discussion that follows is organized in three parts: methodology and sources; budget trends in education, health, housing, and economic development and employment training; and overall trends.

---

[1] Andorra Bruno, Analyst in American National Government, assisted in gathering data for FY 1975–1995. Garrine Laney, Analyst in American National Government, and Megan Perry, Intern, assisted in gathering the data for FY 1975–1991.

[2] S.Prt. 100–116, S.Prt. 101–89, Prt. 102–32, and S.Prt. 102–91, respectively.

[3] S.Rept. 103–238, S.Rept. 104–82, and S.Rept. 104–271, respectively.

METHODOLOGY AND SOURCES

The Indian-related budget items chosen for this analysis are the Bureau of Indian Affairs (BIA), and some of its components, in the Department of the Interior (DOI); the Indian Health Service (IHS) and the Administration for Native Americans (ANA) in the Department of Health and Human Services (HHS); the Office of Indian Education in the Department of Education; the Indian Housing Development program in the Department of Housing and Urban Development (HUD);[4] and the Indian and Native American Employment and Training Program (INAP)[5] in the Department of Labor. According to figures from the Office of Management and Budget, these agencies annually accounted for about 72 percent of estimated Indian-related spending government-wide in the period FY1988–1997.

For the BIA program categories chosen for the analysis—education, economic development, natural resources, and tribal (formerly "Indian") services—the memo contains a break in the continuity of the time-series data. The BIA restructured its budget presentation for FY1994, based on recommendations from the Joint Tribal/BIA/DOI Advisory Task Force on Bureau of Indian Affairs Reorganization. The general categories of education, economic development, natural resources, and Indian services, under which specific programs were grouped in previous budget presentations, are not used as general categories in the restructured budget presentation (instead they are used as subcategories within the BIA's new general categories). While the BIA applied this restructured presentation to its FY 1993 budget, it did not do so for earlier years. Hence, the time-series data for BIA component programs are internally consistent for FY1975–1992 and for FY1993–1998 but may not be consistent between the two time periods.

In this memo we re-grouped FY1993–1998 data for the relevant BIA programs into the general categories of education, economic development, natural resources, and Indian services.[6] We stress that re-grouping data for the BIA components for FY1993–1998 means that the figures for the components for these years are estimates and that they are not necessarily consistent with earlier

[4] HUD's Indian Housing Development program, which funded new Indian housing, has been consolidated along with most other HUD programs for Indian housing into a new Native American Housing Block Grant (NAHBG) Program, created by the Native American Housing Assistance and Self-Determination Act of 1996 (P.L. 104–330, 25 USC 4101 *et seq.*) Under the NAHBG program, recipients (tribes and tribally-designated housing entities) may spend block grants to provide and maintain low-income housing according to their own plans and needs. HUD proposes a total appropriation of $485 million for the NAHBG program for FY1998, and estimates that $193 million of that amount might be spent on the "Development/HOME" portion of NAHBG (U.S. Department of Housing and Urban Development, *Congressional Justifications for 1998 Estimates. Part 1.* February 1997. Exhibit I, p. B–1). To maintain the time-series for Indian Housing Development in this memo, we use the "Development/HOME" figure for FY1998.

[5] The Indian and Native American Employment and Training Program was authorized by Section 401 of the Job Training Partnership Act (JTPA) of 1982 (P.L. 97–300) and began its expenditures in FY1984. JTPA's predecessor, the Comprehensive Employment and Training Act (CETA), included a similar Indian employment and training program. This memo uses CETA Indian program spending for the period FY1975–1983 and INAP spending for FY1984 to the present.

[6] The re-grouped figures for FY1993–1994 for these BIA components generally produced budget figures that were markedly higher than figures for FY1992. This suggests that analytical statistics for these BIA components based on the FY1975–1998 time series may be skewed, either up or down.

years. Hence computations and statistics for these BIA components for the periods FY1975–1998 and FY1982–1998 are also estimates.

Spending by agencies is measured in this memo in terms either of appropriations (or budget authority) or of outlays, depending on data availability and on past usage in the Committee's study FY1989. Indian housing spending data have been available as "use of budget authority," and we include data for both outlays and budget authority in measuring federal spending on housing in general. (Annual outlay and budget authority figures may diverge from each other more in housing, with its multi-year spending patterns, than in other budget areas.)

To adjust for inflation, current-dollar figures were changed into constant dollars. The base year for the constant dollars was 1994, and the inflation index used to compute constant dollars from current-dollar figures was the Chain-Type Price Index for Gross Domestic Product (GDP). The Chain-Type Price Index is a new index introduced in 1995 by the Bureau of Economic Analysis of the Department of Commerce to measure real GDP, essentially replacing the Implicit Price Deflator. (For further discussion of the Chain-Type Price Index, see CRS Report No. 95–892 E, *A New Measure of Real GDP*.) We use the Chain-Type Price Index instead of the Consumer Price Index (CPI) because the former accounts for inflation in the entire economy rather than just in consumer purchases, and hence is more appropriate for the full range of Indian budget areas.

Statistical Measures

The *average,* or mean, *level of spending* during the period FY1975–1998 was computed by dividing total spending over the time period by the number of years.

Annual change (annual trend) and trend consistency over the FY1975–1998 period were both determined by a time-series linear regression analysis. Such an analysis attempts to find the best straight line illustrating the relationship between a variable (here, a budget item) and time. The *annual change* is a "slope" of such a straight line. The slope, or annual change, shows how much the spending on a budget item changes for every year that passes. (The slope is also known technically as a "coefficient of X" or the "regression coefficient.") *Trend consistency* is the "coefficient of determination," or r^2, generated by a regression analysis. Here, r^2 can be interpreted as follows: if the r^2 is high (i.e., closer to 1), then the trend, whether up or down, is very consistent; if the r^2 is low (closer to 0), then the trend is very irregular.

Change ratio denotes the annual change divided by the average level of spending. This is to control for the fact that the size of a budget item's annual change varies with the total amount of dollars spent by an agency. For instance, an annual change of $10 million for an agency whose average spending is $100 billion a year constitutes a much lower increase, proportionately, than the same $10 million increase for an agency whose average spending is $50 million a year. The change ratio allows one agency's annual change to be compared to that of another agency while taking relative budget size into account.

Sources

Sources for budget data are the respective agencies and the annual *Budget of the United States Government* submitted by the President. Budget data collected included historical appropriations and outlays and FY1998 budget estimates, by agency and by budget function[7] category. Agencies previously contacted include the BIA, IHS, ANA, HUD, Education Department, Interior Department, and Labor Department. HUD was not able to provide Indian Housing Development Program data for FY1975 and FY1977 because the data had been archived.

U.S. population data came from the *Statistical Abstract of the United States* and the Census Bureau's Current Population Reports (Series P–25, No. 1130). We used the figure for total U.S. population, including Armed Forces abroad. Indian population estimates came from the Indian Health Service and are based on that agency's service population. IHS population estimates are updated annually.

Historical figures for the Chain-Type Price Index for GDP were obtained from *Economic Report of the President* (February 1997); estimates for 1996 are projections for 1997 and 1998 came from the U.S. Congressional Budget Office's *The Economic and Budget Outlook: Fiscal Years 1998–2007* (January 1997).

EDUCATION

Education data from table 1 show that Indian education spending appears to have been growing from FY1975 to FY1998. The annual change for BIA education, for instance, shows an increase of $14.6 million per year, for a positive change ratio of 4.25.[8] These figures, however, are in current dollars. Inflation has not been taken into account. The constant-dollar figures in table 2 do not take inflation into account. These data show that BIA education has actually fallen by $1.4 million a year, for a negative change ratio of −0.31, during the period FY1975–1998. This pattern—an increase in current dollars and an actual decline in constant dollars—is repeated in most Indian-related budget areas.

Table 2 shows that the U.S. Department of Education budget has averaged $24.1 billion in constant 1994 dollars during FY1975–1998 and has grown at a rate of $417.1 million a year (1.73 change ratio), but with some annual variation (r^2 of .636). In contrast, Office of Indian Education (OIE) programs in the Department of Education, which averaged $94.5 million a year in constant dollars, fell $3.2 million a year over the same time period (−3.42 change ratio). The r^2 figure for the OIE in the Education Department (.803) suggests that OIE spending has fallen fairly consistently over the time period.

Table 4 compares budget trends in constant dollars during the period FY1982–1998. The Department of Education has averaged

[7] Budget functions represent classifications of budget expenditures by major objectives and operations, regardless of the agency responsible. Budget functions are further divided into budget subfunctions.

[8] Excludes BIA construction for education. As noted above, the time series for BIA education is not internally consistent because of BIA budget restructuring for FY1993–1998. In addition, FY1991 appropriations for BIA education programs included forward funding of $208,900,000 for the 1991–1992 school year (July-June). For this analysis, these funds have been included under FY1991.

$25.1 billion during that period, with an increase of $564.8 million a year (2.25 change ratio). BIA education increased $11.1 million a year (2.64 change ratio) in FY1982–1998, faster than the Education Department as a whole, while the Office of Indian Education in the Education Department fell $2.7 million a year (−3.29 change ratio).

Graphs 1–3 illustrate the trends in education in constant dollars for FY1975–1998. Graph 1 shows the generally upward, but fluctuating, trend for the Department of Education budget. Graph 2 shows a long downward trend and then a recovery for BIA education, while graph 3 illustrates that the OIE in the Department of Education had a long-term downward trend, followed by a leveling-off, and then a recent fall.

HEALTH

Federal health outlays, as measured by the health budget function (shown in table 2), averaged $65 billion in constant 1994 dollars during FY1975–1998, increasing at a rate of $4.2 billion a year, for a change ratio of 6.40. Expenditures of the Department of Health and Human Services (HHS)—excluding Social Security payments and Social Security Administration administrative costs (but including other HHS non-health spending)—averaged $185.3 billion in the same time period, increasing at $10.8 billion a year (5.85 change ratio). Indian Health Service appropriations, in constant dollars, also increased during FY1975–1998, but at a lower rate than those of HHS or the health budget function. IHS's annual increase was $51.3 million, a change ratio of 3.74, on an average level of $1.4 billion.

Spending on the health budget function during FY1982–1998, shown in table 4, was at an average level of $76.1 billion in constant dollars during the period, with an annual increase of $6.1 billion (8.03 change ratio). HHS outlays averaged $217.8 billion in FY1982–1998, increasing $13.9 billion annually (6.37 change ratio). IHS spending during the same period had a lower gain than these two measures, showing a change ratio of 4.63, based on annual increases of $69.8 million and an average spending level of nearly $1.5 billion per year.

Graphs 4–6 depict the trends in the HHS, health function, and IHS budgets for the years FY1975–1998, in constant dollars. They show that the increase over time was more consistent for HHS (r^2 of .936) than for the federal health budget function (r^2 of .853) or the IHS (r^2 of .843).

HOUSING[9]

Federal housing expenditure trends differ for outlays and budget authority during FY1978–1998. Outlays have generally risen, on either side of a sudden jump in FY1985, while budget authority fell from FY1978 before leveling off after the FY1985 surge. The trend in Indian Housing Development expenditures (as measured in "use of budget authority") differs sharply from that for federal outlays for housing and more closely resembles that for federal housing

[9] The time period for housing data is shortened from FY1975–1998 to FY1978–1998 because of missing data for Indian housing development in FY1975 and FY1977.

budget authority, except that Indian housing development has fallen more steeply. Table 2 shows that Department of Housing and Urban Development (HUD) outlays averaged $24 billion in constant dollars from FY1978 to FY1998 and increased at an annual rate of $384.8 million, for a positive change ratio of 1.60. Outlays for the federal housing assistance subfunction increased even faster, rising $868.9 million a year on an average level of $18.5 billion, for a positive change ratio of 4.68. Budget authority for HUD, however, fell $2 billion a year in constant dollars, for a negative −6.53 change ratio on average spending of $31.3 billion. Budget authority in constant dollars for the housing assistance subfunction showed the same pattern, falling $1.6 billion a year on average spending of $24.1 billion for a negative change ratio of −6.70. The Indian Housing Development program, as measured by annual budget authority for new construction, decreased in constant dollars at an annual rate of $59.9 million on average spending of $499.6 million, for a negative change ratio of −11.99, a more steeply declining rate than for federal housing budget authority as a whole. Graphs 7 and 8 illustrate the trends in both outlays and budget authority for HUD and the housing assistance subfunction. Graph 9 depicts the trend for the Indian Housing Development program. Graph 10 combines HUD and housing assistance subfunction outlays with Indian housing development budget authority.[10]

Housing trends during FY1982–1998 are mixed compared with those for the longer period (see table 4). Indian Housing Development program expenditures in constant dollars decreased less rapidly than in FY1978–1998, falling at an annual rate of $24.8 million (−8.14 change ratio) on an average level of $304.2 million. Overall HUD outlays in constant dollars, on the other hand, rose more slowly than in FY1978–1998, increasing only $252.5 million a year (1.01 change ratio) on an average level of $25 billion. Housing assistance subfunction outlays in constant dollars grew faster than HUD spending—a change ratio of 3.33 based on increases of $688.7 million a year with an average level of $20.7 billion—but still lagged behind the rate for FY1978–1998. Budget authority trends for HUD and the housing assistance subfunction, in constant dollars, were more positive in the FY1982–1998 period than in the loner FY1978–1998 period. As graphs 7 and 8 show, the greatest fall in budget authority for HUD and the housing assistance subfunction occurred before FY1984. (The decline in Indian Housing Development budget authority, as graph 9 shows, extended until FY1990.) During FY1982–1998, HUD's budget authority in constant dollars declined $460.4 million a year on average spending of $23.8 billion, a negative change ratio of −1.94, while housing assistance subfunction budget authority, in constant dollars, fell less rapidly than in FY1978–1998, going down $171.8 million a year on average spending of $17.7 billion, for a change ratio of −0.97.

[10] Budget authority data for HUD and the housing assistance subfunction were not included in graph 10 because they caused scaling problems in the graph.

ECONOMIC DEVELOPMENT AND EMPLOYMENT AND TRAINING

Economic development spending, in constant dollars, has declined during the period fiscal year 1975–1998 in both the overall U.S. budget and the Indian-related budget. Here we compare the U.S. community and regional development budget function with the BIA economic development program [11] and with the Administration for Native Americans, which provides funding for social and economic development projects to Indian tribal governments and non-governmental Indian organizations. Measured in constant dollars, all three economic development programs have lost ground, but the Indian-related ones have fallen slightly faster. Table 2 shows that the U.S. community and regional development function has declined at an annual rate of $364.7 million, for a change ratio of −3.14, while averaging $11.6 billion a year in spending during this period. ANA expenditures, with an average level of $46.1 million, have decreased by $2.1 million a year, for a negative change ratio of −4.54. The BIA economic development program has fallen most rapidly, declining by $4.6 million a year—a negative change ratio of −5.51—on an average spending level of $84.1 million. Graphs 11–13, and the respective r^2s for the community and regional development function (.315), BIA economic development (.684), and ANA (.698), all show that the decline during fiscal year 1975–1998 has been more consistent for the Indian-related programs.

Economic development spending during the fiscal year 1982–1998 period; measured in constant dollars, continued to decline for Indian but not national economic development, as shown in table 4, although not as fast as in the longer period. The Federal community and regional development function rose during this period by $10.9 million a year (change ratio of 0.12) on average spending of $9.4 billion. ANA spending fell by a negative change ratio of −1.39 ($0.5 million a year) on an average level of $36.1 million. BIA economic development went down the fastest, being reduced by a change ratio of −3.37 ($2.1 million a year) on average spending of $62 million. The downward trends during this period were fairly consistent for ANA but very inconsistent for the other two economic development measures.

Employment and training expenditures, in constant dollars, also declined during fiscal year 1975–1998 for both general U.S. programs and Indian-related programs. The Federal training and employment subfunction fell at an annual rate of $493.4 million, producing a negative change ratio of −5.13 on average spending of $9.6 billion. The U.S. Department of Labor fell at a slower rate, its larger annual decrease (−$840.8 million) generating a smaller change ratio (−2.14) on higher average spending ($39.3 billion). The Indian and Native American Employment and Training Program (INAP) in the Labor Department had the largest negative change ratio, −8.86, based on an annual decrease of $11.8 million

[11] As noted above, the time series for BIA economic development is not internally consistent because of BIA budget restructuring for fiscal year 1993–1998.

and average spending of $133.2 million.[12] Graphs 14–16 depict these declines in employment and training expenditures.

The fiscal year 1982–1998 period saw a lessening of the rates of decline in employment and training expenditures in constant dollars for the Labor Department, the training and employment subfunction, and INAP, as table 4 shows. The Labor Department's negative change ratio shrank to −1.08 because its annual decrease in constant dollars was only $380.1 million on average spending of $35.3 billion. The training and employment subfunction showed a negative change ratio of −0.47, based on an annual decrease of $31.8 million and average spending of $6.8 billion, both in constant dollars. INAP fell at a far higher rate than the Labor Department or the training and employment subfunction during fiscal year 1982–1998, losing $3.5 million in constant dollars annually in spending for a negative change ratio of −4.89, based on average spending of $71.9 million.

OVERALL BUDGET AREAS

This section compares trends over the time period for the total BIA budget, overall Indian-program spending,[13] and the Federal non-defense budget[14] as a whole, using both current and constant dollars. For the BIA, table I and graph 17 indicate an increase in spending in current dollars during fiscal year 1975–1998, with spending going up by $43.5 million a year (change ratio of 3.58) with an average level of $1.2 billion. Table 2 and graph 18, however, show that in constant dollars there was actually a decline in the BIA budget of $11.5 million a year (−0.72 change ratio), on an average spending level of $1.6 billion. A steady increase (r^2 of .854) in current dollars becomes, when corrected for inflation, an uneven decline (r^2 of .157) in constant dollars. As graph 18 shows, the unevenness results from a lengthy decline (in constant dollars) followed by an uneven rise.

Overall Federal non-defense spending, however, departs from the pattern for Indian-related spending. Federal spending as a whole in current dollars went up during the period fiscal year 1975–1998, at a rate of $40.7 billion a year (6.28 change ratio) with an average level of $648.6 billion (see table 1). In constant dollars, Federal spending still went up, at a rate of $20.7 billion (2.59 change ratio) on an average level of nearly $800 billion (see table 2). Graphs 19 and 20 illustrate these upward trends in current and constant dollars.

The overall Indian-related budget follows the same pattern as the BIA. Current-dollar spending during the FY1975–1998 period, as shown in table 1, went up at a rate of $108.7 million a year, a change ratio of 3.81, on an average spending level of $2.9 billion. Constant-dollar spending, however, is shown in table 2 to have gone down at a rate of $14.7 million a year (−0.40 negative change ratio) on an average spending level of $3.7 billion. The small size

[12] As noted above, the time series used here includes CETA Indian programs for fiscal year 1975–1983 and the INAP proper for fiscal year 1984–1998.

[13] "Overall Indian-program spending" means here the six major Indian programs covered in this memo.

[14] The Federal non-defense budget used here excludes both national defense expenditures and net interest payments on the national debt.

of the negative change ratio in constant dollars, and the inconsistency of the related trend (r^2 of .026), result from the same pattern as for the BIA—a long fall followed by a recent uneven upward trend. Graphs 21 and 22 demonstrate the two trends.

Population data can be used to get a simple comparison of per-capita Federal spending between the overall U.S. population and the Indian population. Table I includes population data similar to the budget data. The data (which include projections for 1997 and 1998) show that overall United States population increased at a rate of 2,354,194 people a year (0.97 change ratio) during the period 1975–1998, with an average level of 242,492,000 people. The Indian population (as measured by the IHS service population) is much smaller, with an average level of 1,035,524, but it has grown much faster, increasing at an annual rate of 38,498 persons, for a change ratio of 3.72.

To get a measure of per-capita Federal spending for each of the two groups, we took each year in the fiscal year 1975–1998 period and divided the overall Federal non-defense budget by the total U.S. population, and the overall Indian budget by the Indian population. Graphs 23A and 23B illustrate the resulting trends for current and constant dollars, respectively. They show that during the first ten years of the period the federal government spent more per capita on Indians than on the population as a whole. After 1985, however, Indians received less expenditure per capita, under major Indian-related programs, than the population as a whole. Throughout the 1975-1998 period, per-capita spending in constant dollars on the U.S. population as a whole consistently increased, whereas per-capita spending in constant dollars on Indians through major Indian-related programs began to fall after 1979, leveling out only after 1990. Graphs 23C and 23D display the two populations' growth trends over the 1975–1998 period.

SUMMARY

The data show that Indian-related spending, corrected for inflation, has been going down in almost all areas. Among the Indian-related items examined for the FY1997–1998 period, as measured in constant dollars, only the IHS and two program areas within the BIA, natural resources and tribal services (which here includes the BIA's Housing Improvement Program), have avoided this trend.[15] In the FY 1982–1998 period, however, the BIA natural resources program area changes to a negative trend.

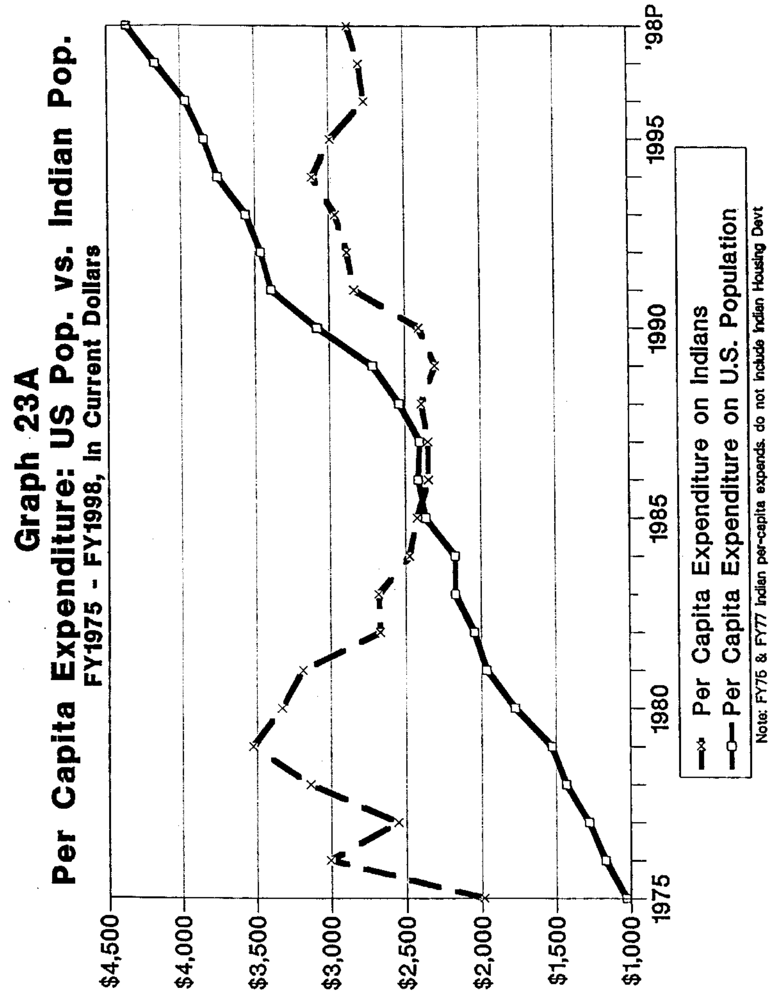
The overall downward trend in federal Indian spending is not obvious if one looks only at current-dollar data. One has to look instead at constant-dollar figures. The tables and graphs show that, in constant dollars, overall Indian spending has tended to go down over the full course of the FY1975–1998 period, while overall federal non-defense spending has gone up. The latter years of this period, after 1990, have seen an uneven upward trend in overall Indian spending in constant dollars, through not yet enough to bring the annual change and change ration to positive numbers.

[15] As noted above, the time series for BIA natural resources and tribal services is not internally consistent because of BIA budget restructuring for FY1993–1998.

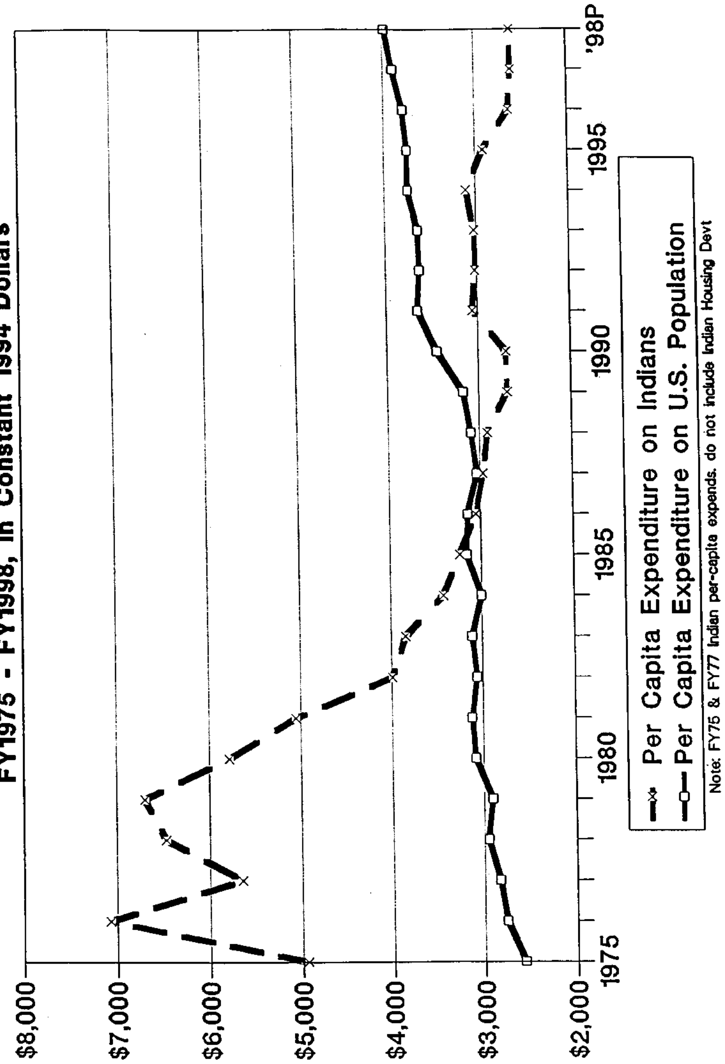
When one looks not only at overall Indian spending but also at its major components—BIA, IHS, Office of Indian Education in the Education Department, Indian Housing Development program in HUD, ANA, and INAP—one sees from table 2 and graph 24 that, in constant dollars, all major spending items except IHS have declined during the period FY1975–1998. Moreover, a comparison in constant dollars of overall Indian spending and its major components, on the one hand, with comparable budget items in the full federal budget, on the other, indicates that most Indian-program spending areas have lagged behind their equivalent federal spending areas. (See graph 25.) This is true even of IHS.

