

Calendar No. 330

105TH CONGRESS }
2d Session

SENATE

{ REPORT
105-170

CONCURRENT RESOLUTION ON THE BUDGET

FY 1999

R E P O R T

OF THE

COMMITTEE ON THE BUDGET
UNITED STATES SENATE

TO ACCOMPANY

S. Con. Res. 86

together with

ADDITIONAL AND MINORITY VIEWS



Setting forth the congressional budget for the United States Government
for fiscal years 1999, 2000, 2001, 2002, and 2003 and revising the con-
current resolution on the budget for fiscal year 1998

MARCH 20, 1998.—Ordered to be printed

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MARCH 20, 1998.—Ordered to be printed

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

REPORT

together with

ADDITIONAL AND MINORITY VIEWS

[To accompany S. Con. Res. 86]

I. INTRODUCTION AND OVERVIEW

THE CONCURRENT RESOLUTION ON THE BUDGET: FISCAL YEAR 1999

“The Balanced Budget, Medicare and Social Security Preservation Resolution”

The Committee-reported resolution abides by the Balanced Budget Act of 1997 reached eleven months ago between the Administration and the Congress. The resolution balances the unified federal budget in 1999 and maintains balance thereafter.

The *unified federal budget surplus* is estimated to be \$8 billion in 1999; \$1 billion in 2000; \$13 billion in 2001; \$67 billion in 2002; and \$59 billion in 2003. Cumulative surpluses total \$148.6 billion over the next five years.

Excluding social security and other off-budget programs, the *on-budget deficit* totals \$108 billion in 1999 and decreases slightly to \$93 billion in 2003. Cumulative on-budget deficits total \$523 billion over the next five years.

The *off-budget surplus*—social security surplus—increases from \$117 billion in 1999 to \$151 billion in 2003. Cumulative off-budget surpluses total \$670 billion over the next five years.

The Committee-reported resolution would permit federal spending to increase from \$1.672 trillion in 1998 to \$1.730 trillion in

1999—a 3.5 percent annual increase. Reflecting the underlying CBO economic projections of continued economic growth, the Committee-reported resolution assumes federal revenues will increase from \$1.680 trillion in 1998 to \$1.739 trillion in 1999—a 3.5 percent annual increase.

The Committee-reported resolution abides by the discretionary spending caps established in the Balanced Budget Act (BBA) of 1997.

Discretionary spending for National Defense (050) is set at the BBA spending cap level for 1999: \$271.6 billion in BA and \$266.6 billion in outlays. BBA levels are assumed for 2000–2002 and growth for inflation in 2003.

The Committee-reported resolution does not assume a continuation of the spending firewalls between defense and nondefense discretionary beyond their statutory requirement in 1999.

The Committee-reported resolution assumes discretionary spending for nondefense functions set at the BBA spending cap level: \$261.3 billion in BA and \$294.6 billion in outlays. Total discretionary spending is set at spending cap levels for 2000–2002 and growth for inflation allowed in 2003.

The Violent Crime Reduction Trust Fund (VCRTF) is fully funded at authorized levels within the discretionary spending caps—\$5.8 billion in budget authority for 1999.

Protected functions from the BBA are funded at levels assumed in that agreement, with adjustments for Transportation (described below). Protected functions include: (1) International Affairs, (2) Natural Resources and Environment, (3) Education, Training, Employment, and Social Services, and (4) Administration of Justice.

Similar to the President’s budget, the Committee-reported resolution assumes the allocation of \$1.8 billion in 1999 and similar amounts for years beyond 1999 for unexpected emergency spending that could be accommodated within the statutory spending caps.

Funding for highways and mass transit has been increased beyond levels agreed to in the BBA—\$25.9 billion in contract authority for highways, \$18.5 billion outlays for highways, and \$5.0 billion BA for mass transit—would be offset with reductions in direct spending programs allocated to the Appropriations Committee to fund these commitments.

Identified, specified, and reserved mandatory spending reductions are allocated to the Appropriations Committee to offset \$18.5 billion in outlays for highways and \$5.0 billion in BA for mass transit over the next five years.

Identified mandatory offsets include: (1) repeal of VA General Counsel decision to classify smoking-related illnesses as “service-connected disabilities,” as proposed by the President—\$10.5 billion, (2) Medicaid administrative cost reforms, as proposed by the President—\$1.9 billion, (3) reduction in social services block grants as proposed by the President—\$3.1 billion, (4) terminate Federal Crop Insurance for tobacco producers, cap mandatory computer CCC costs, and end CCC Market Access Program—\$0.6 billion, (5) Food stamp administrative cost reforms as proposed by the President—\$1.7 billion, (6) Ginnie Mae premium fee increase of 3 basis points—\$0.2 billion, and (7) Alternative proposals in FHA insur-

ance programs with savings ranging from \$1.1 billion to \$1.3 billion over the next five years.

The Committee-reported resolution, includes additional discretionary spending increases assumed funded within spending caps as follows: (1) National Institutes of Health—\$15.5 billion BA and \$11.2 billion in outlays, (2) Teen Smoking Cessation programs—\$825 million BA and \$623 million outlays, (3) IDEA education programs—\$2.5 billion in BA and \$1.9 billion in outlays, (4) additional funding for Child Care Block Grant—\$5.0 billion in BA, (5) 2000 Census—\$1.4 billion in BA and outlays, (6) Berlin and Beijing embassies—\$0.5 billion in BA and outlays.

The Committee-reported resolution would fund the President's requested levels for: (1) Export-Import Bank, (2) Antiterrorism, non-proliferation, (3) National Science Foundation, (4) National Parks operations expenses, and (5) Bureau of the Census. The Committee-reported resolution rejects the President's significant reductions in the Corps of Engineer's construction programs and establishes a mechanism for funding the Endangered Species Act now being considered in the Senate.

The Committee-reported resolution identifies possible tax reductions totaling more than \$30 billion over the next five years from: (1) extension of the R&E tax credit, (2) extension of the Generalized System of Preferences (GSP), (3) IRS reform, (4) technical adjustments to the Taxpayer Relief Act of 1997 to simplify identified complexities, (5) reform of the marriage penalty, and (6) child care tax relief. These or any additional tax reductions could be accommodated within the Committee-reported resolution levels if offset with revenue raisers and/or mandatory spending reductions not already reserved for the Appropriations Committee to offset transportation funding.

The Committee-reported resolution contains several language provisions. Some of these that will facilitate enforcement of its budgetary goals including the following:

A "tobacco reserve fund" is established to reserve any such receipts from possible tobacco legislation in the 105th Congress to the Medicare Part A Trust Fund.

Language in the resolution, as in past resolutions, would establish a tax cut reserve fund.

Language consistent with 1998 Budget Resolution relating to the treatment of Superfund reform legislation, receipts, and spending.

The Committee-reported resolution also includes Sense of Congress language concerning reserving unified budget surpluses for social security reforms.

A BUDGET RESOLUTION: WHAT IS IT?

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

Nevertheless, a budget resolution can require congressional action leading to changes in substantive law that require Presidential approval. Conversely, substantive law can affect the construction of a budget resolution. For example, substantive law changes enacted last year specify parameters that the Committee must follow in the 1999 Budget Resolution. The resolution is enforceable on Congress and it penalizes committees that violate its guidelines. A budget resolution is not a line-item detail document, but conversely line-item *assumptions* are often required to construct the resolutions' aggregate numbers.

The concurrent resolution on the budget for 1999

Title III of the Congressional Budget Act of 1974 requires the Congress to complete action on a concurrent resolution on or before April 15 of each calendar year for the fiscal year that begins on October 1. Unlike recent past budget resolutions, the 1999 Budget Resolution should represent a continuum in carrying out the Bipartisan Budget Agreement announced by President Clinton and the Congressional leadership eleven months ago on May 7, 1997.

That continuum includes the Senate Budget Committee's reporting on May 19, 1997, by a vote of 17–4, a 1998 Budget Resolution implementing the BBA, ultimately leading to the enactment of the Balanced Budget Act of 1997 and the Taxpayer Relief Act of 1997 on August 5, 1997, and thirteen individual appropriation bills.

The Balanced Budget Act (BBA) of 1997 extended discretionary spending limits and pay-as-you-go through 2002. These procedures were first enacted in the 1990 Budget Enforcement Act. As the Congress goes on to consider and adopt the 1999 Budget Resolution and subsequent spending bills—unlike previous years—fiscal guideposts for discretionary spending have already been established for the Administration and Congress. Revisions to those guideposts usually require changes to substantive law, and therefore, agreed on changes to the historic agreement reached last year.

The President's 1999 budget submitted to Congress in February, as reestimated by the Congressional Budget Office, was found to have violated the BBA by proposing to spend nearly \$12 billion over the agreed on spending caps in 1999, and nearly \$68 billion more than was agreed to over the period through 2002. Law binds the Senate Budget Committee, however, not to report a budget resolution that exceeds the spending limits established in last year's agreement.

This section provides a brief, but broad historical perspective of the federal budget—deficits/surpluses, spending, entitlements, and revenues by major components. Deficits and surpluses are presented within the framework of a unified federal budget.¹ Highlights of the Committee-reported resolution come after the historical review.

A critical component required to construct any budget resolution are the underlying economic assumptions used over the fiscal horizon of the resolution. Included in this section is a description of the

¹The Committee's resolution, like past reported budget resolutions, complies with the Budget Enforcement Act, Subtitle C, Social Security, Section 13301, which requires the exclusion of receipts and disbursements of the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund from the budget totals.

current economic assumptions used to construct and develop the baseline spending and revenue paths. A description of the baseline used for the 1999 Budget Resolution follows.

A brief on the Federal budget

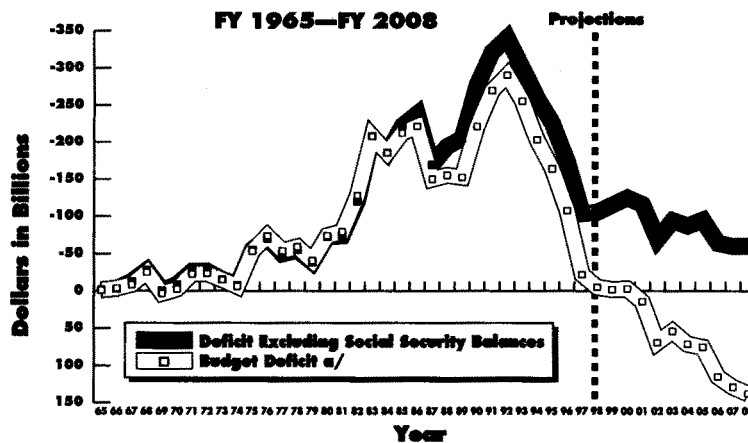
The federal budget is: (1) a plan for how the federal government disburses and allocates taxpayers' dollars among various competing public functions, (2) a plan for how the federal government collects revenues, (3) a plan for how the federal government will finance any deficit spending by borrowing from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

Chart 1 that follows presents the history and the current CBO baseline projection of the federal deficit through early in the next century. After reaching a peak of \$290 billion in 1992 (4.7 percent of GDP), the unified budget deficit has declined to where the CBO now projects a slight surplus in the current fiscal year of nearly \$8 billion. Current laws and policies left unchanged, and real economic growth averaging 2.2 percent annually, the unified budget surplus is projected to grow to \$67 billion by 2002 (0.7 percent of GDP) and nearly \$138 billion by 2008 (1.1 percent of GDP).

The on-budget deficit excludes spending and revenues of the two Social Security trust funds and the net transactions of the Postal Service. The on-budget deficit remains largely unchanged throughout the period—\$92 billion in 1998 (1.1 percent of GDP), increasing to \$117 billion in 2001 (1.2 percent of GDP), and then declining to \$60 billion by 2008 (0.5 percent of GDP).

Chart 1

Total Budget Deficit and Deficit Excluding Social Security Balances

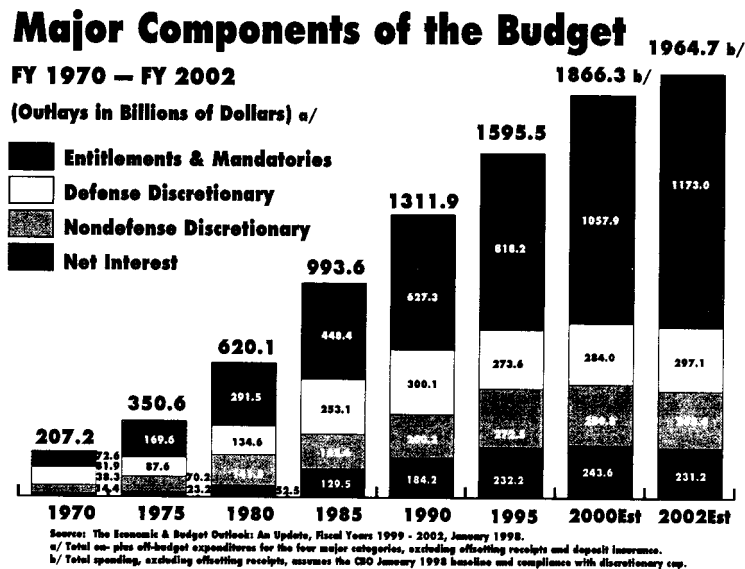


The federal budget consists of more than 1,060 spending accounts that fund an estimated 113,000 programs, projects, and activities. The federal budget and a Congressional budget resolution collapse these accounts into twenty budget functions. The bulk of this report describes each of these areas, with further clarification between those programs subject to annual appropriations and those defined as mandatory spending—not controlled by annual appropriations.

A further simplification of federal spending is depicted in Chart 2. This chart categorizes all federal spending (outlays) into four major components: (1) entitlements and mandatories, (2) defense discretionary, (3) nondefense discretionary, and (4) net interest on our public debt. (Note: Offsetting receipts are excluded from this chart.) Offsetting receipts are represented in the federal accounts as negative BA and outlays. In 1997 offsetting receipts totaled nearly \$87 billion and consisted primarily of intergovernmental receipts from agencies contributions for federal workers' retirement, and Medicare premium payments.

Clearly federal spending has increased dramatically over the last twenty years and left unchanged will continue to grow into the future. Entitlement and mandatory programs which represented 35 percent of all federal spending in 1970 will exceed 56 percent in 1998. Including net interest payments on federal borrowing over the years, the percentage of the federal budget today that is either an entitlement or a mandatory payment reaches nearly 72 percent.

Chart 2



Discretionary appropriated accounts that represented 25 percent of total spending in 1970 have grown to about 33 percent in 1998. Between 1981 and 1998, all discretionary spending, both defense and nondefense, in constant dollars (adjusted for inflation) has increased less than 0.2 percent annually. Over this period, where there has been growth in nondefense spending after accounting for inflation, that growth has been targeted in a few specific areas:

An increase of 140 percent in federal crime fighting activities,

More than a 30 percent increase for space and a 75 percent increase for science programs, and

An increase of 127 percent for housing programs.

Other nondefense spending has seen significant reductions: energy programs down 67 percent, international affairs down 24 percent, commerce programs down 57 percent, and transportation funding basically flat.

Annual discretionary defense spending—in constant dollars—has declined a total of 17 percent since 1983. On the other hand, annual nondefense discretionary spending has increased 4 percent since 1983 in constant dollars.

Total entitlement and mandatory spending growth is shown in Chart 3. In 1995, 72 percent of all mandatory spending fell into three programs: Social Security, Medicare, and Medicaid. Spending

for mandatory programs as a whole has more than doubled during the past decade, rising faster than both nominal growth in the economy and the rate of inflation. These programs are expected to continue growing in the future, but growth in caseload will account for only about one-fifth of the growth. Automatic increases in benefits will account for more than one-third of the growth and increased medical service utilization nearly 40 percent.

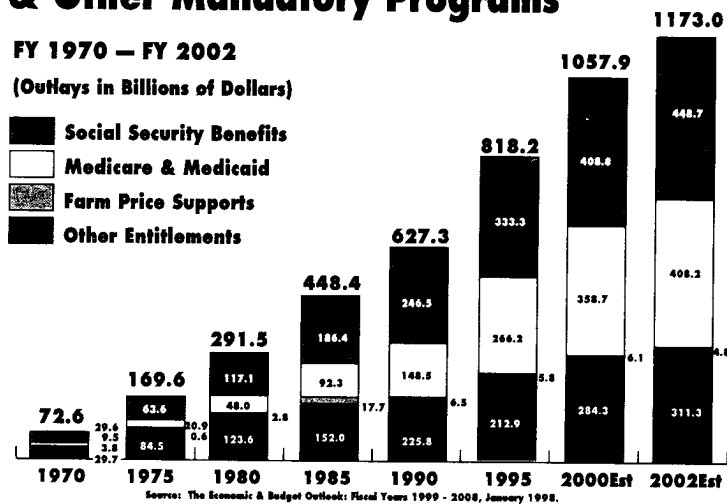
Chart 3

Major Components of the Entitlements & Other Mandatory Programs

FY 1970 – FY 2002

(Outlays in Billions of Dollars)

 Social Security Benefits
 Medicare & Medicaid
 Farm Price Supports
 Other Entitlements



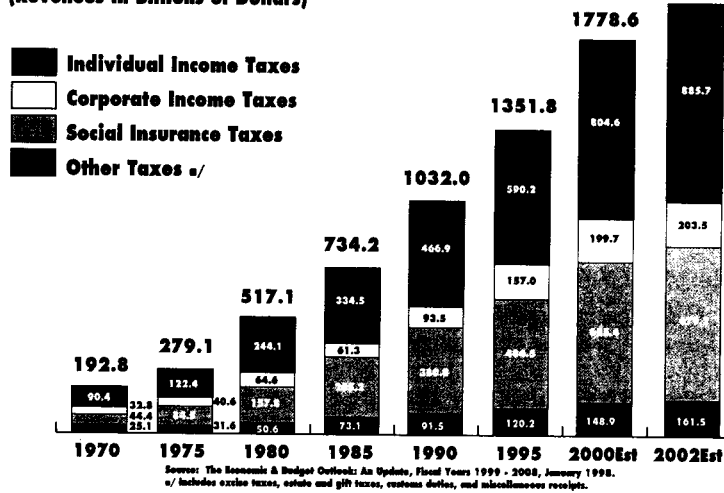
Source: The Economic & Budget Outlook: Fiscal Years 1999 - 2008, January 1998.

Finally, total federal revenues in 1998 will reach nearly \$1.7 trillion. Social insurance taxes contributed 35 percent of total revenues, up from 25 percent less than a quarter of a century ago. The share of revenues collected from individual income taxes has remained steady at nearly 45 percent over the years, while the proportion from corporate and excise taxes has declined from 25 percent in 1970 to 15 percent today.

Chart 4

Major Components of Federal Revenues

FY 1970 — FY 2002
(Revenues in Billions of Dollars)



II. ECONOMIC ASSUMPTIONS

The Committee-reported resolution baseline is built upon CBO's latest multi-year economic assumptions. CBO compiles economic forecasts for 1998 and 1999, which reflect the current state of the economy and relative position in the business cycle. CBO's out year projections are based upon longer-term trends in the economy.

COMMITTEE-REPORTED RESOLUTION ECONOMIC PROJECTIONS

[Calendar years]

	1997	1998	1999	2000	2001	2002	2003
Nominal GDP (billions)	8,081	9,461	8,818	9,195	9,605	10,046	10,529
Percent change (year over year):							
Real GDP growth	3.7	2.7	2.0	1.9	2.0	2.1	2.3
Consumer price index	2.3	2.2	2.5	2.7	2.8	2.8	2.8
GDP price deflator	2.0	2.0	2.2	2.3	2.4	2.4	2.5
Annual rate:							
Unemployment	5.0	4.8	5.1	5.4	5.6	5.8	5.9
Three-month T-bill	5.1	5.3	5.2	4.8	4.7	4.7	4.7
Ten-year T-note	6.4	6.0	6.1	6.0	5.9	5.9	5.9

Overview

The economy was exceptionally strong in 1997—real GDP grew by 3.8 percent while the unemployment rate dropped to 4.7 percent by year-end. Despite above-trend growth, inflation fell slightly from its 1996 pace. This performance is even more noteworthy, given the fact that it occurred seven years into the present expansion. The more favorable economic backdrop accounts for roughly one-third of the drop in the 1999–2003 cumulative deficit from CBO’s September 1997 baseline to their March 1998 estimate.

Looking ahead there are an unusual number of uncertainties on the horizon, most notably the fall out from the Asian financial crisis. When coupled with the maturity of the current expansion, the present economic backdrop argues for caution in preparing budget estimates. This caution is reflected in the CBO economic assumptions used to prepare the Committee-reported resolution.

Summary of CBO economic forecasts

The CBO economic forecast is similar to OMB and Blue Chip overall and is within the range of error on these forecasts.

Growth. CBO looks for the economy to slow from 1997’s torrid pace. Real growth should remain below-trend over much of the 1999–2003 budget window, induced partly by the spillover effects of the Asian crisis on U.S. net exports. CBO expects average annualized real GDP growth of 2.1 percent over the budget window.

Inflation. While inflation was very subdued in 1997, CBO believes that this is the result of a series of temporary factors—namely, lower import prices due to the strong dollar, sharp declines in computer prices and slower growth of medical costs. As these factors fade, CBO expects CPI growth to pick up over the budget window.

Both OMB and CBO assume that ongoing technical changes by the BLS will shave roughly 0.4 percentage points from CPI growth during the budget window. Largely, these adjustments were previously incorporated into the BBA baselines of last year, and continued this year.

Unemployment. In keeping with an expected period of below-trend growth, CBO looks for the unemployment rate to rise gradually over the budget window.

Revenue strength

In the last four years, revenue growth has outstripped GDP growth by more than 2 percent, boosting the ratio of federal revenues to GDP to a post-1945 record of 19.8 percent.

Revenue growth was particularly strong in 1997, with actual revenues roughly \$70 billion above both CBO’s and OMB’s January 1997 projections. According to CBO’s analysis, 85 percent of this \$70 billion was accounted for by higher than expected individual income tax receipts. The strength in 1997 individual income tax receipts likely derived from three sources: (1) stronger than expected growth in personal income due to the robust economy, (2) unusually high capital gains realizations, and (3) a rise in the effective tax rate. The latter two factors caused individual receipts to rise at twice the rate as personal income growth.

Based on continued economic strength and the likely persistence of some technical factors, both CBO and OMB largely extrapolated 1997's revenue strength into 1998 and 1999. Beyond 1999, both made at least partial extrapolation of the final 1997 outcome. CBO's and OMB's current services revenue projections are now essentially identical.

Sensitivity to economic changes

Last year's experience showed the sensitivity of the deficit to economic and technical changes. While 1997's outcome was favorable, it could just as easily have been a negative surprise. CBO notes that seeing a 2 percent swing in any one year from projections of both revenue and outlays is not uncommon. Should revenues fall short by 2 percent and outlays run ahead by the same amount, this could produce a \$60 billion increase in the deficit.

The onset of recession would have an even larger effect. CBO notes that a "typical" recession could increase the deficit by more than \$100 billion. While no one expects a near-term US recession, a further worsening of the Asian crisis could bring such fears into view.

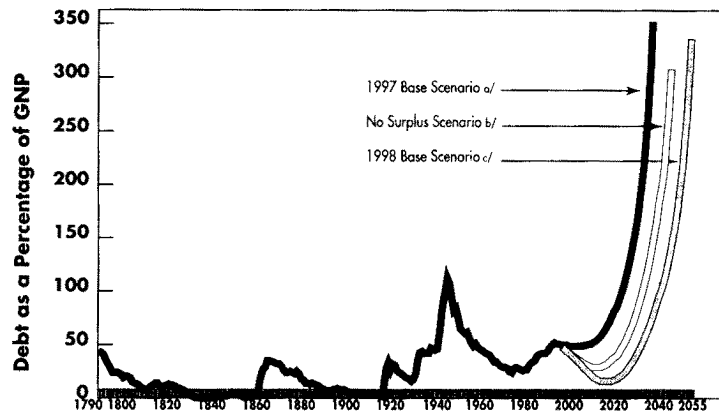
Remembering the maturity of the current economic expansion is also important. Now into its eighth year, it will be the longest peacetime expansion if it lasts until the end of 1998. If it lasts until the end of the budget window, it will be the longest expansion on record. CBO attempts to account for recession risks by having the economy operate at slightly below its level of potential GDP in the out years. Yet, should a recession hit within the five-year budget window, budget outcomes would be much worse than current estimates. This argues for cautious 1999 budgeting.

Long-term outlook

CBO's long-term fiscal analysis shows that the BBA has improved the long-term outlook. Yet, it does not prevent an eventual explosion in our debt/GNP ratio once the baby-boomers' retirement costs mount early in the next century. To solve the U.S.' long-term fiscal problems, CBO finds that the government would need to cut either spending or raise taxes by 1.6 percent of GDP permanently.

Chart 5

Projections of Debt-to-GNP Ratios



Source: Congressional Budget Office.

a/ The long-term projection that CBO made in March 1997.

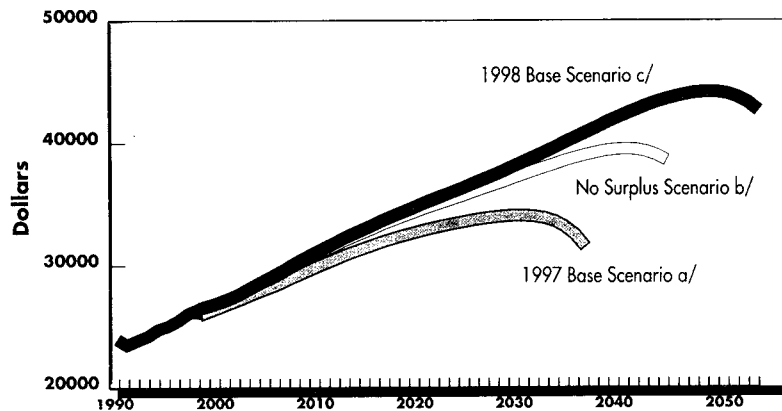
b/ A projection that assumes that the budget is balanced from 2001 to 2008.

c/ CBO's current long-term projection.

Updated in Feb., 1998

Chart 6

Real GNP per Capita



Source: Congressional Budget Office.

a/ The long-term projection that CBO made in March 1997.

b/ A projection that assumes that the budget is balanced from 2001 to 2008.

c/ CBO's current long-term projection, March 1998.

CBO's projections may well err on the optimistic side. CBO uses population projections formulated by the Social Security Administration. The Advisory Council on Social Security and many private demographers believe that median life expectancies have increased more than SSA assumes, which would worsen CBO's long-term fiscal projections. Thus, the Committee-reported resolution does not assume spending or reductions in taxes from any near-term projected surplus. Instead, the near-term reprieve in fiscal outlook is an opportunity to undertake meaningful dialogue and reform of entitlement programs like Medicare and Social Security. Only through such action, will there be a truly favorable fiscal outlook overall.

III. SPENDING AND REVENUES

BASELINE ASSUMPTIONS

The "baseline"—the starting point required to construct any budget resolution—is another important element in the development of any budget resolution. Alternative baselines can be constructed. The Budget Resolution baseline for this resolution was developed by the Committee Staff with the assistance of the Congressional Budget Office (CBO) and is called the "Freeze baseline".

The Freeze baseline is calculated in the general manner prescribed by the BEA, except that discretionary appropriated accounts are "frozen" at the 1998 enacted level and include no in-

crease for inflation. This is the same as CBO's updated February WODI (without discretionary inflation) baseline, with several adjustments to discretionary spending.

The baseline incorporates the effects of the Military Construction veto override that passed the Senate on February 25, 1998. The measure passed too late to be included in CBO's revised baseline. No assumptions have been made regarding the 1998 supplemental.

The baseline is adjusted downward to reflect discretionary funding that is outside the caps, pursuant to Section 251 of the Balanced Budget and Emergency Deficit Control Act (Gramm-Rudman) and Section 314 of the Congressional Budget Act. These adjustments include: arrearages for international organizations, peacekeeping, and multilateral development banks; continuing disability reviews (CDRs); and an IRS initiative to improve EITC compliance.

The baseline for highway and mass transit programs reflect the assumptions in last year's BBA, adjusted for congressional action, to maintain the baseline for the ISTEA Reauthorization.

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

Likewise, baseline revenue 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 following section of the report provides more information on the Committee-reported resolution for each of the 20 functional areas of the budget. Each function discussion begins with an overview of the major programs and activities funded in the function, baseline trends, and the assumptions in last year's BBA. Each section also contains a table comparing the Committee-reported resolution with last year's BBA assumptions and the Freeze Baseline. The BBA assumptions were constructed by taking the BBA discretionary spending levels, including levels for protected functions, and CBO's most recent estimates for mandatory spending and revenues. This is basically last year's 1998 Budget Resolution (which incorporated the BBA) updated for legislation, economics, and technical revisions. Highlights from the reported resolution follow the comparison table.

For all data in the functional sections, please note the following:

All years are fiscal years unless otherwise noted.

Details may not add to totals due to rounding.

An asterisk (*) indicates less than \$50 million.

A. SPENDING BY FUNCTION

Function 050: NATIONAL DEFENSE

FUNCTION SUMMARY

The National Defense budget function includes the Department of Defense (DOD), Atomic Energy Defense Activities of the Department of Energy (DOE), and other defense activities in the Federal Emergency Management Agency, the Selective Service, the General Services Administration, and other agencies. DOD spending is about 96 percent of all National Defense spending; DOE defense spending is about 4 percent.

The Committee-reported resolution fully funds the amount agreed to in the 1997 BBA. Accordingly, it sets discretionary BA at \$271.6 billion and outlays at \$266.6 billion. Furthermore, based on current CBO estimates of the 1999 inflation “dividend” and the President’s request for an emergency budget amendment, the Committee-reported resolution would fund an additional \$3.6 billion in BA and \$2.7 billion in outlays in 1999 compared with last year’s expectations.

The funding levels of the BBA incorporated in the Committee-reported resolution were specifically endorsed by Congress, the President, and the Department of Defense in 1997. These levels were based on the higher spending levels in the 1997 Budget Resolution for 1998-1999 and the President’s higher 1998 Budget for 2000-2002. Consequently, the five-year total spending in the BBA and Committee-reported resolution is higher than proposed last year by either Congress or the President.

SPENDING SUMMARY

(In billions of dollars)

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	267.7	270.5	274.3	280.8	288.6	296.8
	OT	268.1	265.5	268.0	269.7	272.1	279.8
BBA	BA	267.7	270.5	274.3	280.8	288.6	296.8
	OT	268.1	265.5	268.0	269.7	272.1	279.8
Freeze baseline	BA	267.7	267.8	267.8	267.8	267.9	267.9
	OT	268.1	267.2	268.8	263.8	266.1	266.3
Committee-reported resolution compared to:							
BBA	BA .....	.....	.....	.....	.....	.....	.....
	OT .....	.....	.....	.....	.....	.....	.....
Freeze baseline	BA .....	.....	+2.7	+6.5	+13.0	+20.8	+28.9
	OT .....	.....	-1.6	-0.9	+5.8	+6.0	+13.5

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution is the BBA. For 1999-2003, the proposed resolution exceeds the Freeze Baseline by \$71.9 billion in BA and \$22.9 billion in outlays.

The Committee-reported resolution assumes an increase in discretionary BA between 1998 and 1999 for this function. Appropriations would increase from \$268.9 billion to \$271.6 billion. In addition, as provided by the BBA, “firewalls” would be discontinued after 1999.

In 1999 there is a difference of \$3.7 billion in outlays between the Committee-reported resolution and the President’s request.

This difference results from the undercount of outlays performed by the Department of Defense and OMB in their estimate of the President's budget. There is a continuing history of such outlay undercounts by DoD and OMB. For 1997, CBO's initial estimate was \$2.1 billion higher than OMB's; for 1998, CBO was \$5.6 billion higher. Based on the Treasury Department's tabulation of actual outlays for 1997, even the higher CBO estimate for that year was \$2.6 billion too low. According to CBO's preliminary analysis of actual 1998 outlays, the initial CBO estimate for 1998 may have again been low. Despite CBO being higher than OMB, CBO's outlay estimates for the recent past have been conservative, if anything. The 1999 outlay undercount has been corrected by CBO's re-estimate. As a result, the President's budget request for Function 050 exceeds the BBA; the Committee-reported resolution complies with the BBA outlay cap for FY 1999.

While the \$3.7 billion outlay shortage for 1999 presents serious management and budgetary challenges to Congress, the Committee believes that there are opportunities to address the problem. The Committee believes that it is not appropriate for DoD and OMB to recommend to Congress an outlay estimate methodology that consistently underestimates the outlays needed to execute the budget authority program contained in Presidential defense budget requests. The Committee notes that non-defense discretionary outlays have also been re-estimated upward by CBO.

Title 10 U.S.C. 226 requires an annual CBO/OMB report to the House and Senate Budget Committees, among others, not later than December 15 of each year. The report is intended to identify the outlay rates and other technical assumptions used in preparing budget estimates. No such letter has been submitted for the 1999 budget as of the date of this resolution. The failure of OMB to conform to more historically accurate outlay rates and the tardy preparation of this letter has seriously complicated the Committee's work. The Committee urges that the statutory requirement for this letter be observed.

To address the issues inherent in the 1999 050 Budget Function, the Committee-reported resolution assumes the following:

- CBO scoring will be used for the 1999 Budget Resolution.
- DoD will exercise available flexibility to adjust to its own—and OMB's—undercounting of outlays. The 1999 outlay shortfall occurs in new outlays, rather than outlays from prior years. Thus, there is potential flexibility to manage future programs and expenditures to reduce the scope of the problem.
- National Defense will retain this year's inflation "dividend." According to CBO calculations, DOD's inflation "dividend" adds \$1.7 billion in BA and \$0.8 billion in outlays for 1999 and \$13.2 billion in BA and \$10.3 billion in outlays over 1999–2003.
- The Administration's request for an "emergency" \$1.9 billion budget amendment for 1999 to pay for U.S. military operations in Bosnia will be enacted.
- The intelligence budget portion of Function 050, publicly estimated at \$25–30 billion, has never been comprehensively audited by GAO. Such a comprehensive and independent audit might yield excess unobligated balances similar to the approximate \$3 billion divulged by the National Reconnaissance Office in 1996.

- The Committee-reported resolution assumes the defense activities of the Department of Energy at the level of the President's request of \$12.3 billion in BA and \$11.9 billion in outlays. These amounts include the President's request of \$2.2 billion in BA and full funding of the requisite outlays for the Stockpile Stewardship Program. The Committee notes with favor that for 1999 there was no significant undercounting of outlays for the defense activities of the Department of Energy.

During its deliberations, the Committee debated an amendment offered by Senator Wyden to set aside in Function 920 the 1999 inflation "dividend." This "dividend" has been calculated by CBO to be \$1.7 billion in BA and \$0.8 billion in outlays for Function 050 and \$1.8 billion in BA and \$0.6 billion in nondefense discretionary spending for 1999. The Committee believes that both the defense and the non-defense inflation "dividends" should remain within their respective budget functions for 1999, and that the agreed on spending caps of the BBA should remain unchanged.

Function 150: INTERNATIONAL AFFAIRS

FUNCTION SUMMARY

Function 150 includes operation of the foreign affairs establishment including embassies and other diplomatic missions abroad, foreign aid loan and technical assistance activities in developing countries, security assistance to foreign governments, activities of the Foreign Military Sales Trust Fund, U.S. contributions to international financial institutions, Export-Import Bank and other trade promotion activities, and refugee assistance.

In 1998, spending for Function 150 was \$15.2 billion in BA and \$14.1 billion in outlays. Discretionary spending in 1998 was \$19.1 billion in BA and \$18.7 billion in outlays, which was a 6 percent increase over the 1997 spending level of \$18.0 billion in BA.

Funding for the Department of State, Foreign Military financing, the Economic Support Fund, international organizations, and the Export-Import Bank account for most of this discretionary spending. Funding for Department of State programs in 1998 totaled approximately \$2.5 billion. Historical levels of funding for the Middle East were funded through Foreign Military Financing and the Economic Support Fund. International organizations (including the United Nations) were funded at a level of \$1.5 billion and the Export-Import Bank was funded at a level of \$696 million.

As reflected in the spending summary table, under the freeze baseline, Function 150 will increase by 6 percent from 1998 to 2003. This is due primarily to changes in mandatory programs, including the phase-out of pre-Credit Reform and economic assistance loan repayments and lower receipts in the Foreign Military Sales trust fund.

The BBA designated Function 150 as a protected function and specified \$18.6 billion in BA and \$18.8 billion in outlays as the discretionary level for 1999. The BBA levels drop to \$18.2 billion in BA and \$18.4 billion in outlays by 2002. The functional levels in the BBA do not include arrears to the United Nations and multilateral development banks, or funding for the International Monetary Fund. Section 314(b)(3) of the Congressional Budget Act, as amend-

ed by the BBA, addresses funding for these programs. The agreement provides an adjustment to the discretionary spending caps, committee allocations, and the budgetary aggregates as these programs are funded, up to \$1.884 billion for arrearages and an unspecified amount for contributions to the IMF.

SPENDING SUMMARY
[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	15.2	14.6	14.3	15.1	15.2	15.2
	OT	14.1	14.2	14.7	14.5	14.5	14.4
BBA	BA	15.2	14.3	14.5	15.2	15.3	15.9
	OT	14.1	14.5	14.8	14.6	14.6	15.2
Freeze baseline ¹	BA	15.2	14.4	14.6	15.5	15.7	15.8
	OT	14.1	14.1	14.7	14.6	14.7	14.8
Committee-reported resolution compared to:							
BBA	BA		+0.3	-0.2	-0.1	-0.1	-0.7
	OT		-0.2	-(¹)	-(¹)	-0.1	-0.8
Freeze baseline	BA		+0.3	-0.3	-0.4	-0.5	-0.6
	OT		+0.2	+0.1	-0.1	-0.2	-0.3

¹ Totals exclude arrears to the United Nations and other organizations.

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution proposes discretionary spending of \$18.9 billion in BA and \$18.6 billion in outlays. The BBA-protected levels for Function 150 in 1999 are \$18.6 billion in BA and \$18.8 billion in outlays. The 1999 Committee-reported resolution is \$0.3 billion above the BBA levels in BA and \$0.2 billion below the BBA levels in outlays, \$0.3 billion in BA and \$0.2 billion in outlays above the 1998 freeze levels, and \$0.9 billion in BA and \$0.3 billion in outlays below the President's 1999 request.

These levels exclude arrears to the United Nations, international organizations and multilateral development banks (MDBs) and funding for the International Monetary Fund's (IMF) New Arrangements to Borrow and US quota subscription, as referred to in Section 314(b)(3) of the Congressional Budget Act (CBA).

The Committee-reported resolution proposes increases in the following programs:

The resolution assumes \$641 million in BA for the State Department Security and Maintenance of US Missions account, full funding of the President's Request for 1999 and a 61 percent increase from a 1998 freeze level. This funding level includes increases for embassies in Beijing and Berlin.

Assumed in the resolution is the President's requested level of \$825 million in BA for the Export Import Bank, a \$128 million increase from a 1998 freeze level. This funding will partially address an anticipated budget shortfall for 1998 expected to be carried over to 1999.

The resolution assumes the President's requested level of \$118 million in BA for the State Department's Capital Investment Fund, a 37 percent increase from a 1998 freeze level. This funding increase is to allow the State Department to continue updating its information technology infrastructure.

Assumed in the Reported Resolution is the President's requested level of \$216 million in BA for the Non-proliferation, Antiterrorism,

Demining and Related Programs account, a 37 percent increase from a 1998 freeze level. This funding increase includes \$29 million for the Comprehensive Test Ban Treaty preparatory commission used in part to develop and install an international monitoring system (IMS) to detect nuclear explosions.

The resolution assumes the President's requested levels for the Treasury's Debt Reduction Program at a level of \$72 million in 1999, a \$45 million increase from 1998. This increase is to cover the cost of forgiving debt owed to the US and international financial institutions. The increase partly covers the debt of African nations, giving emphasis to countries pursuing economic reforms.

1998 supplemental request

The Committee-reported resolution assumes and supports enactment of the three supplemental requests for 1998: the arrearage payments to the United Nations and other international organizations and the IMF's New Arrangements to Borrow and US quota subscription. The President asks for advance appropriations of \$475 million in 1999 and \$446 million in 2000 for US arrears to the United Nations. The President requested for 1998 approximately \$14.5 billion for the US quota subscription to the IMF and \$3.5 billion for the IMF's New Arrangements to Borrow.

Section 314(b)(3) adjustments

The functional levels in the BBA do not include arrears to the United Nations and multilateral development banks, or funding for the International Monetary Fund. Section 314(b)(3) of the Congressional Budget Act, as amended by the BBA, addresses funding for these programs. The agreement provides an adjustment to the discretionary spending caps, committee allocations, and the budgetary aggregates as these programs are funded, up to \$1.884 billion for arrears and an unspecified amount for contributions to the IMF.

The Committee-reported resolution assumes adjustments of \$1.884 billion in total as assumed in the BBA, \$460 million enacted in 1998, \$842 million in 1999 and \$582 million in 2000 as shown below. All funding was requested by the President.

TABLE 2. SECTION 314(b)(3) ASSUMPTIONS

[In millions of dollars]

	Committee-reported resolution assumptions—				
	1998	1999	2000	Totals	BBA
United Nations, CIO and CIPA	100	475	446	1,021	1,021
International Development Association	235	0	0	235	235
Global Environmental Facility	0	140	0	140	140
Multilateral Investment Fund	30	50	99	179	179
Asian Development Bank	50	150	37	237	237
African Development Fund	45	5	0	50	50
InterAmerican Development Bank	0	22	0	22	22
Total	460	842	582	1,884	1,884

The Administration assumes additional arrears for the Global Environment Facility (an additional \$43 million) and the African Development Bank (an additional \$83 million) in 1999 above levels assumed in the BBA. The President's request does not address the

budgetary treatment of arrears requested in 2000 for the United Nations, the Asian Development Bank, and the InterAmerican Bank's Multilateral Investment Fund.

The Committee believes that the U.S. must fulfil our arrears to the United Nations, the Asian Development Bank, and the Inter-American Bank's Multilateral Investment Fund first, before we begin considering arrears created after the BBA was enacted.

Function 250: GENERAL SCIENCE, SPACE & TECHNOLOGY

FUNCTION SUMMARY

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

In 1998, spending for Function 250 was \$18.0 billion in BA and \$17.7 billion in outlays, which is essentially the same as the 1997 spending level. Discretionary spending represents nearly 100 percent of total spending in the function.

As reflected in the spending summary table, under the freeze baseline, Function 250 BA would be frozen at \$18.0 billion through 2000, falling to \$17.9 billion from 2001 through 2003.

One technical baseline change has occurred since passage of the BBA that increases Function 250 by \$1.3 billion in 1998. Energy Supply and Science accounts previously shown in Function 270 (Energy) are now displayed in this function. The change is incorporated into both the freeze baseline and the President's request.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	18.0	18.3	17.8	17.7	17.3	17.0
	OT	17.7	17.9	17.9	17.6	17.4	17.0
BBA ¹	BA	18.0	16.2	16.0	15.8	15.6	16.0
	OT	17.7	16.5	16.0	15.9	15.7	16.1
Freeze baseline	BA	18.0	18.0	18.0	17.9	17.9	17.9
	OT	17.7	17.8	17.9	17.9	17.9	17.9
Committee-reported resolution compared to:							
BBA	BA		+2.0	+1.9	+1.9	+1.7	+0.9
	OT		+1.4	+1.9	+1.7	+1.7	+0.9
Freeze baseline	BA		+0.3	-0.1	-0.3	-0.6	-1.0
	OT		+0.1	-0.0	-0.3	-0.5	-0.8

¹ The Committee-reported resolution levels are higher than the Balanced Budget Agreement (BBA) in part due to an accounting change in 1997 that shifted \$1.3 billion in Department of Energy (DOE) science funding from Function 270, Energy, to Function 250.

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution proposes discretionary spending of \$18.2 billion in BA and \$17.9 billion in outlays for 1999. This represents an increase of \$0.3 billion in BA and \$0.2 billion in outlays over 1998. Over the next five years, the resolution would increase discretionary levels by \$1.9 billion in BA and \$1.1 billion in outlays over the levels assumed in the BBA.

The resolution assumes an increase for the National Science Foundation (NSF) above the BBA for NSF Research and Related

Activities. The resolution continues strong funding for basic research programs and activities of the federal government, especially those activities within NSF and the Department of Energy.

For NASA activities within this function, the resolution assumes the President's request for the international space station, while also assuming the President's requested reductions to NASA Human Spaceflight activities beginning in the year 2000.

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

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

Function 270: ENERGY

FUNCTION SUMMARY

Function 270 includes civilian activities of the Department of Energy, the Rural Utilities Service, the power programs of the Tennessee Valley Authority (TVA), and the Nuclear Regulatory Commission (NRC). In 1998, total spending for Function 270 will be \$540 million in BA and \$1.0 billion in outlays. Mandatory spending in this function contains large levels of offsetting receipts, resulting in net mandatory spending of $-\$2.3$ billion in BA and $-\$2.9$ billion in outlays. Congress provided \$2.8 billion in discretionary BA for this function in 1998. While this is a decrease of \$1.4 billion, most of it is attributed to shifting \$1.3 billion in science funding from this function to Function 250, General Science, Space, and Technology.

As reflected in the spending summary table, Function 270 outlays under the freeze baseline will fall to $-\$81$ million in 2003. This is a result of both declining discretionary outlays and rising mandatory offsetting receipts in this function.

This function was not a priority function in the BBA. For mandatory spending, the BBA assumed the lease of excess storage capacity at the strategic petroleum reserve to foreign countries. This proposal was enacted as part of the BBA.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	0.5	0.6	0.6	0.5	0.4	0.4
	OT	1.0	0.3	-(¹)	-0.2	-0.4	-0.4
BBA ¹	BA	0.5	2.7	2.5	2.2	2.0	2.2
	OT	1.0	2.0	1.9	1.6	1.3	1.5
Freeze baseline	BA	0.5	0.8	0.9	0.8	0.8	0.8

SPENDING SUMMARY—Continued
[In billions of dollars]

		1998	1999	2000	2001	2002	2003
	OT	1.0	0.3	0.2	(¹)	—(¹)	—0.1
Committee-reported resolution compared to:							
BBA	BA		—2.1	—1.9	—1.9	—1.6	—1.8
	OT		—1.8	—1.9	—1.8	—1.7	—1.9
Freeze baseline	BA		—0.1	—0.3	—0.3	—0.4	—0.4
	OT		—0.1	—0.2	—0.3	—0.3	—0.4

¹ The Balanced Budget Agreement (BBA) levels are lower than the Committee-reported resolution primarily as a result of an accounting change in 1997 that shifted \$1.3 billion in Department of Energy (DOE) science funding from this Function to Function 250, General Science, Space, and Technology.

DESCRIPTION OF THE COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution adopts the President's proposed reductions in spending for this function. The President's budget includes reductions in discretionary spending that would reduce spending by \$133 million in BA and \$72 million in outlays in 1999 compared with the baseline. Over the five-year period, the President's proposals would reduce spending by \$1.5 billion in BA and \$1.2 billion in outlays as compared with the freeze baseline.

More specifically, the resolution adopts the following proposals from the President's budget for this function. The resolution would reduce Naval Petroleum Reserve (NPR) operations by \$84 million or 79 percent in 1999 because of the sale of the Elk Hills reserve in California on February 5, 1997. The resolution assumes a \$35 million reduction in 1999 for DOE nondefense environmental management activities. Alaska Power Administration operations would be reduced by \$14 million, because of the sale of these facilities (anticipated being completed by July 15, 1998). The Committee recommendation adopts the President's out-year reductions for fossil energy research and development, decreasing BA by a total of \$310 million for 2000-2003.

While the Committee does not assume the increases in energy technology funding and assistance as requested by the President, the reported resolution would provide a total of \$9.7 billion in outlays for these activities over the next five years.

The most significant increase in the President's budget for this function was for the President's Climate Control Technology Initiative (CCTI), which is designed to provide part of the reduction necessary to meet the U.S. greenhouse emissions levels the Administration agreed to in the Kyoto Protocol. Since the President has not submitted a treaty or a plan to implement the reductions called for in the agreement, providing additional funding for these technology programs in the 1999 budget is premature. As a result, the resolution assumes last year's levels of \$730 million for these technology programs and does not provide the increases requested by the President.

Function 300: NATURAL RESOURCES AND THE ENVIRONMENT FUNCTION SUMMARY

Function 300 includes funding for water resources conservation and land management, recreational resources and pollution control and abatement. Agencies with major programs in this function in-

clude the Army Corps 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).

In 1998, spending for Function 300 was \$24.2 billion in BA and \$23.0 billion in outlays, an increase of 4.8 percent over the 1997 spending level. Discretionary spending represents 95.7 percent of total spending in the function.

For discretionary spending in the function, the BBA set funding levels for 1999 at \$22.2 billion in BA and \$21.7 billion in outlays.

As reflected in the spending summary table, under the freeze baseline, Function 300 will decrease by 3.4 percent from 1998 to 2003. This is due mostly to lower projected spending for the conservation reserve program.

The BBA accommodated new spending for orphan shares at Superfund hazardous waste cleanup sites, contingent on reform of the program. (Orphan shares are portions of financial liability at Superfund sites allocated to non-Federal parties with limited or no ability to pay.) The 1998 budget resolution provided an allowance of \$200 million annually through the year 2002. The availability of these funds was dependent on reauthorization of the Superfund excise and corporate income taxes and reforms of the Superfund program. Neither of these requirements has yet occurred.

The BBA provided up to \$700 million to complete priority Federal land acquisition and exchanges in 1998. Congress provided \$699 million in 1998 for these acquisitions and exchanges. The President's priorities were the acquisition of northern California's Headwaters Forest for \$250 million and the purchase of Crown Butte, Inc.'s interest in the New World Mine adjacent to Yellowstone National Park for \$65 million.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	24.2	23.4	23.3	23.0	22.9	22.9
	OT	23.0	23.4	23.5	23.4	23.0	22.9
BBA	BA	24.2	22.8	22.2	21.6	21.5	22.1
	OT	23.0	22.4	22.6	22.3	21.7	22.4
Freeze baseline	BA	24.2	23.8	23.9	23.6	23.6	23.6
	DOT	23.0	23.5	23.9	24.0	23.6	23.5
Committee-reported resolution compared to:							
BBA	BA		+0.6	+1.1	+1.4	+1.5	+0.9
	OT		+0.9	+1.0	+1.1	+1.2	+0.5
Freeze baseline	BA		-0.4	-0.6	-0.6	-0.6	-0.6
	OT		-0.1	-0.4	-0.6	-0.6	-0.5

DESCRIPTION OF THE COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution proposes discretionary spending of \$22.6 billion in BA and \$22.5 billion in outlays. This resolution exceeds discretionary BA specified in the BBA by \$0.4 billion and outlays by \$0.8 billion. This is a solid mark for Function 300, which not only meets, but exceeds the spending levels for this function set in the BBA.

Both the Senate and the House are currently working on Superfund legislation. In its Views and Estimates letter (March 6, 1998) to the Budget Committee, the Senate Environment and Public Works Committee noted, "Superfund is a seriously flawed program that needs significant legislative improvement before any increase in funding is appropriate. Several peer-reviewed EPA studies have found Superfund sites, at best, represent a mid-range threat to human health and the environment as compared to other more pressing threats."

Furthermore, as the General Accounting Office stated in its September 1997 report (Superfund: Trends in Spending for Site Cleanups), while the percentage of Superfund spending going to contractor cleanup work has increased from only 37% in fiscal year 1987, EPA was still spending slightly under half (49%) of the program funds on actual cleanup work in FY 1996.

Recognizing these significant concerns, the resolution assumes, contingent upon the enactment of Superfund program reform, additional spending of \$200 million in each year 1999 through 2003 for the program. Section 203 of the resolution establishes an allocation procedure to enable the Senate to consider Superfund reform legislation this year. (This procedure is discussed in the committee report's section titled, "Budget Resolution: Enforcement and Other Provisions.")

The resolution does not assume the President's proposed 47.4 percent reduction for the Army Corps of Engineers's "construction, general" account. Rather, it assumes full funding at the freeze baseline of \$1.4 billion in BA and \$1.2 billion in outlays, or \$ 0.7 billion above the President's request in BA and \$0.3 billion above in outlays. The resolution also assumes full funding at the freeze baseline for all other Corps programs within Function 300. A number of Corps projects urgently await additional funding, such as the Portland Harbor Project in Maine, where concerted effort by a broad-based coalition of state, local, not-for-profit agencies and the private sector, working with federal agencies, has secured the required environmental permits ahead of schedule to enable the harbor dredging to begin if given adequate funding.

The resolution assumes \$1.3 billion in BA and \$1.2 billion in outlays for operation of the National Park System, full funding of the President's request.

The resolution assumes that resource management programs of the Fish and Wildlife Service will be funded at \$595 million in BA and \$594 million in outlays for 1999.

The resolution rejects the President's proposed 10 percent reduction (\$2.7 billion savings, FY 1999-2003) in the EPA's State and Tribal Assistance grants.

The resolution assumes \$47 million in BA and \$9 million in outlays in discretionary spending from the interest earned on the Environmental Improvement and Restoration Fund.

The resolution assumes that the landowner incentive program of the Endangered Species Recovery Act will be enacted. (The landowner incentive program includes habitat reserve agreements, safe harbor agreements, habitat conservation plans, and recovery plan implementation agreements within the Act.) This spending would be made available from the gross receipts realized in the sales of

excess BLM land, provided that BLM has sufficient administrative funds to conduct such sales.

The resolution accepts the President's reduction of \$699 million for priority Federal land acquisitions. (This assumption reflects the fulfillment of the 1997 BBA, which provided for up to \$700 million for major land acquisitions. Congress provided for this spending in 1998.)

The resolution assumes full funding of the President's request for the National Oceanic and Atmospheric Administration, providing \$2.3 billion in BA and \$2.1 billion outlays for 1999.

Function 350: AGRICULTURE

FUNCTION SUMMARY

Function 350 includes funding for federal programs intended to promote the economic stability of agriculture, provide regulatory, inspection and reporting services for food and fiber markets, and promote research and education in agriculture and nutrition. Programs in this function include direct assistance and loans to food and fiber producers, market information and agricultural research.

Price support programs operated by the Commodity Credit Corporation (CCC) make up most of the spending in this function. Agriculture spending has varied widely over the last 25 years; CCC spending has ranged from \$0.6 billion in 1975 to a record \$26 billion in 1986.

As reflected in the spending summary table, Function 350 under the freeze baseline will decrease from \$11.8 billion in 1998 to \$10.8 billion in 2003. This is due primarily to reduced spending on CCC programs. Over the same period, spending on CCC programs will decrease by \$1.83 billion reflecting the success of implementing the reforms enacted under the Federal Agriculture Improvement and Reform (FAIR) Act of 1996.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	11.8	12.0	11.6	10.3	10.2	10.4
	OT	10.8	10.5	9.9	8.7	8.5	8.8
BBA	BA	11.8	11.9	11.5	10.2	10.0	10.4
	OT	10.8	10.3	9.8	8.7	8.4	8.8
Freeze Baseline	BA	11.8	12.2	11.9	10.7	10.6	10.8
	OT	10.8	10.6	10.2	9.1	8.9	9.2
Committee-reported resolution compared to:							
BBA	BA		+0.1	+0.1	+0.2	+0.1	-0.1
	OT		+0.2	+0.1	+0.1	+0.1	-0.1
Freeze baseline	BA		-0.2	-0.3	-0.4	-0.4	-0.5
	OT		-0.1	-0.3	-0.4	-0.4	-0.5

DESCRIPTION OF THE COMMITTEE-REPORTED RESOLUTION

Discretionary spending for this function in 1999 would decrease by \$0.2 billion in BA and \$0.1 billion in outlays below the freeze baseline, to \$4.1 billion in BA and \$4.2 billion in outlays. The Committee-reported resolution assumes total discretionary spending of \$19.6 billion in BA and \$19.9 billion in outlays over the five-year

period, a decrease of \$1.8 billion in BA and \$1.7 billion in outlays below the freeze baseline.

The Committee-reported resolution is \$0.1 billion in BA and \$0.2 billion in outlays above the BBA levels. The resolution assumes discretionary spending for 1999 and over the next five years to be slightly higher than the President's request. Discretionary program reductions proposed in the President's budget that are assumed in the Mark include:

A reduction of \$97 million in BA and \$53 million in outlays under the freeze baseline for the PL 480 Program and Ocean Freight Grants in 1999. Over the five-year period the Committee-reported resolution assumes a reduction of \$0.5 billion in BA and \$0.4 billion in outlays below the freeze baseline.

A reduction of \$114 million in BA and \$55 million in outlays below the freeze baseline in 1999 for buildings and facilities, salaries and expenses, and various programs under the Agriculture Research Service (ARS), the Animal and Plant Health Inspection Service (APHIS), the Grain Inspection, Packers and Stockyards Administration (GIPSA), the Economic Research Service (ERS), and the National Agricultural Statistics Service (NASS). Over the five-year period, the Committee-reported resolution assumes a reduction of \$1.4 billion in BA and \$1.2 billion in outlays below the freeze baseline.

Over the five-year period mandatory spending decreases from \$7.9 billion in BA and \$6.2 billion in outlays for 1999 to \$6.6 billion in BA and \$4.9 billion in outlays for 2003. The Committee-reported resolution assumes total mandatory spending of \$34.8 billion in BA and \$26.5 billion in outlays for the five-year period.

Function 370: COMMERCE AND HOUSING CREDIT

FUNCTION SUMMARY

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

In 1998, spending for Function 370 is \$7.9 billion in BA and \$1.3 billion in outlays, a dramatic change from the corresponding 1997 levels of \$8.1 billion and \$14.6 billion. Discretionary spending represents the stable portion (compared with the mandatory programs) of the function totals, amounting to \$3.1 billion in BA and \$3.0 billion in outlays in 1998.

As reflected in the spending summary table, under the freeze baseline, total outlays in Function 370 will increase by \$2.0 billion to a level of \$3.3 billion in 1999, with subsequent increases producing \$8.9 billion in outlays in 2000, and \$12.3 billion by 2003. Baseline features of volatile (such as deposit insurance) or rapidly expanding mandatory programs account for the changes in the function totals over time. The Postal Service, for instance, runs cyclical surpluses and deficits and is responsible for part of the drop in BA

from 1998 to 1999 (\$7.9 billion to \$4.3 billion). The rest of the change in budget authority results from recording an automatic loan subsidy appropriation of \$3.3 billion in 1998 to reflect unpaid bids for certain spectrum auctions (Block C); no similar appropriation appears in 1999 or subsequent years. In the other direction, the Universal Service Fund (USF) is expected to increase from \$2.6 billion in 1998 to \$5.6 billion in 1999, and then to \$9.4 billion in 2000, with smaller increases after that. Note, however, that while the USF records outlays related to government-mandated subsidies for telecommunications services, payments into the fund that cover those costs appear on the revenue side of the budget and exactly offset the outlays. Thus, the USF has no net budgetary impact.

The key assumption enacted from the BBA for this function produced savings of \$0.7 billion over five years by allowing the Federal Housing Administration (FHA) the tools to require mortgage lenders (whose loans the FHA insures) to be more active in dealing with delinquent or defaulted borrowers.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	7.9	4.2	15.5	14.6	15.6	14.9
	OT	1.3	3.2	10.4	10.4	11.8	11.7
BBA	BA	7.9	4.8	15.9	15.0	16.0	15.5
	OT	1.3	3.7	10.4	10.9	12.1	12.1
Freeze baseline	BA	7.9	4.3	14.0	15.1	16.2	15.6
	OT	1.3	3.3	8.9	10.7	12.4	12.3
Committee-reported resolution compared to:							
BBA	BA		-0.6	-0.4	-0.4	-0.5	-0.6
	OT		-0.6	-(*)	-0.5	-0.2	-0.3
Freeze baseline	BA		-0.1	+1.5	-0.5	-0.6	-0.6
	OT		-0.1	+1.5	-0.3	-0.6	-0.6

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution proposes a total 1999 level of \$4.2 billion in BA and \$3.2 billion in outlays for Function 370, which is below a freeze by \$0.1 billion in BA and outlays.

DISCRETIONARY SPENDING

For discretionary spending only, the Committee-reported resolution reflects a 1999 level of \$3.0 billion in BA and \$2.8 billion in outlays, the same as the 1998 level, but a decrease of \$0.1 billion below a freeze resulting from one-time savings of \$0.4 billion the President proposes to achieve by improving the way FHA deals with foreclosed property. Specific assumptions for 1999 compared with a freeze include the following items.

The resolution assumes an additional \$0.5 billion in BA and \$0.4 billion in outlays in 1999 for final preparations for the decennial census, and then \$1.7 billion in BA and outlays in 2000 to conduct it.

Also assumed are the reductions included in the President's budget for rural housing loans, FHA insurance, Small Business Administration loans and salaries and expenses, and certain salaries and expenses accounts in the Department of Commerce.

MANDATORY SPENDING

The Committee-reported resolution includes assumptions affecting the mortgage insurance activities of HUD. Because the savings from these assumptions would be used to offset increased highway spending, the assumptions are discussed in Function 920.

In its views and estimates letter, the Committee on Banking, Housing, and Urban requested necessary accommodation in the budget resolution to allow for a proposal, S. 1405, to pay interest to banks on required reserves held by the Federal Reserve. The CBO estimates that this proposal would cost \$0.7 billion in foregone revenues (the surplus of the Federal Reserve is transmitted to the Treasury as a revenue) over the next five years. While the Committee-reported resolution does not reflect this assumption (because the Banking Committee does not receive a revenue allocation and would still have to include an offset in the legislation to comply with pay-as-you-go requirements), the Budget Committee intends to work with the Banking Committee, if it decides to advance the legislation, to negotiate the parliamentary hurdles faced by the bill.

Function 400: TRANSPORTATION

FUNCTION SUMMARY

Function 400 includes all modes of transportation including: ground transportation programs, such as the federal-aid highway program; mass transit operating and capital assistance; rail transportation through the National Rail Passenger Corporation (Amtrak) and rail safety programs; air transportation through the Federal Aviation Administration (FAA) airport improvement program, facilities and equipment program, and operation of the air traffic control system; water transportation through the Coast Guard and Maritime Administration; the Surface Transportation Board; and related transportation support activities.

In 1998, spending for Function 400 was \$46.0 billion in BA and \$40.8 billion in outlays. Discretionary spending, including obligation limitations placed on transportation programs by the Appropriations Committee, represents nearly all spending in the function.

As reflected in the spending summary table, compared to the freeze baseline, budget authority would be \$46.0 billion in 1999, rising to \$46.2 billion by 2003. Outlays would rise from \$41.8 billion in 1999 to \$43.1 billion in 2003.

Discretionary spending in Function 400 was designated as a protected function under the BBA last year.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	46.0	51.5	51.8	52.1	51.4	52.0
	OT	42.5	42.8	44.7	45.7	45.8	46.9
BBA	BA	46.0	47.3	47.1	47.4	47.2	48.2
	OT	40.8	41.3	41.5	41.3	40.7	42.3
Freeze baseline	BA	46.0	46.0	46.1	46.1	45.6	46.2
	OT	42.5	41.8	41.9	42.1	42.1	43.1

SPENDING SUMMARY—Continued
[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution compared to:							
BBA	BA		+4.2	+4.8	+4.7	+4.3	+3.9
	OT		+1.5	+3.2	+4.4	+5.1	+4.6
Freeze baseline	BA		+5.5	+5.8	+6.0	+5.9	+5.9
	OT		+1.0	+2.8	+3.6	+3.7	+3.8

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution proposes discretionary spending of \$13.9 billion in BA and \$40.4 billion in outlays in 1999. This represents an increase of \$0.2 billion in BA and \$0.4 billion in outlays more than 1998.

Over the next five years, the resolution would increase discretionary outlays by \$18.8 billion over the discretionary levels assumed in the BBA.

The resolution incorporates the Senate-passed increases and proposed offsets for the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). Specifically, this agreement calls for increases of \$25.9 billion in contract authority for highway and highway safety programs above the levels agreed to in last year's BBA.

Spending this additional contract authority requires \$18.5 billion in outlays. Identified offsets for this increased discretionary spending are contained in Function 920, Allowances.

The resolution assumes increased spending of \$2.7 billion in outlays over the next five years for mass transit programs.

The resolution assumes the President's proposed reductions to other non-ISTEA transportation programs such as the Coast Guard, the Federal Railroad Administration, (FRA), Appalachian Highway Development funding (consistent with the Senate-passed ISTEA bill), the Maritime Administration, NASA Aeronautics, and other programs.

The resolution rejects the President's budget proposal to redefine obligation limitations set by the Appropriations Committee for federal-aid highway, highway safety, mass transit, and Airport Improvement Program (AIP) contract authority programs as discretionary budget authority.

**Function 450: COMMUNITY AND REGIONAL
DEVELOPMENT**

FUNCTION SUMMARY

Function 450 includes funding for community and regional development and disaster relief. The major programs are administered through several agencies including the Department of Housing and Urban Development (HUD), the Appalachian Regional Commission (ARC), the Tennessee Valley Authority (TVA), the Economic Development Administration (EDA), the Bureau of Indian Affairs (BIA), the Federal Emergency Management Agency (FEMA), and the Department of Agriculture (USDA).

In 1998, spending for Function 450 will total \$8.7 billion in BA and \$11.2 billion in outlays, which is a 2 percent increase from the 1997 outlays level. Discretionary spending represents 99 percent of total spending in this function. Community Development Block Grants account for about 57 percent of this discretionary funding, or \$4.7 billion in 1998. Disaster spending is about 34 percent of discretionary outlays, or about \$3.8 billion in 1998. As reflected in the spending summary table, under the freeze baseline, Function 450 will increase by 2.2 percent from 1998 to 2003.

Last year's BBA presumed discretionary savings of \$4.5 billion over 1999–2003 compared with the 1998 level. It assumed savings would be achieved by reducing discretionary spending for Community Development Block Grants and the Appalachian Regional Commission, among other programs.

Function 450 contains numerous programs designed to increase economic development and employment. Some economists, however, believe that many of these programs reduce national income by reallocating resources and jobs from efficient areas of production to inefficient areas. In 1995, the GAO found that the fragmentation of federal community development programs across at least 12 federal departments and agencies imposed a significant burden on distressed communities seeking assistance. Overall, GAO counted 342 separate economic development programs in 1994. Historically, GAO has found little coordination among agencies, which have been protective of their own resources and separate organizational missions. The National Performance Review noted that while many community development programs made sense when considered individually, collectively they often worked against their intended purposes. Finally, in a 1996 report, GAO could not find a strong causal linkage between a positive economic effect and the economic development assistance provided by the ARC or the EDA.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	8.7	8.7	7.9	7.6	7.6	7.6
	OT	11.2	10.9	9.7	8.9	8.1	8.1
BBA	BA	8.7	8.6	8.0	7.9	7.9	8.0
	OT	11.2	10.8	10.8	11.2	8.2	8.6
Freeze baseline	BA	8.7	9.1	9.1	9.0	8.9	8.9
	OT	11.2	10.9	9.8	9.4	9.1	9.3
Committee-reported resolution compared to:							
BBA	BA		+(*)	–(*)	–0.2	–0.3	–0.4
	OT		+0.1	–1.1	–2.2	–(*)	–0.5
Freeze baseline	BA		–0.4	–1.1	–1.3	–1.4	–1.3
	OT		–(*)	–0.1	–0.5	–1.0	–1.2

DESCRIPTION OF THE COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution proposes discretionary spending in 1999 of \$8.2 billion in BA and \$11.0 billion in outlays. Compared with 1998, this represents a decrease of \$0.4 billion in BA, or 4 percent, and \$0.4 billion in outlays, or 3 percent. Overall, the reported resolution proposes to spend \$1.0 billion less over five years compared with the BBA, and \$5.5 billion less over five years compared with a freeze. In order to meet the discretionary spend-

ing limits, savings will be required from programs in this function. These savings will be determined by the Appropriations Committees. While savings are needed overall, the federal government still must fund national responsibilities at a reasonable level.

The resolution assumes \$166 million in 1999 for the construction of Indian schools, double the President's request. The Bureau of Indian Affairs operates one of only two federally-operated school systems, clearly making Indian schools a national obligation. GAO has estimated that the cost of repairing BIA schools is \$754 million.

The resolution assumes \$4.7 billion in 1999 for Community Development Block Grants, an increase of 1 percent compared with a freeze. If Congressional "set-asides" were reduced from the appropriation, the discretionary funding available to communities could increase by up to 12 percent over a freeze. Over five years, the resolution assumes a reduction in CDBGs of \$2.7 billion compared with a freeze, the same amount requested by the President. Savings could also be achieved by limiting funding to the least-needy jurisdictions. In 1993, 15 of the 20 counties with the highest per capita income in the nation received funds from the CDBG program.

The resolution assumes \$67 million in 1999 for the Appalachian Regional Commission, a reduction of 61 percent compared with a freeze. Over five years, the resolution reduces the ARC by \$0.5 billion compared with a freeze, the same amount requested by the President. These savings are achieved primarily because the Appalachian highway construction funding will come from the Highway Trust Fund under the Senate-passed ISTEA bill.

The resolution assumes a phase-out of the Economic Development Administration by 2001, saving \$1.4 billion over 1999–2003. Lacking sufficient Congressional support, the EDA has not been authorized since 1982. The effectiveness of EDA programs has been questioned.

The resolution does not accept the President's proposal to raise the maximum interest rate charged on the Small Business Administration's Disaster Loans from 4 percent to 6 percent. Savings from other programs should be utilized before disaster victims are asked to pay more.

Function 500: EDUCATION, TRAINING, EMPLOYMENT AND SOCIAL SERVICES

FUNCTION SUMMARY

Function 500 includes funding for elementary and secondary, vocational, and higher education; job training; children and family services programs; adoption and foster care assistance; statistical analysis and research relating to these areas; and funding for the arts and humanities.

In 1998, spending for Function 500 was \$61.3 billion in BA and \$56.1 billion in outlays, which was a 2 percent increase over the 1997 spending level. Discretionary spending represents 76 percent of total spending in this function.

As reflected in the spending summary table, under the freeze baseline, Function 500 will increase by 5.9 percent in BA and 15.1 percent in outlays from 1998 to 2003.

Function 500 is a protected function under the BBA. The BBA intended that discretionary funding for priority functions be protected at specified levels through 2002. For Function 500, this level was \$47.0 billion in BA for 1999, an increase of \$294 million above the 1998 level, growing to \$49.2 billion in BA in 2002.

Additionally, the BBA included savings of \$1.8 billion from the 1998–2002 period for student loan programs.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	61.3	63.0	63.3	64.5	64.9	68.4
	OT	56.1	61.0	62.7	63.8	63.7	67.1
BBA	BA	61.3	63.0	63.3	64.5	64.9	68.4
	OT	56.1	61.0	62.7	63.8	63.7	67.1
Freeze baseline	BA	61.3	63.0	62.5	63.1	62.8	64.9
	OT	56.1	61.2	62.7	63.4	62.5	64.6
Committee-reported resolution compared to:							
BBA	BA	—	—	—	—	—	—
	OT	—	—	—	—	—	—
Freeze baseline	BA	—	—	+0.8	+1.4	+2.1	+3.5
	OT	—	−0.2	—	+0.4	+1.2	+2.6

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

Discretionary spending

The Committee-reported resolution provides for discretionary spending increases as agreed to in the BBA. For FY 1999, \$47.0 billion in BA and \$46.1 billion in outlays are assumed. Over the next five years, discretionary funding would total \$243.1 billion in BA and \$239.4 billion in outlays.

Within the discretionary spending levels agreed to in the BBA, the Committee-reported resolution does not assume enactment of the President's new entitlement education initiatives but rather the resolution assumes increased funding at authorized levels in current programs, while consolidating existing programs to achieve greater efficiencies in the use of federal funds for education programs. The Committee-reported resolution does not assume all the President's decreases such as cuts to Impact Aid of \$565 million over five years.

The Committee-reported resolution would increase funding for Special Education in order to continue working toward the current statutory federal goal of providing 40 percent of the national average per-pupil expenditure per disabled child. The Committee-reported resolution assumes a \$2.5 billion increase over the next 5 years in the existing education program—Individuals with Disabilities Education Act (IDEA).