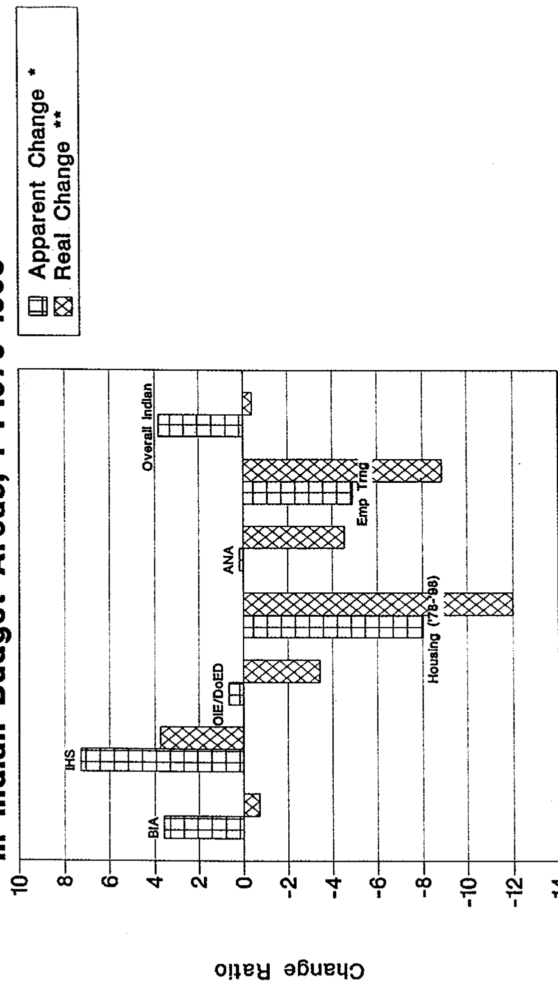
If BIA spending and overall Indian spending were both to decline in constant dollars at the same rates of annual change during the period FY1999–2005 as they did during FY1975–1998 (−$11.5 million and −$14.7 million, respectively, in constant dollars), as shown in graph 26, then by FY2005 overall Indian-program spending in 1994 dollars would have fallen from a proposed $3.825 billion in FY1998 to $3.722 billion in FY2005. BIA spending in 1994 dollars would have fallen from a proposed $1.58 billion in FY1998 to $1.5 billion in FY2005.

If you have any questions, or if I can be of further assistance, please call me at 707–8641.


Graph 23A
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY1998, In Current Dollars
$4,500
$4,000
$3,500
$3,000
$2,500
$2,000
$1,500
$1,000
1975
1980
1985
1990
1995
'98P
Per Capita Expenditure on Indians
Per Capita Expenditure on U.S. Population
Note: FY76 & FY77 Indian per-capita expends. do not include Indian Housing Devt

Graph 23B
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY1998, In Constant 1994 Dollars

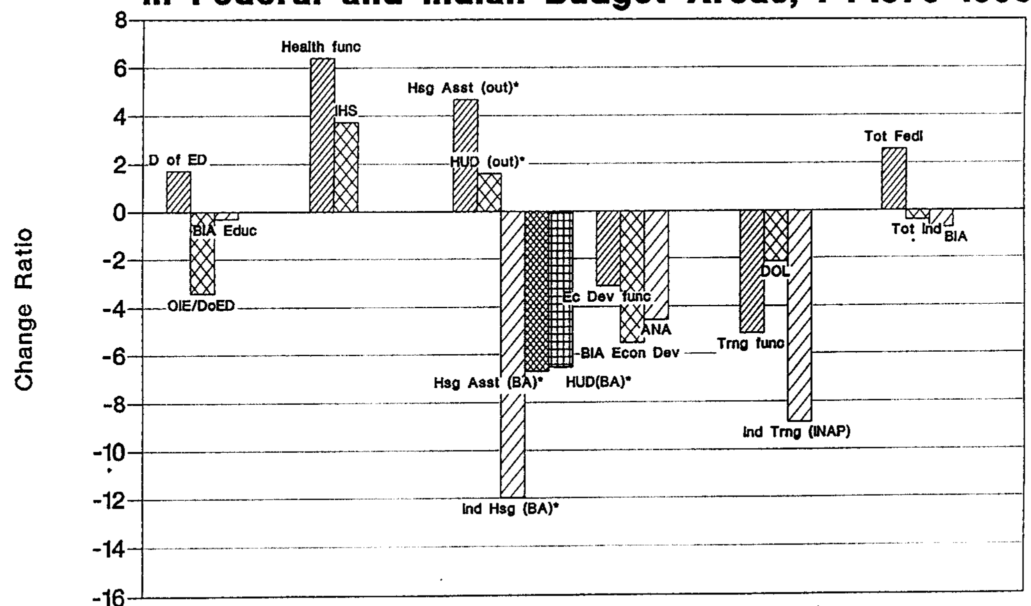




Graph 24
Apparent Vs. Real Change Ratios
in Indian Budget Areas, FY1975-1998

Change Ratio = Ratio of Annual Change to Average Spending (see text).
* Change Ratio based on Current Dollars
** Change Ratio based on Constant 1994 Dollars

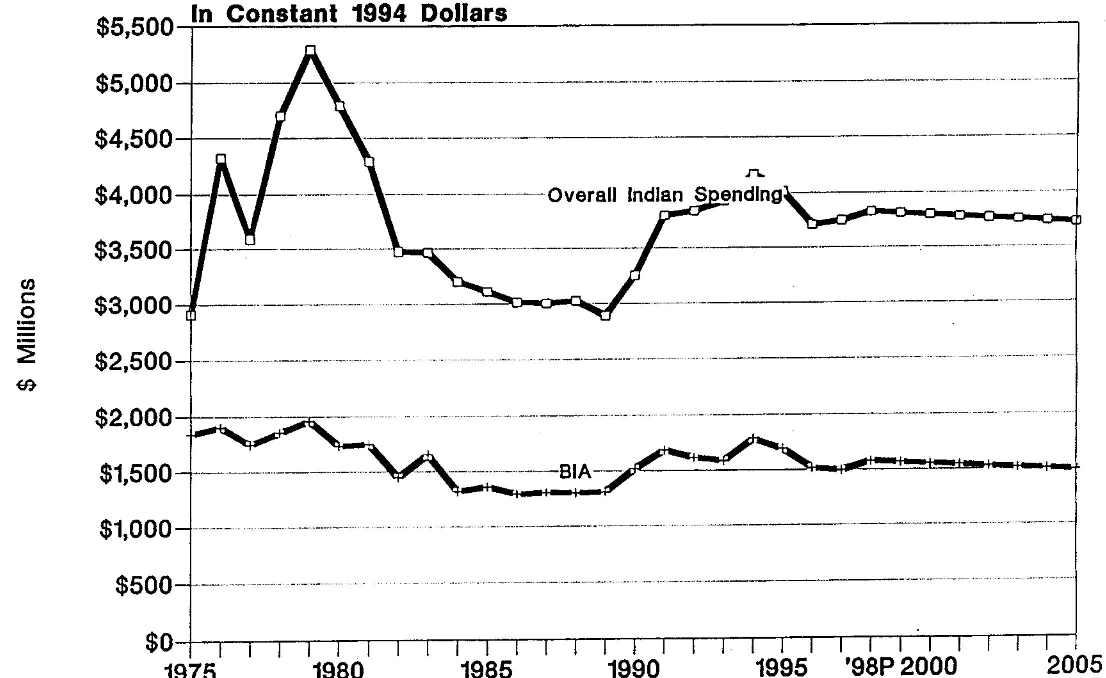
Graph 25
Comparison of Real** Change Ratios in Federal and Indian Budget Areas, FY1975-1998



Change Ratio = Ratio of Annual Change to Average Spending (see text).
** Based on Constant 1994 Dollars.
* All housing ratios based on FY1978-1998.

Graph 26: BIA and Overall Indian Spending, Actual and Projected, FY1975-2005

In Constant 1994 Dollars



FY1975-1998 = Actual and FY1998 proposed.
FY1999-2005 = Projections based on FY1975-98 annual change.

TABLE 1.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CURRENT DOLLARS, FY 1975–1998 [1]

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Dept. of Education	$19,275.7	$1,058.8	5.49	.942
Education function	35,643.0	1,542.8	4.33	.882
Indian Education Office (U.S. Dept. of Education)	68.3	0.4	0.65	.093
BIA education [2]	342.7	14.6	4.25	.720
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	158,931.8	14,410.1	9.07	.931
Health function	56,226.8	5,444.4	9.68	.887
Indian Health Service	1,133.2	82.6	7.29	.938
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	20,207.2	1,005.6	4.98	.794
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	23,433.0	−486.1	−2.07	.168
Housing assistance subfunction (outlays) [3]	16,213.0	1,234.6	7.61	.844
Housing assistance subfunction (B.A.) [3]	17,970.7	−367.2	−2.04	.110
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	342.6	−27.5	−8.02	.611
Economic Development and Training and Employment:				
Community & regional development function	8,428.8	116.6	1.38	.114
Administration for Native Americans (HHS)	32.4	0.1	0.17	.014
BIA economic development [2]	58.0	−0.7	−1.15	.116
U.S. Dept. of Labor	29,100.1	633.9	2.18	.354
Training & employment subfunction	6,666.8	−40.6	−0.61	.023
Indian & Native Am. Training & Emplt. (DOL) [4]	84.9	−4.2	−4.91	.319
Natural Resources:				
U.S. Dept. of the Interior	5,165.9	203.2	3.93	.938
Natural resources function	15,469.3	630.2	4.07	.932
BIA natural resources [2]	112.2	4.6	4.14	.682
Overall:				
BIA Total	1,213.2	43.5	3.58	.854
BIA tribal services [2]	319.0	19.2	6.01	.933
Overall Indian budget	2,853.1	108.7	3.81	.792
Federal non-defense budget [5]	648,565.3	40,718.4	6.28	.981
Population:				
U.S. population	242,492,000	2,354,194	0.97	.999
Indian population (IHS ests.)	1,035,524	38,498	3.72	.989

[1] See Appendix table 1 for data used to calculate these figures.
[2] Inconsistent time series from FY 1993 on, because of BIA budget restructuring. ‘‘BIA education’’ excludes BIA education construction.
[3] Covers only FY 1978–1998. B.A. = budget authority.
[4] FY 1975–1983: CETA Indian program. FY 1984–1998: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.

TABLE 2.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1994 DOLLARS, FY 1975–1998 [1]

[Constant dollars based on Chain-Type Price Index for GDP]

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
Education:				
U.S. Dept. of Education	$24,139.1	$417.1	1.73	.636
Education function	46,028.3	79.2	0.17	.008
Indian Education Office (U.S. Dept. of Education)	94.5	−3.2	−3.42	.803
BIA education [2]	447.3	−1.4	−0.31	.012
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	185,344.5	10,849.7	5.85	.936
Health function	65,045.0	4,160.1	6.40	.853
Indian Health Service	1,369.6	51.3	3.74	.843
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	24,031.4	384.8	1.60	.252

TABLE 2.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1994 DOLLARS, FY 1975–1998 [1]—Continued

[Constant dollars based on Chain-Type Price Index for GDP]

[Dollar figures in millions]

	Average level (A)	Annual change (B)	Change ratio (B/A)	Trend consistency (r^2)
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	31,332.7	−2,045.9	−6.53	.528
Housing assistance subfunction (outlays) [3]	18,548.9	868.9	4.68	.613
Housing assistance subfunction (B.A.) [3]	24,120.9	−1,616.5	−6.70	.443
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	499.6	−59.9	−11.99	.644
Economic Development and Training and Employment:				
Community & regional development function	11,633.7	−364.7	−3.14	.315
Administration for Native Americans (HHS)	46.1	−2.1	−4.54	.698
BIA economic development [2]	84.1	−4.6	−5.51	.684
U.S. Dept. of Labor	39,253.4	−840.8	−2.14	.370
Training & employment subfunction	9,610.7	−493.4	−5.13	.486
Indian & Native Am. Training & Emplt. (DOL) [4]	133.2	−11.8	−8.86	.471
Natural Resources:				
U.S. Dept. of the Interior	6,690.7	−2.7	−0.04	.001
Natural resources function	20,047.9	−8.2	−0.04	.001
BIA natural resources [2]	142.5	1.2	0.84	.076
Overall:				
BIA Total	1,593.5	−11.5	−0.72	.157
BIA tribal services [2]	396.7	8.6	2.16	.671
Overall Indian budget	3,724.2	−14.7	−0.40	.026
Federal non-defense budget [5]	799,955.7	20,691.1	2.59	.950

[1] See Appendix table 2 for data used to calculate these figures.
[2] Inconsistent time series from FY 1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction.
[3] Covers only FY 1978–1998. B.A. = budget authority.
[4] FY 1975–1983: CETA Indian program. FY 1984–1998: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.

TABLE 3.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CURRENT DOLLARS, FY1982–1998 [1]

[Dollar figures in millions]

	Average Level (A)	Annual Change (B)	Change Ratio (B/A)	Trend Consistency (r^2)
Education:				
U.S. Dept. of Education	$22,652.5	$1,183.7	5.23	.916
Education function	39,818.4	2,042.1	5.14	.946
Indian Education Office (U.S. Dept. of Education)	70.2	−0.1	−0.19	.006
BIA education [2]	379.9	21.9	5.77	.766
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	202,071.2	18,535.8	9.17	.958
Health function	71,436.8	7,594.0	10.63	.948
Indian Health Service	1,381.3	103.0	7.46	.950
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	22,345.1	931.6	4.17	.655
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	20,758.0	261.1	1.26	.066
Housing assistance subfunction (outlays) [3]	18,767.4	1,195.9	6.37	.731
Housing assistance subfunction (B.A.) [3]	15,614.5	353.8	2.27	.122
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	253.2	−11.9	−4.69	.426
Economic Development and Training and Employment:				
Community & regional development function	8,315.6	302.3	3.64	.460
Administration for Native Americans (HHS)	31.7	0.6	1.76	.776
BIA economic development [2]	53.5	0.0	0.03	.000
U.S. Dept. of Labor	31,087.9	683.0	2.20	.198
Training & employment subfunction	5,974.9	163.9	2.74	.808
Indian & Native Am. Training & Emplt. (DOL) [4]	61.3	−1.0	−1.67	.545
Natural Resources:				
U.S. Dept. of the Interior	5,832.0	211.0	3.62	.932
Natural resources function	17,362.1	751.2	4.33	.946
BIA natural resources [2]	133.4	1.8	1.37	.190

TABLE 3.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CURRENT DOLLARS, FY1982–1998 [1]—Continued

[Dollar figures in millions]

	Average Level (A)	Annual Change (B)	Change Ratio (B/A)	Trend Consistency (r^2)
Overall:				
BIA Total	1,338.8	55.6	4.15	.832
BIA tribal services [2]	378.6	22.8	6.02	.911
Overall Indian budget	3,136.6	146.1	4.66	.867
Federal non-defense budget [5]	781,517.1	45,724.3	5.85	.976
Population:				
U.S. population	250,601,706	2,418,544	0.97	.998
Indian population (IHS ests.)	1,166,091	39,856	3.42	.981

[1] See Appendix table 1 for data used to calculate these figures.
[2] Inconsistent time series from FY1993 on, because of BIA budget restructuring. ''BIA education'' excludes BIA education construction.
[3] Covers only FY1978–1998. B.A. = budget authority.
[4] FY1975–1983: CETA Indian program. FY1984–1998: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.

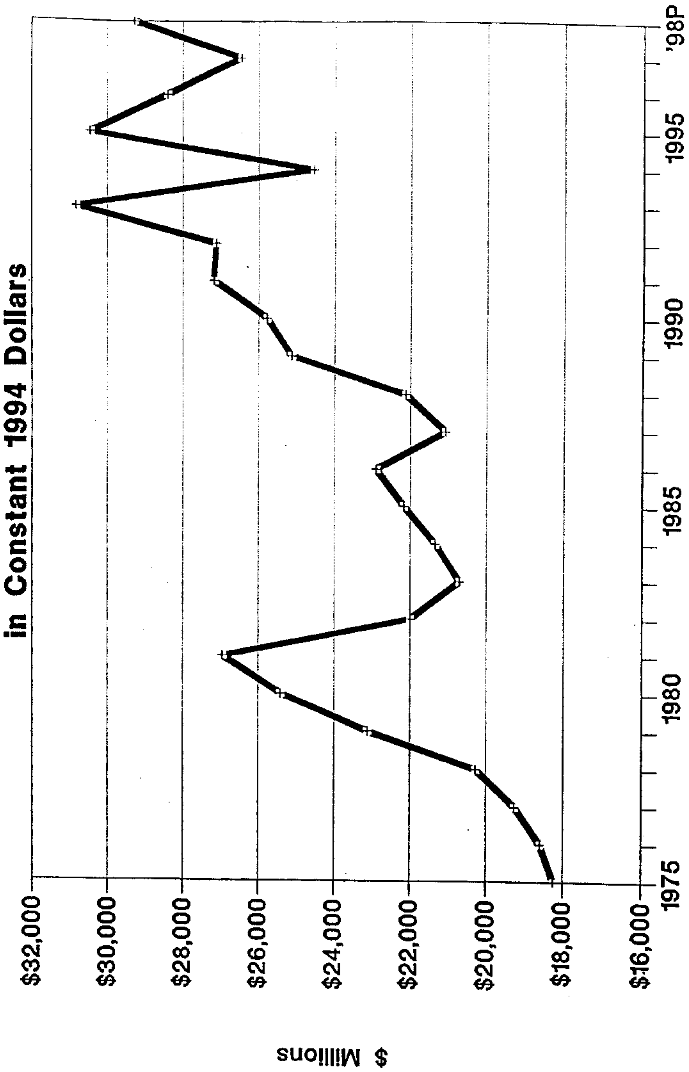
TABLE 4.—TRENDS IN SELECTED ELEMENTS OF THE FEDERAL BUDGET IN CONSTANT 1994 DOLLARS, FY1982–1998 [1]

[Constant dollars based on Chain-Type Price Index for GDP]

[Dollar figures in millions]

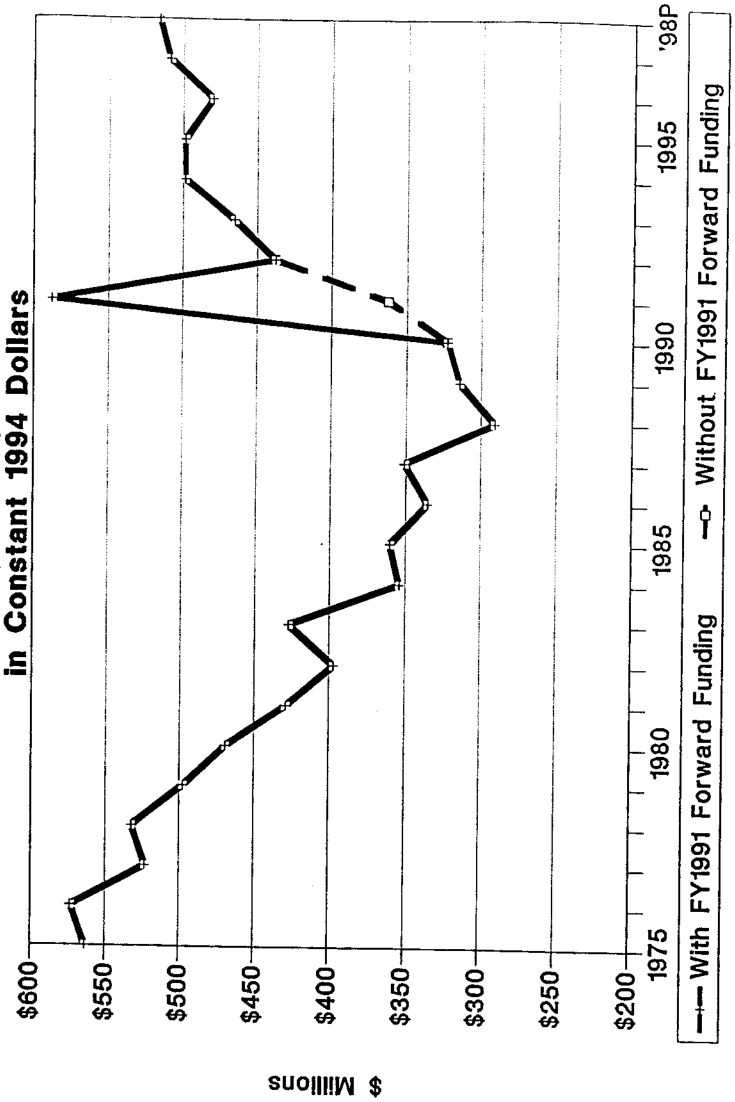
	Average Level (A)	Annual Change (B)	Change Ratio (B/A)	Trend Consistency (r^2)
Education:				
U.S. Dept. of Education	$25,146.9	$564.8	2.25	.713
Education function	44,250.4	932.1	2.11	.795
Indian Education Office (U.S. Dept. of Education)	81.2	−2.7	−3.29	.726
BIA education [2]	420.3	11.1	2.64	.415
Health:				
U.S. Dept. of Health & Human Services (excluding Social Security Admin.)	217,832.4	13,876.5	6.37	.959
Health function	76,090.6	6,108.2	8.03	.942
Indian Health Service	1,506.8	69.8	4.63	.902
Housing:				
U.S. Dept. of Housing & Urban Devt. (outlays) [3]	25,035.1	252.5	1.01	.081
U.S. Dept. of Housing & Urban Devt. (B.A.) [3]	23,752.6	−460.4	−1.94	.132
Housing assistance subfunction (outlays) [3]	20,679.1	688.7	3.33	.365
Housing assistance subfunction (B.A.) [3]	17,736.9	−171.8	−0.97	.021
Indian Housing Devt. Pgm. in HUD (B.A.) [3]	304.2	−24.8	−8.14	.619
Economic Development and Training and Employment:				
Community & regional development function	9,379.4	10.9	0.12	.001
Administration for Native Americans (HHS)	36.1	−0.5	−1.39	.728
BIA economic development [2]	62.0	−2.1	−3.37	.384
U.S. Dept. of Labor	35,339.8	−380.1	−1.08	.054
Training & employment subfunction	6,768.4	−31.8	−0.47	.096
Indian & Native Am. Training & Emplt. (DOL) [4]	71.9	−3.5	−4.89	.855
Natural Resources:				
U.S. Dept. of the Interior	6,556.6	36.0	0.55	.280
Natural resources function	19,416.9	242.4	1.25	.636
BIA natural resources [2]	152.4	−2.3	−1.51	.209
Overall:				
BIA Total	1,498.9	16.0	1.06	.262
BIA tribal services [2]	418.2	12.4	2.96	.737
Overall Indian budget	3,499.2	−54.3	1.55	.448
Federal non-defense budget [5]	863,968.8	24,533.9	2.84	.944

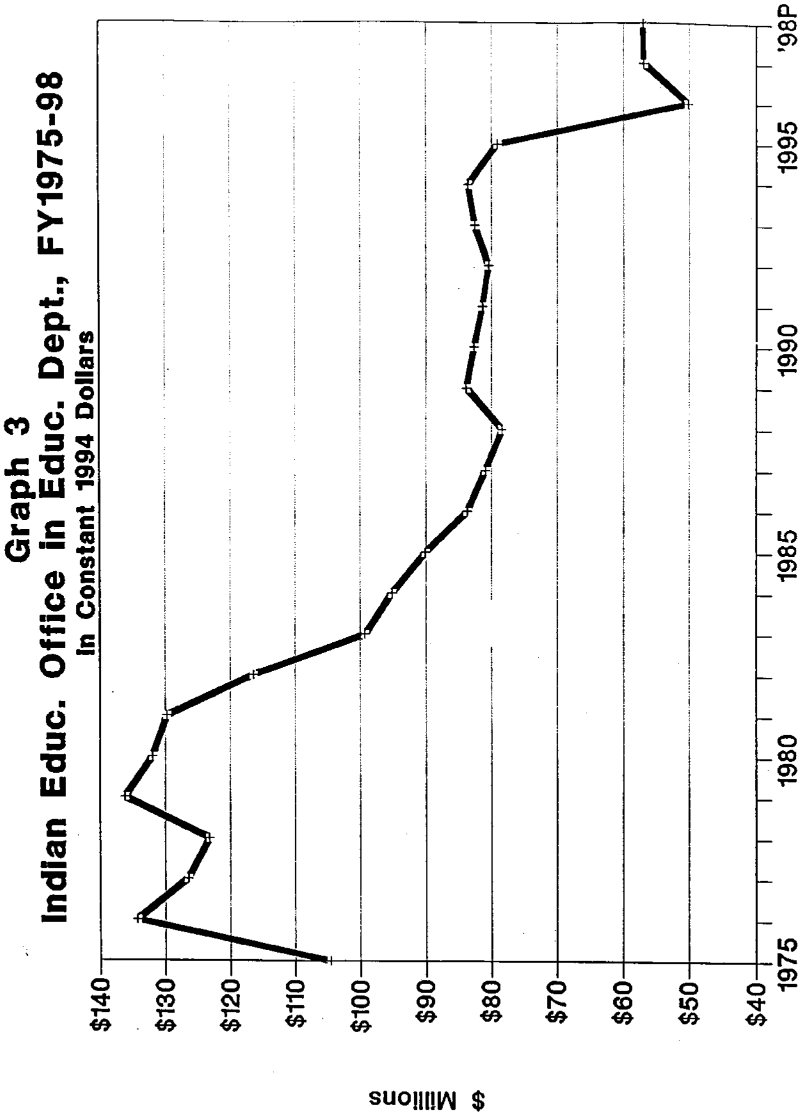
[1] See Appendix table 2 for data used to calculate these figures.
[2] Inconsistent time series from FY1993 on, because of BIA budget restructuring. ''BIA education'' excludes BIA education construction.
[3] Covers only FY1978–1998. B.A. = budget authority.
[4] FY1975–1983: CETA Indian program. FY1984–1998: Indian & Native American Training & Employment Program.
[5] Excludes national defense outlays and net interest payments on national debt.