The Committee-reported resolution assumes an increase in funding of \$522 million in 1999 and \$6.3 billion over the next five years for the Innovative Program Strategies State Grant program. This currently existing program would be reformed to allow states and localities greater flexibility to experiment with innovative reforms in teaching and learning while expecting states to demonstrate positive results. For FY 1999 the Committee-reported resolution as-

sumes total funding for this program of nearly \$900 million. The President's budget proposes this program be terminated.

This initiative is in response to the work of the General Accounting Office (GAO), presented before the Committee's Education Task Force. The GAO has found that 30 federal agencies administer hundreds of education programs. Specifically, GAO has identified 127 at-risk and delinquent youth programs in 15 departments and agencies; 86 teacher training programs in nine federal agencies and offices; and over 90 early childhood programs in 11 federal agencies and 20 offices and the fact that for most of these programs, little data exists whether these programs are successful. The Committee-reported resolution reflects the recommendations of the Committee's Education Task Force to begin the process of eliminating this acknowledged duplication and inefficiency.

Based on total 1998 funding for elementary and secondary education, the Committee-reported resolution assumes an overall increase for inflation of an additional \$6.6 billion in BA and \$4.1 billion in outlays over the next five years. The funding increases intended for elementary and secondary education do not mean that the resolution assumes the status quo. The Committee-reported resolution urges greater oversight and evaluation of education programs, further consolidation of education programs and increased flexibility for states and localities in use of education dollars to advance education reform and foster parental choice and involvement.

The Committee-reported resolution adopts the President's reductions in One Stop Career Centers for a five-year savings of \$303 million in BA and \$183 million in outlays.

The Committee-reported resolution assumes continued funding for Higher Education programs that ensure access to postsecondary opportunities for those in need. Unlike the President's budget, the Committee-reported resolution assumes no terminations of higher education programs.

Mandatory spending

Mandatory spending under the Committee-reported resolution would be \$14.9 billion in 1998 growing to \$16.2 billion in 2003, a \$1.3 billion increase over the next five years.

The Committee-reported resolution does not adopt the President's Class Size Reduction Initiative entitlement to be funded at \$7.3 billion over the next five years. Existing federal education program funding, program consolidation, and reform can achieve the stated goal without creating another new federal program.

The Committee-reported resolution does not depart from the agreement reached last year in the BBA for student loans. The BBA assumed a five year savings \$1.8 billion from student loan program reforms. Therefore, the Committee-reported resolution does not recommend the President's additional \$4.1 billion in reductions.

The Committee-reported resolution acknowledges that House and Senate authorizing committees are considering changes to student loan programs to avoid an impending crisis in the guaranteed student loan program brought about by the 1993 legislation that attempted to eliminate the guaranteed student loan program and replace it with a Department of Education bank lending program. Be-

ginning July 1, 1998, the index used to set interest rates on student loans will change from the current 91-day bill plus 3.1 percent to the 10-year note plus 1 percent. This policy was enacted in 1993 to go into effect this July. Under current interest rate estimates, students would in the short-term appear to fare better under the new formula. However, many respected financial analysts, including those at the Congressional Research Service and the Treasury Department agree that lender returns would be cut so severely as to drive many lenders from the program, jeopardizing private lending to students this fall which makes up 70 percent of all student lending today.

Carrying out current law would likely create significant student loan access problems. The Department of Education has acknowledged they would be unable to meet the increased demand for loans through the Direct Loan program, which now administers less than 30 percent of student loan volume.

A sense of the Senate amendment offered by Senator Snowe and adopted unanimously in Committee makes clear that the intent of the Committee-reported resolution is that any resolution of the 1998 interest rate issue should not result in harm to students because of the withdrawal of lenders from the guaranteed loan program.

One aspect of this 1998 interest rate issue which could unintentionally complicate a resolution of the 1998 interest rate issue is an estimating change for student loans which has been implemented by the Congressional Budget Office (CBO). In their report on the "Economic and Budget Outlook: Fiscal Years 1999-2008" CBO describes changes in their methodology for measuring the true subsidy costs of student loans. CBO explains that because student loan program costs are driven by interest rate fluctuations and that students' interest rate costs are capped at a specified level in law, they have adopted an estimating methodology which can capture the probable interest rate fluctuations around this cap and thus more fully represent the true subsidy costs for this program. Hence, we use the term "probabilistic scoring."

The Committee-reported resolution endorses efforts to fully measure all costs to the government for student loans and it is for this same reason that the Committee continues to hope that the Office of Management and Budget will adopt the assessment of CBO that the scoring of both direct and guaranteed student loan administrative costs should be classified on a net present value basis.

With respect to probabilistic scoring however, the Committee-reported resolution recognizes the particular challenges Congress faces as a result of this change. This estimating change is being implemented in the middle of the 105th Congress and carries with it significant budgetary affects. Specifically, the application of probabilistic scoring to student loans will result in increases in the baseline for student loans of \$1 billion per year through 2003. Additionally, the Committee has observed that CBO has further refined their estimating approach since its unveiling.

The Administration has recently proposed to return to the 91-day bill as an index on which to base student loans. This proposal was not included in their budget submission in February. However, the

Administration's proposal is expected to provide a much lower yield to private lenders and therefore it is questionable whether the guaranteed loan program would continue. Additionally, the Administration's bill is not budget neutral, according to CBO. It will cost \$2 billion over the next ten years and is not offset in any way.

At this time, the Committee-reported resolution assumes no changes to student loan policy. The Committee-reported resolution acknowledges the Senate Labor and Human Resources Committee efforts to work with the Budget Committee on technical scorekeeping issues, their House counterparts, and the Administration toward a resolution of the 1998 interest rate issue, with the long term goal of making the program market-based and urges all parties to be cognizant of the following:

The Committee is continuing to study the new estimating methodology adopted by CBO and encourages OMB to study the methodology as well and provide comment on the appropriateness of its application.

The Committee urges all parties to avoid entitlement expansions. If Congress were to enact the full interest rate relief projected for students under the new rate there will be one of two results. There would be either significant loan access problems for students or unacceptable entitlement expansions to be borne by taxpayers. It is possible to provide some interest rate relief for students without deficit spending and without destabilizing the guaranteed loan program.

The Committee would prefer that no further reductions occur to the student loan programs. However, while acknowledging the authorizing Committee's need to respond to this impending crisis, the Committee wants to remind the authorizers of the spirit of the BBA, namely, reductions were equitably divided between the guaranteed and direct loan programs. This is a student loan access problem, not solely a guaranteed loan problem and no component of the programs should be ignored in developing a solution.

The Committee urges Committees of jurisdiction to more seriously explore a long-term solution to the interest rate problem, namely, moving toward a student loan program where the marketplace, not Congress, sets the interest rate for loans.

Function 550: HEALTH

FUNCTION SUMMARY

Function 550 covers all health spending except that for Medicare, military health, and veterans' health. The major programs include Medicaid, the State Children's Health Insurance Program, health benefits for federal workers and retirees, the National Institutes of Health, the Food and Drug Administration, the Health Resources and Services Administration, Indian Health Services, the Centers for Disease Control and Prevention, and the Substance Abuse and Mental Health Services Administration.

Under the freeze baseline, 1999 outlays in this Function are \$10.9 billion higher than 1998 outlays, an increase of 8.2 percent. Over the period 1998 to 2003, spending will increase at an average annual rate of 6.1 percent in the freeze baseline.

Mandatory spending represents 81 percent of all spending for Function 550 and is dominated by the Medicaid program. Under the baseline, Medicaid is expected to grow from \$101 billion in 1998 to \$141 billion in 2003, for an average annual growth rate of 6.9 percent. Medicaid accounts for \$40 billion, or 90 percent, of the additional spending in this function in 2003 compared with 1998.

In 1998, discretionary spending in this Function totals \$26.4 billion in BA and \$25.3 billion in outlays. About one-half of the discretionary spending is for the National Institutes of Health (\$13.6 billion in BA in 1998). NIH received a significant funding increase in 1998, from \$12.8 billion in BA to \$13.6 billion, a 7 percent increase.

Function 550 was not a protected function in the BBA. On the mandatory side, the BBA included several provisions to reduce Medicaid spending and start a children's health insurance initiative. In the BBA, Medicaid spending (excluding the Medicaid portion of children's health) was reduced by \$10.9 billion over the period 1998 to 2002. The children's health initiative provisions in the BBA cost \$23.9 billion over the 1998 to 2002 period.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Reported resolution	BA	136.2	145.8	152.6	161.5	170.1	181.2
	OT	132.0	143.7	151.6	160.4	169.9	181.1
BBA	BA	136.2	142.5	149.4	157.1	164.3	175.1
	OT	132.0	141.5	149.3	156.9	165.2	176.0
Freeze baseline	BA	136.2	144.1	151.1	159.0	166.5	176.6
	OT	132.0	142.8	150.7	158.7	167.3	177.4
Reported resolution compared to:							
BBA	BA		+3.4	+3.2	+4.4	+5.8	+6.1
	OT		+2.2	+2.3	+3.5	+4.7	+5.1
Freeze baseline	BA		+1.7	+1.5	+2.5	+3.6	+4.6
	OT		+0.9	+0.9	+1.7	+2.6	+3.7

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution assumes a modified version of the President's proposal to coordinate administrative expenses across welfare programs, including Medicaid. The savings from this proposal are reflected in function 920. No other savings are assumed in the resolution for mandatory spending in Function 550.

The Committee-reported resolution assumes discretionary spending of \$28.1 billion in BA and \$27.0 billion in outlays in 1999. This represents an increase of \$1.7 billion in BA and \$1.8 billion in outlays over 1998 funding, a 6.6 percent and 6.9 percent increase, respectively.

The Committee-resolution assumes funding for the National Institutes of Health in 1999 of \$15.1 billion in BA and \$13.9 billion in outlays. This funding level represents an 11 percent increase in 1999, on top of the 7 percent increase provided in 1998. Over the period 1999 to 2003, the resolution assumes providing NIH with \$15.5 billion in BA and \$11.2 billion in outlays above a freeze baseline. The increased funding for medical research is assumed to provide funding for research and development of assistive technology for the disabled and for pediatric research and education.

The Committee-reported resolution assumes \$125 million in BA and \$38 million in outlays in 1999 for a teen smoking prevention and cessation initiative. Over five years, the mark assumes \$0.8 billion in BA and \$0.6 billion in outlays for this initiative. The protocol negotiated last year by the States Attorney's General assumed a similar level of federal funding for teen smoking prevention.

The resolution assumes funding for a relief fund for hemophiliacs who contracted HIV/AIDS through the blood supply in the 1980s and an increase in the children's health insurance allocation for Puerto Rico in 1999.

The Committee notes that the President's request for Indian Health Services falls short of what is necessary to provide staffing for current and new facilities, and efforts will be made to find resources to make up this shortfall.

The Committee-reported resolution assumes reductions below the freeze baseline in a number of discretionary spending programs. The resolution assumes the President's proposal to terminate funding for health facilities construction under the Health Resources and Services Administration (HRSA), except that projects related to women's health facilities are assumed to be completed in 1999. The President's proposed termination would reduce spending by \$28 million in BA and \$14 million in outlays in 1999 compared to a freeze.

The Committee-reported resolution also assumes the President's proposed reduction for the Office of Inspector General (OIG), saving \$3 million in BA and \$2 million in outlays in 1999 compared to freeze.

The Committee-reported resolution assumes combining numerous Public Health Service programs into a consolidated State Public Health Block Grant program. The block grant would give states substantial flexibility to improve public health by allocating their block grant resources to meet their particular needs. The block grant could include any number of different programs, including existing formula block grants and other direct grant programs, from the Health Resources and Services Administration, the Substance Abuse and Mental Health Services Administration, and the Centers for Disease Control. The resolution assumes 1999 savings from consolidation of \$0.3 billion in BA and \$0.1 billion in outlays below a freeze baseline.

The Committee-reported resolution assumes consolidation of health professions programs, reduction and consolidation of research associated with occupational safety and health, and reduction in HHS overhead expenses, saving \$0.3 billion in BA and \$0.2 billion in outlays in 1999 compared to a freeze.

The Committee-reported resolution does not assume the President's significant expansion of user fees to offset spending for the Food Safety and Inspection Service and the Food and Drug Administration.

Function 570: MEDICARE

FUNCTION SUMMARY

Function 570 includes only the Medicare program. Medicare pays for medical services for 38.6 million retired and disabled workers

and certain family members and persons with end-stage renal disease (ESRD). Medicare is administered by the Health Care Financing Administration, part of the Department of Health and Human Services.

Function 570 outlays will grow from \$199.7 billion in 1998 to \$273.7 billion in 2003, for an average annual growth rate of 6.5 percent. Medicare is the second largest entitlement program behind Social Security—98.5 percent of spending in this function is mandatory. Discretionary spending is almost entirely for program management activities.

The number of Medicare beneficiaries is expected to increase from 38.6 million in 1998 to 41.0 million in 2003, for an average annual growth rate of 1.2 percent. Spending per beneficiary will increase from \$5,175 in 1998 to \$6,675 in 2003, for an average annual growth rate of 5.2 percent.

Function 570 discretionary spending was not protected under the BBA. The BBA included substantial changes in the Medicare program, reducing spending by \$115.1 billion over the period 1998 to 2002 and \$385.5 billion over the period 1998 to 2007.

The BBA also created a 17-member National Bipartisan Commission on the Future of Medicare. The Commission is to make recommendations to the President and Congress by March 1, 1999, regarding long-term Medicare reform.

SPENDING SUMMARY
(In billions of dollars)

		1998	1999	2000	2001	2002	2003
Reported resolution	BA	199.2	210.3	221.8	239.4	251.2	273.4
	OT	199.7	210.9	221.1	242.3	248.8	273.6
BBA	BA	199.2	210.4	221.8	239.5	251.2	273.4
	OT	199.7	210.8	221.2	242.3	248.8	273.6
Freeze baseline	BA	199.2	210.4	221.9	239.5	251.3	273.5
	OT	199.7	211.0	221.2	242.4	248.9	273.7
Reported Resolution compared to:							
BBA	BA		-0.1	-(*)	-(*)	-(*)	-(*)
	OT		+0.1	-0.1	-(*)	-(*)	-0.1
Freeze baseline	BA		-0.1	-0.1	-0.1	-0.1	-0.1
	OT		-0.1	-0.1	-0.1	-0.1	-0.1

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution assumes 1999 discretionary spending of \$2.6 billion in BA and \$2.7 billion in outlays in Function 570, as requested by the President. This represents a decrease of \$0.1 billion in BA and outlays below the 1998 level.

The Committee-reported resolution assumes no changes in mandatory spending for the Medicare program. The Committee assumes the National Bipartisan Commission on the Future of Medicare will provide Congress with recommendations to improve the long-term solvency of the Medicare program in a report due March 1, 1999.

Function 600: INCOME SECURITY

FUNCTION SUMMARY

Function 600 contains the major cash and in-kind means-tested mandatory programs, general retirement, disability and pension programs excluding Social Security and Veteran's compensation programs, federal and military retirement programs, unemployment compensation, low-income housing programs and other low-income support programs. Function 600 is the fourth largest functional category after Social Security, defense, and interest on the federal debt.

In 1998, spending for Function 600 was \$232.7 billion in BA and \$239.2 billion in outlays. Discretionary spending represents 17 percent of total spending in the function. Funding for Housing programs accounts for 70 percent or \$28.5 billion of total discretionary spending. Special programs for low-income individuals including the WIC feeding program, the Child Care and Development Block Grant and the Low Income Home Energy Assistance Program received a combined \$5.9 billion. Also administrative funds for the Unemployment Insurance system and the Supplemental Security Income (SSI) program are funded with discretionary spending totaling \$4.8 billion in 1998.

As reflected in the spending summary table, under the freeze baseline, Function 600 will increase by 21 percent from 1998 to 2003. This is due primarily to increases in federal retirement costs and growth in the Supplemental Security Income and food stamps programs.

The BBA contained a net \$15 billion in additional spending for Function 600 mandatory programs. This total included: \$1.5 billion for additional food stamp work slots for able-bodied, 18–50 year-olds with no dependents, \$2.7 billion for a new welfare to work block grant program, and \$11.5 billion to restore SSI benefits for certain disabled and elderly legal immigrants. The BBA also generated more than \$600 million in savings from raising the covered wages ceiling for unemployment benefits that postponed a planned distribution to states of excess unemployment trust fund balances.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	229.5	243.3	257.3	268.5	279.2	289.8
	OT	234.7	248.1	259.4	266.7	274.2	282.4
BBA	BA	229.5	246.4	259.1	269.8	279.9	290.2
	OT	234.7	247.9	258.8	269.1	278.8	289.2
Freeze baseline	BA	229.5	243.5	254.2	263.7	273.0	282.2
	OT	234.7	248.0	259.7	267.2	274.9	283.6
Committee-reported resolution compared to:							
BBA	BA		-3.2	-1.9	-1.3	-0.7	-0.4
	OT		+0.2	+0.6	-2.4	-4.6	-6.8
Freeze baseline	BA		-0.2	+3.1	+4.8	+6.1	+7.6
	OT		+0.1	-0.3	-0.5	-0.8	-1.1

DESCRIPTION OF THE COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution proposes discretionary spending of \$32.5 billion in BA and \$41.8 billion in outlays for 1999. This represents an increase of \$0.3 billion in BA and \$1.2 billion in outlays, a 1.1 percent and 2.9 percent increase, respectively, over 1998.

Discretionary initiatives

The Committee-reported resolution assumes increases in funds for child care programs. In conjunction with assumed expanded dependent care tax credits and marriage penalty relief, the Committee-reported resolution doubles the size of the Child Care and Development Block Grant (CCDBG) by adding \$5 billion in new funds. The new funds increase every year and provides an extra \$1.2 billion in 2002—an 120 percent increase in child care spending. The proposal assumes that states must use all currently available funds before they access the new funds. The President's proposal includes a match on all new funds.

These new funds can be used to provide the working poor with additional assistance, increase the supply and quality of child care, provide training for child care workers, increase funds for early childhood development, and expand services for disabled and other special needs children.

The resolution assumes an increase of \$80 million in 1999 for the Special Supplemental Feeding Program for Women, Infants and Children (WIC). This additional funding will maintain the current program level.

Discretionary spending

The Committee-reported resolution assumes some of the reductions proposed in housing programs in the President's budget. The resolution accepts the President's level of spending for several low-income support programs including LIHEAP, Refugee and Entrant Assistance. The Nutrition Education and Training program is assumed to be part of the education consolidation discussed in Function 500.

Mandatory programs

The Committee-reported resolution provides for a budget neutral tax cut financed by increased revenues or mandatory savings. One possible savings proposal could come from reforming child support enforcement. These reforms could include requiring all states to make collections on at least 50 percent of their caseload before receiving bonus incentive payments—either states will achieve higher collections which are shared with the federal government or lose incentive funding—and requiring non-TANF recipients to pay a modest fee when states make a child support collection.

Function 650: SOCIAL SECURITY

FUNCTION SUMMARY

Function 650—the largest in terms of outlays in the federal budget—includes Social Security benefits and administrative ex-

penses. Social Security is the largest entitlement program provided by the federal government. Benefits are paid to retirees, disabled workers, survivors, spouses, and dependents from the Old Age, Survivors, and Disability Insurance (OASDI) trust funds. Social Security is financed primarily through payroll taxes. For purposes of the Budget Enforcement Act, the Social Security trust funds are off-budget and do not count toward deficit projections. However, the administrative expenses of the Social Security Administration (SSA) are on-budget and remain within the caps on discretionary spending.

Administrative expenses for SSA are paid from the Limitation on Administrative Expenses (LAE) account, which is partially funded from Function 650. Nearly one-half of LAE spending is reflected in other functions (Medicare, Function 570, and Income Security, Function 600). Overall, LAE budget authority is \$6.4 billion in 1998 with outlays of \$6.5 billion.

Up to \$520 million in LAE funding in 1999 could be exempt from the discretionary caps. Congress authorized this exemption in the Contract with America Advancement Act and the Personal Responsibility Act to accommodate higher spending on Continuing Disability Reviews (CDRs). CBO estimated that the additional CDRs funded by these exempt appropriations would reduce benefit expenditures by \$3.5 billion over the period 1996 to 2002, which is already reflected in the freeze baseline estimates.

Under the freeze baseline estimates, Social Security outlays increase at an average annual rate of 4.6 percent over the period 1998 to 2003. CBO projects the Social Security trust funds will run a surplus of \$100.6 billion in 1998, growing to \$147.6 billion in 2003.

The freeze baseline assumes an increase in the number of Social Security beneficiaries from an average of 44.0 million in 1998 to 46.9 million in 2003, for an average annual growth rate of 1.3 percent. The baseline assumes a cost-of-living increase of 2.4 percent in January 1999.

The BBA made no changes in the Social Security program. Function 650 discretionary was not a protected function under the BBA.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	379.0	394.7	412.0	430.9	451.9	474.4
	OT	379.1	394.9	412.0	430.9	451.9	474.4
BBA	BA	379.0	394.7	411.9	430.9	451.8	474.4
	OT	379.1	394.8	412.0	430.9	451.8	474.4
Freeze baseline	BA	379.0	394.7	412.0	430.9	451.9	474.4
	OT	379.1	394.9	412.0	430.9	451.9	474.4
Committee-reported resolution compared to:							
BBA	BA		— (*)	+(*)	+(*)	+0.1	— (*)
	OT		+0.1	— (*)	+(*)	+0.1	— (*)
Freeze baseline	BA		— (*)	— (*)	— (*)	— (*)	— (*)
	OT		— (*)	— (*)	— (*)	— (*)	— (*)

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution assumes no changes to Social Security benefits.

The Committee-reported resolution assumes discretionary spending in Function 650 of \$3.2 billion in BA and \$3.4 billion in outlays. This level of funding assumes the President's proposal to institute a new fee on representatives of Social Security and Supplemental Security Income claimants to cover the cost of processing attorney fee arrangements. The new fees will total \$4 million in 1999 and \$72 million over the period 1999 to 2003.

Function 700: VETERAN AFFAIRS

FUNCTION SUMMARY

Function 700 includes programs directed toward veterans of the armed forces. Income security needs of disabled veterans, indigent veterans and the survivors of deceased veterans are addressed through compensation benefits, pensions, and life insurance programs. Education, training, and rehabilitation and readjustment programs to veterans include the Montgomery GI Bill, the Veterans Educational Assistance Program, and the Vocational Rehabilitation and Counseling Program. Veterans are also able to receive guarantees on home loans and farm loans. Roughly half of all spending on veterans is for the Veterans Health Administration, which consists of more than 700 hospitals, nursing homes, domiciliaries, and outpatient clinics.

In 1998, spending for Function 700 was \$42.8 billion in BA and \$43.1 billion in outlays, which was a 9.7 percent increase over the 1997 spending level of \$39.3 billion. Discretionary spending represents \$19.0 billion or 44 percent of total spending in the function. Funding for the medical care and medical research in the VA hospital system accounts for most of this discretionary spending. Spending for Medical Care in 1998 will total \$17.7 billion, which includes about \$560 million in third party payments and other payments to help fund veteran health services. Appropriated spending on medical care accounts for more than 90 percent of total discretionary spending. General Operating Expenses for the Department of Veteran Affairs will total \$780 million in 1998 or 4 percent of total spending. The remainder of spending goes to construction spending for the medical care system, state veteran cemeteries, and other minor benefits and services.

As reflected in the spending summary table, under the freeze baseline, Function 700 spending will increase by 16 percent from 1998 to 2003. This is due primarily to growth in the veterans' compensation and pension programs. A large part of the increase, \$10 billion in spending over the next five years, is the result of a May, 1997 Veteran Affairs General Counsel ruling that veterans with smoking-related diseases who smoked while in the military and their survivors are eligible for disability compensation cash payments.

The BBA contained \$1.6 billion in savings from extending certain expiring provisions of law, including a pension limitation on veterans in Medicaid-paid nursing homes, prescription drug co-pays and in-hospital per diems and fees for VA housing loans. In addition to the savings, VA hospitals were allowed to retain receipts collected into the Medical Care Cost Recovery (MCCR) fund. Retaining the MCCR offsetting receipts increases spending on veteran hospitals

by \$3.2 billion from 1998 to 2002. Discretionary spending according to the BBA will decrease from \$18.5 billion in 1998 to \$18.0 billion in 2002.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	42.6	42.8	43.4	44.8	46.2	48.2
	OT	42.5	43.3	44.0	45.2	46.7	48.6
BBA	BA	42.6	42.1	43.2	44.5	45.7	48.2
	OT	42.5	42.4	43.4	44.7	45.9	48.5
Freeze baseline	BA	42.6	42.8	43.9	45.4	46.8	49.1
	OT	42.5	43.3	44.2	45.6	47.1	49.4
Committee-reported resolution compared to:							
BBA	BA		+0.7	+0.2	+0.3	+0.5	.....
	OT		+0.9	+0.6	+0.5	+0.8	+0.1
Freeze baseline	BA			-0.5	-0.6	-0.6	-0.9
	OT			-0.2	-0.4	-0.5	-0.9

DESCRIPTION OF THE COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution for the 1999 budget resolution proposes discretionary spending of \$19.1 billion in BA and \$19.6 billion in outlays. This amount represents level funding in BA but an increase of \$0.5 billion in outlays compared to 1998. The resolution also assumes \$560 million in spending from offsetting receipts from the Medical Care Cost Recovery fund, which is 10 percent higher than projected during last year's BBA.

Over the next five years the resolution assumes spending \$3.0 billion more than assumed in the BBA for both mandatory and discretionary programs over the next five years. Compared with the freeze baseline, the resolution would spend \$2.0 billion less than baseline projections over the next five years.

Discretionary spending

The Committee-reported resolution assumes \$93.0 billion in BA and \$94.2 billion in outlays over the next five years for discretionary spending. This level will be supplemented by receipts into the Medical Care Cost Recovery fund which are currently estimated to be about \$3.5 billion over the next five years. The resolution assumes:

The President's level of spending on VA medical care system of over \$90 billion in total spending over the next five years. The veteran population has started declining, and starting in 1999 the over age 65 veteran population—those who use medical facilities the most—will begin to decline;

No new construction of facilities after 1999, but over \$1.0 billion in new funds will be available for renovation, conversion of existing facilities, major repairs, and other minor construction which is the same level of spending assumed in the President's Budget;

Starting in 2000, after the over 65 veteran population starts declining the General Operating Expenses (GOE) will decrease at one-half the rate of decline in the veteran population, saving \$80 million over four years; and

The President's proposals, based on an advisory committee recommendation, to halt construction for state extended care facility grants saving \$74 million. Funds are still available for repair and renovation of facilities.

Mandatory spending

The Committee-reported resolution assumes the President's proposal reversing the VA General Counsel opinion extending compensation to veterans with smoking related disabilities. This assumption is discussed in Function 920.

Function 750: ADMINISTRATION OF JUSTICE

FUNCTION SUMMARY

Function 750 includes funding for the Department of Justice, the Judiciary, and 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), and also funding for prison construction, drug treatment, and crime prevention programs.

In 1998, spending for Function 750 was \$25.1 billion in BA and \$22.5 billion in outlays, which was a 5.2 percent increase over the 1997 spending level. Discretionary spending represents 96.3 percent of total spending in the function. The discretionary function total for 1998 includes \$5.4 billion in BA and \$3.9 billion in outlays for the Violent Crime Reduction Trust Fund (VCRTF) authorized by the 1994 Crime bill. Funding for the major law enforcement agencies, federal prisons and the Judiciary accounts for most of this discretionary spending. In 1998, funding for the FBI was \$3.4 billion, \$3.8 billion for INS, \$2.2 billion for the Customs Service, and \$1.2 billion for the DEA. The Office of Justice Programs received \$5.2 billion and the Federal Prison System received \$3.1 billion.

As reflected in the spending summary table, under the freeze baseline, Function 750 will decrease slightly in budget authority between 1998 and 2003 but outlays would increase by 8 percent over the same period. The outlay increase is due primarily to increases in State Prison grants, drug assistance programs, and numerous violent crime reduction programs. The Balanced Budget Agreement establishes Function 750 as a protected function in the budget. The Community Policing Services (Cops on the Beat) was a protected program in the 1998 budget.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	25.1	25.8	24.5	24.5	24.7	25.0
	OT	22.5	24.6	24.9	24.8	24.3	24.2
BBA	BA	25.1	25.4	24.3	24.5	25.0	25.6
	OT	22.5	24.8	25.4	26.0	25.0	25.5
Freeze baseline	BA	25.1	25.0	24.8	24.7	24.6	24.6
	OT	22.5	24.0	24.6	24.8	24.7	24.4

SPENDING SUMMARY—Continued
[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution compared to:							
BBA	BA		+0.4	+0.2	.....	−0.3	−0.6
	OT		−0.2	−0.5	−1.2	−0.7	−1.3
Freeze baseline	BA		+0.8	−0.3	−0.2	+0.1	+0.4
	OT		+0.6	+0.3	.....	−0.4	−0.2

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

For discretionary spending the Committee-reported resolution assumes \$25.2 billion in budget authority and \$24.0 billion in outlays for 1999. This represents an increase of \$1.0 billion in budget authority and \$2.4 billion in outlays, a 4.0 percent and an 11.3 percent increase respectively over 1998. The discretionary spending increase includes \$5.8 billion in budget authority and \$5.4 billion in outlays for the Violent Crime Reduction Trust Fund (VCRTF) programs. Compared to 1998, this funding represents a 5 percent increase in budget authority and an 8 percent increase in outlays for VCRTF. The 1999 Committee-reported resolution is \$0.4 billion in budget authority above and \$0.2 billion in outlays below the BBA. It is \$0.8 billion in budget authority and \$0.6 billion in outlays above the freeze. The Committee resolution assumes the following policy options to achieve the recommended funding levels.

The resolution fully funds the VCRTF with \$5.8 billion in budget authority and \$5.4 billion in outlays. It assumes current policy funding for the Local Law Enforcement Block Grants, which were terminated under the President's proposal, and it assumes \$1.4 billion will be available for completion of the Community Oriented Policing Services program (Cops on the Beat). The President assumes the program will have fulfilled its objectives in 1999 and requests no additional funds beyond next year. The Committee also recommends increased funding over the baseline for juvenile crime reduction programs by \$100 million in 1999, a 43 percent increase over 1998, for a total increase of \$1.5 billion in budget authority over five years.

In addition to funds provided in the VCRTF, the Committees-reported resolution assumes an increase for the Immigration and Naturalization Service (INS) of \$93 million in budget authority and \$79 million in outlays to support efforts to advance border control, improve illegal alien detention and deportation efforts, and provide assistance to local law enforcement officials. These funds may also be used for increasing the number of Border Patrol agents. The committee also notes that overall immigration staffing in the northern Border Patrol and Customs areas have declined, and that adequate staffing is needed at the Northern border both to facilitate the explosive growth in legitimate cross-border trade and traffic and to ensure the apprehension of illegal immigrants, drug traffickers, or terrorists who may attempt entry into the United States. In order to assure the most efficient use of additional resources provided relating to the apprehension, detention and removal of criminal and other illegal aliens, it is important that sufficient resources

be devoted to each stage of the immigration enforcement process, including inspections, border patrol, detention and deportation.

In addition to funds provided in the VCRTF, the Committee-reported resolution also assumes increases over the freeze baseline for the Federal Bureau of Investigation (FBI) of \$40 million in budget authority and \$34 million in outlays; \$16 million in budget authority and \$14 million in outlays for the Drug Enforcement Administration; \$67 million in budget authority and \$57 in outlays for the U.S. Customs; \$35 million in budget authority and \$30 million in outlays for the U.S. Attorneys; \$17 million in budget authority and \$14 million in outlays for the U.S. Marshals; and \$15 million in budget authority and \$13 million in outlays for the Secret Service.

The Committee-reported resolution assumes an increase of \$105 million in budget authority and \$89 million in outlays over the freeze baseline for the Federal Prison System, which will provide additional funds for needed prison space as well as assistance for salaries, operations, and maintenance of correctional and penal institutions. Finally, the Committee assumes \$25 million in budget authority for the Telecommunications Carrier Compliance Fund for reimbursement to the telecommunications industry for eligible Communications Assistance for Law Enforcement Act (CALEA) activities.

The resolution assumes mandatory spending levels at the current policy level of \$619 million in budget authority and \$617 million in outlays in 1999, for total spending in the 1999–2003 period of \$1.9 billion in budget authority and \$1.7 billion in outlays.

Function 800: GENERAL GOVERNMENT

FUNCTION SUMMARY

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.

In 1998, spending for Function 800 will be \$14.5 billion in BA and \$14.3 billion in outlays, which is a 14 percent increase over the 1997 spending level. Discretionary spending represents 86 percent of total spending in this function. About 62 percent of discretionary spending, or \$7.8 billion in 1998, is for the Internal Revenue Service. 16 percent of discretionary spending is for the Legislative branch, and 5 percent is for the Executive Office of the President. Over half the mandatory spending is for the Treasury claims fund, and the remainder is primarily payments to states, localities, and Puerto Rico.

As reflected in the spending summary table, under the freeze baseline, Function 800 will increase by 2.9 percent from 1998 to 2003. Mandatory spending includes \$1.5 billion in every year over this period for payments to savings and loans institutions (S&Ls) out of the Treasury claims fund. Two years ago, the Supreme Court ruled that a 1989 federal law broke a contract between an S&L and the Federal Savings and Loan Insurance Corporation (FSLIC). During the 1980s, the FSLIC encouraged healthy S&Ls to buy ail-

ing ones with the promise that the buyer could employ a favorable accounting treatment of “supervisory goodwill.” The 1989 law reversed this agreement, causing many S&Ls to fail. This ruling could cost the Federal government up to \$20 billion.

Last year’s BBA assumed discretionary savings of \$4.1 billion over 1999–2003 compared with the 1998 level. Savings were assumed to be achieved by reducing discretionary spending for the District of Columbia, the IRS, the Federal Buildings Fund, and several other bureaus and agencies. Mandatory savings of \$540 million were achieved from selling Governor’s Island and the air rights above Union Station.

SPENDING SUMMARY
[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee reported resolution	BA	14.5	14.4	13.9	13.6	13.4	13.5
	OT	14.3	13.4	13.8	13.8	13.6	13.5
BBA	BA	14.5	14.7	14.2	13.8	13.7	14.1
	OT	14.3	14.6	14.9	14.2	13.7	14.1
Freeze baseline	BA	14.5	14.8	14.8	14.8	14.8	14.8
	OT	14.3	14.1	14.5	14.5	14.5	14.5
Committee-reported resolution compared to:							
BBA	BA		–0.3	–0.3	–0.2	–0.3	–0.6
	OT		–1.2	–1.1	–0.4	–0.1	–0.6
Freeze baseline	BA		–0.4	–0.9	–1.2	–1.3	–1.3
	OT		–0.7	–0.7	–0.7	–0.9	–1.0

DESCRIPTION OF THE COMMITTEE-REPORTED RESOLUTION

The Committee-reported resolution assumes discretionary spending in 1999 of \$12.0 billion in BA and \$11.1 billion in outlays. This represents a decrease from 1998 of \$0.5 billion in BA, or 4 percent, and \$1.3 billion in outlays or 10.7 percent. The resolution does not assume changes in mandatory spending, which will total \$2.4 billion in 1999. Overall, the Committee-reported resolution proposes to spend \$1.7 billion less over five years compared with the BBA, and \$5.1 billion less over five years compared with a freeze. In order to meet the discretionary spending limits, savings will be required from programs in this function. These savings will be determined by the Appropriations Committees. While savings are needed overall, the federal government still must fund national responsibilities at a reasonable level.

The resolution assumes \$457 million in 1999 for the Federal Buildings Fund, an increase of \$500 million over a freeze. The additional money will fund 14 new courthouses, the amount recommended by the Judicial Conference in its latest Five Year Courthouse Plan. The overall level of the Federal Buildings Fund in 1999 will also support the President’s request for increased repairs and alterations. For 1998, courthouse construction was delayed and repairs and alterations were scaled back due to an overall shortfall in the Federal Buildings Fund.

The resolution assumes \$7.3 billion in 1999 for the IRS, a decrease of 6 percent below a freeze. This amount is \$240 million above the 1997 level. IRS funding has increased by 71 percent in real terms since 1981. In addition, the National Commission on Re-

structuring the IRS has identified ways to save money, such as encouraging electronic filing.

The resolution assumes \$631 million in 1999 for the District of Columbia, a decrease of 23 percent below a freeze. All of this reduction is due to the one-time transition payment the District received in 1998 as part of the Federal bailout. The resolution accommodates the increased federal responsibilities assumed in last year's bailout. As a result of this support, the District is now projecting continuing surpluses rather than deficits.

The resolution assumes \$15 million in 1999 for the U.S. Mint, a decrease of 87 percent below a freeze. This is the same amount of funding recommended by the President. The reduction is possible because the Mint is expected to make fewer capital acquisitions in 1999. Finally, the resolution assumes a repeal of the General Services Agency's provision requiring agencies to purchase alternative fuel vehicles. This change would save \$70 million in 1999.

Function 900: NET INTEREST

FUNCTION SUMMARY

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

Interest on the public debt, or gross interest, is the cost of financing the entire public debt of the U.S. government. Gross interest costs, however, are not a comprehensive measure of government borrowing costs because the government holds much of the debt itself, which generates interest income. In 1997, \$1.6 trillion (about 30 percent) of the total public debt was held by the government, mostly by trust funds such as Social Security and federal civilian and military retirement. The government both pays and collects interest on these securities, resulting in no net cost. In addition, the federal government lends money outside the government through credit programs. These activities result in real interest income to the federal government. Since net interest reflects both the interest paid and interest earned by the government, it provides the best measure of the costs of federal borrowing.

In 1998, spending for Function 900 was \$245.1 billion in BA and outlays, which was a 0.4 percent increase over the 1997 spending level. As reflected in the spending summary table, under the freeze baseline, Function 900 will decrease by 8 percent from 1998 to 2003. This is primarily due to expectations of continuing surpluses and declining interest rates.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA	245.1	247.2	242.7	236.7	230.5	225.4
	OT	245.1	247.2	242.7	236.7	230.5	225.4
BBA	BA	245.1	247.2	242.8	236.8	230.4	225.1
	OT	245.1	247.2	242.8	236.8	230.4	225.1
Freeze baseline	BA	245.1	247.3	242.9	236.9	230.5	225.2
	OT	245.1	247.3	242.9	236.9	230.5	225.2

SPENDING SUMMARY—Continued
[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution compared to:							
BBA	BA		-0.1	-0.2	-0.2	— (*)	+0.3
	OT		-0.1	-0.2	-0.2	— (*)	+0.3
Freeze baseline	BA		-0.1	-0.2	-0.2	— (*)	+0.3
	OT		-0.1	-0.2	-0.2	— (*)	+0.3

COMMITTEE-REPORTED RESOLUTION

The surpluses under the Committee-reported resolution are slightly higher than the surpluses under the BBA and the freeze baseline. As a result, the resolution proposes to spend \$0.1 billion less on net interest over five years compared with the BBA or a freeze.

Function 920: ALLOWANCES

FUNCTION SUMMARY

Function 920 usually displays the future budgetary effects of proposals that cannot be easily distributed across other budget functions (but no data on actual spending are recorded here). In past years, Function 920 has included total savings or costs from proposals to change federal employee pay, procurement procedures, or overhead in federal agencies.

The BBA made no assumptions for this function.

SPENDING SUMMARY
[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	BA		-0.3	-1.2	-2.7	-3.8	-5.4
	OT		-1.9	-4.6	-3.0	-7.0	-5.0
BBA	BA						
	OT						
Freeze baseline	BA						
	OT						
Committee-reported resolution compared to:							
BBA	BA		-0.3	-1.2	-2.7	-3.8	-5.4
	OT		-1.9	-4.6	-3.0	-7.0	-5.0
Freeze baseline	BA		-0.3	-1.2	-2.7	-3.8	-5.4
	OT		-1.9	-4.6	-3.0	-7.0	-5.0

DESCRIPTION OF COMMITTEE-REPORTED RESOLUTION

Discretionary spending

The Committee-reported resolution assumes reductions (that would actually occur in most other functions) in discretionary spending resulting from:

Limiting the number of political appointees to 2,300, saving \$0.2 billion over the next five years;

Repealing the Davis-Bacon and the Service Contract Acts beginning in 2000, saving \$6.3 billion in BA and \$5.0 billion in outlays over the 2000–2003 period.

In addition, the resolution assumes a reserve totaling \$12.1 billion in BA for emergencies over the next five years (similar to the President's budget, except the President only had a reserve for 1999; the resolution assumes roughly \$2 billion to \$3 billion per year). Typically, Administration and congressional budgets have not made assumptions for emergencies even though supplementals end up being enacted every year that provide funds for emergencies that year.

Mandatory Spending

The resolution also includes the program reductions assumed to offset the increased outlays resulting from the Senate-passed reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). These offsets include the following items.

The President proposed to reverse his VA General Counsel decision in 1997 to extend compensation to veterans with smoking-related illnesses and dependents of deceased veterans. This policy saves \$10.5 billion over five years, and greater amounts in the future.

The reform of welfare administrative costs could be coordinated between three programs: TANF, Food Stamps, and Medicaid. This proposal would save \$3.6 billion over 1999 through 2003. This is similar to the President's proposal for Medicaid and Food Stamps administration.

The President also recommends reducing spending for the Social Services Block Grant (Title XX) by \$3.1 billion over five years. The President's budget notes that some services provided by the block grant could be provided directly by State or local government or through other federal programs. The Committee-reported resolution acknowledges a FY 1998 Appropriations Committee conclusion that the Administration on Children Youth and Families could not provide them with any information relating to the effectiveness of the program in meeting its stated objectives.

Several options are available within the FHA program that provides mortgage insurance for single-family homes to be enacted that would provide more than \$1 billion in offsets for highway spending over five years. One proposal in the President's budget is an increase in the FHA loan ceiling to \$227,150, which would bring in an additional \$1.0 billion in fee receipts over five years. While this proposal appears to save money under credit reform scoring, the committee is concerned that such a large expansion of credit activity could increase the government's exposure to losses. Other proposals aimed at lowering the cost of potential government losses in insuring homes currently eligible for the FHA program could produce even more savings, without the additional risk. Raising the annual premium by 5 basis points for mortgages with initial loan-to-value ratios exceeding 95 percent would yield \$0.5 billion over five years. Combining this proposal with one that would end FHA rebates of the up-front premiums paid by borrowers would generate total savings of \$1.3 billion over the next five years.

The total authorization for the Commodity Credit Corporation automated data processing could be set at \$0.2 billion, and the Market Access Program (MAP) could be eliminated. These two pro-

posals would save \$0.1 billion in 1999 and \$0.4 billion over five years.

Increase premiums, currently 6 basis points, charged to brokers of Ginnie Mae securities by 3 basis points, allowing them to retain 41 basis points in fees, yielding \$0.2 billion in higher receipts over five years and reducing the excess profits of the securities brokers.

Function 950: UNDISTRIBUTED OFFSETTING RECEIPTS

FUNCTION SUMMARY

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. 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 voluntary payment from the public to the government, similar to a business transaction). The main types of receipts recorded as “undistributed” in this function are: the payments federal agencies make to retirement trust funds for their employees, payments made by companies for the right to explore and produce oil and gas on the Outer Continental Shelf, and payments by those who bid for the right to own or use public property or resources, such as the electromagnetic spectrum.

In 1998, offsetting receipts in this function are \$43.8 billion, which is a 12.4 percent decrease in receipts from the 1997 level.

As reflected in the summary table, under the freeze baseline, offsetting receipts will remain roughly \$44 billion for the next two years, increase to \$46.8 billion in 2001, and spike to \$54.6 billion in 2002, because of the concentration of spectrum auctions that the BBA required the Federal Communications Commission to conduct in that year.

SPENDING SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee reported resolution	BA	-43.8	-43.9	-44.4	-46.8	-54.6	-46.1
	OT	-43.8	-43.9	-44.4	-46.8	-54.6	-46.1
BBA	BA	-43.8	-43.9	-44.4	-46.8	-54.6	-46.1
	OT	-43.8	-43.9	-44.4	-46.8	-54.6	-46.1
Freeze baseline	BA	-43.8	-43.9	-44.4	-46.8	-54.6	-46.1
	OT	-43.8	-43.9	-44.4	-46.8	-54.6	-46.1
Committee-reported resolution compared to:							
BBA	BA .....	.....	.....	.....	.....	.....	.....
	OT .....	.....	.....	.....	.....	.....	.....
Freeze baseline	BA .....	.....	.....	.....	.....	.....	.....
	OT .....	.....	.....	.....	.....	.....	.....

DESCRIPTION OF COMMITTEE REPORTED RESOLUTION

The Committee-reported resolution reflects no change in offsetting receipts in Function 950 compared with the freeze baseline or the BBA.

B. REVENUES

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

HISTORICAL TRENDS

The following table shows that revenues are expected to be 20.1 percent of GDP in 1998. This would be a postwar high and close to the World War II peak of 20.9 percent. After 1998, the ratio is projected to decline slightly to 19.3 percent by 2003.

The revenue/GDP ratio will remain historically high during the budget window. Over the period 1965 through 1997, revenues averaged 18.3 percent of GDP. In only a few years, and then only under unusual circumstances, did revenues reach 19 percent of GDP during this period. In 1969 and 1970, taxes were hiked to help finance the Vietnam War. From 1979 through 1982, high inflation pushed up revenues—post 1982, the Reagan Administration's tax cut and subsequent indexing of tax brackets reduced the tax burden. In 1997, taxes reached 19.8 percent of GDP.

There have been some large shifts in the composition of revenues over the last three decades. The most visible is the government's increased reliance on social insurance taxes and its diminished reliance on corporate income and excise taxes. Those trends have eased in recent years, however; the social insurance tax share and the excise tax share have been essentially constant as a percentage of GDP since 1985, while corporate income tax collections have gone up. The individual income tax share, the largest share of all revenues, has risen steadily since 1993.

HISTORICAL AND PROJECTED REVENUES

[Fiscal years, percent of GDP]

	CBO March 1998 baseline—												
	1965	1975	1985	1995	1996	1997	1998	1999	2000	2001	2002	2003	
Total revenues	17.0	18.0	17.9	18.8	19.3	19.8	20.1	19.9	19.6	19.4	19.4	19.3	
Individual	7.1	7.9	8.2	8.2	8.7	9.3	9.4	9.1	8.9	8.8	8.9	8.9	
Corporate	3.7	2.6	1.5	2.2	2.3	2.3	2.4	2.3	2.2	2.1	2.0	2.0	
Social insurance	3.2	5.4	6.5	6.7	6.8	6.8	6.8	6.9	6.9	6.9	6.8	6.8	
Other ¹	2.9	2.1	1.8	1.7	1.5	1.5	1.5	1.7	1.6	1.6	1.6	1.6	

¹ Includes excise taxes, estate and gift taxes, custom duties and miscellaneous receipts.

REVENUES IN THE BASELINE

The baseline projections for revenues assume that current tax law remains unchanged. The baseline takes into account that some provisions are scheduled to change or expire during the 1998–2003 period. Overall, the baseline assumes that those changes and expirations occur on schedule. One category of taxes, excise taxes dedicated to trust funds, is the sole exception to this rule. The baseline assumes that those taxes will be extended even if they are sched-

uled to expire, to be consistent with the spending assumptions. This year, there are three such cases: (1) excise taxes for the Highway Trust Fund (expires in 1999) which generates \$27 billion in baseline revenues in 2008; (2) the Airport and Airway Trust Fund (expires in 2007) which generates \$15 billion in 2008; and (3) the Leaking Underground Storage Tank Trust Fund (expires in 2005) which generates \$0.2 billion in 2008.

All other expiring revenue provisions were not automatically extended in the baseline projections. These include five expiring provisions that had been temporarily extended last year, and fifteen more that are set to expire between 1999 and 2008. Extension of the former would reduce 2003 revenues by roughly \$3.8 billion.

DESCRIPTION OF COMMITTEE REPORTED RESOLUTION

The Committee reported resolution assumes that any tax cuts will be deficit neutral. This will permit tax cuts if they are offset by revenue raisers and/or mandatory spending reductions. A tax cut reserve fund will be created to facilitate this process. This resolution assumes that revenues will grow from \$1,679.7 billion in 1998 to \$2,007.6 billion in 2003, an increase of \$327.9 billion over the five-year period.

SUMMARY

[In billions of dollars]

		1998	1999	2000	2001	2002	2003
Committee-reported resolution	REV	1679.7	1738.5	1783.5	1846.5	1929.8	2007.6
BBA baseline	REV	1679.7	1738.5	1783.5	1846.5	1929.8	2007.6
Freeze baseline	REV	1679.7	1738.5	1783.5	1846.5	1929.8	2007.6
Committee-reported resolution compared to:							
BBA baseline	REV						
Freeze baseline	REV						

1999 committee

[1999–2003—(5-year total, in billions of dollars)]

Committee-reported resolution baseline	\$9,305.9
– Deficit Impact of Tax Cuts	0.0

Committee-reported resolution revenues	9,305.9
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This resolution does not assume revenues from a legislated tobacco settlement. However, it does provide that should such a settlement generate revenues, the Federal share of those proceeds would be dedicated to the Medicare Part A trust fund.

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 any statutory 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 broad parameters adopted in the Committee-reported resolution.

The following measures are an illustration of the type of five year tax relief that could be consistent with the Committee-reported resolution:

- Some marriage penalty relief—for instance, potentially increasing the standard deduction for joint filers, that could reduce taxes by up to \$10.5 billion;
- Further relief for child care expenses for all families of up to \$9.0 billion;
- S. 1133, The “Parent and Student Savings Account Plus” which would expand the use of Education IRAs and expand the exclusion for employer-provided education by \$3.7 billion;
- Extension of the Research and Experimentation (R&E) credit worth \$2.0 billion;
- Extension of the Generalized System of Preferences (GSP) worth \$1.1 billion;
- Measures to reform the IRS providing roughly \$3 billion in relief (this figure could be revised depending on upcoming Senate action);
- Technical adjustments to simplify TRA-97 of just under \$1 billion;
- An acceleration of the phase-in for making self-employed health costs fully deductible providing \$300 million in relief.

Roughly \$30 billion in revenue raisers and/or mandatory spending reductions would offset these gross tax cuts. The President has proposed a set of loophole closures and tax extensions which would cover this total. The Ways and Means Committee and the Finance Committee could elect to use some of the President’s suggestions and/or compile their own set of offsets.

Other tax cuts are also possible (including the President’s proposals), providing revenue raisers and/or mandatory spending cuts have offset these.

TAX EXPENDITURES

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

The estimates presented here are those of the Joint Committee on Taxation and are based on the committee’s most recent report of December 15, 1997 (Estimates of Federal Tax Expenditures for Fiscal Years 1998–2002) (JCS–22–97). The list shows the estimated revenue lost from tax expenditure items for fiscal years 1998 through 2002. Because of the interaction among provisions, the Joint Committee on Taxation warns that it is incorrect to assume

that estimates of separate tax expenditures can be summed to calculate a total revenue effect of repeal of a group of tax expenditures. The tax expenditures in the following list are estimated separately, under the assumption that all other tax expenditures remain in the code. If two or more tax expenditures were estimated simultaneously, the total change in tax liability could be smaller or larger than the sum of the amounts shown for each item separately.

Tables follow:

[illegible]

Tax credit for production of non-conventional fuels	1.1	1.1	1.1	1.0	1.0	0.3	0.3	0.3	0.2	6.7
Tax credits for alcohol fuels (?)	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	(1)
Exclusion of interest on State and local government industrial development bonds for energy production facilities	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.1	0.1	1.2
Expensing of tertiary injectants	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Exclusion of energy conservation subsidies provided by public utilities .....	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	0.2
Tax credit for investments in solar and geothermal energy facilities	0.1	0.1	0.1	0.1	0.1	(1)	(1)	(1)	(1)	0.5
Tax credit for electricity production from wind and biomass	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.3
Tax credit for electric vehicles	(1)	(1)	0.1	0.1	0.1	(1)	(1)	(1)	(1)	0.3
Deductions for clean-fuel vehicles and refueling property	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Natural Resources and Environment										
Expensing of exploration and development costs, nonfuel minerals	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Excess of percentage over cost depletion, nonfuel minerals	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	1.5
Tax credit and 7-year amortization for reforestation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
Expensing of multiperiod timber-growing costs	0.2	0.2	0.2	0.2	0.2	(1)	(1)	(1)	(1)	1.1
Exclusion of interest on State and local government sewage, water, and hazardous waste facilities bonds	0.2	0.2	0.2	0.2	0.2	0.6	0.6	0.6	0.6	3.7
Tax credit for rehabilitation of historic structures	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	0.5
Special rules for mining reclamation reserves	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2
Exclusion of contributions in aid of construction for water and sewer utilities	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	0.2

Footnotes at end of table.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1998-2002—Continued
[Billions of dollars]

Function	Corporations					Individuals					Total 1998-2002	
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998-2002	1998-2002
Agriculture												
Expensing of soil and water conservation expenditures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2	0.2
Expensing of fertilizer and soil conditioner costs	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.2	0.2
Expensing of the costs of raising dairy and breeding cattle	(1)	(1)	(1)	(1)	(1)	0.1	0.1	0.2	0.2	0.2	0.8	0.8
Exclusion of cost-sharing payments	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1	0.1
Exclusion of cancellation of indebtedness income of farmers .....	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.4	0.4
Cash accounting for agriculture	(1)	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	1.2	1.2
Income averaging for farmers .....	.....	.....	.....	.....	.....	(1)	(1)	(1)	(1)	(1)	0.1	0.1
Commerce and Housing												
Financial institutions:												
Bad-debt reserves of financial institutions	(1)	(1)	(1)	(1)	(1)	.....	.....	.....	.....	.....	0.1	0.1
Exemption of credit union income	0.8	0.8	0.9	0.9	1.0	.....	.....	.....	.....	.....	4.4	4.4
Insurance companies:												
Exclusion of investment income on life insurance and annuity contracts	1.2	1.2	1.3	1.3	1.3	20.9	21.5	22.0	22.5	23.1	116.2	116.2
Small life insurance company taxable income adjustment	0.1	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.5	0.5
Special treatment of life insurance company reserves	1.9	2.0	2.1	2.3	2.4	.....	.....	.....	.....	.....	10.8	10.8
Deduction for unpaid property loss reserves for property and casualty insurance companies	2.8	3.0	3.1	3.3	3.5	.....	.....	.....	.....	.....	15.7	15.7
Special deduction for Blue Cross and Blue Shield companies	0.4	0.4	0.4	0.4	0.3	.....	.....	.....	.....	.....	1.9	1.9

Deduction for mortgage interest on owner-occupied residences	43.0	44.7	46.4	48.3	50.2	232.6
Deduction for property taxes on owner-occupied residences	16.6	17.3	17.9	18.7	19.5	89.9
Exclusion of capital gains on sales of principal residences	5.6	5.7	5.9	6.1	6.3	29.6
Exclusion of interest on State and local government bonds for owner-occupied housing	0.6	0.6	0.7	0.7	0.7	12.2
Exclusion of interest on State and local government bonds for rental housing	0.3	0.3	0.3	0.3	0.9	5.8
Depreciation of rental housing in excess of the alternative depreciation system	1.1	1.0	1.0	1.0	0.7	8.7
Tax credit for low-income housing	1.1	1.2	1.4	1.5	2.8	19.6
Tax credit for first-time homebuyers in the District of Columbia	(1)	(1)	(1)	(1)	(1)	0.1
<i>Other business and commerce:</i>						
Reduced rates of tax on long-term capital gains	30.8	29.4	29.0	36.8	35.0	163.1
Depreciation of buildings other than rental housing in excess of the alternative depreciation system	2.6	1.9	1.5	1.2	0.5	12.1
Depreciation of equipment in excess of the alternative depreciation system	25.3	26.9	28.2	28.8	7.8	175.7
Expensing of depreciable business property	0.7	0.6	0.6	0.8	0.4	5.4
Exclusion of capital gains at death	18.0	19.2	20.5	21.9	23.4	103.0
Carryover basis of capital gains on gifts	1.8	1.9	1.9	2.0	2.1	9.7
Amortization of business startup costs	(1)	(1)	(1)	(1)	0.3	1.6
Reduced rates on first \$10,000,000 of corporate taxable income	4.2	4.3	4.4	4.5	0.3	22.1

Footnotes at end of table.

[illegible]

Community and Regional Development

Empowerment zone tax incentives	0.2	0.2	0.3	0.4	0.3	0.2	0.3	0.4	0.4	0.3	0.3	3.0
District of Columbia tax incentives	(1)	(1)	0.1	0.1	0.1	(1)	0.1	0.1	0.1	0.1	0.1	0.6
Indian reservation tax incentives	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.1	0.1	1.4
Expensing of redevelopment costs in certain environmentally contaminated areas ("Brownfields")	(1)	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Tax credit for rehabilitation of structures, other than historic structures	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Exclusion of interest on State and local government bonds for private airports, docks, and mass-commuting facilities	0.3	0.3	0.4	0.4	0.4	0.8	0.9	1.0	1.1	1.0	1.0	6.6
Education, Training, Employment, and Social Services												
<i>Education and training:</i>												
Tax credits for tuition for post-secondary education						6.2	6.3	7.2	7.7	7.6	7.6	35.1
Deduction for interest on student loans						(1)	0.1	0.1	0.2	0.3	0.3	0.7
Exclusion of earnings of trust accounts for higher education ("education IRAs")						0.2	0.5	0.7	0.8	1.1	1.1	3.3
Exclusion of interest on educational savings bonds						(1)	(1)	(1)	(1)	(1)	(1)	0.1
Deferral of tax on earnings of qualified State tuition programs						(1)	0.1	0.1	0.2	0.2	0.2	0.7
Exclusion of scholarship and fellowship income						0.8	0.9	0.9	1.0	1.1	1.1	4.6
Exclusion of employer-provided education assistance benefits						0.2	0.3	0.2	0.1	.....	.....	0.8
Parental personal exemption for students age 19 to 23						0.8	0.9	0.9	1.0	1.1	1.1	4.7
Exclusion of interest on State and local government student loan bonds	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	1.6

Footnotes at end of table.

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1998–2002—Continued
 [Billions of dollars]

Function	Corporations					Individuals					Total 1998– 2002
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	
Exclusion of interest on State and local government bonds for private nonprofit educational facilities	0.3	0.3	0.3	0.4	0.4	0.8	0.8	0.9	1.0	1.0	6.2
Tax credit for holders of qualified education bonds	(1)	0.1	0.1	0.1	0.1	.....	.....	.....	.....	.....	0.4
Deduction for charitable contributions to educational institutions ...	0.9	1.0	1.1	1.2	1.4	2.6	2.7	2.8	2.9	3.0	19.6
<i>Employment:</i>											
Exclusion of employee meals and lodging (other than military) .....	.....	.....	.....	.....	.....	0.7	0.7	0.8	0.8	0.8	3.8
Exclusion of benefits provided under cafeteria plans (3) .....	.....	.....	.....	.....	.....	5.7	6.5	7.2	7.9	8.7	35.9
Exclusion of rental allowances for ministers' homes .....	.....	.....	.....	.....	.....	0.3	0.3	0.3	0.4	0.4	1.7
Exclusion of miscellaneous fringe benefits .....	.....	.....	.....	.....	.....	5.8	6.2	6.5	6.9	7.3	32.7
Exclusion of employee awards .....	.....	.....	.....	.....	.....	0.1	0.1	0.1	0.1	0.1	0.7
Exclusion of income earned by voluntary employees' beneficiary associations .....	.....	.....	.....	.....	.....	0.5	0.5	0.5	0.6	0.6	2.7
Special tax provisions for employee stock ownership plans (ESOPs)	0.8	0.8	0.9	0.9	1.0	(1)	(1)	(1)	(1)	(1)	4.6
Work opportunity tax credit	0.1	0.1	0.1	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.4
Welfare-to-work tax credit	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	0.1
<i>Social services:</i>											
Tax credit for children under age 17 (4) .....	.....	.....	.....	.....	.....	11.6	19.3	20.3	20.2	19.9	91.4
Tax credit for child and dependent care expenses .....	.....	.....	.....	.....	.....	2.8	2.8	2.9	2.9	2.9	14.3
Exclusion of employer-provided child care (6) .....	.....	.....	.....	.....	.....	0.9	1.0	1.1	1.2	1.2	5.4

Table 1.—Tax Expenditure Estimates By Budget Function, Fiscal Years 1998-2002—Continued
 [Billions of dollars]

Function	Corporations					Individuals					Total	
	1998	1999	2000	2001	2002	1998	1999	2000	2001	2002	1998-	2002
Income Security												
Exclusion of workers' compensation benefits						3.8	3.9	4.0	4.2	4.3	20.2	20.2
Exclusion of special benefits for disabled coal miners						0.1	0.1	0.1	0.1	0.1	0.5	0.5
Exclusion of cash public assistance benefits						0.4	0.5	0.5	0.5	0.5	2.4	2.4
Net exclusion of pension contributions and earnings:												
Employer plans						73.5	76.7	80.0	79.9	78.7	398.8	398.8
Individual retirement plans						9.9	10.8	11.9	13.0	14.3	59.9	59.9
Keogh plans						3.9	4.2	4.4	4.6	4.9	22.0	22.0
Exclusion of other employee benefits:												
Premiums on group term life insurance						1.9	1.9	2.0	2.1	2.1	10.0	10.0
Premiums on accident and disability insurance						0.2	0.2	0.2	0.2	0.2	1.0	1.0
Exclusion of employer-provided death benefits						(1)	(1)	(1)	(1)	(1)	0.2	0.2
Additional standard deduction for the blind and the elderly						2.0	2.2	2.3	2.5	2.6	11.6	11.6
Tax credit for the elderly and disabled						(1)	(1)	(1)	(1)	(1)	0.1	0.1
Deduction for casualty and theft losses						0.3	0.3	0.3	0.3	0.3	1.5	1.5
Earned income credit (EIC)(7)						5.2	5.2	5.3	5.5	5.9	27.2	27.2
Social Security and Railroad Retirement												
Exclusion of untaxed social security and railroad retirement benefits						27.0	28.2	29.5	30.8	32.2	147.8	147.8
Veterans' Benefits and Services												
Exclusion of veterans' disability compensation						1.9	2.0	2.0	2.1	2.1	10.1	10.1
Exclusion of veterans' pensions						0.1	0.1	0.1	0.1	0.1	0.5	0.5

IV. SUMMARY TABLES

COMMITTEE-REPORTED RESOLUTION

Function Totals
(Dollars in billions)

		1998	1999	2000	2001	2002	2003
050: National Defense.....	BA	267.7	270.5	274.3	280.8	288.6	296.8
	OT	268.1	265.5	268.0	269.7	272.1	279.8
150: International Affairs.....	BA	15.2	14.6	14.3	15.1	15.2	15.2
	OT	14.1	14.2	14.7	14.5	14.5	14.4
250: Science, Space and Technology.....	BA	18.0	18.3	17.8	17.7	17.3	17.0
	OT	17.7	17.9	17.9	17.6	17.4	17.0
270: Energy.....	BA	0.5	0.6	0.6	0.5	0.4	0.4
	OT	1.0	0.3	--	-0.2	-0.4	-0.4
300: Natural Resources and Environment...	BA	24.2	23.4	23.3	23.0	22.9	22.9
	OT	23.0	23.4	23.5	23.4	23.0	22.9
350: Agriculture.....	BA	11.8	12.0	11.6	10.3	10.2	10.4
	OT	10.8	10.5	9.9	8.7	8.5	8.8
370: Commerce and Housing Credit:							
On-budget.....	BA	7.3	4.2	15.1	15.3	15.6	14.9
	OT	0.7	3.2	10.0	11.0	11.8	11.7
Off-budget.....	BA	0.6	--	0.4	-0.6	--	--
	OT	0.6	--	0.4	-0.6	--	--
Total.....	BA	7.9	4.2	15.5	14.7	15.6	14.9
	OT	1.3	3.2	10.4	10.4	11.8	11.7
400: Transportation.....	BA	46.0	51.5	51.8	52.1	51.4	52.0
	OT	42.5	42.8	44.7	45.7	45.8	46.9
450: Community and Regional Development	BA	8.7	8.7	7.9	7.6	7.6	7.6
	OT	11.2	10.9	9.7	8.9	8.1	8.1
500: Education, Training, Employment and Social Services	BA	61.3	63.0	63.3	64.5	64.9	68.4
	OT	56.1	61.0	62.7	63.8	63.7	67.1
550: Health.....	BA	136.2	145.8	152.6	161.5	170.1	181.2
	OT	132.0	143.7	151.6	160.4	169.9	181.1
570: Medicare.....	BA	199.2	210.3	221.8	239.4	251.2	273.4
	OT	199.7	210.9	221.1	242.3	248.8	273.6
600: Income Security.....	BA	229.5	243.3	257.3	268.5	279.2	289.8
	OT	234.7	248.1	259.4	266.7	274.2	282.4
650: Social Security:							
On-budget.....	BA	12.0	12.6	13.1	12.5	14.5	15.3
	OT	12.2	12.8	13.1	12.5	14.5	15.3
Off-budget.....	BA	366.9	382.1	398.9	418.4	437.4	459.2
	OT	366.9	382.1	398.9	418.4	437.4	459.2
Total.....	BA	378.9	394.7	412.0	430.9	451.9	474.5
	OT	379.1	394.9	412.0	430.9	451.9	474.5
700: Veterans Benefits.....	BA	42.6	42.8	43.4	44.8	46.2	48.2
	OT	42.5	43.3	44.0	45.2	46.6	48.6

COMMITTEE-REPORTED RESOLUTION

Function Totals
(Dollars in billions)

		1998	1999	2000	2001	2002	2003
750: Administration of Justice.....	BA	25.1	25.8	24.5	24.5	24.7	25.0
	OT	22.5	24.6	24.9	24.8	24.3	24.2
800: General Government.....	BA	14.5	14.4	13.9	13.6	13.4	13.5
	OT	14.3	13.4	13.8	13.8	13.6	13.5
900: Net Interest:							
On-budget.....	BA	291.6	300.1	301.7	302.1	302.6	304.9
	OT	291.6	300.1	301.7	302.1	302.6	304.9
Off-budget.....	BA	-46.5	-52.8	-59.0	-65.4	-72.1	-79.4
	OT	-46.5	-52.8	-59.0	-65.4	-72.1	-79.4
Total.....	BA	245.1	247.3	242.7	236.7	230.5	225.5
	OT	245.1	247.3	242.7	236.7	230.5	225.5
920: Allowances.....	BA	--	-0.3	-1.2	-2.7	-3.8	-5.4
	OT	--	-1.9	-4.6	-3.0	-7.0	-5.0
950: Undistributed Offsetting Receipts:							
On-budget.....	BA	-36.7	-36.3	-36.0	-37.9	-45.0	-35.7
	OT	-36.7	-36.3	-36.0	-37.9	-45.0	-35.7
Off-budget.....	BA	-7.1	-7.7	-8.3	-8.9	-9.6	-10.4
	OT	-7.1	-7.7	-8.3	-8.9	-9.6	-10.4
Total.....	BA	-43.8	-44.0	-44.3	-46.8	-54.6	-46.1
	OT	-43.8	-44.0	-44.3	-46.8	-54.6	-46.1
Total Spending:							
On-budget.....	BA	1374.7	1425.3	1471.1	1513.2	1547.2	1615.8
	OT	1358.0	1408.4	1450.1	1490.0	1507.0	1579.2
Off-budget.....	BA	313.9	321.6	332.0	343.5	355.7	369.4
	OT	313.9	321.6	332.0	343.5	355.7	369.4
Total.....	BA	1688.6	1746.9	1803.1	1856.7	1902.9	1985.2
	OT	1671.9	1730.0	1782.1	1833.5	1862.7	1948.6
Revenues:							
On-budget.....		1262.4	1300.2	1325.8	1369.4	1431.9	1486.9
Off-budget.....		417.3	438.2	457.8	477.1	497.9	520.7
Total.....		1679.7	1738.4	1783.6	1846.5	1929.8	2007.6
Deficit:							
On-budget.....		-95.6	-108.2	-124.3	-120.6	-75.1	-92.3
Off-budget.....		103.4	116.6	125.8	133.6	142.2	151.3
Total.....		7.8	8.4	1.5	13.0	67.1	59.0

COMMITTEE-REPORTED RESOLUTIONDiscretionary Totals
(Dollars in billions)

		1998	1999	2000	2001	2002	2003
050: National Defense.....	BA	268.9	271.6	275.4	281.9	289.7	297.8
	OT	269.2	266.6	269.1	270.7	273.2	280.8
150: International Affairs.....	BA	19.1	18.9	18.3	18.2	18.1	18.0
	OT	18.7	18.6	18.8	18.5	18.3	18.2
250: Science, Space and Technology.....	BA	17.9	18.2	17.8	17.6	17.3	16.9
	OT	17.6	17.9	17.9	17.6	17.3	17.0
270: Energy.....	BA	2.8	2.8	2.7	2.6	2.6	2.6
	OT	3.9	3.3	2.9	2.8	2.7	2.6
300: Natural Resources and Environment..	BA	23.2	22.6	22.5	22.5	22.5	22.5
	OT	22.2	22.5	22.8	22.8	22.6	22.5
350: Agriculture.....	BA	4.3	4.1	4.0	3.9	3.9	3.8
	OT	4.2	4.2	4.0	3.9	3.9	3.8
370: Commerce and Housing Credit.....	BA	3.0	3.0	4.6	2.6	2.5	2.5
	OT	2.8	2.8	4.5	2.7	2.4	2.4
400: Transportation.....	BA	13.7	13.9	13.7	13.5	13.2	13.2
	OT	40.0	40.4	42.4	43.8	44.5	45.1
450: Community and Regional Developme	BA	8.6	8.2	7.5	7.3	7.2	7.3
	OT	11.4	11.0	9.8	9.1	8.4	8.2
500: Education, Training, Employment and Social Services	BA	46.4	47.0	47.9	48.5	49.2	50.6
	OT	42.6	46.1	47.1	47.8	48.6	49.9
	OT	25.3	27.0	27.2	28.1	29.0	30.1
570: Medicare.....	BA	2.7	2.6	2.6	2.6	2.6	2.7
	OT	2.8	2.7	2.6	2.6	2.6	2.7
600: Income Security.....	BA	32.2	32.5	35.8	37.4	38.9	40.3
	OT	40.6	41.8	42.0	38.8	36.2	35.2
650: Social Security.....	BA	3.2	3.2	3.2	3.2	3.2	3.2
	OT	3.3	3.4	3.3	3.2	3.2	3.2
700: Veterans Benefits.....	BA	19.1	19.1	18.6	18.5	18.4	18.4
	OT	19.1	19.6	18.9	18.7	18.6	18.4
750: Administration of Justice.....	BA	24.2	25.2	24.0	24.2	24.4	24.8
	OT	21.5	24.0	24.5	24.4	24.0	24.1
800: General Government.....	BA	12.5	12.0	11.5	11.2	11.1	11.1
	OT	12.4	11.1	11.2	11.5	11.3	11.2
920: Allowances.....	BA	-0.0	-0.3	-1.2	-2.7	-3.8	-5.4
	OT	--	-1.9	-4.6	-3.0	-7.0	-5.0
Total Discretionary.....	BA	528.3	532.8	536.7	541.8	550.8	561.2
	OT	557.6	561.1	564.4	564.1	559.8	570.3
Defense.....	BA	268.9	271.6	275.4	281.9	289.7	297.8
	OT	269.2	266.6	269.1	270.7	273.2	280.8
Nondefense.....	BA	259.4	261.3	261.3	259.9	261.1	263.5
	OT	288.4	294.5	295.3	293.3	286.6	289.4

COMMITTEE-REPORTED RESOLUTION

Mandatory Totals
(Dollars in billions)