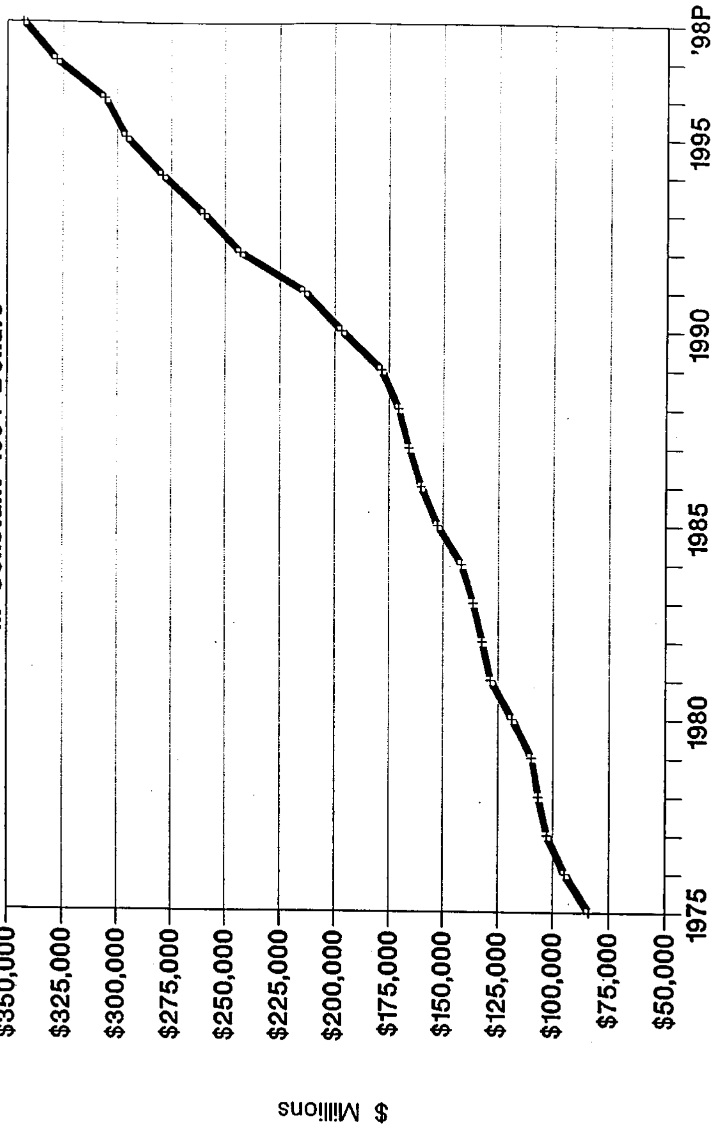
Graph 1
U.S. Education Dept. Budget, FY1975-98
in Constant 1994 Dollars

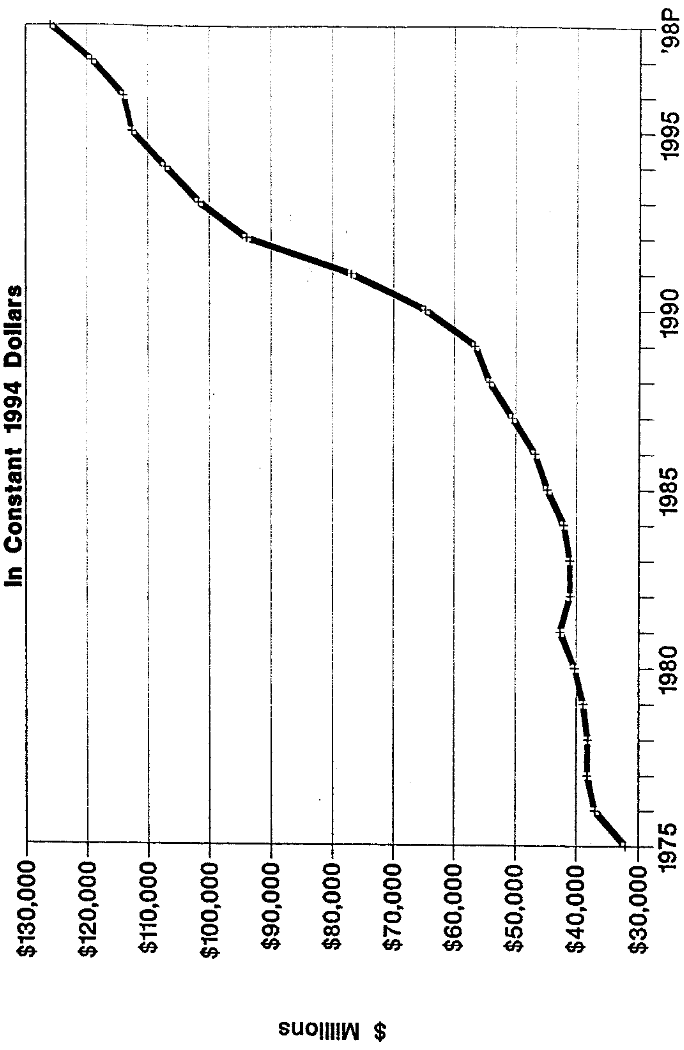
Graph 2
BIA Education Budget, FY1975-98
in Constant 1994 Dollars



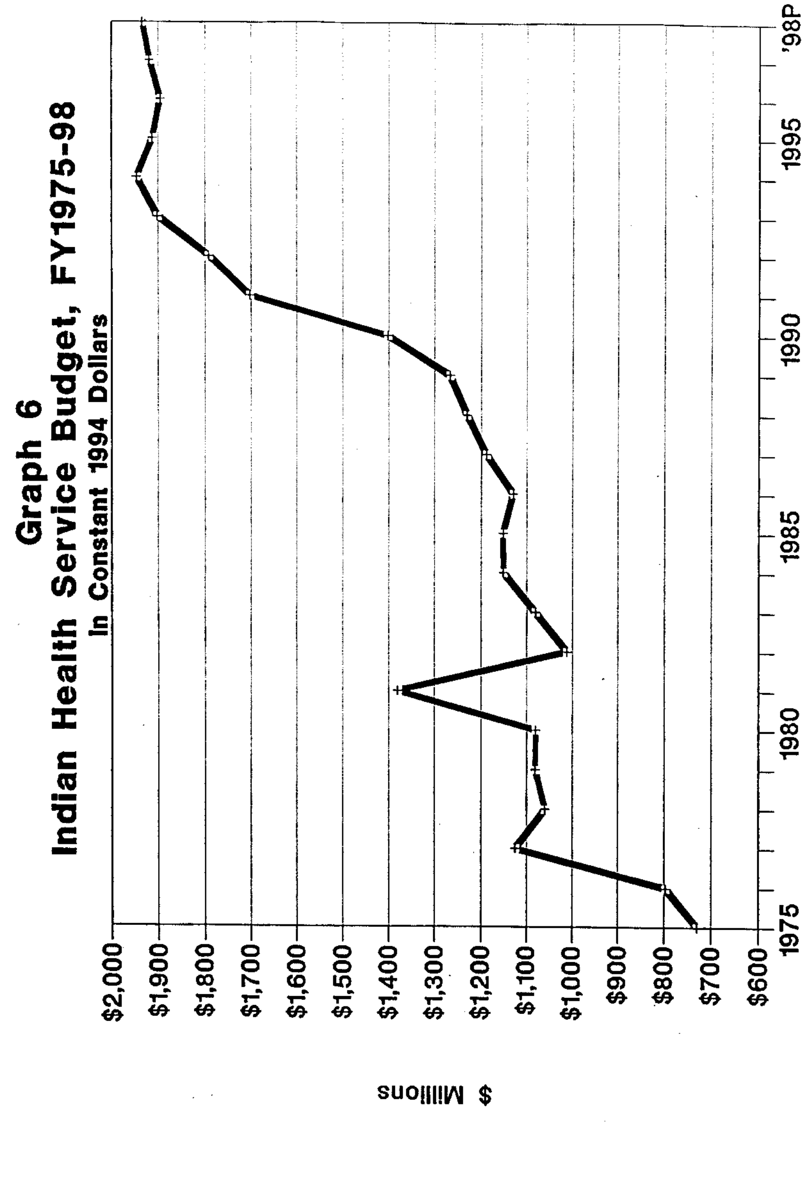

Graph 3
Indian Educ. Office in Educ. Dept., FY1975-98
In Constant 1994 Dollars
$ Millions
$140
$130
$120
$110
$100
$90
$80
$70
$60
$50
$40
1975
1980
1985
1990
1995
'98P

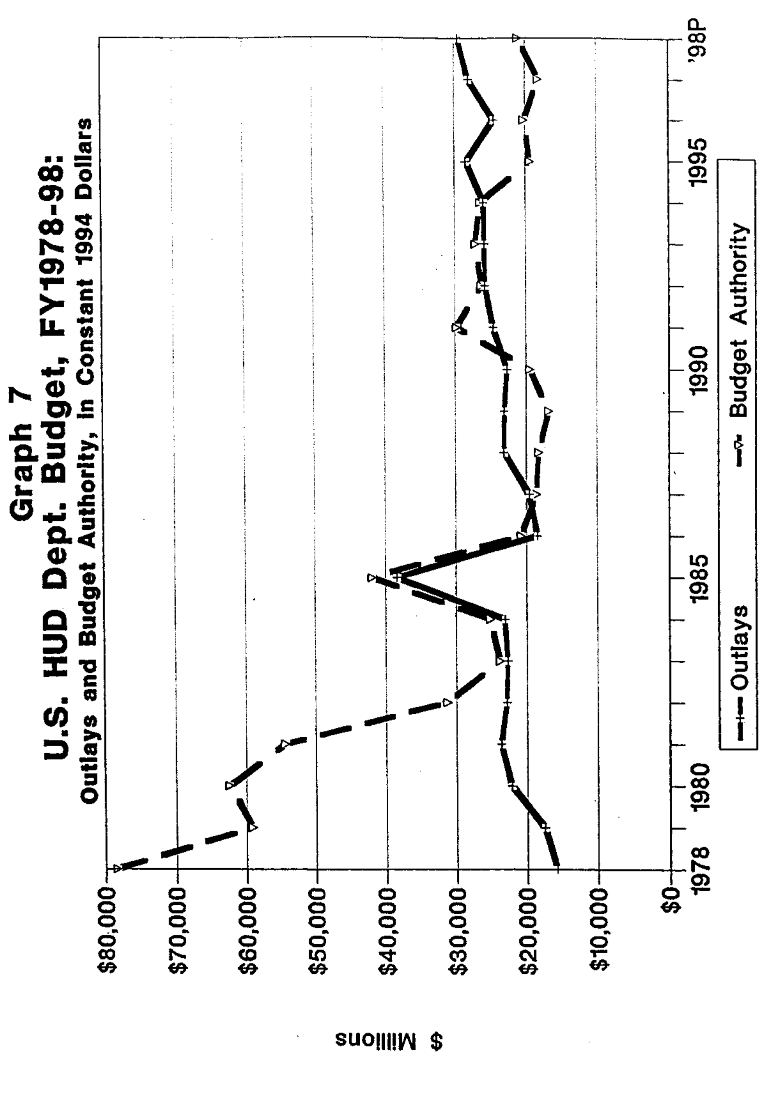
Graph 4
U.S. HHS Dept. Budget, FY1975-98
In Constant 1994 Dollars

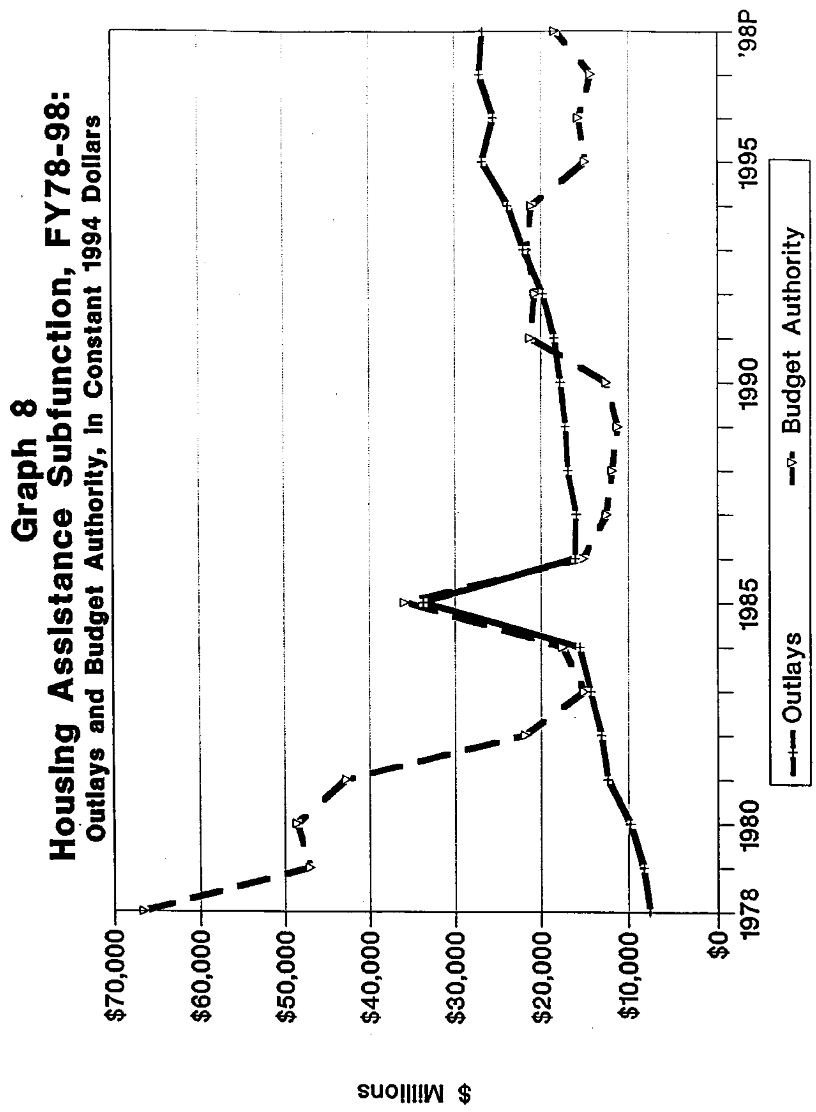




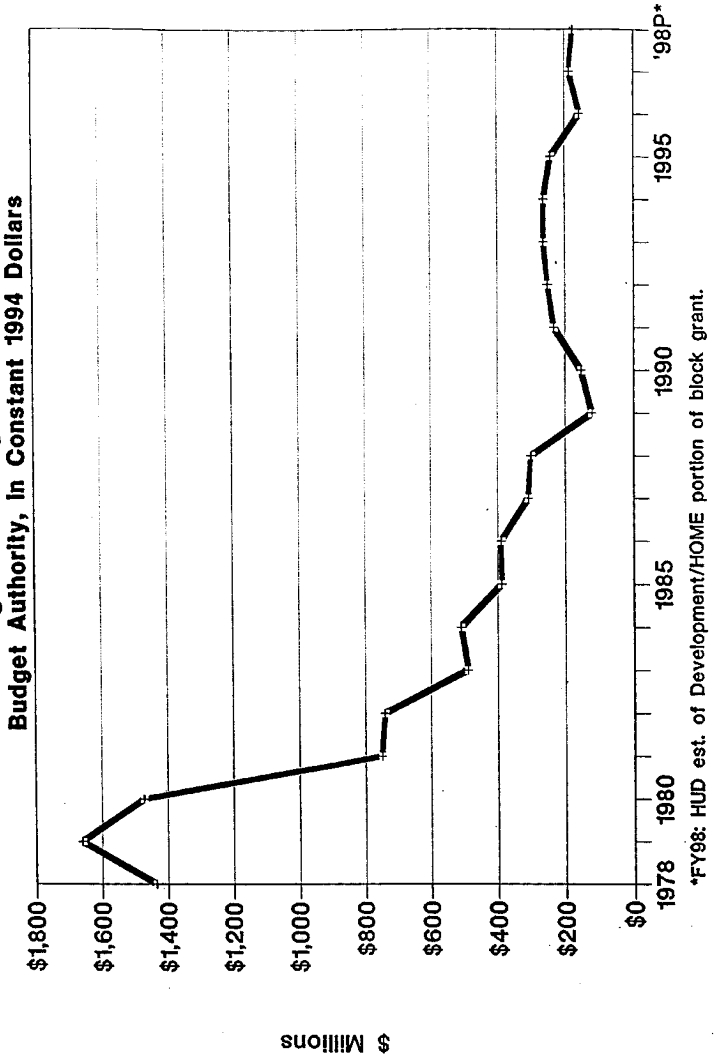
Graph 5
U.S. Health Function Spending, FY1975-98
In Constant 1994 Dollars

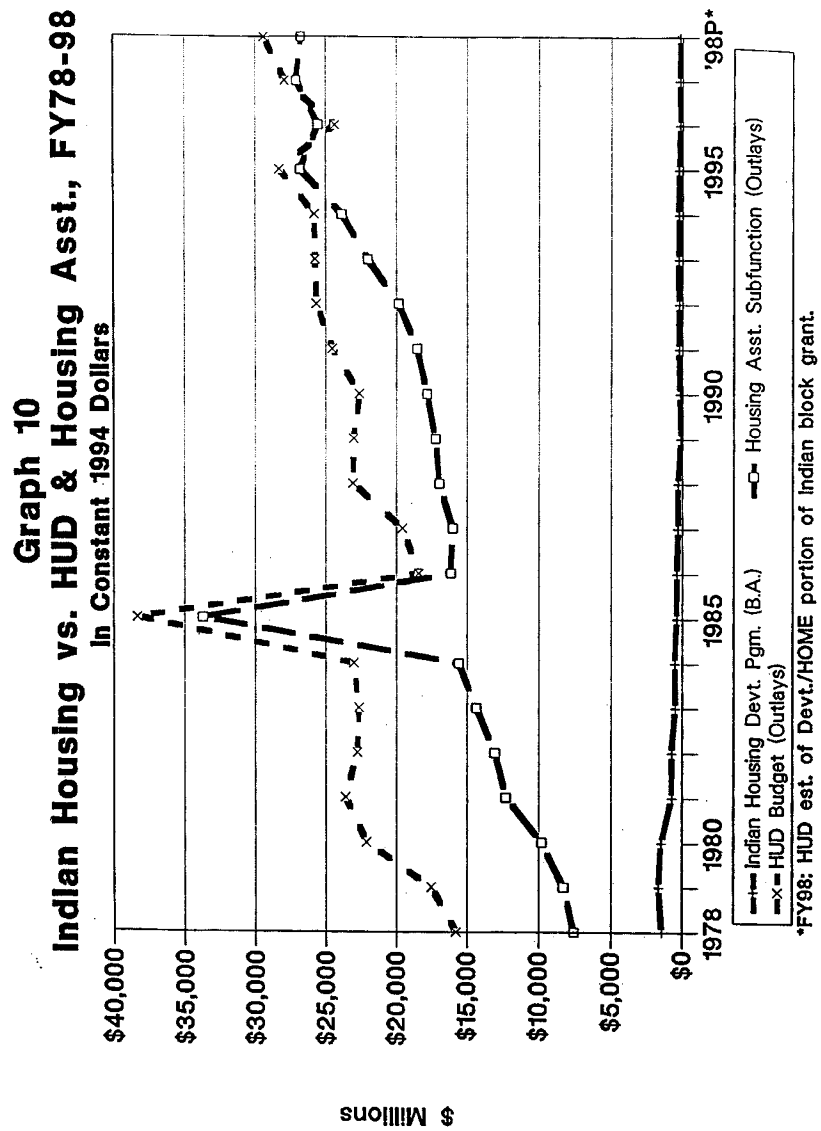

Graph 6
Indian Health Service Budget, FY1975-98
In Constant 1994 Dollars
$ Millions
$2,000
$1,900
$1,800
$1,700
$1,600
$1,500
$1,400
$1,300
$1,200
$1,100
$1,000
$900
$800
$700
$600
1975
1980
1985
1990
1995
'98P

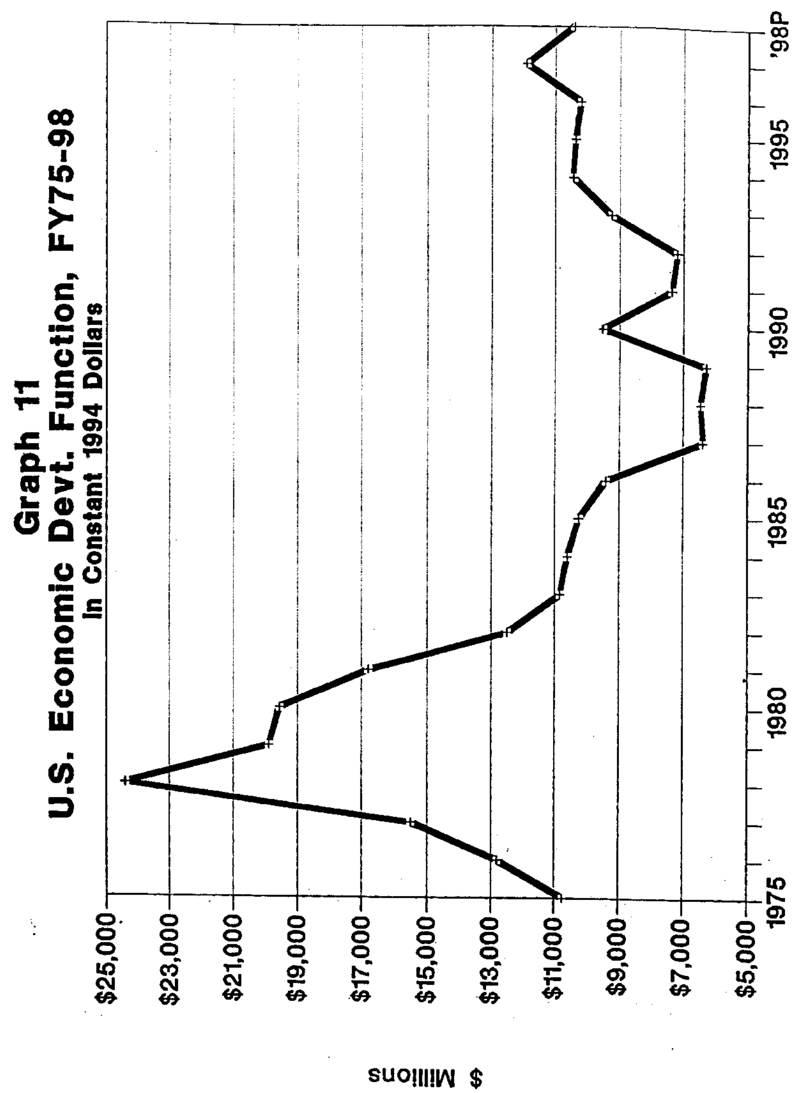

Graph 7
U.S. HUD Dept. Budget, FY1978-98:
Outlays and Budget Authority, in Constant 1994 Dollars
$ Millions
$80,000
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
1978
1980
1985
1990
1995
'98P
Outlays
Budget Authority


Graph 8
Housing Assistance Subfunction, FY78-98:
Outlays and Budget Authority, In Constant 1994 Dollars
$ Millions
$70,000
$60,000
$50,000
$40,000
$30,000
$20,000
$10,000
$0
1978
1980
1985
1990
1995
'98P
Outlays
Budget Authority

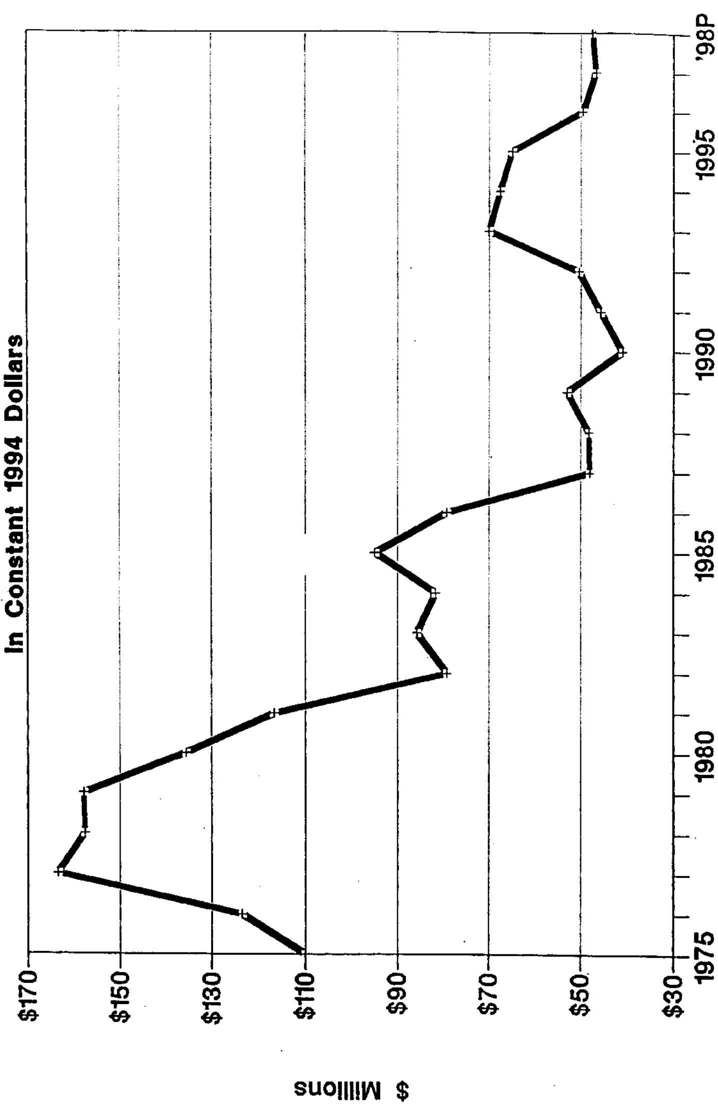
Graph 9
Indian Housing Devt. Pgm. In HUD, FY78-98:
Budget Authority, In Constant 1994 Dollars

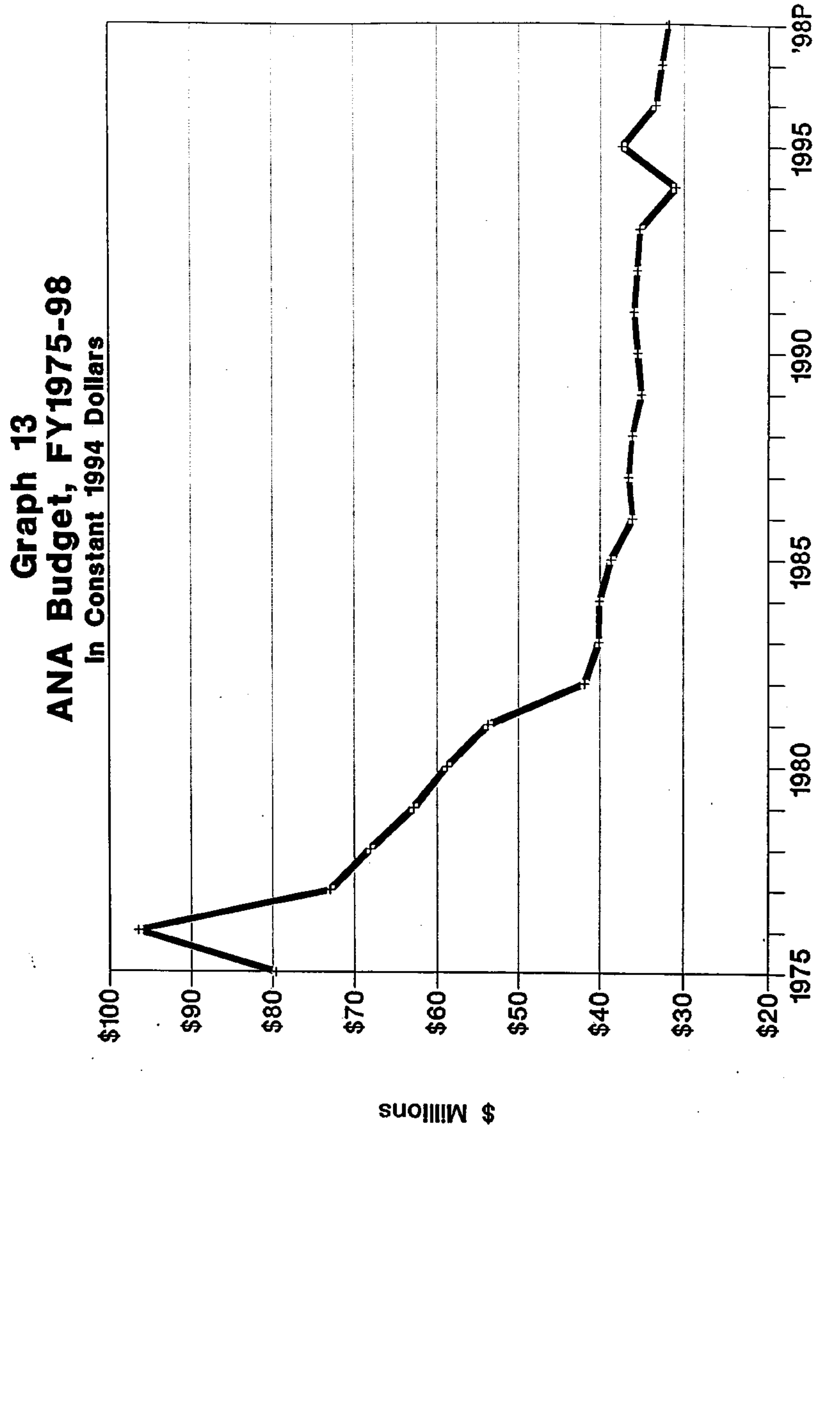



Graph 10
Indian Housing vs. HUD & Housing Asst., FY78-98
In Constant 1994 Dollars
$ Millions
$40,000
$35,000
$30,000
$25,000
$20,000
$15,000
$10,000
$5,000
$0
1978
1980
1985
1990
1995
'98P*
Indian Housing Devt. Pgm. (B.A.)
Housing Asst. Subfunction (Outlays)
HUD Budget (Outlays)
*FY98: HUD est. of Devt./HOME portion of Indian block grant.