		1998	1999	2000	2001	2002	2003
050: National Defense.....	BA	-1.2	-1.1	-1.1	-1.1	-1.0	-1.0
	OT	-1.1	-1.1	-1.1	-1.1	-1.0	-1.0
150: International Affairs.....	BA	-3.8	-4.3	-4.0	-3.1	-2.9	-2.8
	OT	-4.6	-4.4	-4.0	-4.0	-3.9	-3.7
250: Science, Space and Technology.....	BA	0.0	0.0	0.0	0.0	0.0	0.0
	OT	0.0	0.0	0.0	0.0	0.0	0.0
270: Energy.....	BA	-2.3	-2.2	-2.1	-2.2	-2.2	-2.2
	OT	-2.9	-3.1	-2.9	-3.1	-3.1	-3.1
300: Natural Resources and Environment.....	BA	1.0	0.8	0.8	0.5	0.5	0.5
	OT	0.9	0.9	0.8	0.6	0.4	0.4
350: Agriculture.....	BA	7.5	7.9	7.6	6.4	6.3	6.6
	OT	6.6	6.2	5.9	4.8	4.6	4.9
370: Commerce and Housing Credit.....	BA	4.9	1.2	10.9	12.1	13.1	12.5
	OT	-1.6	0.4	5.9	7.7	9.4	9.3
400: Transportation.....	BA	32.3	37.6	38.1	38.6	38.2	38.9
	OT	2.6	2.4	2.2	1.9	1.3	1.8
450: Community and Regional Development.....	BA	0.1	0.4	0.4	0.4	0.3	0.3
	OT	-0.2	-0.1	-0.1	-0.2	-0.3	-0.1
500: Education, Training, Employment and Social Services	BA	14.9	16.0	15.4	16.0	15.7	17.8
	OT	13.6	14.9	15.7	16.1	15.2	17.2
550: Health.....	BA	109.8	117.8	124.7	132.6	140.1	150.3
	OT	106.7	116.7	124.4	132.3	140.9	151.1
570: Medicare.....	BA	196.5	207.7	219.2	236.8	248.6	270.8
	OT	196.9	208.2	218.5	239.7	246.2	270.9
600: Income Security.....	BA	197.3	210.7	221.4	231.1	240.3	249.5
	OT	194.2	206.3	217.5	227.9	238.0	247.3
650: Social Security.....	BA	375.8	391.5	408.8	427.7	448.7	471.2
	OT	375.8	391.5	408.8	427.7	448.7	471.2
700: Veterans Benefits.....	BA	23.5	23.7	24.8	26.3	27.7	29.8
	OT	23.4	23.8	25.0	26.5	28.0	30.1
750: Administration of Justice.....	BA	0.9	0.6	0.4	0.4	0.3	0.2
	OT	0.9	0.6	0.4	0.3	0.2	0.1
800: General Government.....	BA	2.0	2.4	2.4	2.4	2.4	2.4
	OT	1.9	2.4	2.6	2.3	2.3	2.3
900: Net Interest.....	BA	245.1	247.2	242.7	236.7	230.5	225.4
	OT	245.1	247.2	242.7	236.7	230.5	225.4
950: Undistributed Offsetting Receipts.....	BA	-43.8	-43.9	-44.4	-46.8	-54.6	-46.1
	OT	-43.8	-43.9	-44.4	-46.8	-54.6	-46.1
Total Spending.....	BA	1160.6	1214.1	1266.1	1314.9	1351.9	1423.8
	OT	1114.4	1168.9	1217.8	1269.5	1302.9	1378.3

BUDGET COMPARISONS

(Dollars in billions)

		1998	1999	2000	2001	2002	2003
Committee-reported Resolution							
Total Spending:							
On-budget.....	BA	1374.9	1425.3	1470.9	1513.2	1547.0	1615.7
	OT	1358.1	1408.4	1450.2	1490.1	1506.9	1579.2
Off-budget.....	BA	313.9	321.6	331.9	343.5	355.7	369.3
	OT	313.9	321.6	331.9	343.5	355.7	369.3
Total.....	BA	1688.9	1746.9	1802.8	1856.7	1902.7	1985.1
	OT	1672.0	1730.0	1782.1	1833.6	1862.6	1948.5
Revenues:							
On-budget.....		1262.4	1300.2	1325.8	1369.4	1431.9	1486.9
Off-budget.....		417.3	438.2	457.8	477.1	497.9	520.7
Total.....		1679.7	1738.5	1783.5	1846.5	1929.8	2007.6
Deficit:							
On-budget.....		-95.7	-108.2	-124.4	-120.7	-75.0	-92.3
Off-budget.....		103.3	116.6	125.8	133.6	142.2	151.4
Total.....		7.7	8.5	1.4	12.9	67.1	59.1
President's Budget as reestimated by CBO							
Total Spending:							
On-budget.....	BA	1372.2	1436.6	1479.2	1524.7	1555.9	1630.6
	OT	1357.5	1424.7	1470.9	1511.0	1540.0	1613.2
Off-budget.....	BA	313.9	321.6	332.1	343.7	355.9	369.6
	OT	313.9	321.6	332.1	343.7	355.8	369.6
Total.....	BA	1686.1	1758.2	1811.3	1868.4	1911.9	2000.2
	OT	1671.4	1746.4	1803.0	1854.6	1895.8	1982.7
Revenues:							
On-budget.....		1262.6	1312.4	1340.9	1386.1	1449.8	1505.0
Off-budget.....		417.3	438.2	457.8	477.1	497.9	520.7
Total.....		1679.8	1750.6	1798.6	1863.2	1947.6	2025.7
Deficit:							
On-budget.....		-94.9	-112.3	-130.0	-124.9	-90.2	-108.2
Off-budget.....		103.3	116.6	125.7	133.4	142.0	151.2
Total.....		8.4	4.3	-4.4	8.5	51.8	43.0
Resolution compared to President							
Total Spending:							
On-budget.....	BA	2.8	-11.3	-8.3	-11.5	-8.9	-14.9
	OT	0.6	-16.3	-20.7	-20.9	-33.0	-34.0
Off-budget.....	BA	-	-0.0	-0.2	-0.2	-0.2	-0.2
	OT	-	-0.0	-0.2	-0.2	-0.1	-0.2
Total.....	BA	2.8	-11.3	-8.4	-11.7	-9.2	-15.2
	OT	0.6	-16.4	-20.9	-21.1	-33.2	-34.2
Revenues:							
On-budget.....		-0.1	-12.2	-15.1	-16.6	-17.9	-18.1
Off-budget.....		-	-	-	-	-	-
Total.....		-0.1	-12.2	-15.1	-16.6	-17.9	-18.1
Deficit:							
On-budget.....		-0.8	4.2	5.6	4.2	15.2	15.9
Off-budget.....		-	0.0	0.2	0.2	0.1	0.2
Total.....		-0.8	4.2	5.8	4.4	15.3	16.1

V. BUDGET RESOLUTIONS: ENFORCEMENT AND OTHER PROVISIONS

A budget resolution does not become law and cannot amend law. However, a budget resolution's miscellaneous provisions can affect the consideration of legislation to implement and enforce the underlying policy assumptions contained in such budget resolution. The Committee-reported resolution contains a number of provisions which implement policies assumed in this resolution while maintaining a balanced budget. No reconciliation instructions are contained in this resolution.

Title II of the Committee-reported resolution contains four sections that provide procedures by which the Chairman of the Budget Committee may alter the levels in the FY 1999 Budget Resolution to accommodate Senate consideration of important legislation such as: tax relief, tobacco regulation, Superfund reform, and transportation appropriations. Without such provisions, the legislation at issue may be subject to 60-vote Budget Act points of order even if the associated spending will not increase the deficit.

Title II also contains two additional sections: one permitting adjustments to the budget resolution in case the Line Item Veto is ruled unconstitutional by the Supreme Court and one invoking the standard rulemaking authority granted to Congress.

Tax Cut Reserve Fund. Section 201 of the Committee-reported resolution provides a tax cut reserve fund. This section permits the Senate to consider legislation providing tax relief to the American people in a deficit neutral bill. This "reserve fund" would permit tax relief to be offset by reductions in mandatory spending or revenue increases. Such tax reductions could include elimination of the marriage penalty, support for families in caring for their children, and incentives to stimulate savings, investment, job creation and economic growth. The FY 1996 and 1997 budget resolutions contained similar language.

Tobacco Reserve Fund. Section 202 of the Committee-reported resolution provides a reserve fund for tobacco legislation that would dedicate any federal proceeds generated from a tobacco settlement to Medicare. This language in no way impedes the ability of States to recover funds from the tobacco industry. While many members of the Senate and Senate Committees are considering tobacco legislation, a consensus has yet to form around any particular legislative proposal. Moreover, the President has declined to submit any legislative language. In the Senate, several committees (including, Commerce, Finance, Judiciary, and Labor) have jurisdiction over the issues involved in tobacco legislation. The Commerce, Judiciary, and Labor committees have held many hearings on the subject since the June 1997 announcement by the States' Attorneys-General and the tobacco industry that they had reached a settlement.

As the FY 1999 Budget Resolution is being debated, it is unclear what form tobacco legislation, if any, will take in the Senate. Consequently, the Committee-reported resolution includes this reserve fund. This section reserves federal tobacco proceeds for Medicare by permitting the Chairman of the Budget Committee to increase the revenue floor for legislation that "reserves federal receipts from tobacco legislation for the Medicare Hospital Insurance Trust Fund." In addition, subsection (c) provides that the receipts generated by

tobacco legislation shall not be put on the Congressional pay-go scorecard. This will prevent the receipts from being used for any purpose other than Medicare solvency.

Separate Environmental Allocation. Section 203 of the Committee-reported resolution provides for a special allocation to enable the Senate to consider Superfund reform legislation. This section provides that if the Committee on Environment and Public Works reports Superfund reform legislation that appropriates annual spending of up to \$200 million through FY 2003 and is deficit neutral, then the appropriate aggregates and allocations will be adjusted. The Resolution assumes, but does not require, that the extension of Superfund taxes will offset this increased spending. Similar language was included in the FY 1998 budget resolution (consistent with the Bipartisan Budget Agreement). Section 203 merely extends this reserve fund for another year.

Dedication of Offsets to Transportation. Section 204 of the Committee-reported resolution permits specific reductions in certain spending programs to be dedicated to increased transportation spending provided in the appropriations process. The language provides that the Chairman of the Budget Committee may “reserve” up to \$1.3 billion in outlays for FY 1999 and not more than \$18.5 billion in outlays for 1999 through 2003 for discretionary highway programs called for in the 1998 reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA). In addition, the Chairman may “reserve” from the general fund up to \$1.0 billion in budget authority for FY 1999 and not more than \$5.0 billion in budget authority for FY 1999 through 2003 for discretionary transit programs called for in the ISTEA reauthorization. The additional outlays for highways would only be credited to the Appropriations Transportation bill to the extent that the appropriation for federal aid highways exceeds the levels contained in the Bipartisan Budget Agreement (as adjusted for FY 98 appropriations action).

The practical effect of section 204 is that if savings set out in this section are generated by any committee other than the Transportation Subcommittee of the Appropriations Committee, such savings would not be scored for purposes of enforcing points of order under the Budget Act unless and until the Transportation Appropriation bill is considered in the Senate. In effect, this prevents these particular savings from being used as offsets for any purpose other than highways or transit.

It is the Committee’s intent that these specified reductions only be used to offset highway or transit funding. The Committee is also concerned about the accuracy of the direct spending estimate that is the basis of the offset. Additional spending on discretionary programs should not result in a decrease in the surplus because of estimating errors. Therefore, the Committee directs the CBO to examine, to the extent possible, whether the savings under this section (if implemented) have been achieved and to report to the Committee on their findings by August 2000.

Adjustments for Line Item Veto Litigation. Section 205 of the Committee-reported resolution permits the Chairman of the Budget Committee to adjust the allocations and aggregates in the budget resolution to reflect “reality” if the Supreme Court rules that the

Line Item Veto Act is unconstitutional. This is necessary because the FY 1999 Budget Resolution will reflect the effects of the President's cancellations. If the law is struck down, the spending will occur and the budget resolution must reflect this spending. This section does not presume any specific outcome of the Supreme Court's ruling.

Rulemaking Authority. Section 206 of the Committee-reported resolution contains language regarding the rulemaking authority of each House of Congress.

Title III of the Committee-reported resolution contains the following provisions setting out non-binding language that expresses the will or intent of either or both Houses of Congress.

Sense of the Congress on Sunsetting the Internal Revenue Code.

Sense of the Senate on Social Security.

Sense of the Senate on Accrued Liability of Social Security and Medicare.

Sense of the Senate on IDEA funding.

Sense of the Senate on balancing the budget without Social Security surpluses.

Sense of the Senate on school-to-work savings and child care.

Sense of the Senate on taxpayers' rights.

Sense of the Senate on full funding for the National Guard.

Sense of the Senate on Medicare payments.

Sense of the Senate on long-term care.

Sense of the Senate on climate change research.

Sense of the Senate on additional tax relief and increased spending for child care.

Sense of the Senate on student loans.

Sense of the Senate on the deductibility of health insurance premiums by self-employed.

Sense of the Senate on the Kyoto protocol.

Sense of the Senate on a \$1.50 per pack increase in cigarette prices.

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR TOTAL 1998
(in millions of dollars)

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget Authority	Outlays	Budget authority	Outlays
Appropriations				
Defense Discretionary	289,000	288,823	0	0
Non-Defense Discretionary	252,214	283,293	0	0
Violent Crime Reduction Trust Fund	5,500	3,952	0	0
Mandatory	284,980	268,370	0	0
Total	791,704	822,438	0	0
Agriculture, Nutrition, and Forestry	9,254	6,984	8,552	8,696
Armed Services	46,941	46,788	0	0
Banking, Housing, and Urban Affairs	5,768	-3,808	0	0
Commerce, Science, and Transportation	8,245	6,010	653	623
Energy and Natural Resources	2,213	2,113	40	32
Environment and Public Works	27,422	2,141	0	0
Finance	676,272	668,966	135,328	138,054
Foreign Relations	12,869	13,270	0	0
Governmental Affairs	56,905	55,677	0	39
Judiciary	4,950	4,767	231	232
Labor and Human Resources	7,957	7,479	1,316	1,316
Rules and Administration	97	36	0	0
Veterans' Affairs	1,264	1,407	21,865	21,581
Indian Affairs	539	498	0	0
Small Business	-140	-329	0	0
Unassigned to Committee	-279,460	-276,617	0	0
TOTAL	1,374,700	1,358,000	144,841	147,270

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
BUDGET YEAR TOTAL 1999
(in millions of dollars)

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations act	
	Budget Authority	Outlays	Budget authority	Outlays
Appropriations				
Defense Discretionary	271,570	268,635	0	0
Non-Defense Discretionary	255,450	289,547	0	0
Violent Crime Reduction Trust Fund	5,900	4,953	0	0
Mandatory	298,159	291,731	0	0
Total	831,979	852,866	0	0
Agriculture, Nutrition, and Forestry	8,722	6,057	17,261	9,170
Armed Services	48,611	48,462	0	0
Banking, Housing, and Urban Affairs	9,866	3,095	0	0
Commerce, Science, and Transportation	8,032	5,753	682	678
Energy and Natural Resources	2,146	2,185	40	39
Environment and Public Works	29,991	1,977	0	0
Finance	704,675	699,837	146,429	147,322
Foreign Relations	10,911	12,144	0	0
Governmental Affairs	58,557	57,320	0	17
Judiciary	5,001	4,638	231	232
Labor and Human Resources	8,575	7,920	1,328	1,328
Rules and Administration	92	55	0	0
Veterans' Affairs	1,194	1,418	22,839	22,724
Indian Affairs	492	477	0	0
Small Business	0	-220	0	0
Unassigned to Committee	-273,037	-276,090	0	0
TOTAL	1,425,277	1,408,417	188,810	181,493

SENATE COMMITTEE BUDGET AUTHORITY AND OUTLAY ALLOCATIONS PURSUANT
TO SECTION 302 OF THE CONGRESSIONAL BUDGET ACT
5-YEAR TOTAL: 1999-2003
(in millions of dollars)

Committee	Direct spending jurisdiction		Entitlements funded in annual appropriations acts	
	Budget authority	Outlays	Budget authority	Outlays
Agriculture, Nutrition, and Forestry	37,514	24,741	88,414	51,215
Armed Services	280,503	259,984	0	0
Banking, Housing, and Urban Affairs	51,843	2,202	0	0
Commerce, Science, and Transportation	84,070	52,828	3,680	3,660
Energy and Natural Resources	10,246	10,344	200	242
Environment and Public Works	154,063	7,747	0	0
Finance	3,786,564	3,758,575	833,084	834,169
Foreign Relations	49,001	54,589	0	0
Governmental Affairs	314,583	307,924	0	33
Judiciary	25,052	23,792	1,155	1,160
Labor and Human Resources	46,349	43,486	6,926	6,926
Rules and Administration	454	421	0	0
Veterans' Affairs	5,381	7,028	128,096	127,811
Indian Affairs	2,486	2,418	0	0
Small Business	0	-989	0	0

VI. COMMITTEE VIEWS AND ESTIMATES

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

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

RICHARD G. LUGAR, INDIANA, CHAIRMAN
 JESSE HELMS, NORTH CAROLINA
 THAD COCHRAN, MISSISSIPPI
 MITCH MCCONNELL, KENTUCKY
 PAUL COVERDELL, GEORGIA
 ROXIE SANTORIUM, PENNSYLVANIA
 PAT ROBERTS, KANSAS
 CHARLES E. GRASSLEY, IOWA
 PHIL GUNAMBE, TEXAS
 LARRY E. CRANE, IDAHO

TOM HARKIN, IOWA
 PATRICK J. LEAHY, VERMONT
 KENT CONRAD, NORTH DAKOTA
 THOMAS A. DASCHLE, SOUTH DAKOTA
 MAX BAUCUS, MONTANA
 J. ROBERT BERRY, NEBRASKA
 TIM JOHNSON, SOUTH DAKOTA
 MARY LANDRIEU, LOUISIANA

United States Senate

COMMITTEE ON
 AGRICULTURE, NUTRITION, AND FORESTRY
 WASHINGTON, DC 20510-8000
 202-224-2035

March 4, 1998

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

Dear Mr. Chairman and Senator Lautenberg:

This letter provides the views of the Senate Committee on Agriculture, Nutrition, and Forestry regarding the FY 1999 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 are pleased the federal budget is currently projected to show a surplus in 1999. As a capital-intensive industry, U.S. agriculture has much to gain from lower interest rates that should result from continued spending restraint.

The Agriculture Committee has been responsible for significant spending reductions in the past two years. Mandatory farm and conservation spending during 1996 and 1997 was \$3 billion below that projected by CBO at the time the Federal Agriculture Improvement and Reform Act was enacted in April 1996. Levels of mandatory spending may be higher in 1998 and later years, in part because crop insurance outlays are projected to rebound from last year's unusually low level and as a consequence of expected price volatility. Farmers may make somewhat greater use of nonrecourse marketing loans. Still, the bill's spending for the 1996-2002 period may turn out below the \$67.5 billion projected by CBO at the time of enactment.

Enactment of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, state welfare reform efforts, and the Nation's continuing economic growth have combined to reduce spending in mandatory food and nutrition programs, which account for the bulk of mandatory spending under the Committee's jurisdiction. In 1997, mandatory food and nutrition spending fell to \$31.2 billion, a 6 percent decline from 1996. The decline was due largely to falling Food Stamp Program outlays stemming from a continuing drop in program participation. CBO's January 1998 baseline projects that food stamp outlays will fall to \$21 billion in 1998 before increasing at a 5 percent annual rate in later years.

The Committee believes that this year's budget resolution should not require additional reductions of mandatory program spending within its jurisdiction. In our view it is important to

Honorable Pete V. Domenici
 Honorable Frank R. Lautenberg
 March 4, 1998

Page 2

fulfill commitments made to agricultural producers and agricultural conservation. The Committee will continue to monitor spending levels for farm programs and other mandatory programs under the Department of Agriculture's management.

The Committee's review will include spending in the mandatory food and nutrition area, particularly in child nutrition programs which must be reauthorized this year. In connection with child nutrition reauthorization legislation, some members of the Committee have expressed interest in additional funding for child nutrition initiatives.

There are several areas of the President's 1999 proposed budget and other issues on the Committee's agenda that merit some discussion.

Federal Crop Insurance For some months, the Committee has been considering options for fully funding private sector delivery of the program for the next five years with mandatory rather than discretionary spending. In 1999, the President's budget proposes to increase mandatory budget authority for this purpose by \$205 million relative to a continuation of current law. The budget would offset the 1999 cost of this increase by adjusting the statutory ceiling for the Export Enhancement Program (EEP), resulting in a reduction from the current \$550 million to \$320 million, and by limiting so-called cotton "Step-2" payments, which are provided to purchasers of U.S. raw cotton under certain market conditions to bolster export and domestic demand for cotton.

In later years, reductions in EEP and cotton "Step-2" payments would be supplemented by additional offsets provided through changes to the crop insurance program beginning in 2000. These changes include reducing the statutory loss ratio (indemnities to premium) from 1.075 to 1.06, establishing a liability cap on catastrophic insurance policies of no more than \$100,000 per person, slightly reducing premium subsidies for buy-up coverage, and reducing administrative expense payments to insurers from 27 percent of premium to 25 percent for farm yield coverage plans, with proportional reductions for the Crop Revenue Coverage and Group Risk Plan coverages.

The Committee believes it is doubtful CBO will score as much savings from the Administration's EEP proposal as the budget envisions. In addition, it is unlikely the Committee will approve legislation addressing the current crop insurance program funding issues without additional program reforms, though these would likely be different in important respects from the Administration's proposals.

The Food Stamp Program The Administration is proposing legislation to restore food stamp benefits to otherwise eligible legal alien families including children, elderly (defined as those 65 and over) or disabled individuals. OMB estimates this initiative will increase Food Stamp Program budget authority by \$535 million in 1999 and by \$2.43 billion over 1999-2003.

Honorable Pete V. Domenici
 Honorable Frank R. Lautenberg
 March 4, 1998

Page 3

Although this proposal is similar to provisions in the Balanced Budget Act of 1997 for Supplemental Security Income (SSI was restored for individuals either 65 and over or disabled), it would encompass a larger number of individuals.

To offset partially the cost of increased food stamp benefits, the Administration proposes to reduce food stamp administrative cost reimbursements to the states. Although some details are unclear, it appears the Administration is proposing a simple reduction in food stamp administrative payments to the states to make up for the probable shifting of certain administrative costs to the federal government, expected to occur as a consequence of the welfare reform legislation. Total savings are an estimated \$930 million in budget authority over 5 years.

Agricultural research legislation, S.1150, was unanimously reported by our Committee on July 31, 1997 and unanimously passed by the Senate on October 29, 1997. The bill is now in conference. The Committee feels strongly that any savings from a reduction in costs for administering the Food Stamp Program should be reserved to fund a new competitive grant-based agricultural research program, rural development and nutrition.

Possible Comprehensive Tobacco Legislation In the event that the budget resolution reserves or otherwise identifies sums of money associated with comprehensive tobacco legislation, the Committee believes strongly that provision should be made in the resolution for the necessary funding of proposed legislation including a buy out of tobacco quotas, along with compensation for growers who lease quotas or grow tobacco as tenants, and assistance for affected communities.

User Fee Proposed for Meat and Poultry Inspection The Administration proposes to increase 1999 funding for the Food Safety and Inspection Service by \$34 million, but proposes no increase in staffing levels. The Administration proposes to assess user fees of \$573 million to cover all FSIS costs except \$42 million in grants to states for state inspection programs. For state inspection programs that are equal to federal standards, USDA contributes up to 50 percent of each state's costs. Twenty-five states have state inspection programs. Last year's user fee proposal of \$390 million would have covered only in-plant inspection. In the past, the Congress has rejected such proposed user fees for meat and poultry inspection, and it will likely do so again this year.

The Government Performance and Results Act of 1993 GPRA requires federal agencies to focus on the results and impacts of their programs, rather than staffing or activity levels. The Committee reviewed the Department of Agriculture's department-level and agency-specific strategic plans and provided feedback to the Department on those plans. The Chairman and the Ranking Member, along with the Chairman and Ranking Member of the Agriculture Appropriations Subcommittee, sent the Secretary of Agriculture specific recommendations on how these plans could be improved. In essence, we advised the Secretary to focus more on

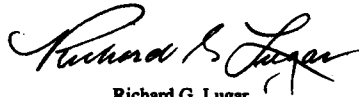
Honorable Pete V. Domenici
Honorable Frank R. Lautenberg
March 4, 1998

Page 4

results and less on processes. We expect that the Department's Annual Performance Plans--the first of which is now due to the Congress--will link the Department's activities directly to the budget process. In these annual plans, USDA will describe the resources it needs to achieve its goals. We will begin our review of these plans as soon as we receive them from the Department.

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

Sincerely,



Richard G. Lugar
Chairman



Tom Harkin
Ranking Member

STROM THURMOND, SOUTH CAROLINA, CHAIRMAN
 JOHN W. WARNER, VIRGINIA
 JOHN MCCAIN, ARIZONA
 DAN COATS, INDIANA
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 JOSEPH I. LIEBERMAN, CONNECTICUT
 MAX CLELAND, GEORGIA

LES BROWNLEE, STAFF DIRECTOR
 DAVID S. LYLES, STAFF DIRECTOR FOR THE MINORITY

United States Senate

COMMITTEE ON ARMED SERVICES
 WASHINGTON, DC 20510-6050

March 3, 1998

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

Dear Pete and Frank:

In accordance with your request, I am forwarding our recommendations for the Fiscal Year 1999 Budget Resolution.

Our challenge is to develop a defense program that is tailored to support the national security strategy in such a manner that balances the needs of short-term readiness with that of the modernization of our forces -- all within the context of an overly ambitious foreign policy that drives an unprecedented frequency of military deployments.

The gap between our military capability and our commitments around the world continues to increase. The unprecedented frequency of deployments places hardships on our young service members and their families, producing serious retention and readiness problems. Contingency and ongoing operations such as those in Bosnia and Iraq continue to drain needed resources for future force modernization and the current readiness of our forces. Since 1996 the Department of Defense has been forced to offset almost \$9.0 billion for such operations. The costs of these ongoing operations, in this fiscal year alone, are expected to exceed more than \$4.3 billion. Therefore, I strongly believe that funding for Bosnia and Southwest Asia operations, and other emerging contingencies, must come from sources other than the defense budget. The funding of such activities should not be allowed to adversely effect modernization efforts or current force readiness.

The outlay levels of funding in the fiscal year 1998 budget resolution are insufficient and represent a serious threat to the funding for our national security. These inadequate outlay levels must be corrected for fiscal year 1999 and for each year of the resolution. The Congressional Budget Office (CBO) estimate of the defense budget request for this year exceeds the

outlay cap in the fiscal year 1998 budget resolution by \$3.6 billion. This mismatch of the budget authority and outlay levels must be corrected, or it has the possibility of undermining the readiness and future modernization of our armed forces.

In the past three years, the Congress added more than \$22 billion to defense budget requests, but even with these increases, defense spending has continued to decline in real terms. This fiscal year, the defense request again represents, in real terms, a 1.4 percent decline. Defense spending as a percentage of GDP in fiscal year 1998 is expected to be 3.2 percent falling to 2.8 percent by fiscal year 2003 -- the lowest figure since 1940. Defense outlays since fiscal year 1993 is the only major function to decline 24 percent. The resource levels, as stated in the Budget Resolution, continue this decline in defense spending. While I continue to support the balanced budget agreement, I am concerned about our ability to modernize our forces and the effects of unbudgeted contingencies and ongoing operations on current readiness.

Recent visits to units by both members and staff of this Committee and trip reports from members of the Budget Committee staff have revealed disturbing trends: personnel shortages at major training centers, lack of spare parts in deployable units, extremely high unit operating and personnel tempos, and retention problems -- especially with our pilots. In addition, quality of life for our military personnel and their families remains an important bipartisan priority for this Committee. We are committed to ensuring equitable pay and benefits for our service members during this period of funding turbulence and force downsizing.

Because of these problems and in view of this Administration's continuing aggressive foreign policy, I believe those of us in the leadership of the Senate should seriously consider, and I would support, additional funding for defense. At a minimum, I believe the defense discretionary totals for budget authority must be \$272.0 billion, not including any funding for contingency or ongoing operations, and \$270.2 billion in outlays.

I look forward to working with you on a Budget Resolution for Fiscal Year 1999 that will result in a budget that supports a strong national defense.

Sincerely,



Strom Thurmond
Chairman

ALFONSE R. D'AMATO, NEW YORK, CHAIRMAN
 PAUL G. ANASTAS, TEXAS
 RICHARD C. BILLY, ALABAMA
 CONNIE BAKER, FLORIDA
 LAMON FURCLOFF, NORTH CAROLINA
 ROBERT F. BISHOP, UTAH
 BOB GRAMM, MINNESOTA
 WAYNE ALLARD, COLORADO
 RICHARD B. BISH, WYOMING
 CHUCK HAMEL, NEBRASKA
 PAUL S. BARBARIS, MARYLAND
 CHRISTOPHER J. DODD, CONNECTICUT
 JOHN F. FERRY, MASSACHUSETTS
 RICHARD H. BRYAN, NEVADA
 BARBARA ROSEN, CALIFORNIA
 CAROL MOSELEY-BRAUN, ILLINOIS
 THE JONKINS, SOUTH DAKOTA
 JACK REED, RHODE ISLAND
 MONARD A. MENELL, STAFF DIRECTOR
 PHILIP E. BROWNE, CHIEF COUNSEL
 STEVEN S. HARRIS, DEMOCRATIC STAFF DIRECTOR AND CHIEF COUNSEL

United States Senate
 COMMITTEE ON BANKING, HOUSING, AND
 URBAN AFFAIRS
 WASHINGTON, DC 20510-8075

March 3, 1998

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

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. The Intermodal Surface Transportation and Efficiency Act of 1991 (ISTEA) expired on September 30, 1997, but Congress passed a short-term reauthorization, expiring on March 31, 1998, to continue operation of programs under the Highway Trust Fund.

The Committee has jurisdiction over the mass transit portion of the Highway Trust Fund program, and reported a bill, S. 1271, in October 1997 which provides for a multi-year reauthorization of the federal mass transit program. The Committee anticipates that S. 1271 will be merged with S. 1173, the highway portion of the ISTEA reauthorization, during Senate floor consideration.

The President's FY 1999 Budget proposes level (or no-growth) funding for transit of \$4.8 billion for FY 1999 through FY 2003. These levels are not sufficient to meet the nation's growing mass transit needs. S. 1271, as reported by the Committee, contains significantly higher authorization levels than the President's request. Even these levels are insufficient to adequately fund transit needs. Thus, the Committee believes there is no justification for providing anything less than the levels authorized under S. 1271. In addition, we ask that the Budget Committee

give particular consideration to increasing outlay levels in order to prevent an increasing discrepancy between authorized and appropriated levels.

Further, the Committee urges that any efforts undertaken to increase federal investments in transportation apply equitably to both mass transit and highway programs. Maintaining a modal balance between highways and mass transit will ensure that the maximum benefits of reduced congestion and improved air quality can be achieved.

The President's FY 1999 Budget also proposes an elimination of general funds to meet transit spending commitments. While the resources currently available in the Mass Transit Account cover the President's request, they would not be adequate to assure the long-term viability of the federal mass transit program. The Committee thus opposes the elimination of general funds in the absence of any structural changes to put the Account in a stronger financial position for the long term.

While the Committee supports the policy objectives advanced by the Administration's Access to Jobs proposal, it is neither equitable nor feasible that the funding for this proposal be taken out of the baseline funding for existing mass transit programs. This merely exacerbates the problem that the Committee already faces in trying to fund vital transit projects. S.1271 contains an alternative proposal which authorizes general funds for the Access to Jobs program in addition to maintaining the funding stream for existing mass transit programs.

Finally, the Committee supports the President's legislative proposal to equalize the treatment of employer-provided parking and transit benefits. While the proposal is not in this Committee's jurisdiction, we would endorse action taken by the Committee on Finance to achieve this worthwhile policy objective.

Housing and Community Development Programs

Reforms initiated by the Banking Committee last year will result in substantial short- and long-term savings in mandatory and discretionary budget authority for programs of the Department of Housing and Urban Development (HUD). These include reforms incorporated in last year's historic balanced budget agreement and the "mark-to-market" reforms to the section 8 program, which were initially passed by the Banking Committee and subsequently adopted in the fiscal year 1998 VA-HUD-Independent Agencies Appropriations Act.

The Committee has an ongoing interest in reviewing HUD's mission and in consolidating HUD's housing and community development programs, where appropriate, to provide for greater responsibility and flexibility at the State and local levels. This interest reflects the Committee's concern about HUD's ability to carry out its programmatic responsibilities in an era of downsizing. According to recent estimates, HUD's programs and activities currently number more than 300, up from about 50 in 1980. The Department is currently undertaking major management reforms that are intended to make it function more effectively with fewer employees, and the Committee intends to oversee the progress of the management reform plan.

HUD's FY 1999 budget request contains a number of new and revised initiatives that would add a net of about \$1 billion to HUD's discretionary budget authority. Some of these initiatives appear to require legislative authority. Given its overall concern about the proliferation of HUD programs and responsibilities, the Committee believes that these initiatives should be scrutinized carefully to determine their necessity and compatibility with HUD's mission and capacity.

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 from HUD. Enactment of this legislation will help to improve the quality of life in the nation's housing stock; reduce HUD's administrative burden, thus allowing it to focus its limited resources where they are needed; and result in somewhat reduced budget outlays. A public housing reform bill (S. 462) has passed the Senate and is awaiting conference.

The Committee is also concerned by HUD's recent administrative effort to reduce funding to local housing authorities for the renewal of expiring section 8 tenant-based contracts. This policy change was undertaken with little input from affected parties, and it could potentially reduce the number of persons currently served by the section 8 program over the next few years. The Committee intends to review this policy change and urges the Budget Committee not to assume a reduction in the per unit cost of assistance in the Budget Resolution.

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 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 2003 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

The Committee notes favorably the successful Senate passage of the National Flood Insurance Reauthorization Act of 1997 (S. 1179), which provides a five-year extension of the National Flood Insurance Program (NFIP). The Committee will continue to work for a long-term extension of this important program which is 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 before the community in which they are located adopted a "Flood Insurance Rate Map" (FIRM) have been steadily increased since the enactment of the 1994 NFIP Reform Act. Indeed, the average premium on such structures has increased by over 50% since the enactment of that significant legislation. In addition, FEMA will increase these premiums by over 10% during Fiscal Year 1998. 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 1999.

The Committee is concerned that any attempts to raise premiums on pre-FIRM structures (generally those built prior to 1975), beyond those increases currently anticipated by the existing program structure, could deter full participation and result in serious fiscal harm to the NFIP.

Securities and Exchange Commission Funding

The Committee remains concerned about the degree to which fees collected by the Securities and Exchange Commission (SEC) exceed the funding needs of the agency. In 1996, as part of the National Securities Markets Improvement Act of 1996, Congress enacted legislation to bring SEC fees, in steps over a period of years, more in line with the SEC budget. Actual fee revenues, however, have far exceeded the projections upon which the 1996 legislation was based, remaining more than triple the SEC's budget. For example, actual fee revenue in fiscal year 1997 amounted to \$990 million, 324% of the SEC's appropriated funding level of \$305 million. In fiscal year 1998, the SEC estimates that it will collect more than \$1.2 billion in fees, 382% of SEC funding levels. And in fiscal year 1999, the SEC estimates that fee revenues under current legislation will total \$1.1 billion, or 318% of the SEC's budget request of \$341 million.

The Committee will examine, in cooperation with other affected parties, the degree to which action can be taken to realize the goals of the 1996 legislation to bring SEC fee collections more in line with the funding needs of the agency.

Payment of Interest on Required Reserves Held by the Federal Reserve

The Committee will soon begin its consideration of S. 1405, the Financial Regulatory Relief and Economic Efficiency Act. A provision in S. 1405 would allow

the Federal Reserve to pay interest on the required reserves of depository institutions which are held by the Federal Reserve. While reserve requirements are only one tool for implementing monetary policy, the Committee is concerned about the increased bank usage of retail sweep accounts to avoid the reserve requirements. The resulting decline in the level of required reserves could adversely affect the Federal Reserve's ability to implement monetary policy.

Along with the potential complications for implementing monetary policy, not allowing the payment of interest is an unfair tax on banks and causes banks to engage in inefficient shifting of customers' monies. Eliminating this tax could also mean higher interest rates for bank depositors, assuming banks pass along benefits to account holders.

The Federal Reserve supports the language in S. 1405 which addresses the problem relating to the level of required reserves. Because this provision may increase the costs to the Federal Reserve, a budgetary cost is likely to be associated with this proposal. We urge the Budget Committee to work with the Banking Committee in securing the enactment of S. 1405 and will work with the Budget Committee to make any necessary accommodation in the resolution.

Elimination of the Resolution Trust Corporation Oversight Board

The Administration has proposed the elimination of the Resolution Trust Corporation Oversight Board, transferring any remaining oversight responsibilities to the Secretary of the Treasury. The Committee supports this proposal and has incorporated language to achieve this goal in S. 318 which passed the Senate in the first session and is awaiting House action.

International Finance

The Administration has submitted an \$18 billion supplemental appropriations request to fund the U.S. commitment to the International Monetary Fund (IMF). Of this amount, \$3.5 billion would fund a New Arrangement to Borrow with the additional \$14.5 billion requested to fund an increase in the IMF quota.

The Committee has sequential referral upon request from the Committee on

Foreign Relations with respect to the quota increase request. The Committee intends to review the increased quota request in conjunction with the other affected Committees.

The Committee also intends to pursue the reauthorization of the Defense Production Act and requests that the Budget Committee maintain adequate funding levels for this program.

Sincerely,


Alfonse M. D'Amato
Chairman

FRANK H. MURKOWSKI, Alaska, Chairman
 PETE V. DOMENICI, New Mexico
 DON NICOLLE, Chairman
 LARRY E. OWASS, Idaho
 BEN HIGHTHROPE CHAPPELL, Colorado
 CRAIG THOMAS, Wyoming
 JON RYL, Arizona
 ROO CHAVIS, Minnesota
 GORDON H. SMITH, Oregon
 BLAKE GORTON, Washington
 CONRAD BURNE, Missouri
 DALE BUMPERS, Arkansas
 WENDELL H. FORD, Kentucky
 JEFF BROWDER, New Mexico
 DANIEL K. ACARCA, Hawaii
 BYRON L. GORDON, North Dakota
 BOB GRAHAM, Florida
 ROY WYCKE, Oregon
 TIM JOHNSON, South Dakota
 MARY L. LANDRIBELL, Louisiana
 ANDREW D. LUNDQUIST, STAFF DIRECTOR
 GARY G. BLUMENFELD, CHIEF COUNSEL
 THOMAS B. WILLIAMS, STAFF DIRECTOR FOR THE SENATE
 SAM E. FOWLER, CHIEF COUNSEL FOR THE SENATE

United States Senate

COMMITTEE ON
 ENERGY AND NATURAL RESOURCES
 WASHINGTON, DC 20510-6100
 WWW.SENATE.GOV/ENERGY

March 11, 1998

The Honorable Pete V. Domenici
 Chairman
 Committee on the Budget

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

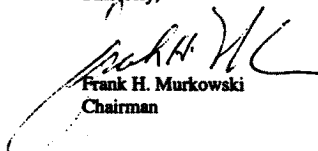
Dear Senators Domenici and Lautenberg:

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 1999 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 1999 budget.

Sincerely,


 Dale Bumpers
 Ranking Democratic Member


 Frank H. Murkowski
 Chairman

**COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE**

**VIEWS AND ESTIMATES ON THE
FISCAL YEAR 1999 BUDGET**

MARCH 11, 1998

The Committee supports a balanced budget.

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

JOHN H. CHAFEL, RHODE ISLAND, CHAIRMAN
 JOHN W. WARNER, VIRGINIA
 ROBERT SMITH, NEW HAMPSHIRE
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United States Senate

COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
 WASHINGTON, DC 20510-6178

March 6, 1998

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

Dear Chairman Domenici:

In response to your letter of January 29, 1998, 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 also included.

New Legislative Initiatives

There are five principle legislative initiatives before the Committee on Environment and Public Works this year. The Committee has recently reported legislation to reauthorize the Intermodal Surface Transportation Efficiency Act and the Endangered Species Act. In addition, the Committee is developing legislation to reauthorize the Superfund cleanup program, the Water Resources Development Act, and the treatment of remediated waste regulated under the Resource Conservation and Recovery Act.

Beyond these specific legislative efforts, the Committee will conduct oversight and review of the Clean Water Act in preparation for reauthorization. We will also review implementation of certain provisions of the Clean Air Act Amendments of 1990 and the Safe Drinking Water Act Amendments of 1996.

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 1999 is a record level \$7.8 billion, a \$400 million increase from the fiscal year 1998 enacted level. Overall, I support the President's request for EPA.

Water Infrastructure

The fiscal year 1999 request for the water infrastructure account, which capitalizes state revolving loan funds for wastewater treatment and safe drinking water, is \$2.028 billion, an overall reduction of \$248 million from the current fiscal year.

The \$2.028 billion total includes two key elements:

1) Clean Water State Revolving Fund (SRF)--for which \$1.075 billion is requested in fiscal year 1999. The Clean Water SRF has been instrumental in helping municipalities meet the requirements of the Federal Water Pollution Control Act and a major contributor to the clean-up of our water resources. The federal government has used this loan and its predecessor grant, program to contribute more than \$68 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 \$775 million is requested in fiscal year 1999. The grants provided by the drinking water SRF ensure that the nation's drinking water supplies remain safe and affordable, and drinking water systems that receive funding will be properly operated and maintained.

Operating Programs

The President's fiscal year 1999 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 \$3.6 billion, \$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

The President's fiscal year 1999 request for Superfund discretionary spending is \$2.092 billion, including \$91.3 million for urban brownfields redevelopment. This is an increase of \$592.7 million from the fiscal year 1998 enacted level. The proposed increase for Superfund has been requested to attain President Clinton's goals announced on August 28, 1996, in Kalamazoo, Michigan. The President's goals include accelerating the pace of Superfund cleanups, so that an additional 400 sites can reach the status of "construction completed" by the end of fiscal year 2001.

The majority members of the Environment and Public Works Committee opposed a similar request in the President's fiscal year 1998 proposal for Superfund. The basis for our opposition remains unchanged this year. Superfund is a seriously flawed program that needs significant legislative improvement before any increase in funding is appropriate. Several peer-reviewed EPA studies have found Superfund sites, at best, represent a mid-range threat to human health and the

environment as compared to other more pressing threats.

The Committee plans to mark up S.8, the Superfund Cleanup Acceleration Act of 1998, prior to the Easter recess. I anticipate that future funding levels will be discussed further in the mark up, in the Senate, and in any later negotiations with the Administration on this bill. Until we enact significant Superfund reform legislation, I continue to recommend maintaining Superfund discretionary spending at the fiscal year 1998 enacted level of \$1.5 billion. This level is adequate to maintain the current pace of activity in the Superfund program.

Underground Storage Tanks

The President's fiscal year 1998 request for the Underground Storage Tank Fund is \$69.1 million, an increase of \$4.1 million. I support the Agency's goal to clean up 22,000 underground storage tanks in 1999.

2. Federal Highways

The Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) was enacted on December 18, 1991. ISTEA expired on September 30, 1997, and on November 10, 1997, the Senate passed a six month extension of highway, highway safety, and transit programs pending reauthorization.

As part of the fiscal 1999 budget, the President has requested contract authority of \$136 billion through fiscal year 2003 for the Federal Highway Administration (FHWA). I do not believe that the President's budget provides adequate funding for surface transportation under the Committee's jurisdiction. I recommend that spending for the Highway Trust Fund be set at \$173 billion in contract authority, the amount of revenue the Congressional Budget Office projects will be collected by the trust fund over the six-year period.

I strongly encourage the Budget Committee to reject the Office of Management and Budget (OMB) proposal to redefine obligation limitations for highway, transit and aviation programs as discretionary budget authority. The OMB proposal does not address the fundamental problem that was created by the Budget Enforcement Act of 1990 when the Federal budget process was split into two categories, one for receipts and mandatory spending and the other for discretionary spending.

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

The President's fiscal year 1999 request for overall civil works program of the Army Corps of Engineers is \$3.215 billion, a \$1.139 billion or 25 percent reduction from the fiscal year 1998 enacted level. The amount requested in fiscal year 1999 for the General Construction account alone is 50 percent less than the current year appropriated level. These are dramatic budget reductions that could seriously impact the environmental restoration, commercial navigation, flood control, and coastal storm protection missions of the Army Corps Civil Works program.

The Committee will hold hearings this year to better determine the potential impacts of such sharp funding reductions. I question whether the Administration's proposed funding levels are adequate to address the unmet needs in this area. I am also interested in learning more about the "Challenge 21 Riverine Ecosystem Restoration and Flood Hazard Mitigation" initiative proposed by the Administration as part of the fiscal year 1999 budget request. I support increased funding and authority for ecosystem restoration activities by the Army Corps.

5. General Services Administration (Public Buildings Service)

The President's fiscal year 1999 request for the Public Buildings Service (PBS) totals \$5.065 billion. This entire amount of budget authority is to be derived from the Federal Buildings Fund (FBF) administered by GSA. The overall fiscal year 1999 budget request for PBS is \$124 million higher than the current year funding level of \$4.941 billion. For the repairs and alterations account, \$668.031 million is requested. For the construction and acquisition account, \$44.005 million is requested.

The Administration has chosen for the second consecutive year not to request direct appropriations for the construction and acquisition account. This decision will adversely impact the PBS program. The federal courts, in particular, require significant GSA construction funding to meet their growing space needs. It is my hope that the fiscal year 2000 budget will include appropriate funding levels.

I also want to express my strong opposition to the Administration's request within the fiscal year 1998 budget for the design of a new federally constructed Department of Transportation (DOT) headquarters facility in Washington, DC. On November 6, 1997, the Committee responded to numerous urgent requests from the Administration to authorize the General Services Administration (GSA) to secure an operating lease to meet the space requirements of DOT.

The Committee took expeditious action for two reasons: the current lease expires in March, 2000, requiring that the housing replacement process be initiated as soon as possible; and, we were convinced by the Administration and other experts that our action would be in the best interest of the taxpayers and DOT personnel. For these and other reasons, the option of federal construction of a new DOT facility was flatly rejected by the Committee. It is my expectation that GSA will proceed as authorized by the Congress to meet the housing needs of DOT without further delay.

6. U.S. Fish and Wildlife Service

The President's fiscal year 1999 request for the Fish and Wildlife Service is \$1.42 billion, a \$61 million increase from the fiscal 1998 enacted level. Included in the Fish and Wildlife Service Resource Management account is \$129.9 million to support a reauthorized Endangered Species Act, a \$35.7 million increase from the fiscal year 1998 enacted level. I strongly support the President's request to include increased funding for the Endangered Species Act. As you know, the Committee reported out S. 1180, the Endangered Species and Recovery Act of 1997, on October 31, 1997. The

President's request would fully fund S. 1180, allowing the Administration to carry out initiatives that are designed to make the Act more flexible for the regulated community.

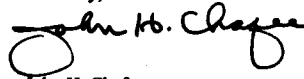
I also support the President's request of \$15.7 million for the fund established under the North American Wetlands Conservation Act (NAWCA), a \$4 million increase from fiscal year 1998 enacted level. As you may be aware, I recently introduced legislation to reauthorize NAWCA. The Act has been a great success, contributing to the recovery of more than 30 species of ducks, geese, and other waterfowl and migratory birds.

Conclusion

With the exceptions stated above, I support the President's fiscal year 1999 budget request for programs within our jurisdiction. But, I am concerned with the President's proposal for three new investment schemes called Funds for America, two of which are traditionally within the jurisdiction of the Environment and Public Works Committee. Funds for America will restructure traditional funding for research, transportation, and environmental programs. This poses a problem because the budget rules do not allow for savings in one budget category to be used to offset spending in another. For example, revenue increases cannot be used to fund greater discretionary spending. We find this attempt to manipulate the budget in such a manner objectionable, and ask that you reject this proposal.

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

JHC/sd

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United States Senate

COMMITTEE ON FINANCE
WASHINGTON, DC 20510-6200

March 13, 1998

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

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

Dear Pete and Frank:

Pursuant to Section 301(d) of the Congressional Budget Act of 1974, I am submitting my views and estimates with respect to federal spending and revenues within the jurisdiction of the Senate Committee on Finance for fiscal year 1999.

Projected Budget Surpluses

The Congressional Budget Office (CBO) anticipates that the federal budget will achieve a surplus of \$8 billion this fiscal year, with larger surpluses projected in later years and continuing until 2008. Estimated surpluses total \$143 billion between 1999 and 2003, and \$679 billion over ten years. CBO estimates that the President's budget proposals would spend \$43 billion of the surplus between 1999 and 2003.

We should not spend the surplus, as the President's budget would do. We should dedicate the entire surplus to saving Social Security. While some have suggested that we simply set aside the surplus for Social Security, I think we can do better. John Kasich and I have proposed dedicating the surplus to establish Social Security personal investment accounts. These accounts would be supplemental to the current Social Security system. While my proposal would model these accounts after the Thrift Savings Plan, I am open to other ideas. The sooner we begin, the more time this money would have to grow in workers' accounts.

Unfortunately, the current budget rules do not allow us to dedicate the surplus in this manner. Therefore, I urge the Budget Committee to reconsider the Budget Act rules to allow flexibility

to dedicate the surplus for this type of purpose. We should not let this opportunity pass us by.

Revenues

With revenues at an all time high as a percentage of GDP, I think we must provide significant tax relief this year. However, we are limited in how we can offset tax cuts.

While the President's Fiscal Year 1999 budget contains a number of revenue raisers, many are rehashed proposals that have failed before due to opposition on both sides of the aisle. Others are controversial and doubtlessly will meet the same fate. Therefore, we cannot realistically expect to use them to offset tax cuts.

We also cannot look to the spending programs within the Finance Committee's jurisdiction for savings. We are all firmly committed to protecting the reforms we have made to the Medicare, Medicaid, and welfare programs, and should make no further changes at this time.

That leaves tobacco settlement revenues as our best option for offsetting much needed tax relief for married couples, students, child care and seniors as well as adopting reforms to protect taxpayers. I would urge the Budget Committee to refrain from adopting any budget resolution that would directly or indirectly preclude the use of these funds for offsetting tax cuts. If we are prohibited from using tobacco settlement revenues to offset tax cuts, then the prospects for tax relief and meaningful reforms to the IRS are bleak.

Among the tax relief proposals I would like the Finance Committee to consider are:

1. Marriage Penalty Reforms

Half of American families face the marriage penalty. The marriage penalty occurs when a married couple, usually a two income earning couple, pays more in income tax than two single individuals. In 1995, in the Balanced Budget Act, the Congress proposed to phase out the marriage penalty for non-itemizers. That proposal was vetoed by President Clinton.

2. Family Tax Relief and Savings and Investment Incentives

In addition to marriage penalty relief, the Finance Committee may consider legislation to provide tax incentives for savings and investment and tax relief for families such as child care credits for both stay-at-home moms and working parents.

3. Expiring Tax Provisions

Several tax provisions, including the research and experimentation ("R&E") tax credit, are scheduled to expire in 1999. The Finance Committee may consider legislation to extend or make permanent these tax provisions.

4. Parent and Student Savings Account PLUS Act

In 1997, the Senate passed several tax incentives to assist parents and students with the rising cost of education. Many of these measures were enacted into law, but several savings-related proposals were rejected by the Administration in the final negotiations. On February 10, 1998, the Finance Committee approved a bill that would restore these tax incentives to the form approved by the Senate in 1997. Included in these proposals are an increase in the contribution limit for education IRAs from \$500 to \$2,000 per year. Parents would be able to withdraw amounts from education IRAs for k-12 expenses. The tax-free treatment of employer-provided educational assistance, for undergraduate and graduate education, would be extended through 2002. Amounts distributed from state-sponsored prepaid tuition plans would be tax-free instead of tax-deferred.

5. Restructuring the Internal Revenue Service

Our three days of hearings on the practices and procedures of the IRS shocked the nation last September and created the impetus for House passage of an IRS restructuring bill (H.R. 2676). However, the House bill, which is estimated to cost \$2.852 billion over 10 years, is a good start but does not address important taxpayer protection issues raised in our hearings. We owe it to taxpayers to add crucial taxpayer protections to the House bill. I am committed to moving an IRS Restructuring bill this spring, but caution supporters that this bill may have significantly larger revenue losses above the House's bill, especially if the innocent spouse issue and a reform of the interest and penalty system are addressed in a comprehensive manner.

We are trying to address a number of problems at the Agency that have been brought to our attention. Taxpayers who are trying to comply with our complex tax laws must be provided more protection against IRS abuses. Penalties and interest should not destroy taxpayers and force them out of the tax system because the IRS took months to inform them of problems. The IRS should not be allowed to hound individuals for the tax liability of their ex-spouse. The unfettered discretion of the IRS to lien, levy and seize a taxpayer's property needs to be curbed. If the IRS relentlessly pursues a taxpayer who ultimately prevails, the taxpayer should be entitled to recover attorney fees and costs. Taxpayers who want to pay their tax and remain compliant, should be able to pay their liability over time or to compromise with the IRS.

These crucial protections will lose revenue but are vitally important to the future of the relationship between the IRS and taxpayers. We owe it to taxpayers to add these and other important protections to H.R. 2676. As such, we will need to ensure that the budget accommodates this important and timely relief for taxpayers who are fed up with the current system.

6. Repeal of the Clinton 1993 Tax Increase on Social Security

President Clinton's 1993 tax bill included a provision that raised the portion of Social Security benefits subject to tax. Our senior citizens should never have had this onerous tax levied on their Social Security benefits. Repealing President Clinton's 1993 tax increase is an appropriate tax relief measure for our senior citizens.

Tobacco Settlement Legislation

There are legislative proposals to implement the comprehensive tobacco settlement between the tobacco companies, state attorneys general, and private plaintiffs. Tobacco-related revenues may need to be raised as part of this legislation. Any tobacco related revenues that flow to federal coffers should be returned to the American people through tax relief. I understand that the funding of teen smoking prevention initiatives and increased medical research will be provided through the appropriations process.

Tax Simplification and Technical Corrections

The Finance Committee has included tax simplification proposals in tax legislation enacted in 1996 and 1997. The Finance Committee will continue to examine the tax code for simplification opportunities and technical corrections.

Tax Reform

The Finance Committee intends to hold hearings on proposals to replace or fundamentally change the existing tax system. I believe that a comprehensive overhaul of the tax code should be in place before any action is taken to sunset the existing tax code.

Social Security

Social Security faces serious financial problems in the future. Beginning in 2012, annual revenues to the Social Security Trust Funds will no longer cover benefit payments. Social Security will then need to draw on Trust Fund assets, which are currently invested in Treasury bonds. As these bonds are redeemed, Social Security will make an increasing claim on the Federal budget for about 17 years. In any case, by 2029 Trust Fund assets are projected to be exhausted, and Social Security can meet only 75 percent of benefit obligations.

Social Security reform proposals should be examined in light of the larger issue of the need for Americans to better prepare for retirement. As I stated earlier, I intend to introduce legislation this spring that would use the surpluses to create personal investment accounts for workers. The Committee will hold hearings in May and June to explore this proposal and others. Our goals in any legislation that would create personal investment accounts would be to empower Americans with more control over their retirement decisions; give lower income Americans ownership of investment assets; provide a permanent solution to Social Security financing; and improve the intergenerational equity of Social Security benefits all while maintaining current law benefits.

Medicare

The Medicare reforms contained in the BBA did not solve the long-term financial challenges facing the Medicare program with the pending retirement of the "baby boom" generation. The Committee will continue to explore solutions for the long term viability of the program and

closely follow the work of the National Bipartisan Commission on the Future of Medicare. The Committee will also be closely monitoring the Medicare Choice program.

Welfare and Medicaid

I will continue to monitor the progress of the states in implementing the "Personal Responsibility and Work Opportunity Reconciliation Act of 1996." Major initiatives with significant budgetary implications are not anticipated in the welfare programs.

Medicaid and the State Children's Health Insurance Program (S-CHIP)

The "Balanced Budget Act of 1997" contained important reforms to the \$176.9 billion Medicaid program (federal and state expenditures combined) and created the new \$24 billion State Children's Health Insurance Program (S-CHIP). I will monitor federal and state implementation of these reforms.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Roth", with a stylized flourish at the end.

William V. Roth, Jr.
Chairman

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United States Senate

COMMITTEE ON FOREIGN RELATIONS

WASHINGTON, DC 20510-6225

February 26, 1998

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

Dear Chairman Domenici and Senator Lautenberg:

I write in response to your request for the views and estimates of the Committee on Foreign Relations on the President's budget request for international affairs for Fiscal Year 1999.

As you know, on February 2, the President submitted his budget request. He seeks a total of \$20.15 billion for the Function 150 account, which encompasses international affairs programs. Although not all of these programs are within the jurisdiction of the Committee on Foreign Relations, most of them are.

I recognize that the requested level exceeds the amount for Function 150 envisaged by last year's balanced budget agreement. Nonetheless, I believe that the Administration's request is justifiable, not only because the world has changed since last year, but also because the responsibilities shouldered by the United States in world affairs merit an increase in foreign affairs funding.

In the wake of the Cold War, the United States has emerged as the world's sole remaining superpower. With that position comes a responsibility to take a leading role in international affairs. Around the globe, American leadership is essential to preserving stability and security, and advancing prosperity and economic opportunity.

The United States cannot remain such a world leader without devoting sufficient resources to diplomatic readiness. Just as we need to maintain and train robust military forces in order to protect our security, we need a well-trained and well-equipped diplomatic corps to advance our nation's numerous international interests. Indeed, with the reductions in our military presence overseas in the last decade, it is all the more important to ensure that our diplomats, the front line of our national defense, have adequate resources.

In recent years, unfortunately, diplomacy has been severely underfunded. The budget for international affairs has declined precipitously over the past decade by almost every measure. To be sure, in Fiscal Year 1998, funding in the Function 150 account moved upward for the first time in eight years. But measured against historical averages, funding for

international affairs remains low. According to a recent study by the Congressional Research Service (CRS) prepared at my request, the discretionary budget authority for Function 150 in Fiscal 1998 (\$19.05 billion in FY 1998 dollars) is 22.9 percent below the average of the past two decades (\$24.69 billion). Using constant FY 1998 dollars, only two years (Fiscal Years 1996 and 1997) saw foreign affairs funding at lower levels than the current fiscal year. Similarly, as a percentage of total budget authority, Function 150 funding in FY 1998 is 1.129 percent, nearly one-third below the annual average (1.653 percent) for the past two decades.

I am pleased that the Budget Committee, and the Congress as a whole, endorsed a modest increase in Function 150 spending for Fiscal Year 1998. I urge the Committee to support the requested increase in the President's budget for Fiscal 1999. Let me briefly highlight a few of the key priorities.

The budget for State Department operations contains two important increases. First, the Department seeks authority to construct a new embassy in Beijing, China, and to begin construction on a new embassy in Berlin, Germany. Both projects are essential. Our embassy in Beijing is in decrepit condition, and barely adequate to our important interests there. The decision of the German government to move its capital from Bonn to Berlin necessitates the construction of the new embassy there. Several years ago, Congress urged the State Department to fund capital projects of this sort from proceeds derived from sales of existing assets. Because of uncertainties in several foreign real estate markets, however, anticipated sales have not been realized, thus requiring the Department to seek funding for these construction projects, which I support.

Second, the State Department also seeks an important increase in its Capital Investment Fund, which provides resources for modernizing its aging information technology infrastructure. Aside from the Year 2000 problem, from which the Department is of course not immune, the Department is significantly behind the times technologically. In many important posts and offices, it remains reliant on obsolete and obsolescent computer and telecommunications technology. Information is central to the task of diplomacy, and we would be short-changing our diplomats, and ultimately the nation, unless we fulfill this request.

The foreign assistance budget contains three increases which I believe are essential to American interests. First, the Administration seeks an increase in the assistance for the Newly Independent States (NIS) of the Former Soviet Union, from \$770 million to \$925 million. These programs are designed to assist the nations of the region to make the transition from communism to democratic capitalism. A similar U.S. effort in Eastern Europe has already resulted in the "graduation" of several nations from U.S. aid programs, demonstrating that American assistance to this region need not be permanent.

Second, the Administration requests \$216 million for the Non-Proliferation, Antiterrorism, Demining and Related Programs account, an increase over the \$133 million appropriated in Fiscal 1998. This funds a number of key programs, including the effort to

keep former Soviet scientists employed on useful projects -- a program designed to prevent them from selling their knowledge and skills to rogue regimes. Like the Nunn-Lugar program, which is funded in the 050 account, the Science Center program is a critical element in a strategy of containment -- a strategy directed not at a nation or ideology, but at controlling the threat posed by the proliferation of dangerous technologies. I would urge, in fact, that the Congress increase this program beyond the amount requested by the President.

Third, the Administration seeks a significant increase in the budget for international narcotics and law enforcement at the State Department. Specifically, it requested \$275 million, a \$44 million increase. These resources are required to continue the ongoing struggle against the narcotics cartels in this hemisphere and elsewhere.

Two other items in the Function 150 budget bear emphasis.

The President seeks a 20 percent increase in the budget for the Peace Corps, to put the Corps on a path to 10,000 volunteers by the year 2000, well above the current number of 6,500 volunteers. The Peace Corps represents the best of American values and ideals, and advances American interests overseas immeasurably.

As you know, the Administration has requested a supplemental appropriations legislation for Fiscal 1998 for the International Monetary Fund (IMF), and urgent passage of legislation to pay off our arrears to the United Nations (UN) and other international organizations. To the Budget Committee's credit, last year's budget agreement allows for an adjustment in the discretionary spending caps for these important priorities. Unfortunately, the failure of Congress to pass the UN arrears legislation has led the President to request \$931 million for the Contributions to International Organizations (CIO) account, \$31 million more than it should have been. Had Congress passed the UN legislation, the U.S. assessment rates in the UN and other world bodies would have fallen, and the CIO account could have been reduced accordingly, to \$900 million. In Fiscal 1999, we must pay the \$931 million, both to uphold our treaty commitments and to avoid building up our arrears still further. I remain hopeful that the Congress will enact the UN arrears legislation this year.

I hope you find these comments helpful as you prepare the Fiscal 1999 budget resolution. I look forward to working with the Budget Committee as the budget process moves forward. I enclose for your reference a copy of the aforementioned CRS study.

Sincerely,



Joseph R. Biden, Jr.
Ranking Minority Member

Enclosure



Congressional Research Service • The Library of Congress • Washington, D.C. 20540-7000

International Affairs Budget Trends FY1978 - FY1998

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

February 12, 1998

**Larry Nowels
Specialist in Foreign Affairs
Foreign Affairs and National Defense Division**

This report responds to your request for an update and revision of an earlier CRS report providing an overview of trends in the International Affairs budget for the past two decades. This revised report covers the period FY1978-FY1998. For each aspect of the budget discussed, it includes a graphic illustration of funding trends, a table with the actual figures, expressed in both current and constant dollars, and a brief analysis of the funding levels. Most of the data are drawn from the Office of Management and Budget, with calculations for constant dollars and selected groupings of programs done by CRS.

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

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

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

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

Several credit programs operate within Function 150, including direct loans under Foreign Military Financing (FMF) and P.L. 480 food programs,¹ loan guarantees issued by the Agency for International Development's (USAID) Urban and Environmental Credit Office, and direct loans and loan guarantees managed by the Export-Import Bank and the Overseas Private Investment Corporation. As an illustration of the mixed effects of the change in policy on appropriations for credit programs before and after implementation of credit reform in FY1992, the \$60 million FY1997 subsidy appropriation for FMF direct loans valued at \$540 million would have required Congress to appropriate the full \$540 million in FY1991 and prior. Alternatively, the FY1997 \$3.5 million subsidy appropriation for USAID's Urban and Environmental Credit program would not have required any appropriation before FY1992 because it provided loan guarantees rather than direct loans, as was the case in the FMF example.

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

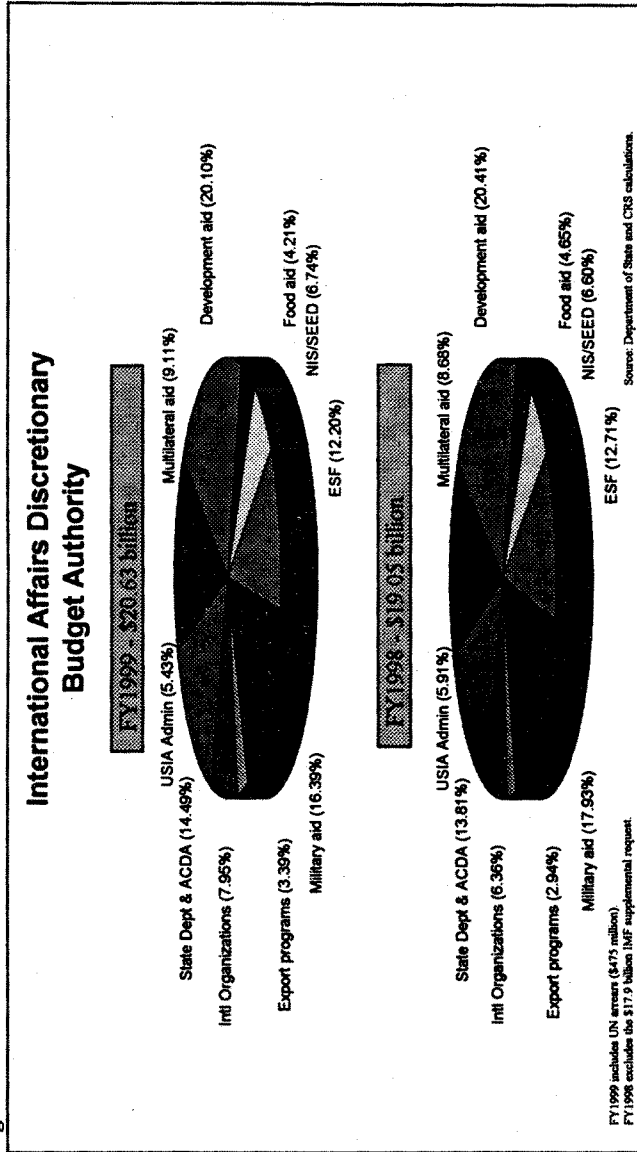
¹Beginning with FY1998, PL480 food aid loans were shifted from the international affairs budget to Budget Function 350, agriculture.

Scope of the International Affairs Budget

In "budgetary" parlance, the foreign policy budget is technically termed the International Affairs Budget Function, or Function 150.² Foreign policy spending supports a variety of U.S. government programs and activities, including foreign economic and military assistance, contributions to international organizations and multilateral financial institutions, State Department, USAID, USIA, and the Arms Control and Disarmament Agency (ACDA) operating expenses, and export promotion programs. Figure 1, next page, illustrates the major components of the International Affairs Budget Function and compares current programmatic allocations with the FY1999 request.

² In this report, the terms international affairs, foreign policy, foreign affairs, and Function 150 are used interchangeably to refer to the International Affairs Budget Function.

Figure 1



**International Affairs (Function 150) Discretionary Budget
Authority
(\$s - billions)**

Fiscal Year	Function 150 Current \$s	Function 150 Constant FY98 \$s
1978	11.033	26.244
1979	11.471	25.210
1980	12.874	25.668
1981	12.194	22.092
1982	14.222	24.174
1983	16.017	26.015
1984	17.396	27.169
1985	24.057	36.277
1986	20.279	29.679
1987	18.800	26.659
1988	18.079	24.673
1989	18.537	24.195
1990	20.027	25.029
1991	21.321	25.444
1992	20.927	24.242
1993	21.194	23.887
1994	20.854	22.946
1995	20.166	21.628
1996	18.100	18.973
1997	18.426	18.841
1998 (est)	19.049	19.049

Budget Authority excludes International Monetary Fund in selected years.
Source: Office of Management and Budget and CRS calculations.

International Affairs discretionary budget authority, measured in real terms, remained relatively stable over much of the past two decades, with the exception of a period of rapid growth and decline during the mid-1980s, and a more recent reduction in resources through FY1997. The increase in FY1998 over the previous year marks the first annual growth in the foreign policy budget since FY1991.

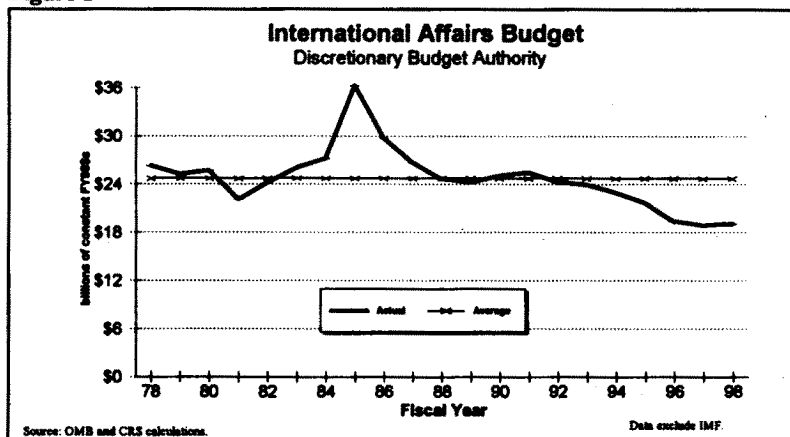
The early-to-mid 1980s were marked by a steady increase in foreign policy spending, largely the result of rising amounts of security assistance allocated for strategic purposes in Central America, Pakistan, and "military base rights countries" such as the Philippines. At the same time that this growth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

combined to set foreign affairs discretionary budget authority at \$36.3 billion, in FY1998 dollars, a level slightly less than twice the current amount.

Without the unique combination of international demands that spiked aid spending in FY1985, and with intensifying pressure in Washington to reduce the Federal deficit, Function 150 discretionary spending, like other Federal spending, fell abruptly in FY1986, and declined further in the next two years. The following period -- FY1988 through FY1993 -- marked a relatively stable level of foreign affairs budget authority, ranging in most years at roughly between \$24 and \$25 billion annually, as calculated in FY1998 dollars. To a considerable extent, this steady period can be attributed to annually negotiated budget agreements between the Administration and Congress for major discretionary spending categories, one of which was international affairs. A small, temporary upsurge occurred in FY1990/1991, primarily the result of a supplemental appropriation for aid to Panama and Nicaragua, additional costs associated with the Persian Gulf War, including supplemental assistance for Israel and Turkey, and added expenses for U.S. agencies operating in the region.

Although the foreign affairs budget had been on a long downward trend since FY1985, the drop in FY1994 was the first significant annual decrease in real terms since FY1988. The 3.9% real cut for FY1994 was followed by two years of increasingly larger reductions in real spending for foreign policy programs. FY1995

Figure 2



discretionary budget authority dropped 5.7% below FY1994, followed by a 10.4% cut in FY1996. Reductions continued for FY1997, although at a more modest 2.8% level. This downward cycle was reversed in FY1998, with international affairs budget authority rising by 1.1% in real terms over FY1997. The FY1998 Function 150 discretionary budget authority of \$19.05 billion is 22.9% below the annual average of \$24.691 billion for the past 21 years.

**International Affairs (Function 150) Discretionary Outlays
(Ss - billions)**

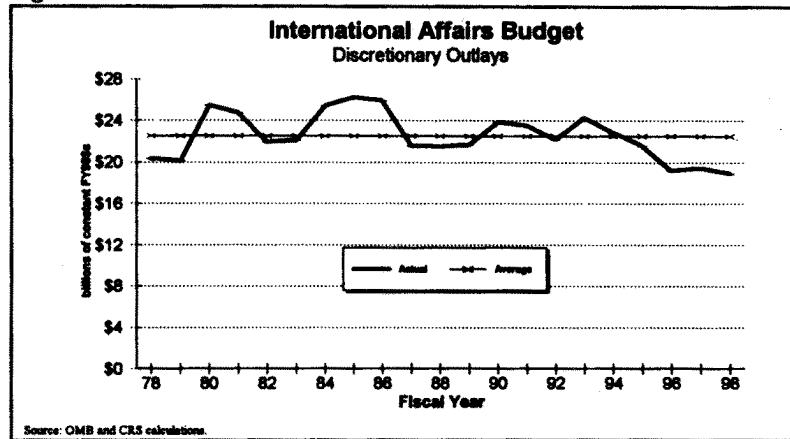
Fiscal Year	Function 150 \$s - Current	Function 150 \$s - Constant FY98
1978	8.542	20.318
1979	9.143	20.093
1980	12.775	25.471
1981	13.648	24.726
1982	12.881	21.895
1983	13.600	22.090
1984	16.267	25.406
1985	17.390	26.223
1986	17.708	25.917
1987	15.224	21.588
1988	15.743	21.485
1989	16.584	21.646
1990	19.056	23.815
1991	19.698	23.507
1992	19.160	22.195
1993	21.570	24.311
1994	20.806	22.893
1995	20.116	21.574
1996	18.300	19.183
1997	19.600	19.428
1998 (est)	18.9	18.9

Source: Office of Management and Budget and CRS calculations.