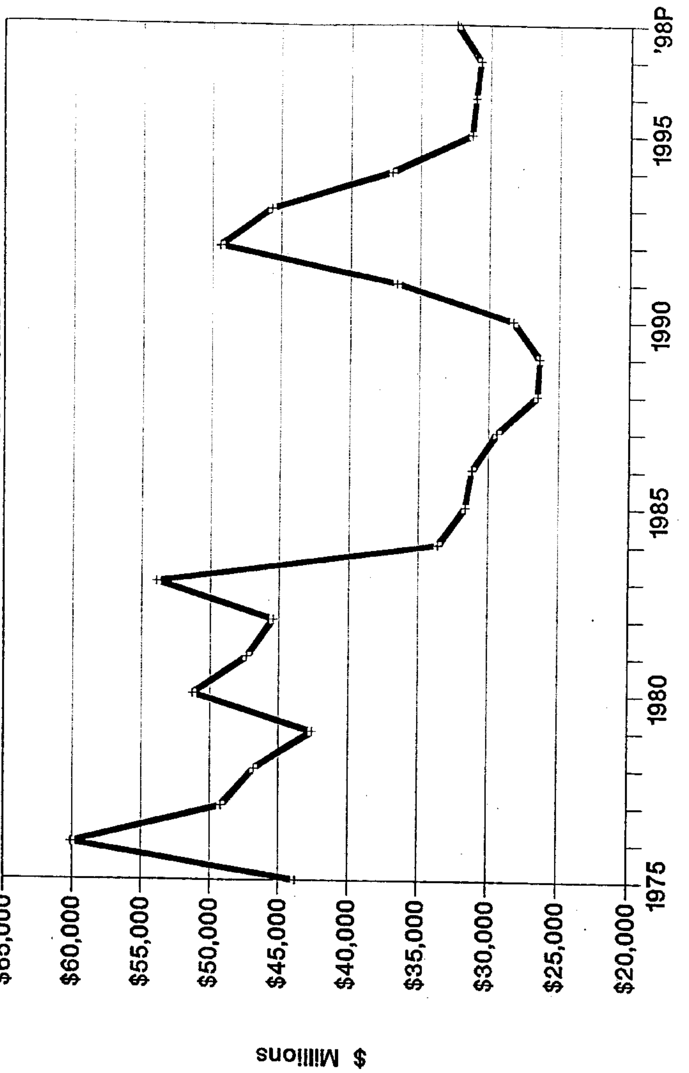

Graph 11
U.S. Economic Devt. Function, FY75-98
In Constant 1994 Dollars
$ Millions
$25,000
$23,000
$21,000
$19,000
$17,000
$15,000
$13,000
$11,000
$9,000
$7,000
$5,000
1975
1980
1985
1990
1995
'98P

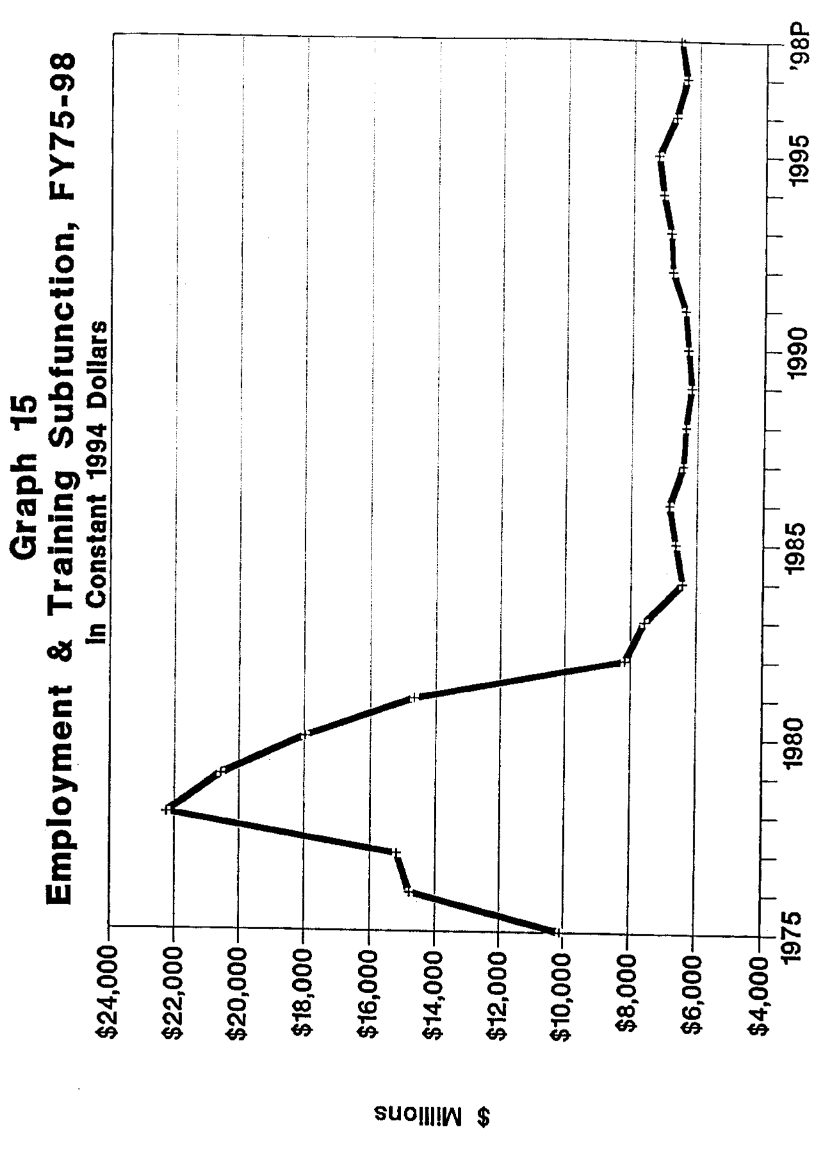
Graph 12
BIA Economic Development Budget, FY75-98
In Constant 1994 Dollars



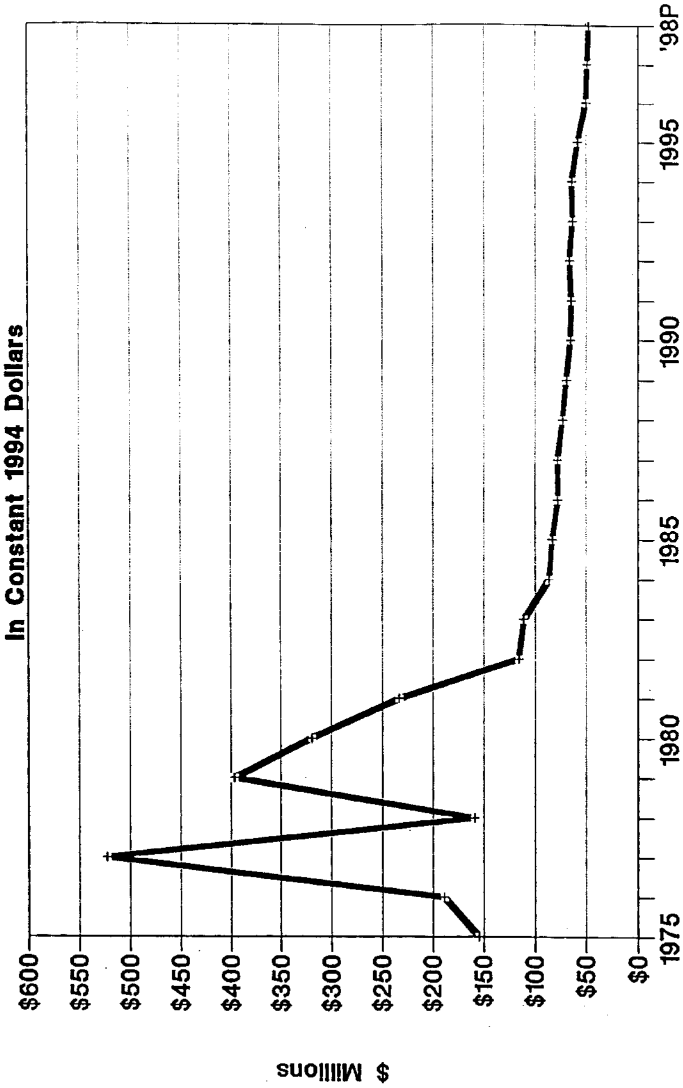

Graph 13
ANA Budget, FY1975-98
In Constant 1994 Dollars
$ Millions
$100
$90
$80
$70
$60
$50
$40
$30
$20
1975
1980
1985
1990
1995
'98P

Graph 14
U.S. Labor Dept. Budget, FY1975-98
In Constant 1994 Dollars



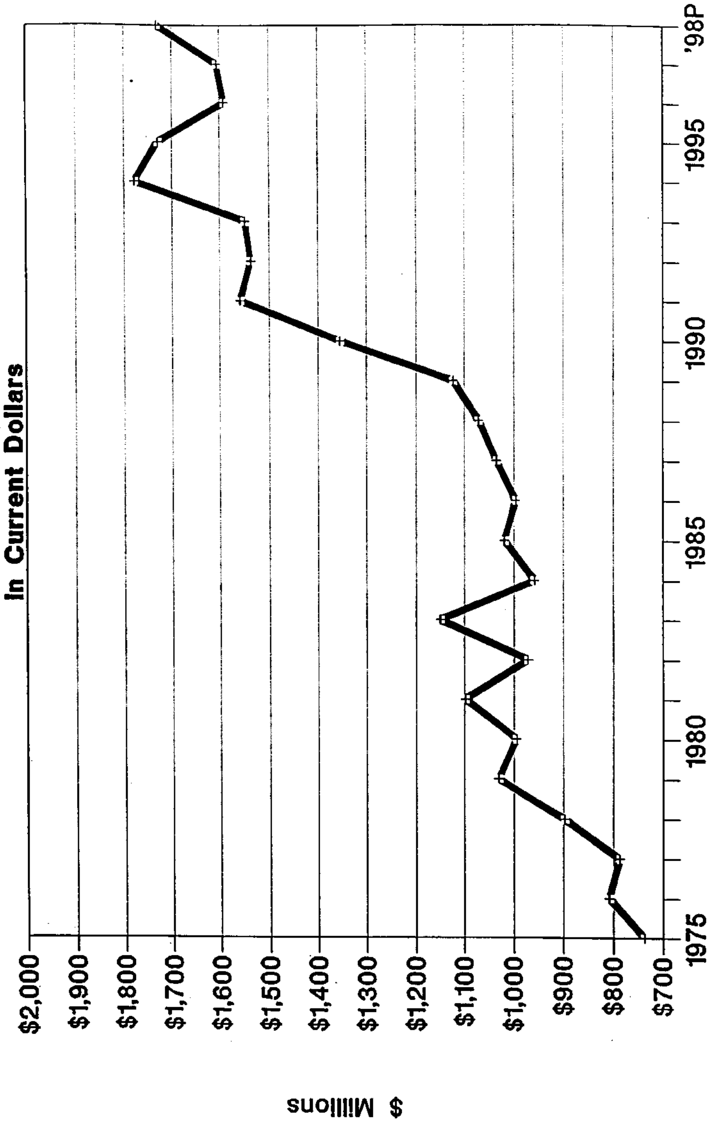

Graph 15
Employment & Training Subfunction, FY75-98
In Constant 1994 Dollars
$ Millions
$24,000
$22,000
$20,000
$18,000
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
1975
1980
1985
1990
1995
'98P

Graph 16
Indian Training & Employmt. Budget*, FY75-98
In Constant 1994 Dollars



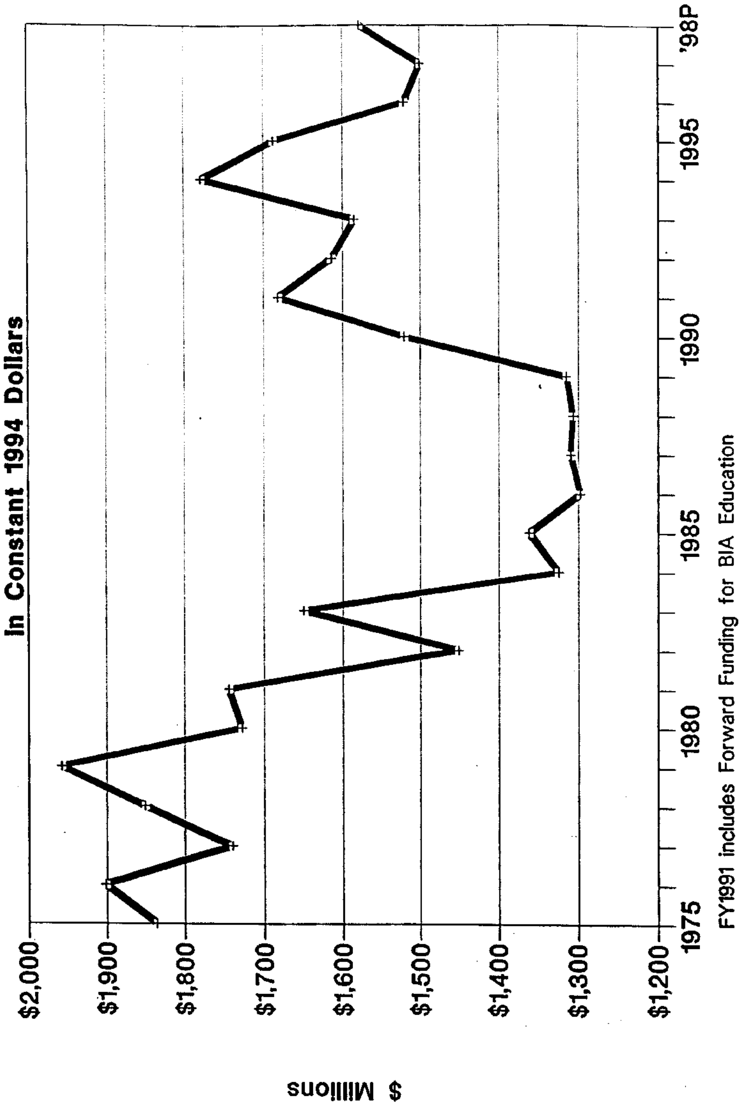
* FY75-83: CETA Indian programs. FY84-98: INAP.

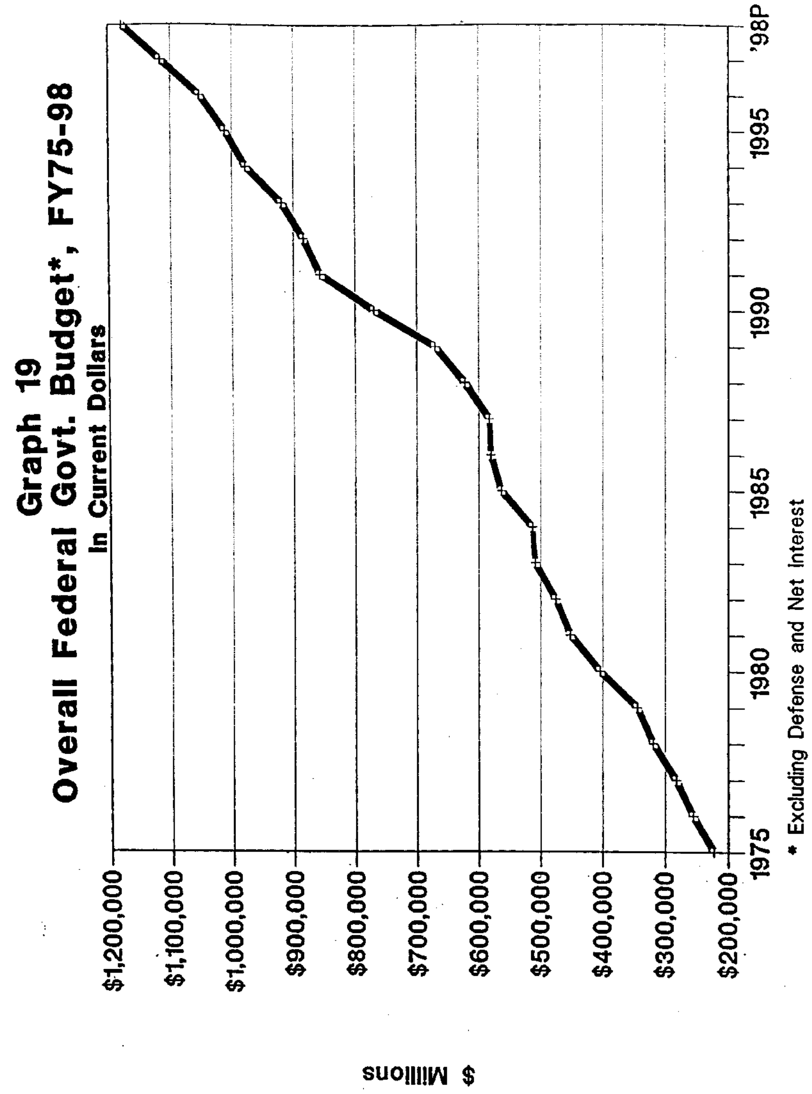
Graph 17
BIA Total Budget, FY1975-98
In Current Dollars



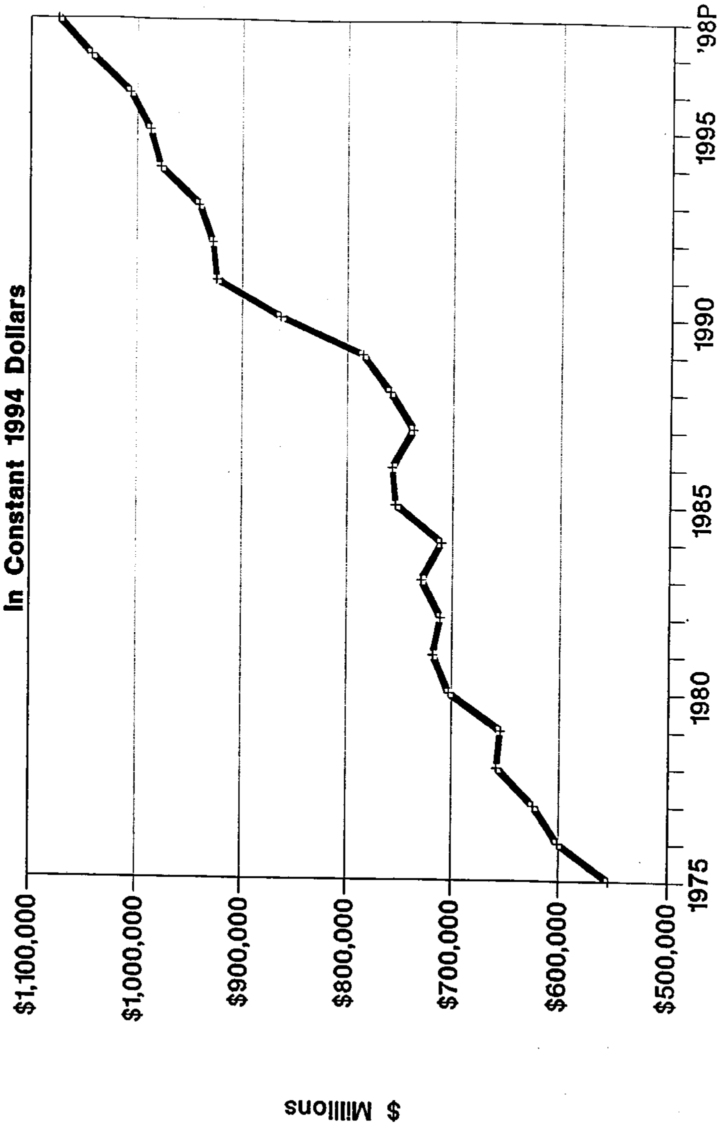
FY1991 includes Forward Funding for BIA Education ($208.9 million).

Graph 18
BIA Total Budget, FY1975-98
In Constant 1994 Dollars



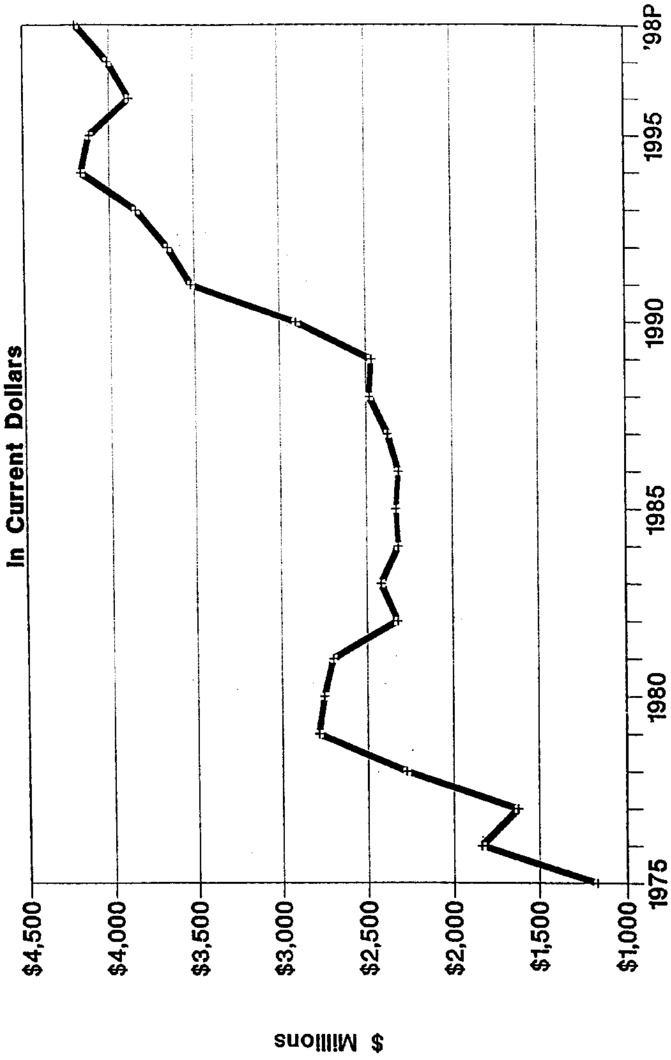

Graph 19
Overall Federal Govt. Budget*, FY75-98
In Current Dollars
$ Millions
$1,200,000
$1,100,000
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
1975
1980
1985
1990
1995
'98P
* Excluding Defense and Net Interest

Graph 20
Overall Federal Govt. Budget*, FY75-98
In Constant 1994 Dollars



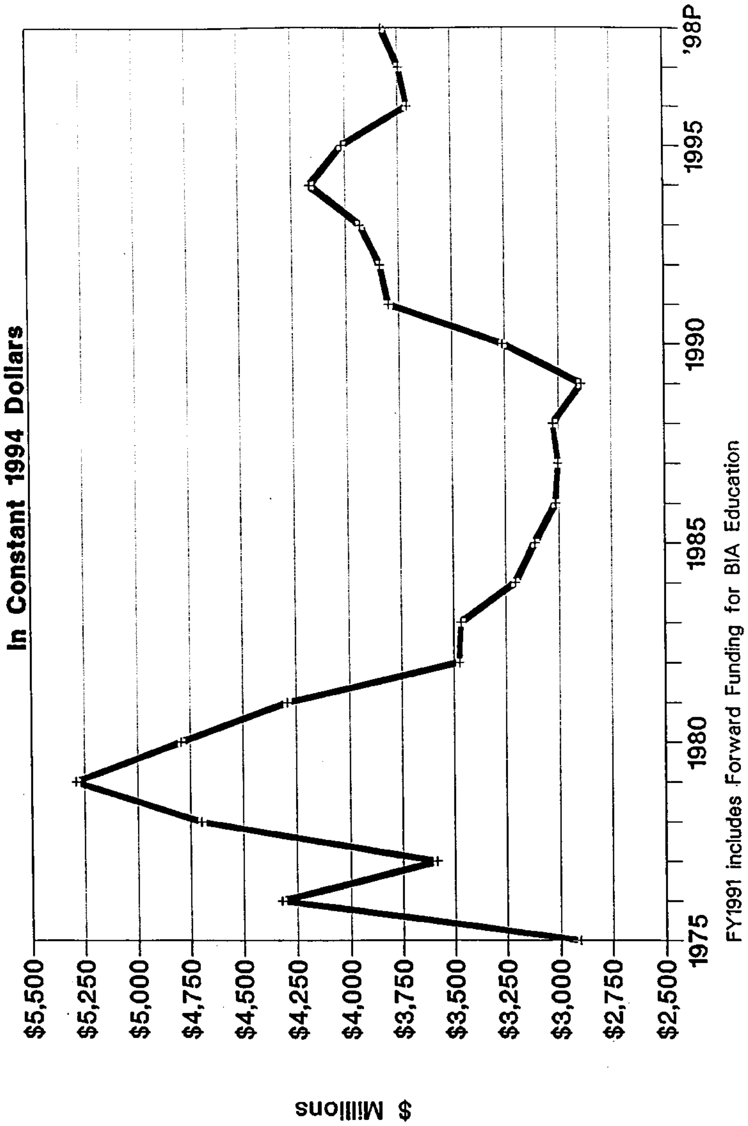
* Excluding Defense and Net Interest

Graph 21
Overall Indian Budget, FY1975-98
In Current Dollars



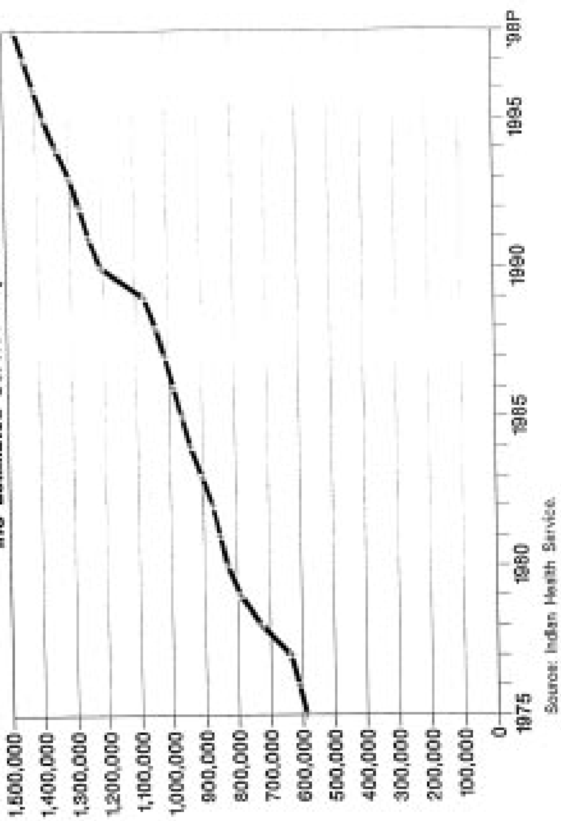
FY1991 includes Forward Funding for BIA Education ($208.9 million).

Graph 22
Overall Indian Budget, FY1975-98
In Constant 1994 Dollars

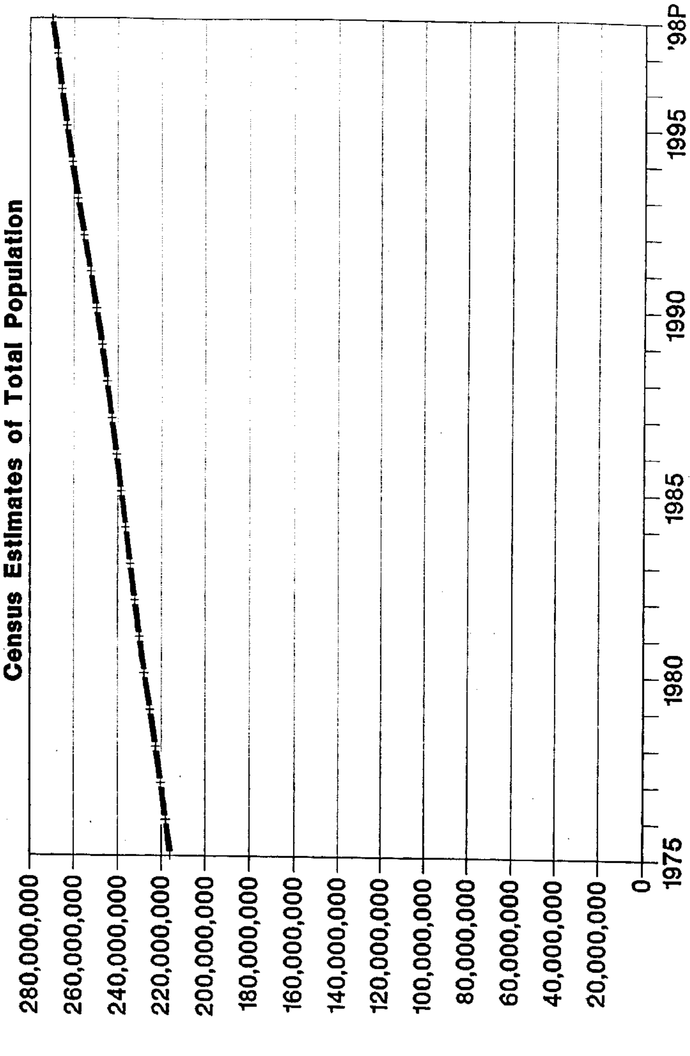


CRS-41

Graph 23C
Indian Population, 1975-98
IHS Estimated Service Population



Graph 23D
United States Population, 1975-98
Census Estimates of Total Population



Source: Bureau of the Census.

APPENDIX TABLE 1.—BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CURRENT DOLLARS, FY1975–1998

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgm. in HUD (B.A., New Construction)	Admin. for Native Americans (Approps.)	Indian & Native American E&T in Labor Dept. (Approps.)	Overall Indian Budget
1975	$738,236	$293,103	$42,034	N/A	$32,000	$62,304	$1,167,677
1976	808,095	338,926	57,055	511,200	41,000	80,198	1,836,474
1977	787,359	509,055	57,212	N/A	33,000	236,525	1,623,151
1978	897,740	513,267	59,732	696,900	33,000	77,160	2,277,799
1979	1,031,195	569,153	71,735	874,300	33,100	208,684	2,788,167
1980	994,227	620,871	75,900	847,900	33,800	183,835	2,756,533
1981	1,098,447	869,762	81,680	471,500	33,800	146,817	2,702,006
1982	970,360	676,157	77,852	494,300	28,000	77,436	2,324,105
1983	1,149,902	752,916	69,185	340,600	28,000	77,355	2,417,958
1984	957,593	832,407	68,780	368,100	29,000	62,243	2,318,123
1985	1,019,411	862,203	67,404	290,200	29,000	62,243	2,330,461
1986	995,693	867,177	64,187	299,500	27,742	59,567	2,313,866
1987	1,036,253	940,750	64,036	245,000	28,989	61,484	2,376,512
1988	1,071,406	1,008,818	64,234	247,800	29,679	59,713	2,481,650
1989	1,122,966	1,081,993	71,553	102,699	29,975	58,996	2,468,182
1990	1,355,720	1,250,133	73,620	136,099	31,709	58,193	2,905,474
1991	1,558,541	1,577,549	75,364	216,083	33,375	59,624	3,520,536
1992	1,536,954	1,705,954	76,570	239,797	33,920	63,000	3,656,195
1993	1,548,709	1,858,630	80,583	257,610	34,502	61,871	3,841,905
1994	1,778,653	1,947,175	83,500	263,000	30,984	63,895	4,167,207
1995	1,729,398	1,960,074	81,041	248,006	38,382	59,787	4,116,688
1996	1,591,403	1,983,963	52,497	163,000	34,933	52,502	3,878,298
1997E	1,605,674	2,054,000	60,993	200,000	34,933	52,502	4,008,102
1998P	1,731,779	2,122,000	62,600	[1] 193,000	34,933	52,502	4,196,814

APPENDIX TABLE 1.—BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CURRENT DOLLARS, FY1975–1998—Continued

[Dollar amounts in thousands, except per capita figures]

Fiscal year	BIA Education Program [2] (Approps.)	BIA Tribal Services Program [2,3] (Approps.)	BIA Economic Devt. Program [2,4] (Approps.)	BIA Natural Resources Program [2] (Approps.)	U.S. Dept. of Education (Outlays)	U.S. Dept. of HHS (except Soc. Sec. Admin.) (Outlays)	U.S. Dept. of HUD (Outlays)	U.S. Dept. of HUD (B.A.)
1975	$226,495	$98,703	$44,223	$31,337	$7,331,000	33,751,000	$7,512,000	N/A
1976	243,590	137,616	52,441	36,012	7,897,000	40,261,000	7,026,000	29,200,000
1977	236,700	159,118	73,966	45,536	8,717,000	46,493,000	5,808,000	33,818,000
1978	258,203	189,086	76,422	76,967	9,828,000	51,752,000	7,650,000	37,994,000
1979	262,242	205,198	83,162	75,338	12,167,000	57,820,000	9,220,000	31,142,000
1980	270,033	201,128	77,971	74,237	14,612,000	68,255,000	12,735,000	35,852,000
1981	270,183	227,249	73,365	85,711	16,973,000	80,821,000	14,880,000	34,220,000
1982	265,606	235,315	52,884	84,743	14,707,000	88,408,000	15,232,000	20,911,000
1983	298,143	277,865	59,821	119,241	14,433,000	95,008,000	15,814,000	16,561,000
1984	255,754	254,355	59,009	99,657	15,424,000	102,375,000	16,663,000	18,148,000
1985	269,644	241,807	71,002	124,101	16,596,000	114,271,000	28,720,000	31,398,000
1986	257,299	254,152	60,810	135,179	17,577,000	122,943,000	14,139,000	15,928,000
1987	277,783	275,367	38,025	144,428	16,670,000	131,414,000	15,484,000	14,657,000
1988	238,434	340,025	39,543	146,010	18,145,000	140,039,000	18,938,000	14,949,000
1989	268,503	315,973	45,299	181,696	21,468,000	152,699,000	19,680,000	14,347,000
1990	287,384	322,629	36,496	125,719	22,972,000	175,531,000	20,167,000	17,315,000
1991	544,545	364,060	42,408	139,694	25,196,000	198,110,000	22,751,000	27,634,000
1992	416,859	432,045	48,072	139,932	25,832,000	231,560,000	24,470,000	24,966,000
1993	454,694	454,705	68,440	137,662	30,109,000	253,835,000	25,181,000	26,468,000
1994	498,675	527,999	67,614	148,338	24,557,000	278,901,000	25,845,000	26,322,000
1995	510,968	538,285	66,622	150,321	31,205,000	303,081,000	29,044,000	19,800,000
1996	502,483	499,437	51,862	128,626	29,727,000	319,803,000	25,508,000	21,093,000
1997E	544,696	520,312	49,959	127,648	28,340,000	351,086,000	29,928,000	19,386,000
1998P	566,364	582,477	52,119	134,928	32,134,000	376,147,000	32,302,000	23,003,000

APPENDIX TABLE 1.—BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CURRENT DOLLARS, FY1975–1998—Continued

[Dollar amounts in thousands, except per capita figures]

Fiscal Year	U.S. Dept. of Interior (Outlays)	U.S. Dept. of Labor (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Housing Assistance Subfunction (Outlays)	Housing Assistance Subfunction (B.A.)	Economic Development Function (Outlays)	Training & Employment Subfunction (Outlays)
1975	$2,221,000	$17,610,000	$16,022,000	$12,930,000	$2,058,000	N/A	$4,322,000	$4,063,000
1976	2,433,000	25,526,000	18,910,000	15,734,000	2,499,000	$19,421,000	5,442,000	6,288,000
1977	3,213,000	22,269,000	21,104,000	17,302,000	2,968,000	28,629,000	7,021,000	6,877,000
1978	3,874,000	22,712,000	26,710,000	18,524,000	3,677,000	32,300,000	11,841,000	10,784,000
1979	4,168,000	22,459,000	30,223,000	20,494,000	4,367,000	24,780,000	10,480,000	10,833,000
1980	4,472,000	29,510,000	31,843,000	23,169,000	5,632,000	27,932,000	11,252,000	10,345,000
1981	4,456,000	29,821,000	33,709,000	26,866,000	7,752,000	26,927,000	10,568,000	9,241,000
1982	3,944,000	30,387,000	27,029,000	27,445,000	8,738,000	14,608,000	8,347,000	5,464,000
1983	4,547,000	37,604,000	26,606,000	28,641,000	9,998,000	10,498,000	7,560,000	5,295,000
1984	4,943,000	24,292,000	27,579,000	30,417,000	11,270,000	12,671,000	7,673,000	4,644,000
1985	4,820,000	23,699,000	29,342,000	33,542,000	25,263,000	26,879,000	7,680,000	4,972,000
1986	4,785,000	23,941,000	30,585,000	35,936,000	12,383,000	11,643,000	7,233,000	5,257,000
1987	5,046,000	23,253,000	29,724,000	39,967,000	12,656,000	9,864,000	5,051,000	5,084,000
1988	5,143,000	21,743,000	31,938,000	44,487,000	13,906,000	9,698,000	5,294,000	5,215,000
1989	5,207,000	22,549,000	36,674,000	48,390,000	14,715,000	9,568,000	5,362,000	5,292,000
1990	5,790,000	25,215,000	38,755,000	57,716,000	15,891,000	11,135,000	8,498,000	5,619,000
1991	6,088,000	33,954,000	43,354,000	71,183,000	17,175,000	19,721,000	6,811,000	5,934,000
1992	6,539,000	47,078,000	45,248,000	89,497,000	18,904,000	19,736,000	6,838,000	6,479,000
1993	6,784,000	44,651,000	50,012,000	99,415,000	21,542,000	21,170,000	9,052,000	6,700,000
1994	6,900,000	37,047,000	46,307,000	107,122,000	23,884,000	21,109,000	10,454,000	7,097,000
1995	7,378,000	32,092,000	54,263,000	115,418,000	27,520,000	15,322,000	10,641,000	7,430,000
1996	6,725,000	32,492,000	52,001,000	119,378,000	26,754,000	16,430,000	10,685,000	7,030,000
1997E	7,404,000	32,874,000	51,291,000	127,630,000	29,046,000	15,235,000	12,752,000	6,835,000
1998P	7,101,000	35,624,000	56,204,000	138,241,000	29,401,000	20,159,000	11,435,000	7,226,000

APPENDIX TABLE 1.—BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CURRENT DOLLARS, FY1975–1998—Continued

[Dollar amounts in thousands, except per capita figures]

Fiscal Year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget [5] (Outlays)	U.S. Total Population	Indian Population (IHS data)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure	Chain-Type Price Index for GDP (1992=100)	Chain-Type Price Index for GDP (1994=100)
1975	$7,346,000	$222,579,000	215,973,000	587,468	$1,031	$1,988	42.2	40.2
1976	8,184,000	255,446,000	218,035,000	611,296	1,172	3,004	44.6	42.5
1977	10,032,000	282,076,000	220,239,000	635,313	1,281	2,555	47.5	45.2
1978	10,983,000	318,793,000	222,585,000	726,551	1,432	3,135	50.9	48.5
1979	12,135,000	344,507,000	225,055,000	790,486	1,531	3,527	55.3	52.7
1980	13,858,000	404,414,000	227,726,000	828,609	1,776	3,327	60.4	57.5
1981	13,568,000	451,962,000	229,966,000	849,315	1,965	3,181	66.1	63.0
1982	12,998,000	475,402,000	232,188,000	871,167	2,047	2,668	70.2	66.9
1983	12,672,000	508,649,000	234,307,000	902,701	2,171	2,679	73.2	69.7
1984	12,593,000	513,352,000	236,348,000	936,942	2,172	2,474	75.9	72.3
1985	13,357,000	564,247,000	238,466,000	961,881	2,366	2,423	78.6	74.9
1986	13,639,000	581,083,000	240,651,000	986,551	2,415	2,345	80.6	76.8
1987	13,363,000	583,513,000	242,804,000	1,011,837	2,403	2,349	83.1	79.1
1988	14,606,000	622,290,000	245,021,000	1,038,121	2,540	2,391	86.1	82.0
1989	16,182,000	670,846,000	247,342,000	1,073,886	2,712	2,298	89.7	85.4
1990	17,080,000	769,611,000	249,907,000	1,207,236	3,080	2,407	93.6	89.1
1991	18,559,000	856,567,000	252,618,000	1,242,719	3,391	2,833	97.3	92.7
1992	20,025,000	883,910,000	255,391,000	1,269,823	3,461	2,879	100.0	95.2
1993	20,239,000	919,517,000	258,132,000	1,299,415	3,562	2,957	102.6	97.7
1994	21,064,000	977,132,000	260,682,000	1,340,666	3,748	3,108	105.0	100.0
1995	22,078,000	1,011,494,000	263,168,000	1,376,692	3,844	2,990	107.6	102.5
1996	21,614,000	1,053,492,000	265,557,000	1,405,437	3,967	2,759	109.9	104.7
1997E	22,773,000	1,116,458,000	267,645,000	1,434,529	4,171	2,794	112.4	107.0
1998P	22,314,000	1,178,228,000	270,002,000	1,463,938	4,364	2,867	115.2	109.7

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CONSTANT 1994 DOLLARS, FY1975–1998

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Bureau of Indian Affairs (Approps.)	Indian Health Service (Approps.)	Indian Education Office in Educ. Dept. (Approps.)	Indian Housing Devt. Pgm. in HUD (B.A. New Construction)	Admin. for Native Americans (Approps.)	Indian & Native Arm. E&T in Labor Dept. (Approps.)	Overall Indian Budget
1975	$1,836,843	$729,285	$104,587	NA	$79,621	$155,022	$2,905,357
1976	1,902,466	797,920	134,322	1,203,498	96,525	188,807	4,323,537
1977	1,740,478	1,125,279	126,469	NA	72,947	522,845	3,588,018
1978	1,851,919	1,058,802	123,219	1,437,613	68,075	159,171	4,698,800
1979	1,957,965	1,080,670	136,206	1,660,063	62,848	396,235	5,293,988
1980	1,728,375	1,079,329	131,945	1,473,998	58,758	319,581	4,791,986
1981	1,744,886	1,381,619	129,749	748,979	53,691	233,219	4,292,143
1982	1,451,393	1,011,346	116,445	739,338	41,880	115,823	3,476,225
1983	1,649,450	1,080,002	99,241	488,566	40,164	110,960	3,468,382
1984	1,324,733	1,151,551	95,150	509,229	40,119	86,107	3,206,890
1985	1,361,809	1,151,798	90,044	387,672	38,740	83,149	3,113,211
1986	1,297,119	1,129,697	83,618	390,167	36,140	77,600	3,014,342
1987	1,309,345	1,188,673	80,912	309,567	36,629	77,687	3,002,813
1988	1,306,593	1,230,266	78,334	302,195	36,194	72,821	3,026,402
1989	1,314,509	1,266,547	83,758	120,216	35,088	69,059	2,889,176
1990	1,520,840	1,402,393	82,587	152,675	35,571	65,281	3,259,346
1991	1,681,879	1,702,391	81,328	233,183	36,016	64,342	3,799,140
1992	1,613,802	1,791,252	80,399	251,787	35,616	66,150	3,839,005
1993	1,584,936	1,902,107	82,468	263,636	35,309	63,318	3,931,774
1994	1,778,653	1,947,175	83,500	263,000	30,984	63,895	4,167,207
1995	1,687,610	1,912,712	79,083	242,013	37,455	58,342	4,017,214
1996	1,520,449	1,895,506	50,156	155,732	33,376	50,161	3,705,380
1997E	1,499,962	1,918,772	56,977	186,833	32,633	49,045	3,744,223
1998P	1,578,444	1,934,115	57,057	175,911 [1]	31,840	47,853	3,825,221

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CONSTANT 1994 DOLLARS, FY1975–1998—Continue

[Dollar amounts in thousands, except per capita figures]

Fiscal year	BIA Education Program [2] (Approps.)	BIA Tribal Services Program [2, 3] (Approps.)	BIA Economic Devt. Program [2, 4] (Approps.)	BIA Natural Resources Program [2] (Approps.)	U.S. Dept. of Education (Outlays)	U.S. Dept. of HHS (except Soc. Sec. Admin.) (Outlays)	U.S. Dept. of HUD (Outlays)	U.S. Dept. of HUD (B.A.)
1975	$563,554	$245,588	$110,034	$77,971	$18,240,640	$83,977,607	$18,690,995	NA
1976	573,474	323,984	123,460	84,782	18,591,592	94,784,865	16,541,031	$68,744,395
1977	523,232	351,735	163,504	100,659	19,269,158	102,774,000	12,838,737	74,755,579
1978	532,639	390,060	157,649	158,773	20,273,870	106,757,564	15,780,943	78,376,621
1979	497,928	389,616	157,903	143,047	23,101,899	109,784,810	17,506,329	59,130,380
1980	469,428	349,643	135,546	129,054	25,401,656	118,655,215	22,138,659	62,325,497
1981	429,186	360,986	116,540	136,152	26,961,649	128,384,342	23,636,914	54,358,548
1982	397,274	351,967	79,100	126,752	21,997,650	132,234,188	22,782,906	31,277,137
1983	427,664	398,577	85,809	171,042	20,703,074	136,281,967	22,684,016	23,755,533
1984	353,810	351,875	81,633	137,865	21,337,549	141,625,494	23,051,581	25,105,929
1985	360,211	323,025	94,850	165,784	22,170,229	152,652,099	38,366,412	41,943,893
1986	335,191	331,091	79,219	176,102	22,898,077	160,161,476	18,419,293	20,749,876
1987	350,989	347,937	48,046	182,490	21,063,177	166,046,570	19,564,621	18,519,675
1988	290,773	414,665	48,223	178,061	22,128,049	170,779,268	23,095,122	18,230,488
1989	314,301	369,868	53,026	212,688	25,129,766	178,744,649	23,036,789	16,794,147
1990	322,386	361,924	40,941	141,031	25,769,872	196,909,776	22,623,237	19,423,878
1991	587,638	392,871	45,764	150,749	27,189,928	213,787,770	24,551,439	29,820,863
1992	437,702	453,647	50,476	146,929	27,123,600	243,138,000	25,693,500	26,214,300
1993	465,330	465,341	70,041	140,882	30,813,304	259,772,661	25,770,029	27,087,135
1994	498,675	527,999	67,614	148,338	24,557,000	278,901,000	25,845,000	26,322,000
1995	498,621	525,278	65,012	146,689	30,450,976	295,757,481	28,342,193	19,321,561
1996	480,079	477,169	49,550	122,891	28,401,592	305,544,268	24,370,701	20,152,548
1997E	508,835	486,057	46,670	119,244	26,474,199	327,971,797	27,957,651	18,109,698
1998P	516,217	530,904	47,504	122,981	29,288,802	342,842,318	29,441,927	20,966,276

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CONSTANT 1994 DOLLARS, FY1975–1998—Continued

[Dollar amounts in thousands, except per capita figures]

Fiscal year	U.S. Dept. of Interior (Outlays)	U.S. Dept. of Labor (Outlays)	Education Function (Outlays)	Health Function (Outlays)	Housing Assistance Subfunction (Outlays)	Housing Assistance Subfunction (B.A.)	Economic Development Function (Outlays)	Training & Employment Subfunction (Outlays)
1975	$5,526,185	$43,816,351	$39,865,166	$32,171,801	$5,120,616	NA	$10,753,791	$10,109,360
1976	5,727,915	60,094,843	44,519,058	37,041,928	5,883,296	$45,722,085	12,811,883	14,803,587
1977	7,102,421	49,226,211	46,650,947	38,246,526	6,560,842	$63,285,158	15,520,105	15,201,789
1978	7,991,552	46,851,866	55,099,214	38,212,574	7,585,167	66,630,648	24,426,424	22,245,972
1979	7,913,924	42,643,671	57,385,443	38,912,658	8,291,772	47,050,633	19,898,734	20,568,987
1980	7,774,172	51,300,497	55,356,209	40,277,235	9,790,728	48,557,285	19,560,596	17,983,858
1981	7,078,366	47,370,726	53,546,823	42,676,702	12,314,070	42,773,601	16,787,292	14,679,349
1982	5,899,145	45,450,641	40,427,991	41,050,214	13,069,658	21,849,573	12,484,829	8,172,650
1983	6,522,336	53,940,164	38,164,344	41,083,402	14,341,393	15,058,607	10,844,262	7,595,287
1984	6,838,142	33,605,534	38,152,767	42,078,854	15,590,909	17,529,051	10,614,822	6,424,506
1985	6,438,931	31,658,969	39,197,328	44,808,015	33,748,282	35,907,061	10,259,542	6,641,985
1986	6,233,561	31,188,648	39,843,983	46,814,888	16,131,700	15,167,680	9,422,643	6,848,449
1987	6,375,812	29,381,047	37,557,401	50,499,819	15,991,336	12,463,538	6,382,130	6,423,827
1988	6,271,951	26,515,854	38,948,780	54,252,439	16,958,537	11,826,829	6,456,098	6,359,756
1989	6,095,151	26,395,151	42,929,431	56,643,813	17,224,916	11,200,000	6,276,589	6,194,649
1990	6,495,192	28,286,058	43,475,160	64,745,513	17,826,442	12,491,186	9,533,013	6,303,365
1991	6,569,784	36,641,007	46,784,892	76,816,187	18,534,173	21,281,655	7,350,000	6,403,597
1992	6,865,950	49,431,900	47,510,400	93,971,850	19,849,200	20,722,800	7,179,900	6,802,950
1993	6,942,690	45,695,468	51,181,871	101,740,497	22,045,906	21,665,205	9,263,743	6,856,725
1994	6,900,000	37,047,000	46,397,000	107,122,000	23,884,000	21,109,000	10,454,000	7,097,000
1995	7,199,721	31,316,543	52,951,812	112,629,089	26,855,019	14,951,766	10,383,875	7,250,465
1996	6,425,159	31,043,312	49,682,484	114,055,414	25,561,146	15,697,452	10,208,599	6,716,561
1997E	6,916,548	30,709,698	47,914,190	119,227,313	27,133,719	14,231,984	11,912,456	6,385,009
1998P	6,472,266	32,469,792	51,227,604	126,000,911	26,797,786	18,374,089	10,422,526	6,586,198

APPENDIX TABLE 2.—BUDGET DATA FOR SELECTED ELEMENTS OF THE FEDERAL BUDGET, IN CONSTANT 1994 DOLLARS, FY1975–1998—Continued

[Dollar amounts in thousands, except per capita figures]

Fiscal year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget [5] (Outlays)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure
1975	$18,277,962	$553,810,308	$2,564	$4,946
1976	19,267,265	601,386,323	2,758	7,073
1977	22,176,000	623,536,421	2,831	5,648
1978	22,656,483	657,627,996	2,955	6,467
1979	23,041,139	654,127,215	2,907	6,697
1980	24,090,894	703,037,583	3,087	5,783
1981	21,552,799	717,942,663	3,122	5,054
1982	19,441,453	711,071,368	3,062	3,990
1983	18,177,049	729,619,467	3,114	3,842
1984	17,421,146	710,170,751	3,005	3,423
1985	17,843,321	753,765,076	3,161	3,237
1986	17,767,928	756,993,983	3,146	3,055
1987	16,884,657	737,290,794	3,037	2,968
1988	17,812,195	758,890,244	3,097	2,915
1989	18,942,140	785,271,237	3,175	2,690
1990	19,160,256	863,345,673	3,455	2,700
1991	20,027,698	924,352,878	3,659	3,057
1992	21,026,250	928,105,500	3,634	3,023
1993	20,712,427	941,026,170	3,646	3,026
1994	21,064,000	977,132,000	3,748	3,108
1995	21,544,517	987,052,695	3,751	2,918
1996	20,650,318	1,006,521,019	3,790	2,636
1997E	21,273,710	1,042,954,537	3,897	2,610
1998P	20,338,281	1,073,905,729	3,977	2,613

[1] HUD estimate of "Development/HOME" portion of budget authority for the new Native American Housing Block Grant program. Block grant recipients may spend more or less than HUD estimate. See text.
[2] Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA Education Program" excludes BIA education construction.
[3] Includes Tribal Services (with Housing Improvement Program) and Navajo-Hopi Settlement programs.
[4] Includes Road Maintenance program.
[5] Excludes national defense outlays and net interest payments on national debt.
N/A Not Available.
E Estimate.
P Proposed amounts and projections.
B.A. Budget authority.
HUD Department of Housing and Urban Development.
E&T Employment and Training.
GDP Gross Domestic Product.