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

Function 150 outlays actually trended upward in real terms from FY1987 through FY1993, then began to decline again in FY1994, dipping below \$20 billion in FY1996 for the first time over the past two decades. International Affairs outlays increased in FY1997 to \$19.4 billion, but are estimated to drop again in FY1998 to \$18.9 billion. This would be the lowest amount, in real terms, of any year since FY1978. It is 16% below the annual average of \$22.508 billion for Function 150 discretionary outlays since FY1978.

Figure 3



**International Affairs (Function 150) Budget
As a % of Total Discretionary Budget Authority and Total
Federal Budget Authority**

Fiscal Year	Function 150 %-Discretionary BA	Function 150 %-Total BA
1978	4.322%	2.186%
1979	4.234%	2.053%
1980	4.210%	1.921%
1981	3.639%	1.647%
1982	4.074%	1.763%
1983	4.205%	1.841%
1984	4.187%	1.884%
1985	5.358%	2.339%
1986	4.715%	2.000%
1987	4.293%	1.820%
1988	4.066%	1.656%
1989	3.998%	1.548%
1990	4.033%	1.557%
1991	3.906%	1.538%
1992	3.937%	1.426%
1993	4.045%	1.437%
1994	4.053%	1.364%
1995	4.021%	1.310%
1996	3.685%	1.170%
1997	3.436%	1.122%
1998 (est)	3.430%	1.129%

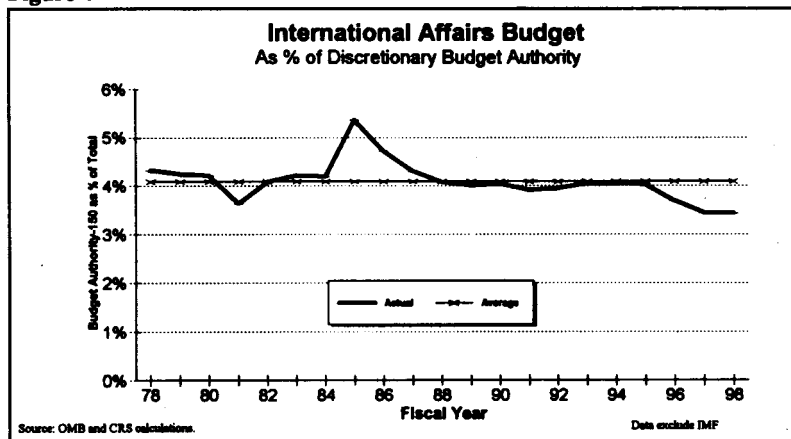
Budget Authority excludes International Monetary Fund in selected years.
Source: Office of Management and Budget and CRS calculations.

Another way of analyzing trends in International Affairs resources is to draw relationships between foreign policy spending and overall funding for total Federal discretionary programs. This is relevant especially for the present debate over budgetary priority-setting decisions since it is within the roughly \$571 billion discretionary request for FY1999 that international affairs requirements must compete.

Although the patterns are similar to those for budget authority dollar trends, the degree of sharp growth and decline are muted somewhat when measuring International Affairs discretionary BA as a % of total budget authority. One of the most notable trends is the substantial continuity in the amount of the budget authority devoted to international affairs, especially during the eight year period, FY1988 to FY1995. Although dollar amounts for foreign affairs may have risen somewhat in FY1991 and fallen through the next four years, Function 150's proportion of total discretionary budget authority deviated only slightly from a sustained level of 4% annually. In short, even though the foreign policy budget fell steadily in the early- to

mid-1990s, it declined at roughly the same pace as the total for all other programs funded through discretionary spending. But in FY1996, this 4% share of total discretionary budget authority that had been sustained for eight years ended, and Function 150's proportion fell to 3.69%. In FY1997 and FY1998 it fell further to about 3.43% of discretionary BA. What this means is that at a time when Congress and the President have reduced total discretionary budget authority, resources for foreign policy programs have declined even faster than other Federal programs. Currently, Function 150's share of total U.S. government discretionary budget

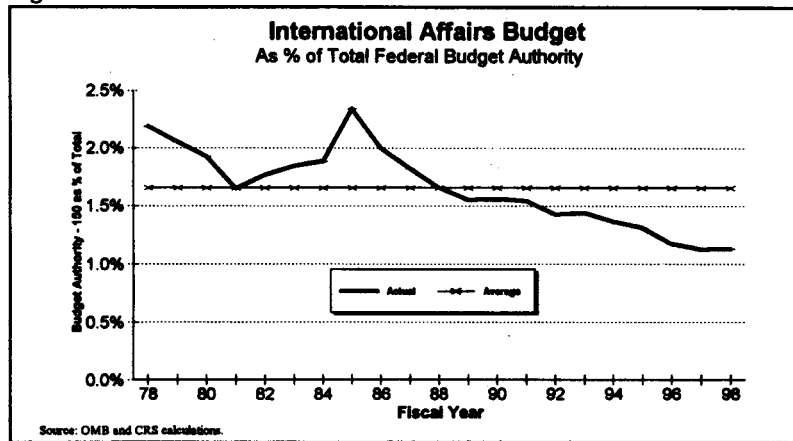
Figure 4



authority is about one-sixth less than the 4.088% annual average level since FY1978.

International Affairs as a percent of total Federal budget authority reflects a similar pattern as discretionary BA between FY1978 and FY1998. But as the non-discretionary portion of the Federal budget grew considerably relative to discretionary spending, Function 150, like other discretionary categories has fallen steadily over the past 10 years. International Affairs, which had fluctuated between 1.65% and 2.34% of total Federal budget authority through FY1985, has declined in nearly each year since through FY1997. Foreign policy spending is estimated to rise slightly this year -- to 1.13% -- relative to the total budget. Except for the past two years, this is the lowest point over the past 21 years and is nearly one-third below the average annual percentage (1.653%) represented by Function 150 as a share of total Federal budget authority.

Figure 5



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**International Development and Security Assistance
Subfunctions 151 and 152
Discretionary Budget Authority
(\$s billions)**

Fiscal Year	Intl Development Subfunction 151		Intl Security Subfunction 152		"Foreign Aid" Subfunctions 151 & 152	
	\$s current	\$s constant	\$s current	\$s constant	\$s current	\$s constant
1978	4.159	9.893	4.577	10.887	8.736	20.780
1979	5.057	11.114	5.772	12.685	10.829	23.799
1980	5.238	10.444	5.066	10.101	10.304	20.544
1981	4.392	7.957	5.068	9.182	9.460	17.139
1982	4.440	7.547	6.863	11.666	11.303	19.213
1983	4.674	7.592	8.142	13.224	12.816	20.816
1984	5.028	7.853	8.834	13.798	13.862	21.650
1985	6.454	9.732	13.730	20.704	20.184	30.436
1986	4.719	6.906	9.543	13.967	10.262	20.873
1987	4.856	6.886	8.213	11.646	13.069	18.532
1988	4.987	6.806	8.066	11.008	13.053	17.814
1989	5.255	6.859	7.072	9.231	12.327	16.090
1990	5.656	7.067	7.673	9.589	13.329	16.658
1991	6.738	8.041	8.474	10.113	15.212	18.153
1992	6.614	7.662	6.682	7.740	13.296	15.402
1993	6.949	7.832	5.491	6.189	12.440	14.021
1994	7.657	8.425	4.531	4.985	12.188	13.411
1995	7.616	8.168	4.626	4.961	12.242	13.129
1996	6.040	6.331	5.038	5.281	11.078	11.612
1997	6.162	6.301	5.159	5.275	11.321	11.576
1998 (est)	6.741	6.741	5.300	5.300	12.041	12.041

Source: Office of Management and Budget and CRS calculations.

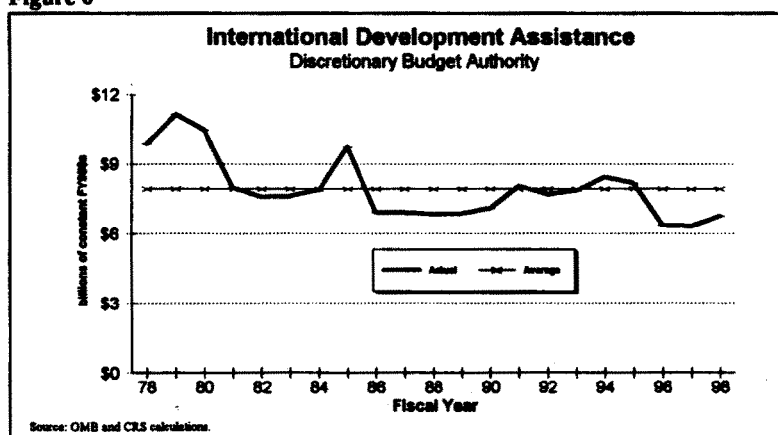
Function 150 is divided into five broad categories of subfunctions. Subfunctions 151 and 152 include development aid and security assistance programs, respectively, and are commonly referred to as the "foreign aid" budget.

For both subfunctions, current levels of funding are near the lowest amounts, in real terms, in the past 20 years. In the case of development assistance, there have been periods of decline and growth since the late 1970s, with a gradual period of higher spending in the early 1990s, prompted mainly by the opening of aid programs in Eastern Europe and the former Soviet Union. Development assistance experienced one of the sharpest cuts most recently -- in FY1996 -- when spending fell, in real terms, by 22% from the previous year, with the largest reductions falling on multilateral programs. Congress reversed this pattern in FY1998 by increasing development aid resources by nearly 7% and funding fully most U.S. commitments

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to multilateral development banks, including some arrearage payments. Overall, subfunction 151 discretionary budget authority at present is 14.7% below the annual average of \$7.912 billion since FY1978. The decline in development assistance funding would be even sharper in the 1990s if the large, new programs for Eastern Europe and the former Soviet Union were shifted from the development account and included in the security assistance subfunction 152, as many believe they should. If

Figure 6



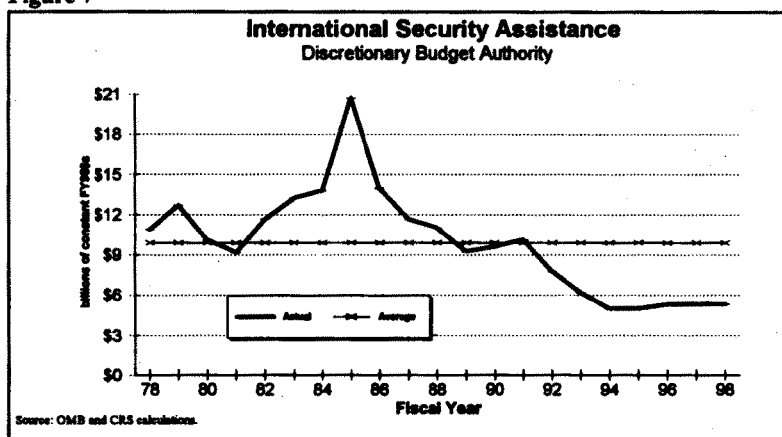
these more strategically-driven aid initiatives are excluded, current development assistance spending is 29% less than at its recent peak level in FY1991.

Security assistance accounts have experienced wider swings, but in general have fallen significantly since the mid-1980s through FY1992. U.S. support for the Camp David agreement caused security aid levels to spike in FY1979, followed by a steady period of growth during the early- to-mid 1980s when the United States significantly increased assistance to Central America, Pakistan, and military base access countries, including the Philippines, Spain, and Portugal. The winding down of Cold War-related conflicts has contributed significantly to the reduction in security assistance budgets, which by FY1993 had largely been reduced to continuing support for Israel and Egypt, plus relatively small sums for other security activities. But unlike development aid, funding has remained nearly constant, in real terms, during the past four years. The modest increase for FY1998 of less than 0.5%, however, was far less than the growth for development aid. Security assistance spending for FY1998 is 46.4% less, in real terms, than the average annual amount of \$9.882 billion over the past two decades. As mentioned above, recent trends in security assistance would be altered somewhat if East European and former Soviet aid was counted under this subfunction, even though the overall trend would remain significantly down, more on the order of 35% less than the annual 21-year average.³

³ Credit reform budget process changes probably have had a greater impact in the
(continued...)

The combined "foreign aid" budget authority trends -- subfunctions 151 and 152 -- are generally the same as those for development and security assistance: a spike for Camp David in FY1979; steady growth during the early 1980s with another spike in FY1985; declining levels in the late 1980s; a further steady downward pattern since the end of the Cold War and Persian Gulf conflict; and a modest increase in FY1998. The current level of \$12.041 billion is the lowest, in real terms, of any year since

Figure 7

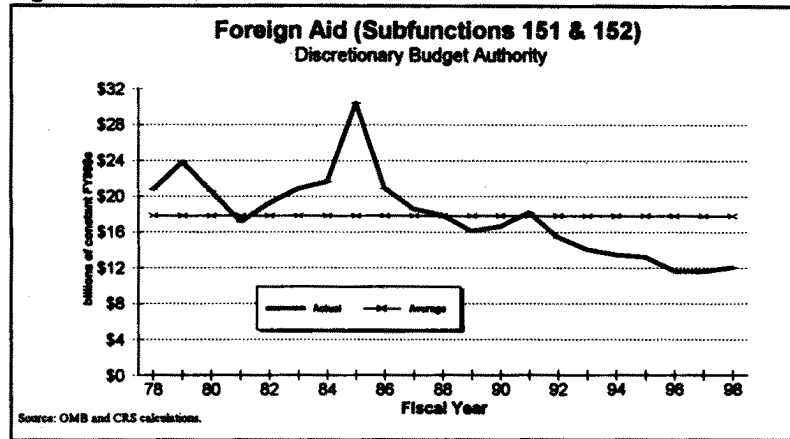


FY1978, except for the most recent two years, and is nearly one-third less than the average annual amount (\$17.795 billion) over this period.

(...continued)

security aid part of the Function 150 budget than anywhere else. If it were possible to adjust pre-1992 levels to conform to current budget scoring methods, the decline in security assistance spending most likely would not be quite as severe as these figures indicate. Nevertheless, the cuts would still be sizable.

Figure 8



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**Conduct of Foreign Affairs and Foreign Information &
Exchanges
Subfunctions 153 and 154
Discretionary Budget Authority
(\$s billions)**

Fiscal Year	Conduct of Foreign Affairs Subfunction 153		Foreign Info & Exchanges Subfunction 154	
	\$s current	\$s constant	\$s current	\$s constant
1978	1.214	2.888	0.451	1.073
1979	1.280	2.813	0.506	1.112
1980	1.295	2.582	0.518	1.033
1981	1.423	2.578	0.555	1.005
1982	1.610	2.737	0.587	0.998
1983	1.739	2.825	0.688	1.117
1984	1.911	2.985	0.808	1.262
1985	2.394	3.610	0.950	1.434
1986	2.874	4.206	0.970	1.420
1987	2.455	3.481	1.031	1.460
1988	2.545	3.473	1.056	1.441
1989	2.667	3.481	1.126	1.470
1990	2.827	3.533	1.317	1.646
1991	3.129	3.734	1.243	1.483
1992	3.950	4.576	1.303	1.510
1993	4.208	4.743	1.248	1.407
1994	4.505	4.957	1.496	1.646
1995	3.934	4.219	1.421	1.524
1996	3.708	3.887	1.131	1.186
1997	3.765	3.850	1.119	1.144
1998 (est)	3.714	3.714	1.136	1.136

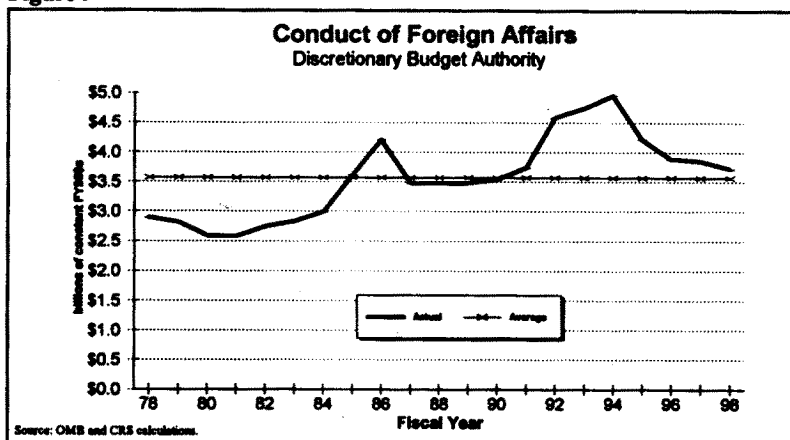
Source: Office of Management and Budget and CRS calculations.

Funding allocations for the other two international affairs subfunctions -- Conduct of Foreign Affairs and Foreign Information and Exchanges -- present a substantially different long-term perspective, although like the others, they have experienced cuts in recent years. For the Conduct of Foreign Affairs, a category that is largely made up of State Department operational costs and assessed contributions to the U.N., other international organizations, and peacekeeping, discretionary budget authority in FY1998 is the smallest since 1990, in real terms, but higher than for all but eight of the past 21 years. The general trend has been steady growth between FY1978 and FY1994, with sharper increases occurring in the mid-1980s when the U.S. implemented a diplomatic security initiative, and the early 1990s when U.N. peacekeeping payments grew. Budget authority fell from \$5 billion in FY1994 to \$4.2 billion in FY1995, to about \$3.9 billion the next two years. Discretionary budget authority is estimated to decline again in FY1998 to \$3.7 billion. But unlike other

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areas of Function 150, funding for the Conduct of Foreign Affairs in FY1997 is 4.2% higher, in real terms, than the average annual level of \$3.565 billion over the past 21 years. Add-ons for enhancing diplomatic security, establishing new embassies and consulates in the former Soviet Union, and paying higher peacekeeping bills, have all been major reasons for this upward spending trend. But an additional factor in the growth (until recently) in this subfunction is the comparatively large proportion of personnel costs as compared to the foreign aid accounts. Salaries and other expenses

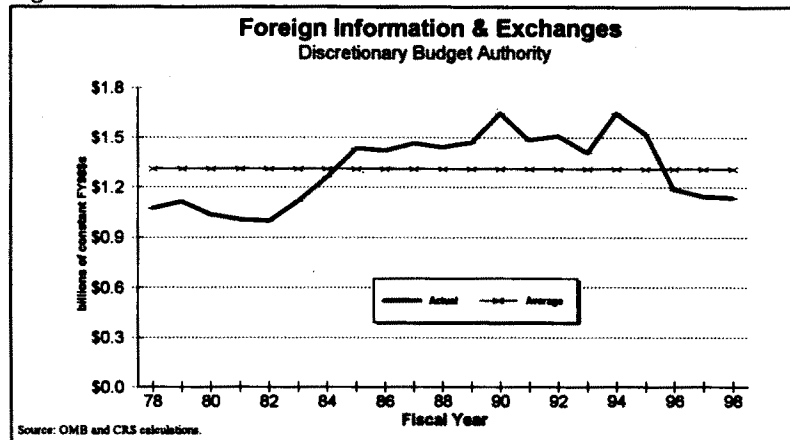
Figure 9



usually have cost-of-living increases built in so that at a minimum, they keep pace with inflation. Foreign aid accounts, on the other hand, include a much smaller proportion of personnel costs relative to total spending.

Foreign Information and Exchanges, a category that includes USIA operations, its exchange programs, international broadcasting, and the National Endowment for Democracy, currently receives \$1.14 billion, a level 13.3% less than the annual average amount of \$1.31 billion during the past two decades. Similar to State Department funding levels, discretionary budget authority for information and exchange programs rose steadily, in real terms, during the 1980s. Downsizing and consolidation of U.S. international broadcasting operations, cuts in exchange programs, and reductions for USIA salaries and expenses have been the main areas reduced the past four years.

Figure 10



**State Department and International
Organizations/Peacekeeping
Discretionary Budget Authority
(\$s billions)**

Fiscal Year	"State Department" Admin of Foreign Affairs		Intl Organizations & Peacekeeping*	
	\$s current	\$s constant	\$s current	\$s constant
1978	0.724	1.722	0.375	0.892
1979	0.813	1.787	0.479	1.053
1980	0.822	1.640	0.507	1.011
1981	1.138	2.062	0.466	0.844
1982	1.181	2.007	0.466	0.792
1983	1.219	1.980	0.527	0.856
1984	1.335	2.085	0.596	0.931
1985	1.877	2.830	0.559	0.843
1986	2.446	3.580	0.477	0.698
1987	2.089	2.962	0.420	0.596
1988	2.036	2.779	0.515	0.703
1989	2.058	2.686	0.521	0.680
1990	2.242	2.802	0.702	0.877
1991	2.190	2.613	0.910	1.086
1992	2.614	3.028	1.035	1.199
1993	2.808	3.165	1.379	1.554
1994	2.575	2.833	1.938	2.132
1995	2.563	2.749	1.397	1.498
1996	2.482	2.602	1.254	1.314
1997	2.554	2.611	1.244	1.272
1998 (est)	2.535	2.535	1.212	1.212

Source: Senate Appropriations Committee and CRS calculations.

* Note: "International Organizations and Peacekeeping" corresponds to the Commerce, Justice, State Departments Appropriations subtotal category of International Organizations and Conferences.

Administration of Foreign Affairs and International Organizations and Peacekeeping represent the major components of subfunction 153. Administration of Foreign Affairs includes a number of accounts funding salary and operational expenses of the State Department. Discretionary budget authority increased sharply in the mid-1980s with implementation of a diplomatic security initiative. Funding rose again in the early 1990s, largely due to increased diplomatic costs during the Persian Gulf War and for the construction of a new U.S. embassy in Moscow. Although levels have declined since FY1993, current discretionary budget authority of \$2.535 billion is approximately at (0.4% higher) the average annual amount (\$2.527 billion) over the past 21 years.

The category of International Organizations and Peacekeeping (also referred to in appropriation acts as International Organizations and Conferences) includes both U.S. assessed contributions to the U.N. and a broad range of international agencies, as well as United States assessed payments to U.N. peacekeeping operations. For roughly the first ten-year period of the past two decades, U.S. assessed contributions declined steadily, in real terms. Beginning in the late 1980s, however, at a time the

Figure 11

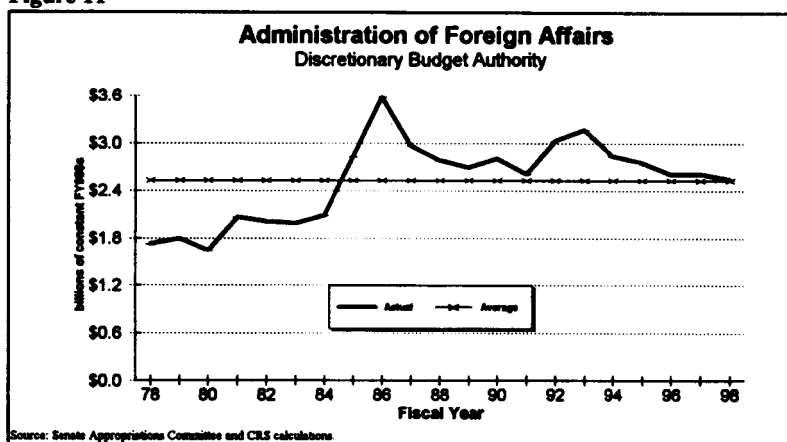
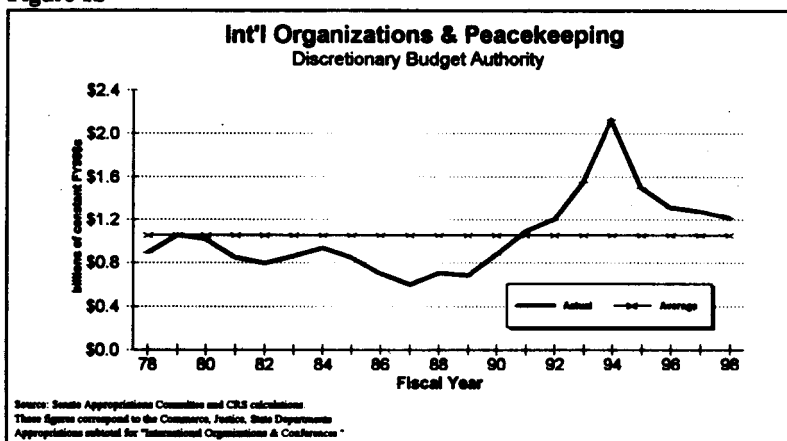


Figure 12



U.N. launched an unprecedented number of new peacekeeping operations, discretionary budget authority rose dramatically over a six year period. In real terms, from \$680 million in FY1989, U.S. assessed contributions grew to \$2.132 billion in FY1994 when Congress agreed to a large peacekeeping supplemental appropriation.

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With fewer new U.N. operations initiated and increasing budget pressures in the United States, U.S. payments have fallen significantly the past four years. Nevertheless, the current level of \$1.212 billion remains 15.5% higher than the average annual amount of U.S. assessed contributions to international organizations and conferences (\$1.05 billion) over the past 21 years.

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United States Senate

COMMITTEE ON
 GOVERNMENTAL AFFAIRS
 WASHINGTON, DC 20510-6280

March 2, 1998

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

Dear Chairman Domenici:

Pursuant to Section 301(d) of the Congressional Budget Act, I appreciate this opportunity to submit the Views and Estimates with respect to federal spending in the jurisdiction of the Committee on Governmental Affairs.

The President's Fiscal Year 1999 budget proposals contain a number of initiatives which could impact on areas within the Committee's jurisdiction. Recognizing that the source of past savings have focused on programs affecting federal and postal employees and retirees, the Committee notes that the President's projected budget for 1999 leaves these programs largely untouched.

The Committee recognizes that the difficult budgetary choices of past years, combined with efforts at fiscal constraint, have produced a favorable budget climate for FY 1999. While efforts may be made to undo past budget agreements, the Committee recognizes the fragile nature of the current budget climate and views as premature any efforts which may attempt to undo our past efforts.

Federal Employee Pay

The Committee notes that an average pay increase of 2.8 percent for federal employees took effect in January 1998. This sum was the product of a 2.3 percent across-the-board salary increase combined with an average 0.5 percent locality pay increase. The President's proposed budget contemplates a combined pay increase of 3.1 percent. This amount is derived from the current pay formula of the Employment Cost Index less 0.5 percent and reflects both the base salary and locality increases. Any further delineation between these components will be determined after consultation with employee representatives and others. The Administration expects the increase to be effective the beginning of the first pay period in January 1999.

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The Committee is aware the Administration has the authority to recommend increases in excess of 3.1 percent, pursuant to the Federal Employee Pay and Comparability Act, P.L. 101-509. However, the Administration has shown restraint in the exercise of this authority due to budget considerations. The Committee is confident that further actions regarding federal employee pay and compensation will be consistent with the need to balance carefully the interests of the federal government in recruiting and retaining a qualified workforce against the strictures of current budget restraints. Further, the Committee reserves its right to review and make recommendations regarding changes in federal pay at an appropriate time during this budget process.

Federal Employees' Health Benefits Program

The Federal Employees' Health Benefits Program (FEHBP) provides health insurance to federal workers and retirees through a variety of fee-for-service plans, health maintenance organizations, and other managed care arrangements. The premiums for these plans are shared by participants and the federal government in its role as employer. The Balanced Budget Act of 1997, P.L. 105-33, included a revision of the formula determining the government's and participants' share of FEHBP premiums for nonpostal participants. This new formula is based on the average total premium cost of all insurance plans in the FEHBP, weighted by the number of participants in each plan, and is expected to reduce the government's share of FEHBP costs by approximately \$28 million over five years. This revision also shields participants from an expected increase in premiums due to the expiration of the previous formula.

While not contained in the FY 99 budget submission, recent efforts have been made by the Administration regarding integration of the Administration's "Patient Bill of Rights" into the FEHBP. The Committee has not had adequate opportunity or information to review the impact of these proposals on FEHB program operations, especially as they may affect or increase costs for both the government and participant while layering additional administrative requirements on participating plans. Given the gravity and potential impact that unilateral implementation of such proposals could have on the FEHBP, the Committee expects the Administration to submit such proposals for appropriate congressional review and consideration.

Federal Employee Retirement

The Committee recognizes the bipartisan accord struck during last year's budget debate. The Balanced Budget Act mandated increased retirement contributions on the part of agencies and employees. These increased pension contributions were scored as general revenue receipts; hence any increase in such receipts serves as the requisite source for deficit reduction.

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Beginning in October 1997, federal agencies' contributions for employees covered by the Civil Service Retirement System increased from seven percent of pay to 8.51 percent. This increase remains in effect until the end of fiscal year 2002.

Beginning in the first pay period of January 1999, employees in both the CSRS and Federal Employees Retirement System will pay an additional contribution for their defined benefit retirement coverage. Phased in over three years, contributions will increase 0.25 percent in 1999, 0.15 percent in 2000, and a final 0.1 percent in 2001. When fully implemented, employees covered by the CSRS will contribute a total of 7.5 percent of salary and employees participating in the FERS will pay 1.3 percent. These increases will remain in effect until the end of calendar year 2002.

The Committee recognizes the burdens shouldered by federal and postal employees and retirees in past efforts at deficit reduction. Significantly, the Administration's FY 99 budget submission did not include federal employee retirement programs as sources of deficit reduction.

Also, the Committee is aware of enactment last year of a legislative directive for the Office of Personnel Management (OPM) to hold again an open season to allow CSRS-covered employees the opportunity to join the FERS. The Committee notes that the Administration indicated in its budget submission its intent to seek repeal of this open season which is scheduled to be conducted between July 1 and December 31, 1998. The Committee recognizes the support for the conduct of this open season by Members of Congress in both Houses. Therefore, the Committee strongly urges OPM to undertake all necessary administrative preparations in order to conduct a successful open season rather than await the outcome of possible legislative action.

United States Postal Service

The Postal Reorganization Act of 1970, P. L. 91-375, converted the former Post Office Department into the U.S. Postal Service, an independent establishment within the executive branch. Since 1983, the Postal Service has operated solely on revenues generated through the sale of its goods and services. Authorized appropriations included those for public service costs, revenue forgone, and former Post Office Department transitional costs.

The Balanced Budget Act repealed the authorization for transitional appropriations to the Postal Service. This appropriation provided funding for payments for former Post Office Department workers' compensation claims incurred prior to implementation of the Postal Reorganization Act. Repeal of this authorization had no impact on the level of benefits paid; it simply shifted the source of funding from the federal government to the Postal Service.

Although authorized, appropriations for costs of providing public service have not been sought by the Postal Service since Fiscal Year 1984.

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Appropriations are authorized currently for the funding of revenue forgone. These amounts represent funding for free and reduced -rate mail for the blind and overseas voting, plus reconciliation amounts for past years. The Postal Service has requested, with Office of Management and Budget concurrence, \$71,195,000 to fund these programs. In addition, the Administration, on behalf of the Postal Service, has requested Congress appropriate \$29,000,000 for reimbursement for losses incurred as a result of past insufficient appropriations for revenue forgone. The total amount requested by the Postal Service, with Administration approval, is \$101,195,000.

The Committee supports full funding of this appropriation.

Government Performance and Management

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

With the 1999 budget submissions, GPRA performance information was incorporated in the budget for the first time. Last year, this Committee worked with agencies on the development of their strategic plans, held a joint GPRA oversight hearing with the Appropriations Committee and held briefings for Senate staff to provide a greater understanding of the value of this new information. The Committee will continue active oversight of GPRA implementation and other management laws which form the statutory framework for performance-based management and accountability in the federal government. The government-wide savings achieved by this Committee are not credited as a budget savings but should be considered in the larger context for their value in establishing a smaller, smarter government that more effectively serves the taxpayer.

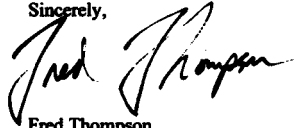
Decennial Census

The Administration's budget request for the Bureau of the Census assumes the use of statistical sampling in Census 2000. This plan to use sampling is being challenged in court, and the Committee is concerned that the Bureau will be ill-prepared to conduct the decennial census if sampling is found to be unconstitutional or otherwise unlawful. Further, recent findings by the General Accounting Office and the Department of Commerce Inspector General call into question the ability of the Bureau to implement its current plan and give the Committee additional reason for concern.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Fred Thompson". The signature is fluid and cursive, with the first name "Fred" and last name "Thompson" clearly distinguishable.

Fred Thompson
Chairman

FDT:dgb

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United States Senate
COMMITTEE ON THE JUDICIARY
WASHINGTON, DC 20510-6275

March 10, 1998

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

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

Dear Pete and Frank:

Thank you for your January 29, 1998, letter requesting my views pursuant to Section 301(d) of the Congressional Budget Act. As you know, the Committee on the Judiciary has jurisdiction over Administration of Justice programs.

Making a truly balanced federal budget will, of course, require us to make tough choices about spending priorities. Such changes must be executed in a fashion to ensure that each dollar is spent in a productive fashion. No department should be exempt from careful scrutiny as we strive to properly allocate these funds in a realistic and responsible manner.

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

I am extremely concerned with proposals in the President's budget relating to assistance to state and local law enforcement. State and local law enforcement assistance programs, funded largely through the Office of Justice Programs (OJP) and its constituent offices, are a major component of the overall Department of Justice Budget. For FY 1999, OJP funding is estimated by the President's proposed budget to be \$4.678 billion, or 22.3 percent of the Department's \$20.92 billion proposed budget.

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As in past years, however, the President's budget request includes unwise programmatic and funding recommendations which, if adopted by the Congress, would put at risk programs vital to the hard-forged partnership between the federal government and state and local governments to combat crime across the nation. Indeed, the President proposes a \$485 million cut in OJP funding, a reduction of 9.3 percent from FY 1998. The recent gains of state and local law enforcement in the fight against violent crime are fragile, and we ought not risk present tentative successes with unwise budget cuts and the adoption of untested programs.

Byrne Grant Program: 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 wisely does not repeat past proposals to cut funding for the Byrne formula grant program, and includes a request for FY 1999 funding equal to the FY 1998 level of \$505 million. However, the President again this year proposes deriving the entire \$505 million in formula grants, as well as \$47.75 million in discretionary grants, from the Violent Crime Reduction Trust Fund (VCRTF), reducing direct appropriations for these grants to zero.

In the 1994 crime law, Congress provided that, for FY 1999, \$70 million would be authorized for the Byrne program from the VCRTF. But Congress's intent was that those funds *supplement* Byrne grants that would be appropriated in direct appropriations. No basis exists in congressional authorization for deriving more than these supplemental Byrne amounts from the VCRTF. Appropriating Byrne grants entirely from the VCRTF, in essence, amounts to cutting this program and puts the program at risk should the VCRTF not be extended before it expires after FY 2000.

Local Law Enforcement Block Grants: The President also again proposes zero funding for the Local Law Enforcement Block Grant program (LLEBG), which provides assistance on a formula basis to local law enforcement agencies. This program has made it possible for local police and sheriffs departments to acquire efficiency-enhancing technology and equipment. Eliminating this program, which was funded at \$514 million in FY 1997 and \$523 million in FY 1998, represents a severe blow to federal efforts to assist our communities in the war against crime. Those funds should be restored.

Juvenile Crime and Accountability Programs: The prevalence of juvenile crime continues to be among the greatest criminal justice challenges faced by our nation, and a major concern to every parent. Consider that between 1984 and 1996, the annual number of arrests of juveniles under 18 for violent crimes has increased 120 percent, from 46,387 to 102,231. In

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1996, according to the FBI's Uniform Crime Reports and census data, juveniles accounted for nearly one-fifth -- 19 percent -- of all criminal arrests in the United States. Persons under 18 committed 15 percent of all murders, 17 percent of all rapes, and 32.1 percent of all robberies. In 1996, juveniles age 15 to 19, who are only 7 percent of the population, committed 22.1 percent of all crimes, 22.7 percent of violent crimes, and 32 percent of property crimes. Moreover, even with recent modest reductions in the juvenile crime rate, I believe that there is a strong potential for significant increases in juvenile crime above already too-high rates as the children of the baby boom generation are coming into the prime age for criminal activity.