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC, March 19, 1997.

Hon. PETE V. DOMENICI, *Chairman,*

Hon. FRANK R. LAUTENBERG, *Ranking Minority Member,*
Committee on the Budget, U.S. Senate, Washington, DC.

DEAR PETE AND FRANK: Thank you for your January 22, 1997, letter requesting our views pursuant to Section 301(d) of the Congressional Budget Act. As you know, the Committee on the Judiciary has jurisdiction over Administration of Justice programs.

Balancing the federal budget will, of course, require us to make tough choices about spending priorities. We share your view that we can make changes to produce savings throughout the government. No department should be exempt from scrutiny.

Some of the funding increases sought by the Department of Justice (DOJ) reflect what appear to be reasonable efforts to deal with the major crime problems facing our nation: drug use, juvenile crime, and violent crime. By contrast, other funding requests sought by DOJ, whether they be enhancements to existing programs or the establishment of entirely new programs, appear unwarranted. We do need to look especially vigorously at DOJ's request for the funding of new or recently-established programs.

STATE AND LOCAL LAW ENFORCEMENT ASSISTANCE

In addition to the state incarceration and truth-in-sentencing grants that I already have discussed, I also am quite concerned with proposals in the President's budget relating to state and local law enforcement assistance. Foremost among my concerns is the President's proposal for the Byrne grant program. As you know, this highly successful and popular program provides needed assistance to state and local law enforcement for a wide variety of programs and services

The President's budget proposes a $1.3 million cut in the Byrne formula grant program for FY 1998. More critically, the President also proposes deriving the entire $495.5 million in formula grants, as well as $74.1 million in discretionary grants, from the Violent Crime Reduction Trust Fund (VCRTF), reducing direct appropriations for these grants by $361 million.

In the 1994 crime law, Congress provided that, for FY 1998, $75 million would be authorized for the Byrne program from the VCRTF. But Congress's intent was that those funds supplement Byrne grants that would be appropriated in direct appropriations. Appropriating Byrne grants entirely from the VCRTF, in essence, amounts to cutting this program and puts the program at risk when the VCRTF expires after FY 2000.

Further, the President proposes a hard earmark of $30 million from the Byrne grants for state drug treatment and aftercare programs. I oppose such an earmark for these funds, particularly since they are in addition to a proposed $61.8 million grant program for the same purpose.

The President also proposes zero funding for the Local Law Enforcement Block Grant program, which provides assistance on a formula basis to local law enforcement agencies. Eliminating this program, which was funded at $503 million in FY 1996 and $514.6 million in FY 1997, represents a severe blow to federal efforts to assist our communities in the war against crime. Those funds should be restored.

Finally, the President proposes a $44 million increase to the drug court program, for an increase of 249% over FY 1997 levels. The President also proposes $49 million for a new "Violent Youth Court" program. I believe that such funding levels are unwarranted for these untested programs, and that they risk inappropriately entangling the federal government in the open-ended funding of state judicial systems.

DRUG USE

After years without leadership on the fight against drugs, the administration is now requesting a significant increase for drug enforcement related activities. We welcome the spirit with which these requests are made. During this administration, the number of 12 to 17-year-olds using marijuana increased from 1.6 million in 1992 to 2.9 million in 1994. The category of "recent marijuana use" increased a staggering 200 percent among 14 to 15-year-olds over the same period. Since 1992, there has been a 52% jump in the number of high-school seniors using drugs monthly. Even as worrisome, declines are noted in peer disapproval of drug use. In 1996 all measures of marijuana use showed an increase at all three grade levels (8, 10, and 12) evaluated. For eighth-graders, annual prevalence has tripled from 6% in 1991 to 18% in 1996. Among tenth-graders, annual prevalence more than doubled from a low point of 15% in 1992 to 34% in 1996. Among twelfth graders, it increased by nearly two-thirds, from a low point of 22% in 1992 to 36% in 1996. Even more alarming is the continuing rise in daily use of marijuana, largely seen as a "gateway" drug to even more lethal drugs such as cocaine and heroin. Nearly one in twenty twelfth graders (4.9%) use marijuana today on a daily basis. In just the last year the number of eighth-graders using marijuana daily has nearly doubled. Annual prevalence of LSD, cocaine, hallucinogens other than cocaine, and methamphetamine rose in all three grade levels in 1996, and heroin use is up between two and two-and-one-half times what it was just three years ago.

We are pleased that the administration has taken heed of Congress's warnings and is requesting increased funding for federal law enforcement initiatives to combat drug trafficking, distribution, and abuse. DOJ seeks a 4.2% increase in resources dedicated to fighting drug trafficking and abuse, or $288 million, from $6.9 billion in FY 1997 to $7.25 billion in FY 1998. In its budget, DOJ seeks an increase in DEA's funding of $91.8 million, from $1.054 billion in FY 1997 to $1.146 billion in FY 1998. In particular, DOJ seeks funding for additional Drug Enforcement Administration (DEA) agents, including DEA agents that will fight drug trafficking on the Southwest Border; additional Federal Bureau of Investigation (FBI) agents; and additional Border Patrol agents; as well as additional lawyers in the United States Attorneys' Offices. DOJ also has sought additional funding for a comprehensive initiative to fight methamphetamine production and trafficking, as well as to combat a resurgent use of heroin, DOJ 1998 Budget Summary 101–

02, 105, goals that I believe need and deserve our support. As a general proposition, I believe that this Administration needs to enhance its effort to fight drug trafficking and abuse, and I support reasonable efforts in that direction.

At the same time, I am concerned about how the Administration proposes to use some of these funds. For example, although the Southwest Border initiative is a reasonable program addressed to drug trafficking in the areas on and near the border with Mexico, DOJ seeks an increase of numerous positions and funds for its Legal Attache Program for new offices in countries such as Kazakhstan and Uzbekistan. DOJ 1998 Budget Summary 90. Those areas contribute to the drug problem in this country, but not nearly as much as countries like Mexico. I therefore question whether we need to expand the Department's presence into such regions.

From FY 1996 levels, DOJ requested a 100% increase in funding for Drug Courts for FY 1997. Again, for FY 1998, DOJ has requested another 150% increase, a total of $75 million, in funding from FY 1997 levels. DOJ seeks a $33 million increase for the Office of Justice Programs Residential Substance Abuse Treatment of State Prisoners Program. I am concerned both that these programs are better left to state funding and also that these programs have not proved effective. DOJ seeks an increase to the Edward Byrne Memorial Grant Programs for matters such as evaluation of state drug testing programs, which should be funded for the States, and to fund new demonstration projects, without proof that past funding of such programs has proved effective. Furthermore, the Byrne program is a law enforcement program. Congress should assess whether the administration's growing pattern of funding social programs through our law enforcement agencies and programs is appropriate. DOJ seeks additional funding for Criminal Division attorneys to "coordinate" the Southwest Border Initiative and to "review" capital cases. In my view, those are the type of activities far better handled by Assistant U.S. Attorneys in the field, rather than in Washington, D.C. Congress should assess whether the Administration's growing practice of funding social programs through law enforcement agencies and programs is appropriate.

YOUTH CRIME

The prevalence of youth crime is a major concern to every citizen and parent in the nation. Consider the following: In 1994, law enforcement agencies made more than 2.7 million arrests of persons under age 18. In 1994, 3,700 juveniles were arrested for murder or nonnegligent manslaughter; 6,000 juveniles were arrested for forcible rape; 55,200 for robbery; and 85,300 for aggravated assault. More than 748,000 juveniles were arrested in 1994 for property crime, such as burglary, larceny-theft, motor vehicle theft, and arson.

It was because of this trend that I introduced S. 10, the Violent and Repeat Juvenile Offender Act of 1997. That bill would authorize $500 million in funding for various initiatives that would address youth crime, such as programs that enhance the identification, investigation, prosecution, and punishment of juvenile offenders; programs that require juvenile offenders successfully to complete school or vocational training; programs designed to collect and share information useful in the identification, investigation, prosecution, and punishment of juvenile offenders; and programs that share such information among law enforcement agencies and with schools and educational institutions. It is these bipartisan programs which we expect to pass this year and which should be considered as part of our budget plan. Moreover, I consider that we should put federal funds into proven crime-fighting programs, such as the Boys & Girls Club Programs. It was for that reason that I have sponsored legislation that would see to the creation of 2500 Boys and Girls Clubs by the year 2002.

VIOLENT CRIME

Violent crime continues to menace our citizens. In order to address that problem, we offered S. 3, the Republican Omnibus Crime Control bill.

The highlights authored by DOJ show that it has a total budget request for antiterrorism efforts of $67 million. Funding has been requested for more FBI agents, Criminal Division attorneys, Assistant U.S. Attorneys, and additional OJP programs. Moreover, DOJ has requested a 5% increase in funding for U.S. Attorneys for the FY 1997 Budget. For the FY 1998 budget, there was another 8% increase. They are requesting a total of 628 new positions for U.S. Attorneys and support staff for FY 1998 with a total FTE increase of 318.

I support additional funding for Assistant United States Attorneys. But some of the additional funding that DOJ requests for headquarters attorneys is unnecessary. For example, DOJ requests additional attorneys to review capital prosecutions. Yet, in that area we can easily reduce the budget, by authorizing U.S. Attorneys to decide whether individual cases should be prosecuted as capital cases, rather than have the Attorney General make all such decisions. DOJ also proposes stationing three additional attorneys overseas, establishing a Multi-Lateral Issues Team for International Law Problems, and other new attorneys for the G7/G8 Summit, even though all such positions appear quite unnecessary in light of other budget demands. Finally, DOJ proposes increasing the number of personnel who administer grant programs. DOJ 1998 Budget Summary 154. I believe that more should be done to reduce the federal administrative costs of grant programs before we authorize new positions.

VIOLENCE AGAINST WOMEN

DOJ has requested an increase in funding of 26% for Violence Against Women programs for FY 1998. Since FY 1996, DOJ has increased its funding requests for these programs by 42%.

I have long supported our efforts to reduce the number of women who suffer from violent crime, and I have supported funding for the Violence Against Women Act. In our effort to combat violence against women, however, the Budget Committee should consider whether other social service agencies adequately fund shelters for battered women.

DISTRICT OF COLUMBIA

Recently, Franklin Raines, the Director of the Office of Management and Budget (OMB), released a proposal for reform of the District of Columbia government. Mr. Raines also testified at a hearing on the OMB proposal held on February 27, 1996, before the Subcommittee on the District of Columbia of the House Committee on Government Reform and Oversight. Several aspects of that proposal involve matters that effect the administration of justice in the District. It is with respect to those aspects of Mr. Raines' proposal that I wish to comment.

OMB proposes that the Federal Government invest $3.9 billion to enhance, streamline, and improve the District of Columbia government. The plan proposes that the following be spent on the courts and corrections specifically: (1) $885 million be spent on prison renovation and construction; (2) $891 million to operate prison facilities; and (3) $681 million to operate the court system. OMB does not recommend using federal funds to improve the Metropolitan Police Department.

OMB proposes that the federal government take responsibility for the District's prisoners by providing funding for the construction of new facilities, although no specifics have been mentioned as to where those facilities would be; and providing funding for renovations to existing facilities, such as the prison at Lorton, which would continue to be used to house District inmates and also would be expanded. OMB plans to appoint a receiver to oversee D.C. Corrections for a period of three to five years. The Bureau of Prisons would then assume responsibility and would have the authority to transfer District inmates to other Federal facilities if necessary. OMB also proposes that the federal government accept all current prisoners. New prisoners would only be accepted if they are sentenced according to the Federal Sentencing Guidelines. OMB, however, also envisions the adoption of sentencing guidelines that are consistent with the existing Federal Sentencing Guidelines, but that are unique to the District of Columbia. After the transition period, the federal government would assume the District's parole system and community corrections program.

Since the rising cost of maintaining and operating the prison has put a considerable strain on the District's budget, OMB has proposed that the Bureau of Prisons assume responsibility for District's inmates and take over the operation of Lorton prison. I have concerns about the District's corrections crisis, but DOJ has reduced the overall amount of funding requested for the construction of federal prisons. For FY 1997, the DOJ request for funding for prison construction was down 11.6%. Similarly, for FY 1998, DOJ has again decreased its request by another 36%. The number of inmates in Federal prisons continues to grow, however, and overcrowding has become an issue. The District of Columbia also has an overcrowding problem due, in large part, to inefficiencies with the administration of its correctional facilities, specifically the Lorton prison. The Budget Committee should first ensure that there is adequate funding for federal prisons before we take on the responsibility of Lorton inmates.

In addition to proposals for the federal government funding and assuming control of the administration of corrections for the District of Columbia, OMB also has suggested that the federal government fund the District's local court system. The proposal provides that the local courts are run efficiently and should remain "self-managed," but that funding for the local courts should pass through the Administrative Office of the U.S. Courts (AO). This proposal needs to be evaluated carefully, given concerns that have been expressed by the AO that it is being given an additional funding oversight responsibility without the ability to ensure that funds are spent properly. I strongly agree with the AO's assessment. Either the AO should be given authority to police the use of federal funds or some other account should be found through which to fund the District courts.

DOJ seeks the creation of new "investigator" positions for the U.S. Attorney's Office in the District of Columbia, the type of responsibility performed by the Metropolitan Police Department or, in limited instances, by the FBI. DOJ 1998 Budget Summary 67. I have made no secret of my concern for Public Safety in the District. The positions that DOJ is requesting for "investigators" would not be necessary if the Metropolitan Police Department (MPD) was functioning properly. The OMB proposal for the District of Columbia does not make suggestions as to how to address the issue of public safety, and I understand that the Administration has taken the position that the administration of policing services is better addressed by local officials. Under ordinary circumstances, I would agree with Mr. Raines, but DOJ is now requesting federal funds for investigators to do the work that local police officers should be doing. In light of the fact that two-thirds of the District's criminal justice system (the courts and the prisons) would be transferred to federal accounts under the OMB proposal, I believe that Congress should evaluate whether additional federal oversight and assistance of the MPD is warranted.

IMMIGRATION AND NATURALIZATION SERVICE

In FY 1996, DOJ requested 25% above FY 1995 levels for the Immigration and Naturalization Service (INS). Again in FY 1997, DOJ requested another 16% above FY 1996 levels. Now for FY 1998, DOJ is again requesting another increase in funding for INS at 13% above FY 1997 levels.

I agree there is a need for enforcement of the nation's immigration laws. I am pleased to see that DOJ has proposed additional agents to enhance border patrol, which is vitally important in reducing illegal immigration and curbing drug trafficking in the southwest border regions. But while the need for highly trained INS agents is necessary at the southwest borders, there also is a need for agents to provide the enforcement of immigration laws in the interior states. Even though INS agents have worked hard to stop illegal aliens at the southwest border, many of these aliens have made their way into interior states, such as my state of Utah, and I believe that there is an urgent need for INS to address this problem by allocating significant resources to interior enforcement.

STATE PRISON GRANTS

I am concerned that the President's budget falls far short in needed assistance to States for the incarceration of violent criminals, as authorized by the Violent Offender Incarceration and Truth-in-Sentencing Incentive Grants program. The President's budget proposes an appropriation of $697.1 million for these grants in FY 1998. Although this represents a $37.8 million increase over FY 1997 levels, it is far short of the authorized amount of $2.5 billion, and it is far short of what is needed as well.

Moreover, the proposed budget diverts $150 million from the state prison grant program to supplement the State Criminal Alien Assistance Program (SCAAP). I strongly support the SCAAP, which, as you know, reimburses States for costs that they incur incarcerating illegal aliens who commit crimes in this country. I believe, however, that funding for this program should not come at the expense of much needed violent incarceration grants, which benefit all our states.

Finally, I am extremely concerned that the Administration proposes to divert grant monies intended for the construction of prisons to fund state drug testing and treatment programs. The Administration proposes this diversion on top of a proposed $32.3 million increase in separate grants for state prison drug treatment programs. Federal grants for the incarceration of violent criminals should be used for construction and expansion of state correctional facilities, not for drug treatment programs.

THE COURTS

The President's Budget also includes $3.63 billion for outlays associated with the Judiciary. This includes salaries and expenses necessary for the operation of the federal courts, expenses for the operation of the Federal Public Defender and Community Defender organizations, fees of jurors and commissioners, expenses for court security, expenses for collection of filing fees, funds for operation of the Judicial Information Technology Fund, salaries and expenses for the Administrative Office of the United States Courts and for the Federal Judicial Center, payments to Judicial Retirement Funds, funding for the United States Sentencing Commission, and funds, to be derived from the Violent Crime Reduction Trust Fund, to meet the increased demands for judicial activities resulting from the Violent Crime Control and Law Enforcement Act of 1994. The Judiciary Committee has no objection to these figures.

I should note for you that those figures do reflect increased salaries called for by a bill, proposed by the Administrative Office of the Courts, which I have introduced. I believe that the Budget Committee should plan for increased outlays as the Committee will work to enact this program.

PATENT AND TRADEMARK OFFICE

I have been concerned for a number of years about the patent surcharge and the amount of money taken from the Patent and Trademark Office (PTO) and used for other purposes. Inventors pay a surcharge on patent applications, yet this money is not used entirely to maintain and approve the patent examination process.

Instead, it is redirected to fund other programs. Last year, for example, $61 million of the $115 million so raised was used to fund the Legal Services Program and public broadcasting. Using patent surcharge funds for non-PTO purposes makes the surcharge a special tax on inventors. In effect, inventors are asked to bear more of the burden of deficit reduction than their fellow citizens. This year the Clinton Administration proposes to increase the surcharge diversion to $92 million.

Failure to appropriate back the bulk of the proceeds of this fund causes our inventors significant harm by making the patent examination process less efficient. The PTO, for example, projects that the Administration's budget proposal will result in the elimination of 339 patent examiner positions, with a subsequent increase in patent pendency, which is already 18 months on average. Furthermore, important advances in automation will have to be put on hold.

The PTO is entirely self-funded—a model for other agencies to follow. Yet, the Administration penalizes this fiscal responsibility by taking more and more of the money that it raises. No one questions the value of our patent system. The funds to support it ought not to be used for other programs, and especially not for programs whose value has come under serious question.

Thank you again for contacting me on this matter and your patience in awaiting my reply. I look forward to working closely with you on this matter and other issues.

Sincerely,

ORRIN G. HATCH,
Chairman.

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC, March 14, 1997.

Hon. PETE DOMENICI,
Chairman, Committee on the Budget, U.S. Senate, Washington, DC.

DEAR PETE: Thank you for seeking the views and estimates of the Senate Committee on Labor and Human Resources as you begin to develop the 1998 budget resolution.

The Labor and Human Resources Committee is cognizant of the need for greater efficiency and reform in government. We look forward to working with the budget and appropriations committee to ensure that authorized funding levels for the programs under our jurisdiction are consistent with overall discretionary limits.

OVERSIGHT

The Committee will work actively to fulfill its oversight responsibilities in an effort to consolidate redundant programs and strengthen programs which need reform. We will work closely with the departments and agencies under our jurisdiction to utilize the tools provided under the Government Performance and Results Act (GPRA). We are scheduling consultations with these departments and agencies and will work to ensure that their missions are focused, their goals are clearly established, and their implementation strategies (and funding expectations) are reasonable and appropriate.

The Committee also has a very ambitious legislative calendar for this year. It will utilize the reauthorization process, in conjunction with GPRA, to evaluate and strengthen programs under its jurisdiction.

NATIONAL INSTITUTES OF HEALTH

The committee is continuing efforts begun last Congress to reauthorize the National Institutes of Health. Three board issues have emerged in our discussions: First, that a careful balance must be drawn between our commitment to clinical research and our commitment to basic research; second, a need for administrative simplification and efficiency to free up scarce dollars for grantmaking; and finally concern about the education and preparation of future biomedical researchers. We will address these issues as part of our effort to strengthen our nation's biomedical research capacity.

WORKFORCE DEVELOPMENT

This nation faces a crisis in both education and workforce development. A study conducted by the Committee for Economic Development estimates that each year's class of high school dropouts costs over $240 billion in lost incomes and taxes throughout the course of their lifetimes. An additional $10 billion is spent paying for crime, drug, and prison expenses for each class of dropouts. These figures provide a powerful and pragmatic illustration of the importance of preserving our commitment to education and workforce development. It is our responsibility, however, to ensure that these funds are used efficiently and effectively. I intend to continue efforts begun by the committee last year to review existing workforce development programs and mold them into a simple integrated workforce development system. These efforts will result in a comprehensive vocational and adult education and job training system that is responsive to the needs of all those who seek its services.

HIGHER EDUCATION REAUTHORIZATION

The committee has begun its in-depth review of the programs included in the Higher Education Act, which must be reauthorized during the 105th Congress. The largest title of this Act, Title IV, authorizes the major student financial aid programs. These programs make it possible for millions of Americans—from all walks of life—to attend public and private colleges and universities. This opportunity has economic consequences for the economy and for the budget. An individual with a bachelor's degree earns more than one-and-a-half times what a person with a high school diploma earns.

Last Congress, the final version of the Balanced Budget Act contained student loan savings of approximately $5 billion over seven years. I strongly request and recommend that the student loan programs not be targeted for savings during the upcoming budget process. Any bill that proposes significant cuts in student loan programs will lead to another fight over the future of guaranteed versus direct loans. Based on our experience during the 104th Congress, it is clear that this debate will not be productive either in terms of achieving a balanced budget or serving students and their families.

INDIVIDUALS WITH DISABILITIES EDUCATION ACT

Last Congress, the committee reported legislation which restructured and consolidated fourteen discretionary grant programs that had expired and made revisions to the permanently authorized State preschool and elementary and secondary grant program for students with disabilities. Under Republican congressional leadership, funding for disability programs has grown substantially. Last Congress IDEA funding was increased 24 percent.

"The Safe and Affordable Schools Act of 1997," S. 1, is among the top legislative priorities of Senate Republicans. A particularly important provision of this bill would increase the federal share of IDEA funding in order to honor the commitment made when Public Law 94–142 was enacted that the federal government would provide 40 percent of the cost of educating disabled students. Currently, the federal effort ($4,036,000 in fiscal year 1997) represents about seven percent of that cost. Under S. 1, federal funding would be phased up to the 40-percent level over a seven-year period. Specifically, it provides for the following funding levels: FY 1998: $4,107,522; FY 1999: $5,607,522; FY 2000: $7,107,522; FY 2001: $8,607,522; FY 2002: $10,107,522; FY 2003: $11,607,522; FY 2004: $13,107,522. I request that the allocation for function 500 be increased to reflect this priority.

FDA USER FEES

The President's budget for fiscal year 1998 proposes $131 million in new user fees on FDA regulated products. For a number of reasons, the Committee on Labor and Human Resources is not prepared to endorse these new fees, and I urge the Budget Committee to reject them as well. Unlike the existing fees authorized under the Prescription Drug User Fee Act (PDUFA), these new fees would not be linked to specific service improvements. Rather, the $131 million would substitute for appropriated funds for the agency's basic operations, including enforcement. Given the implications of having an agency which regulates the safety and efficacy of one-quarter of the nation's products being substantially funded by the industries it regulates, this is not a step to be taken lightly.

TAXES

The President's budget proposal includes a request for an additional $38.6 billion over five years in tax expenditures to support education. Although the Committee on Labor and Human Resources does not have jurisdiction over tax proposals, it does have primary jurisdiction over education policy. I believe it is important to offer some comments.

First of all, I share the President's commitment to a budget which increases the federal resources committed to education, and I hope that priority will be maintained during budget deliberations. I am encouraged that education is among the five issues identified by the White House and congressional leadership as being an area where bipartisan consensus can be achieved. I look forward to working with you and others to see that such a consensus is developed.

Having said that, I believe it is equally important that decisions regarding the allocation of these additional resources be based on sound education policy. The President's education proposals are too heavily weighted on the tax expenditure side to represent an optimal allocation of support for education. These tax expenditure proposals pose other problems as well. They place unnecessary administrative burdens on the Internal Revenue Service and on education institutions by tying eligibility for tax breaks to factors such as grade point averages. Moreover, they are not targeted towards the activities and individuals where the needs are greatest, and it would be difficult to correct that problem within the confines of the tax code. The committee will explore one aspect of this issue at a hearing later this week which will compare the Pell Grant population with the expected beneficiaries of the President's tax proposals.

There appears to be agreement that some increase in education tax expenditures is appropriate. S. 1 includes a number of tax proposals, the cost of which is approximately 20-percent of the President's package—a level of tax expenditures which I believe is reasonable. Consistent with S. 1, I would suggest that the budget committee reduce by 80-percent the level of tax expenditures assumed for education in the President's budget and increase the function 500 account by that same amount. This proposal would permit us to meet the full federal commitment under IDEA, to expand the Pell Grant program, and to enhance education programs serving young children without jeopardizing the budgetary balance we all wish to achieve.

It is my strong belief that these and similar discretionary spending initiatives will allow us to balance the budget and advance our goals for education.

The committee looks forward to continuing to work with you throughout the fiscal year 1998 budget process.

Sincerely,

JAMES M. JEFFORDS, *U.S. Senator.*

U.S. SENATE,
COMMITTEE ON SMALL BUSINESS,
Washington, DC, March 13, 1997.

Hon. PETE DOMENICI, *Chairman,*
Hon. FRANK LAUTENBERG, *Ranking Minority Member,*
Committee on the Budget, Washington, DC.

DEAR PETE AND FRANK: As the Chairman of the Committee on Small Business, I am submitting the following views and estimates letter on the President's FY 1998 budget request for the Small Business Administration and other matters under the Committee's jurisdiction in compliance with Section 301(d) of the Congressional Budget Act.

In March 1995, the Committee's views and estimates letter to you commented that it was time for the Small Business Administration to reevaluate the programs it administers to determine if they are truly needed federal responsibilities and, if so, where they are being administered as effectively and efficiently as possible. I viewed FY 1996 as an opportunity to undertake a thorough top-to-bottom review to "rethink" SBA, which would include its mission and purpose, its customers, and results Congress expects from funded programs and initiatives.

Reaching this goal has not been easy. In 1995, after the Administration submitted its Fiscal Year 1996 budget request, it subsequently announced its intention to undertake a significant reorganization of SBA, including elimination of certain field offices and adjustments to select program activities. For the most part, little was done to "reinvent" the Agency, and no serious effort was made to implement its plans.

I continue to support the fundamental mission of SBA, and I continue to believe that SBA can be restructured and made more efficient in achieving this mission. If SBA were to centralize its loan supervision function while enhancing its bank examination efforts, the workload in SBA's field offices would be reduced dramatically, allowing it to shift some surplus resources to high priority areas within the agency at the same time savings can be achieved.

Historical evidence indicates that the federal government sustains a lower loss rate on its SBA loan guarantees when the originating lending institutions, rather than SBA, perform the loan review and approval process; therefore, the taxpayer and the federal government would win twice if these reforms were adopted: first with a lower loan loss rate, and second with a reduced payroll accompanied by significant administrative and organizational savings. I am pleased to see that SBA has begun to adopt this point of view and has instituted a program to place a greater responsibility on small business lenders. SBA's FY 1998 budget request includes funds to implement this program.

In 1995, then Ranking Committee Member, Dale Bumpers, and I recommended reducing the annual function 370 budget authority in FY 1996–FY 2000 from $706 million to $586 million, a reduction of $120 million per year. This reduction was a 17% cut from SBA's FY 1995 BA. We believed these savings could be accomplished consistent with a Congressional demand for capable performance of SBA's necessary and appropriate core functions. The five year savings we projected last year would total $600 million.

The final funding level approved by Congress for SBA under Function 370 was $530 million for FY 1997. Furthermore, the Administration recently requested $530 for Function 370 for FY 1998. However, this budget request includes insufficient funds for SBA's two largest programs: the 7(a) guaranteed business loan program and the Small Business Development Center (SBDC) program.

In order for the Senate Committee on Small Business to deal fairly with these programs that are very important to the success of many small businesses, it is likely Congress will be called upon to provide additional funding for SBA in FY 1998 over the amount requested by the President's budget request. Therefore, I am comfortable reiterating the vision for SBA that was set forth in March 1995, which reduced the Function 370 budget authority from FY 1996–FY 2000 to $586 million annually.

To develop a coherent, multi-year strategy to reduce the size of SBA while maintaining the delivery of programs deemed critical to small business, SBA needs to combine an orderly downsizing with the adoption of improved agency operating procedures and management information systems to allow it to deliver its key programs more effectively. This strategy must be executed with special effort and a sense of urgency at SBA because of the acknowledged deficiencies in some of the credit programs. Senate and House Appropriations Committees will need to impose explicit, targeted reductions in SBA's organization and personnel if we are to meet the funding goals outlined for SBA. Concurrently, Congress will need to fund improvements in SBA's information systems to complete the progression to a more streamlined SBA. These objectives can be accomplished within the funding levels contained in this budget recommendation.

Bipartisan activities in the Committee during the 104th Congress serve as ample evidence of our shared commitment to important priorities of America's small businesses and entrepreneurs. In good conscience, I do not believe the interest of small businesses are served by managing the budget of the Small Business Administration in a "yo-yo" like manner. I believe that we need to adhere to the six-year budget plan that was set forth in March 1995. Further, I believe the Committee can work with SBA in order to redirect and fine tune its priorities and become both increasingly more responsive to small business and more effective and efficient in its day-to-day operations.

I look forward to the opportunity to work with you to develop this portion of the Budget Resolution for FY 1998.

Sincerely,

CHRISTOPHER S. BOND, *Chairman.*

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC, April 24, 1997.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. FRANK R. LAUTENBERG, *Ranking Minority Member,*
Committee on the Budget, Washington, DC.

DEAR PETE AND FRANK: Pursuant to section 301(d) of the Congressional Budget Act of 1974, and with the approval of the undersigned members of the Committee on Veterans' Affairs, the Committee on Veterans' Affairs (hereafter, "Committee") hereby reports to the Committee on the Budget its views and estimates on the FY1998 budget for veterans' programs within the Committee's jurisdiction. This report is submitted in fulfillment of the Committee's obligation to provide recommendations for programs in Function 700 (Veterans' Benefits and Services) and for certain veterans' programs included in Function 500 (Education, Training, Employment, and Social Services).

I. INTRODUCTION

We have carefully reviewed the Administration's proposed FY1998 budget for veterans' programs. We have also carefully reviewed the testimony of witnesses at the Committee's hearing of February 26, 1997, on the proposed budget. At that hearing, testimony was received from the Secretary of Veterans Affairs, and VA witnesses were questioned at length by the Committee's members. Written statements were also accepted from the Chief Judge of the U.S. Court of Veterans Appeals and the Assistant Secretary of Labor for Veterans' Employment and Training. In addition, The American Legion, the Veterans of Foreign Wars, the Disabled American Veterans, AMVETS, and the Paralyzed Veterans of America testified before the Committee, and the Noncommissioned Officers Association of the United States presented a written statement. Further, many of the Committee's members have requested information, in writing from hearing witnesses, and Committee staff has engaged in informal briefing sessions with representatives of the Office of Management and Budget and directly affected government agencies. While responses to some of the Committee members' written questions have not yet been received as of the date of this submission, we endeavor to offer our views based on the information that is currently available and the analysis that is currently possible.

II. General Comments

In preparing these comments, the Committee's members have kept in mind the fiscal limitations within which we must operate if we are to get Federal spending under control and thereby reduce the Federal deficit and debt. We believe that the Government can be fiscally responsible while still fulfilling its commitments to the most deserving among us—including our Nation's veterans. We also are mindful of the fact that uncontrolled Federal spending threatens the long-term health of the Nation's economy and, in turn, could adversely affect the provision of veterans' benefits. This, we recognize that those who have worn the uniform in defense of the Nation seek, as we do, to protect the health of the Nation's economy.

A. COST-SAVINGS PROVISIONS

The Committee is pleased to note that the Administration recommends the enactment of a number of cost-savings provisions which have previously been approved by the Committee and were contained in Title X of H.R. 2491, the "Balanced Budget Act of 1995." These provisions are the following:

Extension of the authority of the Department of Veterans Affairs (VA) to require that certain veterans' make copayments for outpatient medications and per diem payments for nursing home and hospital care;

Extension of VA's medical care cost recovery authority;

Extension of VA's income verification authority;

Extension of VA's authority to limit pensions paid to VA beneficiaries who are receiving Medicaid-covered nursing home care;

Extension of certain additional home loan guaranty program fees;

Extension of procedures applicable to liquidation sales on defaulted home loans guaranteed by VA;

Extension of VA's enhanced loan asset sale authority; and

Rounding down annual compensation, dependency and indemnity compensation, and other cost-of-living adjustments.

Further, the Administration proposes that certain restrictions on measures that can be taken to collect loan guaranty debts be removed, so that debtors' Federal wages and income taxes can be attached, and, in addition, proposes that certain vendee funding fees be increased from 1.0% to 2.25%.

These provisions, all of which except for the vendee loan provision were contained in the "Balanced Budget Act of 1995" as sent to the President, would have resulted in savings of over $3.2 billion over a seven year period. Since many, however, would not have yielded actual savings until after FY 1998, over $2.6 billion in potential savings still can be garnered if VA's proposals are enacted during 1997 or early 1998.

The Committee, of course, does not yet know what reconciliation instructions it will receive this year. We note, however, that the Administration proposes measures which, for the most part, have previously been approved by the Committee and the Congress. These measures, if approved again, would address the lion's share of what we expect the Committee will be charged to accomplish in terms of savings for FY 1998 and beyond. As is noted above, the Committee's members—and veterans—recognize the need for all to share the burden in meeting our government's fiscal responsibilities.

B. OTHER GENERAL OBSERVATIONS

As we have noted in recent years, there is bipartisan consensus that non-discretionary veterans' spending does not display the spiraling growth patterns found in other aspects of the Federal budget. That being the case, the Committee concludes that veterans' programs are not among the chief factors in looming Federal deficits; budgetary categories which display unrestrained growth patterns are. Having said that, we believe further efficiencies both in the administration of veterans' benefits programs, and in the provision of veterans' health care, can be identified which will control the rate of VA budgetary growth. We are determined to preserve scarce funds for the benefit of direct beneficiaries.

We acknowledge the leadership of the veterans' community which has expressed a willingness to support limits on the rate of growth of veterans' entitlements—if the growth of other Federal entitlements is similarly restrained. Veterans will pull their weight in such a concerted effort.

C. OVERALL SPENDING PROJECTIONS

Mandatory Spending

The fact that veterans' entitlements spending is not spiraling out of control is reflected in the President's budget by the anticipated continuation of spending patterns displayed in the past. VA obligations to make cash transfers for compensation and pension benefits—benefits which comprise almost 90% of VA's entitlements spending—are expected to increase in FY 1998 at the rates of 1.65% and 1.23% respectively. And while obligations for VA's chief readjustment benefit, the All-Volunteer Force Educational Assistance Program, better known as the Montgomery GI Bill ("MGIB"), are expected to increase at a rate of 7.2% to $1.06 billion, VA's appropriations request for readjustment benefits in the aggregate is smaller than its FY 1997 appropriation and only 1.54% higher than its FY 1996 appropriation.

The Committee notes that the growth of proposed spending is so restrained despite proposed full cost-of-living adjustment increases in compensation, pension, MGIB, and other benefits, effective January 1998. Such restrained growth demonstrates the validity of the Committee's view that veterans' entitlements spending is not the cause of looming budget deficits. Absent a mobilization or national emergency that would markedly alter the size or composition of the veterans population, we expect the historical trend of entitlements spending increases *below* the Consumer Price Index (CPI) rate—*despite* full CPI benefits adjustments—to continue. And, of course, despite this restrained growth in spending, the Committee expects to adopt cost-savings measures, such as those proposed by VA and outlined above, which would further reduce the rate of growth in VA mandatory spending.

Discretionary Spending

VA's proposals for discretionary spending—spending, principally, on VA-provided medical care—give the Committee greater concern. VA proposes budget authority of $17.550 billion for medical care spending in FY 1998, but requests that its FY 1998 appropriation for such spending actually be cut from the FY 1997 level of $17.013 billion to $16.959 billion. VA proposes, further, that its medical care appropriation be maintained at that $16.959 billion level through FY 2002.

VA proposes to augment its proposed FY 1998 nominal cut, and its proposed out-year real dollar cuts, by tapping two non-appropriated funding sources: first, by retaining *all* medical care cost recovery ("MCCR") receipts starting in FY 1998 (rather than, as now, turning over receipts which exceed VA collection costs to the Treasury); and, second by phasing in a pilot program, starting in FY 1999, under which VA would be reimbursed by Medicare for providing non-service-connected health care to Medicare-eligible veterans who choose to receive such care from VA (VA's "Medicare subvention" proposal). Access to both outside funding sources would first require legislation, the passage of which is, as discussed below, not assured. But even with such legislation and the funding streams that legislation would generate, projected out-year medical care spending would rise by only one-half of one percent in FY 1999, and at an average rate of less than 1.6% from FY 2000–2002, while simultaneously, the number of unique patients VA treats is projected to rise at an average annual rate of over 3.5%. Such spending increases will not even cover the cost of cost-of-living adjustments, estimated by VA to be $387.9 million for FY 1998, to VA's 225,000+medical care employees.

The Congress enacted eligibility reform legislation, Public Law 104–262, based in part on VA's assurances that (1) it could provide more or better care to more patients within existing resources if only it were freed from archaic eligibility standards which, VA said, "turned modern medicine on its head" by encouraging inpatient care and discouraging outpatient care; and (2) expanded eligibility standards would not generate demand that would exceed VA capacity. The Committee's eligibility reform legislation, however, contained two safeguards: first, the legislation requires VA to set up an annual enrollment system starting in FY 1999 and, second, the legislation caps the amount authorized for annual medical care appropriations (at $17.9 billion in FY 1998). Even with these safeguards, the Committee remains concerned that expanded eligibility standards could generate demand that could severely challenge proposed slow growth medical care funding in the out years.

This budget proposal, even assuming the enactment of MCCR and Medicare subvention legislation, does not allow even for slow growth in real terms. The Committee, therefore, remains very concerned that VA's health care spending projections, particularly in the out years, are unrealistic. The fact that this year's out-year projections differ substantially from those presented by the Administration last year, as the Secretary then stated they would, does not increase the Committee's confidence that VA out-year projections can be viewed as real planning tools.

The Committee notes one other concern. VA is currently initiating a medical care resource reallocation plan which will result in actual cuts in some regions of the Nation. The Committee is of the view that resources should be allocated equitably so that similar veterans will have similar access to VA care without regard to the region where they live. VA's health care funding must grow sufficiently to allow such allocations without undue disruption in any region.

III. VETERANS' MEDICAL CARE

A. PROJECTED BY 1998 MEDICAL CARE SPENDING AND PROPOSED FUNDING MECHANISMS

As noted above, the Committee is very concerned about projected out-year spending for VA medical care. With respect to FY 1998, however, it is less concerned about the amount of projected spending, $17.573 billion, than it is about the proposed sources of funding.

While VA proposes to expand $17.573 billion on medical care in FY 1998, an increase of 2.84% over FY 1997 spending, it does not request appropriations in that amount. Rather, it requests appropriations of $16.959 billion, a decrease from its $17.013 billion medical care appropriation in FY 1997, and requests legislative authority to retain all MCCR receipts and, later, Medicare subvention receipts. It estimates that net MCCR receipts will amount to $468 million in FY 1998, and that net receipts will rise over time to $768 million in FY 2002.

MCCR receipts currently are paid over to the Treasury annually, though VA retains its costs, estimated at $123 million in FY 1998, in collecting such receipts. The Committee agrees with VA that, as a matter of policy, a case can be made for VA retaining all collected receipts. Further, the Committee observes that VA, and individual VA medical centers of Veterans Integrated Service Networks ("VISNs") or both, would be more energized to collect such funds aggressively were they to be allowed to benefit directly from their efforts by retaining funds so collected.

Implementing VA's proposal, however, is not as straightforward as it might initially appear. The Committee understands that, whatever the merits of VA's MCCR proposal as a matter of general policy, its effect would be to divert funds otherwise payable to the General Fund in the Treasury to a new account that would be used to fund VA medical care. This diversion, under current score-keeping rules, would be subject to the Budget Enforcement Act's "paygo" offset rules. In its budget submission, VA proposes no VA mandatory account offsets, stating that "[o]ffsetting mandatory savings to support this proposal are included in the President's budget."

The Committee supports VA retention of MCCR receipts as a matter of policy, but not if other VA benefits are required to be cut to offset such retentions. Thus, the Committee would not object if the offset were to come from non-Function 700 accounts. If, however, offsets from VA benefits were to be required in order to allow VA to retain MCCR receipts, the Committee would strenuously object. The better course, in our judgment, would be for VA's FY 1998 projected medical care spending needs—at minimum, $17,573 billion, as set forth in the President's budget—to be financed fully with appropriated funds. In our view, the goal of balancing the budget could still be met while allowing VA medical care appropriations to increase to at least that amount.

B. MEDICAL AND PROSTHETIC RESEARCH

In FY 1997, VA requested a medical research appropriation of $257 million, the same amount it had received in FY 1996, and an amount that was within $5.6 million of VA's FY 1995 funding for medical and prosthetic research. VA received an appropriation of $262 million, more than it has requested. In its FY 1998 proposed budget, VA requests a cut in research funding, suggesting an appropriation of $234 million, down 10.69% from FY 1997 funding. It offers no explanation.

By letter to the President in January 1997, the Chairman and Ranking Minority Member of the Committee, along with Senators James M. Jeffords and Patrick Leahy, requested FY 1998 funding for VA medical and prosthetic research of $280 million. They noted that the past pattern of "flat" research funding had reduced VA's ability to respond to new challenges such as the illnesses of Persian Gulf War veterans. They argued, further, that added funding was needed both to conduct more research on conditions that directly affect veterans, and to reinvigorate VA research as an incentive to attract top physicians into VA careers.

In the Committee's view, the issues raised by the authors of the January 1997 letter are valid. The Committee, therefore, supports a research appropriation of $280 million. At minimum, FY 1997 funding of $262 million must be maintained. We strongly oppose VA's plan to cut spending on medical and prosthetic research.

The Committee does note, with approval, VA's plans to emphasize Persian Gulf veterans health research, outcomes and nursing research, research related to environment hazards, and research on the possible human reproductive system consequences of traumatic military experience.

C. CONSTRUCTION PROGRAMS

The Committee notes that VA's major construction proposal for FY 1998 includes no request for new hospital construction. It also contains no request for further funding of previously authorized projects in progress, except for the seismic correction project in Memphis.

The Committee has authorized a number of major construction projects with the expectation that they will be completed. While we understand that VA's current efforts to reorganize itself around the VISN model, to implement eligibility reform, and to better rationalize care within the existing capital base might be reason for a pause, we still expect that these projects will be completed.

IV. VETERANS' BENEFITS PROGRAMS

A. COMPENSATION, PENSION, AND READJUSTMENT BENEFITS

Obligations for compensation and pension benefits will rise at rates of 1.65% and 1.23% respectively in FY 1998, and VA's appropriations request for readjustment benefits is smaller than last year's. As noted above, veterans' entitlements cannot be properly characterized as being among those which are experiencing unrestrained growth. We expect this slow growth pattern to continue for so long a period as there are no major military mobilizations.

V. GENERAL OPERATING EXPENSES

A. VETERANS BENEFITS ADMINISTRATION

The Veterans Benefits Administration (VBA), the VA operating entity charged with the administration of veterans' benefits programs, continues to make significant progress in reversing the backlog of pending benefits claims. It projects continued progress, despite a 4.5% cut in projected staffing.

VBA's past restructuring efforts have been uneven, but it appears now that the business process reengineering initiatives that VBA has initiated may bear tangible fruit. The Committee hopes so. It will closely monitor those activities, and VBA's information resources management activities, as part of, and separate from, its oversight of VBA implementation of the Government Performance and Results Act.

B. BOARD OF VETERANS' APPEALS

For the first time in three years, the Board of Veterans' Appeals (BVA) does not request funding for increased staff. The Committee expected otherwise in light of the Board's progress in increasing its production of decisions to the point where it might begin to make actual cuts in its case inventory backlog. Based on BVA's projection that its decision production level will drop slightly in FY 1998, the momentum that BVA has regained will, it appears, stall.

The Committee is highly concerned that BVA anticipates no further improvement in decision-making productivity and that, accordingly, progress that has been made in cutting BVA's response time will not continue. While it acknowledges the progress that has been made, the Committee believes it still takes too long for a veteran to get a decision from the Board. The Committee will closely study the recommendations of the Veterans' Claims Adjudication Commission, and other proposals, in an effort to find solutions. We do not believe that BVA's apparent "stand pat" stance is the answer.

C. THE GENERAL COUNSEL

Improvements in adjudication productivity at the Board of Veterans' Appeals appear to have caused a sharp increase in appeals filed (from 1,464 in FY 1995 to a projected 2,400 in FY 1997) before the Court of Veterans Appeals. A near doubling of the Court's caseload appears to have taxed the resources of VA's Office of the General Counsel, which represents the Secretary before the Court of Veterans Appeals. The Court has displayed recent impatience—as it should—with routine and repeated General Counsel requests for extensions in time to file required papers before the Court. Despite the Court's prodding, however, the Committee is concerned that recently reversed patterns of growing adjudication backlogs are about to be repeated at the Court of Veterans Appeals due to General Counsel staffing shortfalls.

As a temporary expedient, General Counsel attorneys who devote their time to other forms of legal service might be reassigned to Court of Veterans Appeals work—though, clearly, such attorneys will not be equipped to assume the duties of seasoned appellate litigators. The Committee does not doubt that the Office of the General Counsel, like all VA staff offices, can benefit further from self-evaluation and reengineering. We question, however, whether such efforts will suffice in light of projected caseloads.

Notwithstanding the foregoing, the General Counsel is slated to sustain a 4.5% reduction in personnel resources. As has been stated, the General Counsel can undoubtedly increase productivity and "work smarter." We do not see, however, how the General Counsel can deal with this caseload with dwindling resources. The Committee, therefore, would advocate at this time that General Counsel personnel cuts be deferred.

VI. CONCLUSION

On balance, the Committee is satisfied with the budget proposals presented. They restrain budgetary growth and, thus, reflect a consensus that progress must be made toward a balanced budget. The major reservation that can be expressed is VA's proposed mechanism for funding minimal growth in medical care spending. Based on the Committee's current understanding of Budget Enforcement Act scoring standards, it is our judgment that such spending should be financed with appropriated funds, not from retained medical care cost recovery money.

These views reflect the best judgment of the Committee on Veterans' Affairs as of this date. If we or the Committee staff can provide further assistance in your consideration of this report, please feel free to call on us.

Sincerely,

JOHN D. ROCKEFELLER IV,
Ranking Minority Member.
BOB GRAHAM,
Member.
DANIEL K. AKAKA,
Member.
PAUL WELLSTONE,
Member.
ARLEN SPECTER,
Chairman.
STROM THURMOND,
Member.
FRANK H. MURKOWSKI,
Member.
JAMES M. JEFFORDS,
Member.
PATTY MURRAY,
Member.
BEN NIGHTHORSE CAMPBELL,
Member.
LARRY E. CRAIG,
Member.

U.S. SENATE,
Washington, DC, April 24, 1997.

Chairman ARLEN SPECTER,
Senate Veterans' Affairs Committee,
Washington, DC.

DEAR ARLEN: Enclosed is a copy of my minority views to the Committee's views and estimates letter concerning the FY 1998 budget for veterans' programs within our Committee's jurisdiction. I have forwarded the enclosed letter to the Senate Budget Committee. As you can see from my letter, I have reservations concerning the allocation of resources and need to address the rather substantial equipment backlog for the National Cemetery System.

I would also like to take this opportunity to share with you my views on committee procedure. While I understand the huge time commitments faced by all committee members, I also believe that it is important for the Committee to convene on issues of critical importance to the operation of the Department of Veterans' Affairs and the veterans' community.

I would hope that in the future under your leadership, the Committee will have increased opportunities to deliberate and debate in the interactive forum of the Committee hearing process. Like you I share a deep commitment and respect for America's veterans. To the best of my ability, I intend to be a full participant in the workings of the Committee and welcome every opportunity to do so.

Sincerely,

TIM HUTCHINSON, *U.S. Senator.*

U.S. SENATE,
Washington, DC, April 24, 1997.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. FRANK R. LAUTENBERG, *Ranking Minority Member,*
Committee on the Budget, U.S. Senate, Washington, DC.

DEAR SENATORS DOMENICI AND LAUTENBERG: Pursuant to section 301(d) of the Congressional Budget Committee Act of 1974, I am writing to express my minority views in two areas which I differ from the full Senate Veterans' Affairs Committee submission of the views and estimates letter. While I wish to comment on two reservations with the current views and estimates letter, I support the views addressing: Cost-Savings Provisions, Mandatory Spending, Medical and Prosthetic Research, Construction Programs, Compensation, Pension, and Readjustment Benefits, Veterans Benefits Administration, Board of Veterans' Appeals, and the General Counsel.

I am concerned with the wording of paragraph six, under the heading "Discretionary Spending." This section addresses the medical care resource reallocation plan. From my understanding of section 429(a) of the FY 1997 Veterans Appropriations bill (P.L. 104–204), the "Secretary of Veterans Affairs shall develop a plan for the allocation of resources of the Department of Veterans Affairs among the healthcare Networks of the Department so as to ensure that veterans who have similar economic status and eligibility priority and who are eligible for medical care have similar access to such care regardless of the region of the United States in which such veterans reside." It is my view that this requirement is not adequately reflected in the views and estimates submission by the Committee. As someone who represents a southern state, that has a growing population of veterans that make use of VA facilities, paragraph (6) of the Committee's views and estimates letter appears to reflect the status quo with regard to the allocation of resources. It is my understanding that P.L. 104–204, section 429(a) passed in the 104th Congress, readjusted resources so that states such as mine and others in the South and West with growing veteran populations would receive needed resources that they have historically been denied under past budgetary practices. This is a welcomed and necessary change.

Understanding that such a resource shift is wrought with apprehension in some geographic areas, development of the Veterans Equitable Resource Allocation (VERA) methodology should provide the guarantee of similar opportunities across the Nation for veterans of all levels of care including the protection of specialized programs and the needs of veterans with chronic and complex needs.

My second concern with the views and estimates letter submitted by the full Senate Veterans' Affairs Committee concerns the National Cemetery System. Over the years, the National Cemetery System has not received the attention that it deserves. The rapid decline in World War II veterans and continued aging of the total population of veterans, in my view makes a strong justification for the need for increased resources to a system that must face growing and permanent operating costs. It is for this reason that I request that an additional $1.5 million be allocated to reduce the equipment backlog that currently stands at $6.3 million.

Thank you for your kind attention to this matter.
Sincerely,

TIM HUTCHINSON, *U.S. Senator.*

U.S. SENATE,
Washington, DC, April 16, 1997.

Hon. PETE V. DOMENICI, *Chairman,*
Hon. FRANK R. LAUTENBERG, *Ranking Minority Member,*
Committee on the Budget, U.S. Senate, Washington, DC.

DEAR PETE AND FRANK: Along with my colleagues on the Senate Committee on Veterans' Affairs (hereafter, "Committee"), I have signed the letter reporting to the Committee on the Budget our views and estimates on the FY 1998 budget for veterans' programs. The purpose of this letter is to clarify how I interpret the section of the Committee's letter that addresses proposed funding mechanisms for medical care spending.

I believe that the Department of Veterans' Affairs should receive the funding it needs to care for veterans. I interpret the Committee's views and estimates letter to underscore this point by outlining the optimum and secondary strategies to do so. The optimum strategy would be to fully finance with appropriated funds VA's FY 1998 projected medical care spending needs, at minimum $17.573 billion, as set forth in the President's budget.

As a matter of policy, the Committee also supports VA retention of medical care cost recovery (MCCR) receipts and believes that this is an important new external source of revenue for the VA—as long as offsets (cuts) do not come from programs in Function 700 (Veterans' Benefits and Services). The Committee does not, however, believe that under the current budget proposal the VA will be able to generate sufficient new revenue to meet veterans' health care needs. Therefore, the proposed funding strategy that supplements the requested appropriations of $16.959 billion with MCCR receipts is only a secondary strategy. To me, it follows logically that if there is a shortfall in 1998, or in the out years, in funding health care needs under this secondary strategy, we should make up the difference with additional appropriated funds.

Please feel free to contact me or my staff if you have any questions about my ranking of these two funding strategies.
Sincerely,

PAUL D. WELLSTONE, *U.S. Senator.*

VIII. COMMITTEE VOTES

Paragraph 7(b) of rule XXVI of the Standing Rules of the Senate requires the committee report accompanying a measure reported from the committee to include the results of each rollcall vote taken on the measure and any amendments thereto. In addition, paragraph 7(c) requires the report to include tabulation of the vote cast by each member of the committee on the question of reporting the measure.

In accordance with the Standing Rules of the Senate, the following are rollcall votes taken during the Senate Budget Committee mark-up of the FY 1998 Budget Resolution, May 19, 1998:

(1) Conrad sense of the Senate on long-term entitlement reforms, including accuracy in determining changes in the cost-of-living. Amendment adopted by a vote of 17 to 4:

YEAS	NAYS	
Domenici	Gramm	* Boxer
Grassley	Snowe	
Nickles	Sarbanes	
Bond	Durbin	
Gorton		
Gregg		
Abraham		
Frist		
Grams		
Smith		
Lautenberg		
Hollings		
Conrad		
Murray		
Wyden		
Feingold		
Johnson		

(2) Hollings amendment to eliminate the tax cut and spending increases from the President's initiatives.

Amendment failed to voice vote.

(3) Wyden amendment to strike all references to budget "firewalls" between defense and nondefense discretionary spending programs and substitute levels of budget authority and outlays for each of the years 1998 through 2002, and the five year totals with corresponding levels in last year's majority budget resolution.

Amendment failed by a vote of 15 to 6:

YEAS	NAYS	
Hollings	Domenici	* Boxer
Sarbanes	Grassley	
Wyden	Nickles	
Feingold	Gramm	
Johnson	Bond	
Durbin	Gorton	
	Gregg	
	Snowe	
	Abraham	
	Frist	
	Grams	
	Smith	
	Lautenberg	
	Conrad	
	Murray	

(4) Feingold sense of the Senate requesting Department of Defense to transmit to Congress information pertaining to plans to carry out three new tactical fighter aircraft programs concurrently.

Amendment adopted by voice vote.

(5) Bond-Durbin sense of the Senate that resources available in the budget resolution be set aside for an immediate 100 percent deductibility of health insurance costs for self-employed.

Amendment adopted by voice vote.

(6) Murray sense of the Senate that in order to meet deficit reduction targets in this resolution with respect to Medicaid the per capita cap should not be used as a method for meeting spending targets.

Amendment adopted by voice vote.

(7) Murray sense of the Senate that levels provided in function 500 through the appropriations process should be adequate to ensure sufficient resources are available for teacher training technology.

Amendment failed by a vote of 11 to 10:

YEAS	NAYS	
Snowe	Domenici	* Boxer
Lautenberg	Grassley	
Hollings	Nickles	
Conrad	Gramm	
Sarbanes	Bond	
Murray	Gorton	
Wyden	Gregg	
Feingold	Abraham	
Johnson	Frist	
Durbin	Grams	
	Smith	

(8) Murray sense of the Senate that levels provided in function 500 through the appropriations process should be adequate to ensure resources are available to provide appropriate services in early child development and parenting education.

Amendment failed by a vote of 11 to 10:

YEAS	NAYS	
Bond	Domenici	* Boxer
Snowe	Grassley	
Hollings	Nickles	
Conrad	Gramm	
Sarbanes	Gorton	
Murray	Gregg	
Wyden	Abraham	
Feingold	Frist	
Johnson	Grams	
Durbin	Smith	
	Lautenberg	

(9) Snowe sense of the Senate that if the actual deficit is lower than the projected deficit in any given year, the added savings be devoted to further deficit reduction.

Amendment adopted by voice vote.

(10) Grams-Conrad-Grassley-Gorton-Smith-and the other sense of the Senate advising the Finance Committee to consider fairness in Medicare.

Amendment adopted by voice vote.

(11) Durbin-Gorton sense of the Senate regarding assistance to Lithuania and Latvia.

Amendment adopted by voice vote.

(12) Smith sense of the Senate regarding establishment of a national commission to study and make specific recommendations regarding effects on the cost of higher education.

Amendment adopted by voice vote.

(13) Nickles sense of the Senate that the President should propose and the Congress should enact programmatic changes sufficient to eliminate fraud and error in the Earned Income Credit and to encourage work over welfare.

Amendment adopted by voice vote.

(14) Nickles sense of the Senate to ensure all savings from Medicare reform are used to keep the Medicare program solvent.

Amendment adopted by voice vote.

(15) Motion to report the resolution as amended.

Motion adopted by a vote of 17 to 4:

YEAS	NAYS	
Domenici	Gramm	* Boxer
Grassley	Grams	
Nickles	Hollings	
Bond	Sarbanes	
Gorton		
Gregg		
Snowe		
Abraham		
Frist		
Smith		
Lautenberg		
Conrad		
Murray		
Wyden		
Feingold		
Johnson		
Durbin		

* By unanimous consent the committee record was held open to permit the Senator to vote, so long as it would not change the outcome. The Senator had not been recorded prior to completion of the committee print.

IX. Additional, Minority, and Supplemental Views

ADDITIONAL VIEWS OF SENATOR SPENCER ABRAHAM

Let me begin by praising Senator Domenici and the other negotiators for their hard work and diligence. They have worked for almost four months to put this resolution together and end the eighteen-month stalemate between the President and Congress over spending and taxes. Given these circumstances, I believe this agreement is a step in the right direction and I look forward to seeing many of its provisions enacted into law. On the other hand, while I intend to support this budget resolution as a whole, I want to express reservations regarding some of its specifics.

First, I consider this resolution to be just a down-payment—not a solution—to the entitlement reforms that will be necessary to ensure the federal government's solvency going into the next century. As we all know, the Baby Boom generation will soon begin to retire, which will place enormous pressure on our federal entitlement programs. According to the CBO, "* * * outlays for government programs that aid the elderly (Social Security, Medicare, and Medicaid) will burgeon as the number of people eligible to receive benefits from these programs shoots up."

Medicare is the first program to experience this program and this resolution allows for important reforms to extend its solvency. That said, I believe these reforms neither go far enough nor call for the kinds of fundamental changes that will help Medicare stay solvent past the ten years targeted by this resolution. I encourage the Finance Committee to embrace reforms like MSA's, Medicare Choice, HMO's and PPO's as options that will increase patient options even as they hold down costs.

I am also concerned that Congress' historical bias towards ever-increasing spending is once again on display. While Senator Domenici and others have worked hard to reject the myriad of new spending proposals requested by the administration, the bottom line is five-year spending under this resolution will increase by 17 percent between today and 2002. That increase is faster than the rate of inflation, and well above the growth rates encompassed in the past two budget resolutions.

By creating new federal entitlements, this resolution opens the door for huge, unexpected spending increases down the road. I applaud efforts to improve the health of this nation's children, but I believe the provision to make such funding mandatory is counterproductive to our efforts to restrain the growth of government spending. For that reason, I support efforts to make this funding discretionary.

Finally, I am concerned that the tax cuts called for in this resolution are so modest, especially in comparison to the spending increases included. In particular, I am concerned that, where, according to a USA Today poll from this March, 70 percent of the American people believe that they need a tax cut, under this resolution, federal spending will grow 17 percent over five years while the net tax cuts are less than 1 percent of the total tax burden. Balancing the budget is one of my top priorities, but reducing the burden of government on Americans is my ultimate goal.

Why do Americans need a tax cut? According to the President's own economist, the tax burden on Americans is the highest ever—31.7 percent. According to the National Taxpayer Union, the average American family now pays almost 40 percent of their income in state, local, and federal taxes. For all the talk about the "end of big government," the tax burden today is the highest ever. And while we address that burden in a small, incremental way with this budget resolution, we are also creating the possibility for evermore spending later on.

I believe we need to tilt the playing field away from more spending and towards tax reduction. Towards that end, I have in mind two process reforms. First, to the extent that we enact capital gains reductions and other pro-grow policies this year, I believe we should reserve whatever excess revenues derive from those policies for future tax cuts or deficit reduction—not more spending.

This is not an idle proposition—history shows that pro-growth tax cuts like cutting the capital gains tax rate result in large bonuses for the Treasury. Between 1978 and 1985, while the top marginal rate on capital gains was cut almost in half—from 35 to 20 percent—total annual federal receipts from the tax almost tripled. They rose from $26.5 billion annually.

Conversely, when Congress raised the rate in 1986, revenues actually fell well below what was anticipated. Capital gains revenues actually fell following the Tax Reform Act of 1986. Economists across-the-board predict that cutting the capital gains rate will result in a revenue windfall for the Treasury. These windfalls should be given back to the taxpayers.

In pursuit of that goal, I intend to introduce, with a number of my colleagues (Senator Kyl, Ashcroft), legislation is to ensure that tax revenues which exceed current projections are reserved for tax cuts and/or deficit reduction instead of being spent.

Second, we need to reform the budget rules to allow discretionary spending to offset tax cuts. Congress has a natural bias towards more spending—the rules protecting discretionary spending from offsetting tax cuts only exacerbate that bias. I intend to offer legislation to permit future tax cuts to be paid for through discretionary spending cuts.

Two years ago, a Readers Digest Poll asked Americans: "What is the highest percentage of income that is fair for a family of four making $200,000 to pay in all taxes?" The median response, regardless of whether the respondent was rich or poor, black or white, was 25 percent.

A similar Grassroots Research poll last March discovered that a majority of Americans would favor a constitutional amendment that would prohibit federal, state, and local taxes from taking "a combined total of more than 25 percent of anyone's income in taxes."

Yet, the Tax Foundation tells us that a dual-income family today pays an average 38.4 percent of their income in taxes to state, local, and federal governments. This budget starts us down the long road towards reducing the tax burden on American families—but it is just the beginning. I intend to continue that fight.

SPENCER ABRAHAM.

ADDITIONAL VIEWS OF SENATOR KENT CONRAD

The FY 1998 budget resolution reported by the Senate Budget Committee today will allow us to take another step towards reducing our nation's budget deficit. We'll try to finish the job Democrats begin in 1993 when we enacted a historic deficit reduction package without a single Republican vote—a deficit reduction package that has reduced the unified budget deficit by 77% since 1992.

I am disappointed that this deficit reduction package is not bolder. We face a demographic time bomb called the baby boom generation. The baby boomers will begin to retire around the year 2012. The deficit reduction agreement makes none of the structural changes in entitlements that will help prepare our economy for this surge of retirees.

As much as I support the deficit reduction in this package, I believe we have missed an opportunity to do something real about entitlement spending and truly balancing the budget.

1993 DEFICIT REDUCTION PACKAGE

The 1997 bipartisan agreement, which aims to balance the unified budget by 2002, is only possible because Democrats made tough choices in 1993, passing an ambitious deficit reduction package. In August 1993, a Democratic Congress and a Democratic White House passed the Omnibus Budget Reconciliation Act of 1993, which contained $496 billion in deficit reduction over five years. And unlike other deficit reduction packages whose actual savings never matched the estimates, this package actually outperformed expectations.

The plan cut spending by about $250 billion over five years, and it raised income taxes on the wealthiest among us. Much has been said about the tax increases in the 1993 deficit reduction bill. In my view, the tax increases in the bill were fair. Only the top 1.2% of taxpayers, faced an income tax rate increase as a result of the 1993 deficit reduction bill. but 15 million working families received a tax cut, because of the earned income tax credit provisions which were included in that legislation. In addition, small businesses were eligible for the tax relief provided in that bill.

The economic dividends of the 1993 deficit reduction package become clearer with each passing year. The unified budget deficit has declined from an all-time high of $290 billion in 1992 to an estimated $67 billion in 1997, a decline of 77%. The deficit as a percent of GDP has declined from 4.7% to an estimated 0.9% of GDP in 1997.

The 1993 deficit reduction plan took pressure off of interest rates, leading to huge increases in business investment and four years of sustained economic growth. Real business investment has increased at a 9% annual rate over the last four years, and the

Commerce Department recently announced that the economy surged at a rate of 5.6% in the first quarter of 1997.

Inflation and unemployment are down. Inflation, at only 2.5%, is at its slowest pace in 31 years. The economy has created 12 million new jobs since President Clinton took office, more than 93% of which are in the private sector. In April 1997 the unemployment rate declined to 4.9%, its lowest level since 1973. The unemployment rate has been below 6% for 32 consecutive months. Income inequality has been reduced, and the poverty rate declined from 15.1% in 1993 to 13.8% in 1995, the largest drop in nearly 30 years.

The 1993 deficit reduction package passed without a single Republican vote. In fact, many on the other side said it would increase the deficit, increase unemployment, and crater the economy. They were wrong.

According to the Office of Management and Budget, the 1993 deficit reduction bill and the outstanding economic growth we have experienced since 1993 have lowered deficit projections by more than $2 trillion over the period 1994–2002. This deficit package, in comparison, will reduce the deficit by about $200 B through the year 2002, about one-tenth the size of that package.

1997 BIPARTISAN BUDGET AGREEMENT

This bipartisan budget deal does not balance without counting Social Security surpluses. In the year of unified balance, 2002, the real deficit will be $109 billion. That is the deficit which will appear in the resolution, because the Budget Enforcement Act mandates that Congress not count Social Security spending and revenues in its calculation of the deficit.

I am also concerned that this bipartisan budget deal increases the deficit for the next three years, in nominal dollars and as a percentage of GDP. The unified deficit in 1997 will be $67 billion, or just 0.9% of GDP. The deficit will be higher than these levels for the next three years.

The 1997 deficit reduction agreement represents a missed opportunity for serious entitlement reform and dealing with our long term fiscal imbalances. Right now the economy is booming. This is exactly the right time to consider structural changes in entitlements, which would begin to prepare our nation for the retirement of the baby boom generation in 1012. More serious spending reductions would also help to lower interest rates.

Perhaps of most concern to me, budget negotiators failed to take a tough stand on the upward bias that currently exists in the Consumer Price Index. There is overwhelming evidence that the Consumer Price Index, currently used to adjust tax brackets and various spending programs for inflation, overstates the actual change in the cost-of-living in the United States. The Finance Committee's Advisory Commission on the CPI estimated that the CPI overstates the cost of living in the United States by 1.1% per year. This deficit package should have corrected this *mistake* which will add nearly $1 trillion to our national debt over the next 12 years.

Some of the economic assumptions in this plan are highly suspect. CBO's last minute revenue adjustment of $45 billion per year may be credible for the years 1997 and 1998. Its credibility for the period 1999–2007 is unclear. In addition, the balanced budget fiscal dividend assumes lower interest rates will result from balancing the budget with a credible deficit reduction plan and path. The real debate with regard to the Federal Reserve's interest rate policy right now is whether the Fed will raise, not lower, interest rates in the next few months, particularly since this deficit reduction plan contains dramatically less savings than other proposals offered this year. It contains less than $200 billion of net policy savings over the next five years, and its savings are heavily back loaded.

Despite these shortcomings, the 1997 budget deal does contain many good policies. It protects discretionary investments for programs like education and transportation. These infrastructure investments will benefit the economy and pay off many times over in the future.

The plan expands health insurance for uninsured children and helps people move from welfare to work, while treating immigrants fairly.

The plan also preserves the solvency of the Medicare Part A trust fund through the year 2007, and protects Medicaid, which provides health insurance for low income individuals.

Finally, the plan provides for targeted tax relief to working Americans. The education tax cuts in this package will help provide educational opportunity, and reform of the estate tax, which has been unchanged for ten years, will help farm families keep their businesses.

CONCLUSION

Ultimately, each of us must decide if this plan is worthy of support. In deciding how to vote on this package, a key question for me was whether passage of this package was better policy than doing nothing at all. I believe it is a fairly close call.

I have decided to support this package because it contains about $200 billion of net deficit reduction. From 1998 on, the deficit declines steadily as a percent of GDP. In addition, debt subject to limit as a percent of GDP also declines, from about 68% in 1998 to 65% by 2002.

The plan extends Medicare solvency for ten years, and five million children will receive health care coverage. Discretionary investments in education and transportation are significantly increased. Important food stamp provisions I have worked on for two years are included in this package. Finally, the domestic spending levels are realistic, and the plan contains targeted tax relief for working families and farmers.

Even though I favor more ambitious deficit reduction measures, I view this agreement as a modest step in the right direction. I will support this budget package and will work to improve it throughout the budget process this year.

KENT CONRAD.

MINORITY VIEWS OF SENATOR ROD GRAMS

I reluctantly oppose the FY 1998 Budget Resolution for the following reasons:

First, this budget fails to shrink the size and scope of government and return money—and the power those dollars represent—to the taxpayers. In fact, it does just the opposite. It increases the size of government by giving President Clinton even more money than he originally requested for his budget. The President said "the era of big government is over," but if this budget plan is implemented, reality will not match the rhetoric the American people hear in Washington.

The total discretionary spending for the next year under this budget resolution will be $6.3 billion more than the President's budget request. Compared to the budget resolution this Committee passed last year, this budget plan has significantly increased discretionary spending. In the fiscal year 1998 alone, discretionary spending will be $26 billion higher than last year's budget, while the total discretionary spending for the next five years will be nearly $190 billion higher than last year's budget.

The following are comparisons on discretionary spending:

[In billions of dollars]

	1998	1999	2000	2001	2002
FY98 Budget Res.	553.3	559.3	564.3	564.4	561
FY98 Pres. budget	547	558	564	561	567
Difference	+6.3	+1.3	+0.3	+3.4	−6
FY98 Budget Res.	553.3	559.3	564.3	564.4	561
FY97 Budget Res.	527	526	526	518	516
Difference	+26.3	+33.3	+38.3	+46.4	+45

In addition, nondefense discretionary spending under this budget will at least increase by $72 billion above the freeze baseline in the next five years.

Second, this budget resolution does not balance the budget with steady deficit reductions each year. It only achieves balance on paper through the use of rosy economic scenarios rather than through eliminating wasteful programs and addressing long-term solvency of entitlement programs.

This budget uses an uncapped inflated baseline to achieve balance. But as everyone knows, we can't write a household budget with inflated numbers or unrealistic assumptions—and we shouldn't write a federal budget that way either.

A responsible budget plan must reach balance through steadily declining deficits each year; in other words, the deficit must be lower each year than the preceding one. This five-year budget agreement, under its own projections, does just the opposite; it actually increases the deficit by $23 billion for each of the first two years, then projects enough of a reduction in the years 2000–02 to reach balance.

In other words, they are claiming to balance the budget by immediately increasing the deficit by at least $23 billion and then finding the savings to eliminate the deficit in the following years. Like Clinton's budget, the deficit reduction in this budget resolution is heavily backloaded. Most of the deficit reduction will not occur until after President Clinton leaves the White House. In my view, this policy doesn't make sense. It's just another example of the budget tomfoolery going on in Washington.

This budget plan spends all the $225 billion of the CBO's revenue windfall instead of using it for deficit reduction, payment of national debt, or tax relief. In addition, there is no guarantee that the new revenue receipts are real. It is merely an assumption that robust growth will continue.

[In billions of dollars]

	1997	1998	1999	2000	2001	2002
Resulting Deficit	−67	−90	−90	−83	−53	1

A good budget plan should be based on real numbers and not the inflated budget estimates that have been used in the past to justify more spending and higher taxes. This budget agreement, however, continues to use the inflated budget estimates of the past to mask the spending increases it contains. I cannot support a budget that uses such gimmicks simply to make the numbers add up on paper.

We adopted a policy of zero baseline budgeting two years ago, and in fact, this Committee has produced two balanced budgets by using the freeze baseline. It appears to me that the FY 98 budget resolution has abandoned this policy of honest accounting by reverting to the inflated baseline budgeting. In my view, this is a shift in the wrong direction.

Returning to the inflated baseline not only breaks our promise to the American people, but also ensures that big government lives on by avoiding the hard choices to eliminate wasteful programs and addressing our long-term fiscal imbalances.

Another point I want to make is that this budget plan significantly exceeds the statutory spending caps. In the 1990 budget deal, the President and the Congress agreed to cut the federal deficit and restrain spending. The 1990 Budget Enforcement Act set caps on total discretionary spending through FY 1995.

President Clinton increased the spending caps and extended them through FY 1998 in the Omnibus Budget Reconciliation Act of 1993. In 1994, Senators Exon and Grassley passed an amendment to lower the statutory caps.

The statutory general purpose limits as adjusted for FY 98 are $541 billion in outlays while the total discretionary spending in the FY98 budget is $553 billion in outlays. This means the FY 98 budget resolution significantly exceeds the statutory adjusted cap by at least $12 billion in outlays.

My concern is if each time we decide we can't live with the statutory spending caps set by ourselves and reach a new agreement to raise them, how can we convince the American people that we will be bound by the new caps this time?

I believe we must be honest with the American people. We must use zero baseline budgeting as we promised, so that we can rebuild the American people's confidence in the government and make Congress accountable to the hard-earned taxpayers' money.

Third, tax cuts are vanishing under this budget. This budget resolution fails to provide meaningful, broad-based tax relief to working families. Although tax cuts are promised, no actual tax policies are specified under this budget. I have been a firm supporter of meaningful, broad-based tax relief for working families as represented by the $500 per child tax credit I introduced in the Senate. And rhetorically, everyone from my colleagues in Congress to the President has joined me in calling for such tax relief. But once again, a closer look at this budget agreement reveals that reality has not matched the rhetoric.

Under the budget agreement, $135 billion has been set aside for tax relief. Subtract from that the $50 billion that will be raised through the airline ticket tax and other tax increases and that leaves a mere $85 billion. Subtract from that the $35 billion promised to the President for his targeted college tax deduction and that leaves $50 billion, a far cry from the money which should be returned to the taxpayers, not spent on new programs.

Even if all $50 billion were to be allocated for the $500 per child tax credit, at best, it would still not cover half of the children 18 years and younger who would be eligible for the tax credit I introduced. And that doesn't even account for the fact that the $50 billion will be a major battleground for other tax cuts, including estate tax, capital gains tax, education tax credit, IRAs, home sales tax credit, the welfare-to-work tax credit, the Administration's EZ/EC proposal, Brownfields legislation, FSC software, tax incentives for DC and a number of other pending congressional tax proposals. In other words, working families will be squeezed out again and that's something I cannot support. Many of these tax proposals should be adopted, but the $50 billion hardly makes a dent in the overall need for tax relief.

Fourth, about $34 billion new White House spending over the President's budget request is also included in this budget. These new initiatives will erase all of the savings achieved in last year's welfare reform legislation. There is no commitment or effort to eliminate any wasteful programs in exchange.

In addition, there are many last minute add-ons which include: $700 million for federal land acquisitions; $1 billion for environmental reserve; $1.5 billion for low-income Medicare beneficiaries to erase the impact of premiums increase; $1.5 billion for nutrition assistance; and $3 billion for welfare to work and others. I don't think we should include these new spending items at all. If some of these new programs have merits, they should be authorized and appropriated through open hearings and the normal committee process.

Fifth, the Medicare proposal with $115 billion savings in the budget is a short-term fix. There is no fundamental reform to improve Medicare and assure its viability for future generations. More importantly, the Medicare deal includes a home health care accounting change (Part A to B) that will simply shuffle home health care spending out of Medicare Part A into Part B which will be paid for mostly out of the general fund. In addition, price controls included in the plan would lead to worse care for Medicare recipients. No sound policies are adopted under this budget to encourage private competition and give more choice for Medicare recipients.

The Medicaid savings are down from the $72 billion passed in the FY97 budget resolution to $13. The net savings could be even less. The total mandatory spending on Medicare and Medicaid under this budget resolution will be even higher than what President has requested.

I have always said that I would support a budget plan that meets three specific criteria:

(1) It must shrink the size and scope of government and return money—and the power those dollars represent—to the taxpayers;

(2) It must balance the budget by the year 2002 with steadily declining deficits each year, through eliminating wasteful programs and addressing long-term fiscal imbalances, and not through the use of rosy economic scenarios; and

(3) It must provide meaningful, broad-based tax relief to working families.

Clearly, this budget has failed to meet these criteria. In sum, this budget resolution is a small step forward but two giant steps backward. I believe this budget agreement is not in the best interest of working Americans, I therefore will not support it.

ROD GRAMS.

DISSENTING VIEWS OF SENATOR PAUL S. SARBANES

In 1993, in order to reduce the deficit the Congress by a narrow margin enacted a budget resolution curtailing programs and increasing taxes—taxes that primarily impact on those at the upper end of the income scale. This combination of spending restraint and revenue increases represents a logical way of dealing with the deficit issue.

It has worked in a most impressive way. A flourishing economy has brought unemployment below 5% for the first time in 24 years. Inflation is at a 31 year low. As a consequence the deficit declined on a steady basis from $290 billion in fiscal 1992, to $255 billion in fiscal 1993, to $203 billion in fiscal 1994, to $164 billion in fiscal 1995, to $107 billion in the last fiscal year, and is expected to be $70 billion or less for the current fiscal year. From $290 billion to $70 billion since 1992. As a percent of GDP, the deficit has declined from 4.9% to, it is anticipated, less than 1% for the current year, the lowest percentage since 1974. By way of comparison, the Maastricht Agreement of the European Community which established what are regarded as tough requirements for the member nations has as its goal—deficits as a percent of GDP of below 3%.

Thus, we have had a most impressive deficit reduction performance. Given this, one would think the wise policy would be to stay the course and finish the job.

Instead, this budget resolution combines spending restraint with tax cuts. Obviously spending restraint, as in 1993, works in the direction of deficit reduction. But tax cuts work against deficit reduction and the tax cuts contained in this budget agreement will grow over time in a way that may well jeopardize the goal of reaching and staying in budget balance.

The capital gains, inheritance, and IRA tax cuts all carry with them the potential for substantial increases in future years. In fact the budget agreement recognizes such a trend line by providing $85 billion net tax cuts in the first five years (1998–2002), and almost double that, $165 net cut, in the next five years (2003–2007). No agreements were made as to the following decade, but given that the tax cuts are put at $42 billion in the tenth year of this program (increasing at the rate of $5 billion a year in the last three years) one can anticipate tax cuts in the vicinity of $500 billion or more, over half-a-trillion, in the following decade (2008–2017).

Is it not imprudent, indeed irresponsible, to commit to such tax cuts before we have actually achieved budget balance and have a more accurate and realistic view of whether it can be sustained? I believe the tax reduction side of the budget agreement carries with it the potential of undermining the deficit reduction effort.

Furthermore, the combination of program curtailment on the one hand and tax reduction on the other represents an inequitable allocation of the burden of deficit reduction. The program reductions will primarily impact ordinary working people—the tax reductions will primarily benefit those at the top end of the income and wealth scale. Consider that 75% of the benefits of a capital gains tax cut can be expected to go to those making over $100,000 a year, the top 5% of the population. The inheritance tax cut would benefit an even smaller percentage of the population.

Thus, this resolution imposes further burdens on working people through program reductions—domestic discretionary programs will be 10% below the current services level (adjusted for inflation) in the year 2002. At the same time substantial tax reductions will be given to those at the apex of the income and wealth pyramid. This is not fair and equitable.

A budget agreement should undertake equitable and lasting long-term deficit reduction. Unfortunately this resolution embodies neither of these attributes and therefore I do not support it.

PAUL S. SARBANES.