The national juvenile crime problem requires a change in federal approach, which the Congress is in the process of adopting. Indeed, in the first session of the 105th Congress, three major legislative initiatives (H.R. 3, H.R. 1818, and S. 10) advanced in the legislative process. Each of these bills, which will be reconciled in final legislation sometime this year, reforms the federal role in the nation's juvenile justice system by providing relief from burdensome federal mandates and providing block grant assistance to states and local governments for accountability-based juvenile justice programs. Moreover, the reforms being considered by Congress involve a fundamental reform of the Juvenile Justice and Delinquency Prevention Act of 1974 (JJDPA), in order to make federal policy on juvenile crime consistent with the realities of the problem.

Unfortunately, the President's budget request is grounded neither in the need for fundamental reform to the current federal approach nor in anticipated congressional action. Rather, the President's proposed program defunds important, successful juvenile mentoring and gang reduction programs, defunds the state and local juvenile crime block grant included in the FY 1998 appropriations law, and leaves in place burdensome mandates on the states relating to the detention and incarceration of juvenile criminals. Moreover, as I understand the President's proposal, it adds a new bureaucratic layer to the federal juvenile crime policy establishment, while doing nothing to eliminate existing layers of regulation. The net effect of the President's proposals would be the hindrance of effective state and federal reforms necessary to restore accountability to the juvenile justice system.

I strongly recommend that the Budget Committee reject the President's juvenile crime proposal, and adopt instead a budget resolution based on the provisions of S. 10, the Hatch-Sessions Violent and Repeat Juvenile Offender Act of 1997. This legislation, which the Senate will consider in the coming months, includes a \$500 million block grant for state and local accountability based juvenile crime reduction efforts, as well as reform and reauthorization of key JJDPA programs such as the Part B state formula grants, the Part D Gang Free Schools and Communities program, and the Part G mentoring program. S. 10 also includes a provision reauthorizing and extending the Violent Crime Reduction Trust Fund, to ensure the future

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viability of these and other critical state and federal anticrime initiatives.

Community Prosecutor Program: As a part of the President's juvenile justice initiative, the President's budget request includes a proposal for \$50 million in funding for a "Community Prosecutor Program". Although no new legislation yet has been forwarded to the Congress detailing this proposal, the President's juvenile justice legislation introduced by request last Session included a similarly titled provision. This provision was in turn based on a section of the 1994 crime law (42 U.S.C. 13861 *et seq.*) which authorizes grants for diversion and "individualized sanctions" programs for violent young offenders. The program, which, wisely, Congress has never funded, requires social workers' involvement, and participating prosecutors would be required to "focus on the offender, not simply the specific offense, and impose individualized sanctions" such as "conflict resolution, treatment, counseling and recreation programs" for individuals, ages 7 to 22, who have committed "crimes of violence, weapons offenses, drug distribution, hate crimes, and civil rights violations"

I am chagrined that the President would seek \$50 million in funding for this program, and am particularly skeptical of using law enforcement and prosecution grants for what amount to social engineering programs. Should the Budget Committee wish to make provisions for grants to state and local prosecutors, I recommend the state prosecutor and state court grant program included in section 305 of S. 10.

State Prison Grants: I am concerned that the President's budget request again this year 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 (VOI/TSI) Grants program. The President's budget proposes an appropriation of \$711 million for these grants in FY 1998, a \$9.5 million decrease from FY 1998 levels, short of the authorized amount of \$2.66 billion, and far short of what is needed as well.

I am also very concerned that the President's proposed budget proposes significant cuts to the important State Criminal Alien Assistance Program (SCAAP), which, as you know, reimburses States and units of local government for costs that they incur incarcerating illegal aliens who commit crimes in this country. Under the President's budget, direct appropriations would be cut \$70 million, to \$350 million, and supplemental SCAAP funding from the VOI/TSI Grants program would be cut \$15 million. These reimbursements fulfill a fundamental federal responsibility to at least partially indemnify states for the costs of illegal immigration, and should be funded at an adequate level.

Finally, the President's budget request includes an earmark of \$25 million out of the VOI/TSI Grants program to fund the Cooperative Agreement Program (CAP). As you know,

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CAP provides federal funds for the renovation and expansion of local jail facilities, in exchange for a guarantee on the part of the local government that bed space will be available in the facility for the detention of federal prisoners in the custody of the U.S. Marshals Service. I strongly support the CAP program, and, as I explain elsewhere in this letter, I believe that it should be expanded. However, I do not believe that this program, which greatly benefits the federal government by reducing facilities costs for federal detainees, should be funded at the expense of much needed state prison construction grants.

COPS Program Management: The President's budget request includes a request for an additional 129 positions in the office administering the COPS (Community Oriented Policing Services) program, increasing the staffing over 69 percent from 186 positions to 315 positions. I cannot see the justification for this proposed increase, as the program's authorization will be winding down over the next two fiscal years, and recommend that the request not be included in the budget.

Federal Prisons and Detention Programs

Federal Detention: One of the primary duties of the federal government is to ensure that adequate detention space is available to hold persons alleged to have committed federal crimes pending trial ("detainees"), as well as to ensure that federal prison space is available to incarcerate those convicted of federal crimes. Regarding detention space, I am increasingly concerned that nationally, available detention space is inadequate to meet federal needs. Federal needs for detention space have been outstripping supply in several areas of the country. According to the Department of Justice's Criminal Division, in the past two years, the federal pretrial detention population has risen by approximately 25 percent. Some districts, particularly along the Southwest border, have been inundated with new pretrial detainees, while others have experienced a more steady rate of growth. According to United States Marshals Service projections, the number of federal detainees will increase by at least 75 percent in the next four years, from approximately 25,000 today to an expected 43,500 in FY 2001.

Yet, under present appropriations levels, the Department of Justice has little ability to plan for the federal government's long-term detention needs. For this reason, I believe that \$35 million in FY 1999 budget authority should be allocated for appropriations for the Cooperative Agreement Program (CAP), authorized by 18 U.S.C. 4013(a)(4). This funding, of which at least \$5 million should be dedicated to a long-term needs pilot project, will permit the Marshals Service to enter into critical long-term agreements to ensure detention space is available to the federal government.

JPATS: I note with approval the President's request to improve and consolidate the

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Justice Prisoner and Alien Transportation System (JPATS) within the U.S. Marshals Service. JPATS serves the vital function of transporting federal prisoners and detainees for necessary court appearances, medical treatment, and moves between federal prison facilities. It also transports illegal and criminal aliens in the custody of the United States for hearings and repatriation to the alien's country of origin, and helps support the necessary transportation of state and local prisoners. I urge the Budget Committee to approve this consolidation and the requested trust fund, as well as the request for aircraft.

I.N.S. Detention and Deportation: I note with approval that the President's budget request includes a proposed increase of \$63.9 million for I.N.S. detention and deportation activities. My primary misgiving about this request is that it may actually be too low to meet nation-wide needs. As you well know, the continued presence of illegal and criminal aliens has a profound impact on local crime rates, and places a significant strain on the resources of local jail systems. Within the Judiciary Committee, consideration will be given to the desirability of consolidating all federal and I.N.S. detention programs, to increase the efficiency and cost-effectiveness of these programs. While this review is undertaken, I urge the Budget Committee to ensure budget authority for current programs which is adequate to anticipated needs.

Federal Prisons: Similarly, the need for federal prison space has been growing. I am concerned that without appropriate action, the federal government may soon experience the same critical shortage of prison space that presently exists in many of our states. The problem in the western United States, where crime is generally increasing even as it has declined somewhat elsewhere, may be particularly acute. I am concerned that the President's budget request does not address this need. Although the request does include an increase of \$300 million for new construction, the new facilities are necessitated by the federal government's assumption of responsibility for inmates in the District of Columbia's penal system, and do not address other underlying federal prison needs. For this reason, I urge the Budget Committee to include provisions addressing the acute need for federal prison space.

Drug Use

After years without leadership on the fight against drugs, the administration for a second straight year is seeking a dramatic increase in federal drug control spending. In FY 1998 the Congress approved an unprecedented \$16 billion drug control budget. The FY 1999 request exceeds that mark by \$1.1 billion, to \$17.1 billion. While I certainly applaud the spirit in which these requests were made, such spending is of little benefit if it is not spent on programs proven to reduce rampant drug abuse, and particularly a youth drug plague gripping this nation. Consider that, according to the latest *Monitoring the Future Study*:

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- With respect to the use of any illicit drugs in the prior 12 months, since 1993 it has increased 56 percent among 8th graders, 52 percent among 10th graders, and 30 percent among 12th graders.
- With respect to use of marijuana use in the last 12 months, since 1993 it has increased 99 percent among 8th graders, 121 percent since 1992 for 10th graders, and 38 percent among 12th graders.
- Annual LSD use has increased 52 percent, 64 percent, and 29 percent among 8th, 10th, and 12th graders since 1993.
- Annual cocaine use has similarly increased 77 percent, 100 percent, and 49 percent among 8th, 10th, and 12th graders since 1993.
- Annual heroin usage has increased 129 percent, 71 percent, and 100 percent for 8th, 10th, and 12th graders since 1993.

Similarly, the recently released PRIDE survey reflects a continued escalation in youth drug use. Perhaps even more troubling, like the *Monitoring the Future* study, PRIDE reports that not only is youth drug abuse continuing to rise, the age at which these children are using drugs is dropping. In fact, this survey reflected a continued increase in illicit drug use by children as young as the 6th grade.

I am 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. The President seeks \$167.25 million in new resources dedicated to fighting drug trafficking and abuse. Recall that last year the President's proposed budget sought an additional \$288 million, from \$6.9 billion in FY 1997 to \$7.25 billion in FY 1998 for this purpose. While I certainly support additional funding to support drug control efforts, I am concerned that the Administration is continuing a pattern of shifting resources away from interdiction and supply programs in favor of treatment and prevention.

For instance, the President's proposed budget requests zero funding for the Local Law Enforcement Block Grants, and instead proposes funding \$85 million for a Drug Intervention Treatment Program. The Administration has also called for the passing of legislation that will permit states to use federal funds earmarked for prison construction, to implement plans for drug testing and treatment of offenders in the criminal justice system. Also proposed is an additional \$30 million to continue to expand the Drug Courts program. I remain wary of funding programs that do not have a proven track record of success, by emphasizing these untested so-called

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"demand reduction" programs over proven "supply reduction" initiatives.

The President's budget proposal seeks a 4.6 percent increase in DEA's funding with program enhancements of \$63.85 million. All told the President seeks to increase the DEA's law enforcement budget from \$1.146 billion in FY 1998 to \$1.26 billion in FY 1999. I particularly support the implementation and expansion of a comprehensive program to combat methamphetamine production, trafficking, and abuse. The President's budget request also includes an additional \$24.46 million for this effort, that includes the funding of an additional 100 agent positions.

I also support the continued implementation of the Caribbean Corridor Strategy that seeks to stem the flow of drugs through Puerto Rico and the 26 island nations. This area has seen a considerable increase in drug trafficking over the last 3 years in response to greater enforcement efforts on the southwest border, and particularly in Miami. The President's budget includes a request for \$9.84 million to fund 90 new positions, including 54 agents for this purpose. I believe that this request is actually low, and represents a continued pattern by the Administration to diminish interdiction resources in favor of treatment and prevention initiatives. Similar meager increases have been requested for this region for other interdiction agencies such as the Coast Guard and Customs Service, which are finding it increasingly difficult to cope with the increased volume of drug trafficking, considering current resources.

Despite representations that have been made by the Administration that it wishes to continue promoting the concept of "community policing," I was disappointed to see that the President's budget request does not include additional funding to open new DEA Community Impact Offices (CIO's). CIO's enhance the DEA's ability to expand its presence into rural and suburban areas where drugs are trafficked openly, supplementing local law enforcement efforts and strengthening the partnership between federal and local law enforcement in the fight against drugs. Such offices are particularly needed in states such as Utah, which due to their large rural locales have become preferred venues for the production of methamphetamine, and trafficking points of drugs both east and west.

Additionally, the President's budget does not seek funding above the FY 1998 level for the DEA's for Mobile Enforcement Teams (MET) activity. This program is essential to address the considerable problem of drug related gang violence. I believe it necessary to devote greater resources to this and similar initiatives if we are to have any hope of curtailing not only drug abuse on our streets, but the criminal activity attendant to such drug abuse.

I support the Administration's decision to continue funding of the Interagency Crime and Drug Enforcement (ICDE) task force program, alternatively known as the Organized Crime

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Drug Enforcement Task Force (OCDETF) program. The President's funding request for DOJ's participation in ICDE is \$304 million, a \$9 million increase over the FY 1998 funding level. This program and the High Intensity Drug Trafficking Area Program (HIDTA), are indispensable joint task force related programs that are uniquely situated to pull greater resources together to address drug trafficking on a broad level. Support for these programs should, in my estimation, be maintained.

In FY 1998 the President's budget request sought a \$33 million increase for the Office of Justice Programs Residential Substance Abuse Treatment of State Prisoners Program, for a total appropriation of \$63 million. This funding increase was granted, despite concerns I stated about funding unproven programs. Continuing this trend, for FY 1999, the President's budget requests an additional \$9 million for this program, for a total funding request of \$72 million. Before appropriating such additional funding, I believe that the Department of Justice must address with specificity the utility and effectiveness of such program. It is my belief that this program, as well as the Drug Court program, may be better left to state funding, or at least brought under the umbrella of a block grant, leaving it to the state to apply in their individual and unique circumstances, such funds in a responsible manner.

Combating Cybercrime

I believe that it is critical to continue national efforts to promote further expansion of the Global Information Infrastructure (GII) and electronic commerce. Unfortunately, however, while this burgeoning technology presents new opportunities for economic growth, it also provides new opportunities for the commission of fraud, the distribution of pornography and obscene materials, industrial espionage, and a myriad of other crimes. In order to better address this problem, the President's proposed budget includes a request for the Department of Justice for an additional \$63.9 million to expand efforts to protect the Nation's critical information infrastructure from cyber attacks, and to combat cybercrime.

The requests includes \$22.02 million and 84 positions for the FBI to develop new measures to combat cyber crime. I particularly support funding the \$11.61 million requested to establish new Computer Investigations and Infrastructure Threat Assessment (CITA) squads in various cities throughout the country, to compliment the expansion of the Computer Investigations and Infrastructure Threat Assessment Center. The effectiveness of such squads should be carefully evaluated over the next 2 years, with an eye toward expanding this program to other major cities throughout the country.

The President's budget also requests an additional \$1.55 million to expand the Criminal Division's Computer Crime and Intellectual Property Section (CCIPS) to allow it to keep pace

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with emerging technologies. Again, this seems to be a prudent proposal. Further, I support the Department of Justice's proposal to add 36 additional positions within the U.S. Attorney's Offices specifically to be used to prosecute cyber-criminals. This proposal, requested at a funding level of \$3.63 million, is a necessary step in providing a strong deterrent to such criminal activity.

Violence Against Women Programs

Between FY 1996 and FY 1998, the President's proposed budgets requested funding increases by 42%, to an FY 1998 level of \$260.75 million. Congress has largely supported funding for these initiatives. For FY 1999, the President's budget includes a request for 1998 funding levels of \$260.75 million for these programs.

I have long supported 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.

Antitrust Division Funding

Recognizing the increasingly numerous and complex merger proposals confronting the Department of Justice, as well as the explosive growth of high technology industries, both in the United States and abroad, a reasonable expansion of the Department's Antitrust Division is appropriate. For FY 1999, the President has requested 15 new attorney positions and a total budget of \$98.3 million, a 5 percent increase over FY 1998 levels.

I believe this is a measured and appropriate expansion of the Antitrust Division. With such additional resources, in addition to reviewing complex mergers, the Antitrust Division will be provide with important resources to expand their enforcement efforts against sophisticated anti-competitive practices such as internal price fixing.

Immigration and Naturalization Service

Since 1992 the budget authority for the INS has gone from \$1.176 billion to the President's FY 1999 request of \$4.189 billion. During this same period staffing levels have gone from 17,700 persons in 1992 to a requested 31,900 for FY 1999. Particularly over the last several years the growth of the INS has been dramatic. In FY 1996, the President requested 25% budget increase above FY 1995 levels for the Immigration and Naturalization Service (INS). Again in FY 1997, the President requested another 16% above FY 1996 levels. For FY 1998,

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the President requested an additional increase in funding for INS at 13% above FY 1997 levels.

This year the President requests \$4.189 billion for the INS, a \$390 million increase over the FY 1998 enacted level of \$3.799 billion. This budget request includes \$282.83 million in program enhancements to include the addition of 1,000 new Border Patrol agents and resources for "force multiplying" technologies.

I agree there is a need for enhanced enforcement of the nations' immigration laws. I am pleased to see that the President's request includes \$117.62 million and 1,141 positions to enhance the INS Border Management Strategy, 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. The President's request of \$30.2 million and 167 positions to effect an Integrated Interior Enforcement Strategy, therefore, I believe is deficient. Even when coupled with the \$35.5 million requested to further strengthen interior enforcement, it may be insufficient to support the removal of a DOJ estimated 2,200 criminal aliens in 1999.

Also, while it is important to have adequate funding for agents and investigators both in the interior and along each land border, sound illegal immigration policy requires resources throughout the deportation process. This Session, INS must begin complying with fully implemented mandatory detention requirements that were included in the 1996 Illegal Immigration Reform and Immigrant Responsibility Act. Those provisions require INS to detain deportable criminal aliens rather than releasing them into our communities. Congress needs to guarantee sufficient funding for INS detention space and to particularly ensure that INS, which may not have requested enough funding for detention and deportation officers, has enough personnel to expeditiously deport criminal aliens. Such resources are needed throughout the system, not simply in Texas, California, and New York.

Since illegal immigrants, drug traffickers, and terrorists are frequently apprehended through routine inspections at the land borders and other ports of entry, additional funding is needed for INS inspectors and for Customs inspectors, who are cross-designated to enforce our immigration laws. Both the northern and southern land borders also suffer long delays in legal traffic, which could be alleviated through adequate staffing. Adequate staffing would at the same time allow inspectors to concentrate on their primary task of guarding against those who would enter the United States illegally or attempt to traffic drugs through ports of entry.

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Finally, the INS will -- in part at the insistence of a number of members -- be reengineering the naturalization process to address the almost complete breakdown in the process that was observed over the past years and to redress the unacceptable backlogs in naturalization applications. To correct these problems, an increase in application fees coupled with increased resources will be needed.

The Courts

The President's Budget also includes \$3.86 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 support. I believe that the Budget Committee should plan for increased outlays as the Committee will work to enact this program.

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

The majority of existing court facilities, most of which were built about 50 years ago, cannot be modified to provide the additional courtrooms, chambers, and office space required to house the increase in the number of judges and staff that has accompanied the tremendous growth in the workload of the federal judiciary over the past 10 to 15 years. The Judicial Conference identified a need in fiscal year 1999 for 14 courthouse construction projects at a

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cost of \$496.9 million in its latest five-year plan of courthouse construction priorities. (In fact, these projects originally were endorsed by the Conference in fiscal year 1998 and were ready to be funded in that fiscal year. Failure to provide funds for these projects in fiscal year 1999 would place them two years behind.) The GSA estimates construction costs increase an average of 4 percent per year of delay, with the costs of sites in urban areas rising even more dramatically.

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

Patent and Trademark Office

Once again this year, the President's budget request proposes to divert patent user fees to fund unrelated spending projects. Although this practice began in 1992 as a relatively small intrusion into the PTO's ability to provide adequate services to its customers, the near-exponential growth in the proportion of funds diverted relative to total collections has seriously compromised the PTO's ability to provide these services. For example, average patent pendency is now close to two years, largely as a result of the inability of the PTO to dedicate the resources necessary to deal with ever-increasing workloads. According to the National Association of Manufacturers, this extended pendency period has caused average delays of one year in bringing new products to market for 20 percent of its members who deal in patented technology.

I commend you for your efforts last year to ensure that the anticipated sunset of the patent fee surcharge would occur this year. I think we all believed this would resolve the problem of patent fee diversions. Unfortunately, the President's FY 1999 budget request proposes to continue the practice, this time by tapping into the PTO's base fees. According to the President's budget proposal, \$116,342,000 of the PTO's \$603,526,000 appropriation would be rescinded and redirected to "deficit reduction." The rescission would drop to \$50 million in FY 2000, but would then increase steadily from \$143 million in FY 2001 to \$163 million in FY 2003. The President's proposed budget provides that this money may be recovered by the PTO, but only if Congress increases base patent fees by \$182 million to make up the revenue foregone upon the expiration of the surcharge account. While the approach taken is novel, the problems are not.

As you know, I view the continued diversion of patent fees as an inappropriate tax on innovation and cannot support it. Not only does such a policy single out inventors and strap them with an extra deficit-reduction burden, it quite frankly flies in the face the Constitution's patent clause, which recognizes the role of government as a promoter, rather than an inhibitor, of innovation. I understand and fully share the commitment to deficit reduction, but I do not

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believe that inventors should bear a disproportionate share of this burden. In addition, the claim that these funds are needed for "deficit reduction" is illusory. Given the fact that a budget surplus is now projected as early as this year, the continued diversion of patent fees cannot be said to be necessary to bring the budget into balance.

The Patent and Trademark Office model of a self-funded, customer oriented government agency should serve as a banner to those who would reform government. Continued confiscation of resources from the PTO's clientele, however, undermines the integrity of this model. I urge you to continue in your opposition to this practice and to ensure that the budget considered by the Senate does not propose any rescission of patent user fees.

Global Tobacco Settlement

Finally, let me take this opportunity to provide my views on an area whose jurisdiction falls within the Judiciary Committee as well as a number of other committees, the proposed global tobacco settlement legislation. I hold the strong belief that this proposal offers us a once-in-a-generation opportunity to break the cycle of dependence which has led to literally generations of Americans being addicted to tobacco products. Statistically, children who smoke have a substantially greater propensity to graduate to illicit drugs, so it is extremely important that we exert the maximum effort to see a bill enacted this year.

The budgetary treatment of this issue is complicated, as you well know, and could very well lead to the success or failure of this important endeavor. I am well aware of your concerns about the potentially precedent-setting nature of this proposal in terms of its budgetary impact. I would suggest that your deliberations be guided by several basic principles.

First, public health experts have found that the most successful anti-tobacco programs are comprehensive in nature and community-based. Accordingly, I urge that your resolution envision a program built on the framework of the June 20, 1997 settlement proposal, a program which includes substantial industry payments in exchange for a serious public health war on tobacco, including constitutionally permissible advertising restrictions and limited liability language.

Second, I urge that all the revenues from the settlement be used for tobacco-related purposes only, including biomedical research. I fully understand there are budgetary implications to this, as well as other considerations. But the fact remains that the value of this proposed settlement is in the seriousness of its effort against tobacco. That effort will be diluted if the funds are used for other purposes, however worthy or popular.

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March 10, 1998
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Finally, I envision that any legislation the Congress approves provide maximum flexibility to the States to devise the anti-tobacco programs contemplated by the bill. In my bill (S. 1530), for example, we provide direct funding to the States as well as additional funding in a Federal/State block grant. Such local and community control is essential, in my opinion, for these programs to be successful.

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

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United States Senate
 COMMITTEE ON THE JUDICIARY
 WASHINGTON, DC 20510-6275

March 3, 1998

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

Dear Pete and Frank,

Thank you for your letter of January 29, 1998 requesting the minority views and estimates from the Committee on the Judiciary for your consideration as you prepare the Fiscal Year 1999 budget resolution. Although we generally agree with the President budget priorities within our jurisdiction for FY 1999, we want to highlight budget items in the Administration's proposal that we strongly support and other considerations.

Violence Against Women

The Violence Against Women Act (VAWA) was passed as part of the 1994 Violent Crime Control and Law Enforcement Act of 1994. Already the law has done a great deal to help support organizations and law enforcement agencies reduce the incidence of domestic violence and help abused women and their children get back on their feet. We strongly support the President's request for VAWA for FY 1999, including \$25 million for the Rural Domestic Violence and Child Victimization Enforcement grant program.

Community Oriented Policing Services (COPS)

This year, the Administration has requested a total of \$1.4 billion to fund an estimated 16,000 police officers for the COPS Public Safety and Community Policing Grants Program, bringing the total number of officers funded by this program to almost 99,000. This funding includes \$54 million devoted exclusively to Indian Country law enforcement. We believe the COPS program has been a true success in putting cops on our streets and reducing crime across the country and strongly support this request.

Digital Telephony

Law enforcement agencies need adequate funding to ensure that they have the capability to implement court ordered wiretaps in a changing telecommunications system. The President has requested \$100 million in the FY 1999 budget for telephone carrier compliance, which we strongly support.

Patents and Trademarks

In 1990, the Congress imposed a surcharge fee on patent applications to enable the Patent and Trademark Office (PTO) to become entirely self-funded. Although the law establishing the surcharge fees specifies that these fees may be used only for PTO operations, the fees are being diverted from the PTO to other programs.

The Administration's budget proposal includes provisions to divert PTO user fees for unrelated purposes. Continuing to employ such diversion is inconsistent with our efforts to enact bipartisan legislation transforming the PTO into a performance-based, customer-driven agency. We do not believe that using the surcharge for non-PTO purposes serves the interests of independent inventors or our performance-based goals.

Interstate Police Communications Technology

The National Institute of Justice (NIJ) Technology Centers are studying the nationwide communications problems of federal, state and local law enforcement officials. In a recent report, an NIJ Technology Center concluded that law enforcement agencies throughout the nation lack adequate communications systems to respond to crimes that cross state and local jurisdictions.

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

This and other incidents throughout the country highlight the need to develop multi-agency, multi-jurisdictional communications systems among the states to share routine and emergency information among federal, state and local law enforcement agencies. We must make it possible for federal, state and local law enforcement officials to respond quickly and effectively to crimes that cross state and local jurisdictions. Therefore, we strongly support the Administration's request for \$12.8 million for fiscal year 1999 for the NIJ Technology Centers, an increase of \$5 million.

U.S. Marshals Service

The Administration has requested \$11 million and 100 positions (82 Deputy U.S. Marshals) to staff and equip courthouses to ensure that new courthouses and new courtrooms in existing facilities can open with adequate security. The President has also requested \$4 million for above standard construction costs for courthouse renovation projects, including construction of holding cells for juveniles. The U.S. Marshals Service does an outstanding job of protecting the Federal judiciary with limited resources and these requests are essential to continue their high standards.

Department of Justice Civil Rights Division

The President has requested \$1 million to improve the enforcement of federal laws that ban discrimination on the basis of race, color, national origin, sex and religion in federally assisted programs. Under the leadership of Acting Assistant Attorney General Bill Lann Lee, the Civil Rights Division of the Department of Justice needs these funds to enforce the civil rights of all our citizens.

Rural Drug Enforcement

The Rural Drug Enforcement Assistance Grant Program is designed to assist local law enforcement agencies to combat drug trafficking in rural states. It was authorized as part of the Rural Crime title of the Violent Crime Control and Law Enforcement Act of 1994. The failure to establish the Rural Drug Enforcement Assistance Grant Program is a missed opportunity to help local law enforcement officials fight the war on drugs in rural areas. We support budgeting and funding for this program.

Judicial COLAs

The Administration has requested a cost-of-living salary adjustment (COLA) for Federal judges for this fiscal year. Before last year, Federal judges had not received a COLA since January 1993 and their compensation had declined by more than 12 percent as a result. If the erosion in the value of the Federal judicial salary continues, we may undermine efforts to recruit and retain the best lawyers for the Federal bench. We strongly support Federal judges receiving the same COLA as other Federal employees.

National Center For Law Enforcement

We believe it is time to create a National Center For Law Enforcement to assist the nation's 17,120 local law enforcement agencies. This Center should work closely with the Federal Bureau of Investigation and the Department of Justice to promote the development and coordination of management education, an information clearinghouse, professional evaluation, technical assistance, and computer and forensic training for local law enforcement officers.

Thank you for your careful consideration of these issues. We look forward to working with you as the Fiscal Year 1999 Budget Resolution.

Sincerely,



PATRICK LEAHY
Ranking Member

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United States Senate

COMMITTEE ON LABOR AND
 HUMAN RESOURCES
 WASHINGTON, DC 20510-6300

March 6, 1998

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

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 1999 budget resolution.

The Labor and Human Resources Committee is cognizant of the need for greater efficiency and reform in government. We are aggressively working to streamline programs under our jurisdiction and look forward to working with the budget and appropriations committees to ensure that authorized funding levels for the programs under our jurisdiction are consistent with overall discretionary limits.

Overnight

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 will work with these departments and agencies to ensure that their missions remain focused and that they attain the milestones to which they committed.

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.

Higher Education Reauthorization

In January of last year the committee began 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

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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 fall, the Committee began drafting the Higher Education Act Reauthorization Act of 1998 which will both strengthen and streamline assistance to students, families, and institutions of higher education. Our bipartisan proposal will eliminate over fifty programs and establish a performance-based organization within the Department of Education that will be responsible for dramatically improving the management and delivery of student financial aid. My intention was to complete committee consideration of this legislation in February.

In January of this year, however, without hearings or full consultation, the Congressional Budget Office implemented a new "probabilistic" scoring methodology for programs under our jurisdiction. This change in methodology alone has resulted in a \$5 billion change in the scoring of the student loan programs. Proposals designed to ensure continued access to student loans which were scored for the committee as being budget neutral last December are now being assigned a cost of nearly \$5 billion under the new scoring model. Regardless of the possible merits of probabilistic scoring for the budget process in the future, it is inappropriate to change scoring methodology in the middle of the reauthorization process.

The timing of this decision by the Congressional Budget Office could not be worse for students or their families. On July 1, 1998, the formula by which student loan interest rates are calculated will change from the 91-Day Treasury bill to the 10-year Treasury Note. This formula change was placed in the law in 1993 as part of a plan, long since abandoned, to move to 100% Direct Lending.

The Treasury Department recently reported that this change will encourage private lenders to leave the student loan program. Other analysts, including Alan Greenspan, who have looked at this issue have reached the same conclusion. If they are correct, a substantial number of our nation's students and their families could soon find it impossible to obtain student loans. Seventy-percent of the \$34 billion in student loans made annually are now provided by private lenders through the Federal Family Education Loan (FFEL) program. It is not realistic to expect that the Department of Education will be able to pick up the slack through Direct Lending. Yet, any effort to fix this interest rate problem will produce \$2 to \$3 billion in costs under probabilistic scoring.

For the past several years we have witnessed the partisan acrimony generated by the debate over the Federal Family Education Loan Program and the Federal Direct Lending program. Last year, as part of the Balanced Budget Agreement of 1997, we forged a hard fought agreement with the Administration to put aside this debate and encourage and nurture two stable and vibrant student loan programs. It would be regrettable if a decision by CBO to change scoring methods in the

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middle of the reauthorization process were to undermine this agreement.

I have been forced to delay committee consideration of the higher education act while we have waited for this decision to be reconsidered. Further delays, however, will destabilize the FFEL program and may disrupt student access to financial aid this coming fall. I urge you to use the budget resolution to exempt the reauthorization of the higher education act--both for the purposes of the calculation of the baseline and also for the purposes of scoring any proposed policy changes--from the new probabilistic scoring method. The reauthorization of the higher education act should be scored, during the entire ten-year budget window, using the same non-probabilistic methodology that was in place when we began the reauthorization process last fall. This delay will allow us to restore stability to the FFEL program and provide ample time for the Budget Committee to more fully consider the merits of probabilistic scoring.

Teacher Training

One of the most substantial changes we will make to the Higher Education Act this year is a streamlining and focusing of pre-service teacher training provisions. At present, despite the pressing need to improve teacher training, fourteen of the fifteen teacher-related programs under Title V do not receive funding through the Act. I am working with members of the Labor Committee to develop a comprehensive, bi-partisan plan to invigorate teacher training programs and will be working to increase funding by \$300 million.

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.

Last fall the Committee reported S. 1186, the Workforce Investment Partnership Act (WIPA), which simplifies and streamlines our current workforce development structure. The legislation eliminates thirty duplicative or ineffective programs and simplifies Federal support for workforce development. WIPA creates a single state and locally administered youth program, establishes a single list of allowable activities for dislocated workers and disadvantaged adults, permits the pooling of funds for state administrative costs, creates incentives for high performance, and reduces the regulatory burden by allowing states to submit a single unified workforce development plan to the Federal government. Senator DeWine and I are working closely with all of the interested parties to bring this bill to the floor this session.

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Individuals with Disabilities Education Act

Last session the Individuals with Disabilities Education Act was overhauled for the first time in nearly 25 years. This legislation restructured and consolidated fourteen discretionary grant programs that had expired and made revisions in the permanently authorized State preschool and elementary and secondary grant programs for students with disabilities. Under Republican congressional leadership, funding for disability programs has grown by over 60% over the past two years. We still, however, have not met our goal of Federally funding 40% of the additional costs which states incur as a result of their obligation to provide a free and appropriate education under the law. I am deeply concerned that the President's budget request does not even include an inflationary increase in funding for children with disabilities. I urge you to join with me to ensure that the budget reflects the Republican Party's strong historical commitment to increased funding for students with disabilities.

National Institutes of Health

The committee is continuing efforts begun last Congress to reauthorize the National Institutes of Health. Three broad issues have emerged in our discussions: First, it is clear that a careful balance must be drawn between our commitment to clinical research and our commitment to basic research. Second, it is clear that there is a need for administrative simplification and efficiency in order to free up scarce dollars for grant-making. And third, it is equally clear that we must dedicate ourselves to 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.

FDA User Fees

Last November the President signed the Food and Drug Modernization Act of 1997 into law. This legislation modernized the FDA's regulatory procedures in order to allow the American public to have quicker access to newer, safer, and more effective therapeutic products. In addition, the legislation reauthorized the fees first authorized under the Prescription Drug User Fees Act in order to allow FDA to hire reviewers not provided for through appropriated funds.

Despite the enactment of this bipartisan legislation, the President continues to put forward proposals to levy unauthorized user fees on the medical device and other regulated industries to make up for the under funding of the Food and Drug Administration. The Administration's FY 1999 budget proposes \$128 million in new user fees, in addition to those agreed to in last year's modernization bill, to pay for the basic regulatory and enforcement functions of the Agency. I urge you to ensure that adequate room is provided within the discretionary caps for the FDA and to reject any proposals to levy user fees that were not authorized as part of the FDA Modernization Act of 1997.

The Honorable Peter Domenici
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National Science Foundation

Last year the committee worked closely with the National Science Foundation to develop and revise its strategic plan. The committee favorably reported S. 1046 which reflects needed clarifications in the National Science Foundation's mission, objectives, and strategies. In order to ensure better planning and oversight, the authorization requires NSF to provide the Committee with annual reports describing new proposals for national research facilities as well as the status of facilities under construction or renovation. This process has already dramatically reduced the costs associated with renovating the South Pole Research facilities. In addition, this legislation requires the Office of Science and Technology Policy to conduct a comprehensive review of growth in Federal payments to colleges and universities for facilities and administration costs. We will utilize this study to better understand the costs associated with the Federal-university research partnership. I hope to bring this bill, which provides \$3.773 billion in FY 1999 and \$3.886 billion in FY 2000, to the floor early this session.

I want to close by reiterating the importance of my request for relief from CBO's decision to implement probabilistic scoring of the student loan programs. Failure to address this problem in the budget resolution will require me to bring a bill to the floor which will violate Pay-Go provisions by between \$5 and \$6 billion and lead to another fight over the future of guaranteed versus direct loans. Based on our experience during the last two Congresses, it is clear that this debate will not be productive either in achieving a balanced budget or in serving students and their families.

The committee looks forward to continuing to work with you throughout the fiscal year 1999 budget process.

Sincerely,



James M. Jeffords
United States Senator

JAMES M. JEFFORDS, VERMONT, CHAIRMAN

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United States Senate

COMMITTEE ON LABOR AND
HUMAN RESOURCES
WASHINGTON, DC 20510-6300

March 3, 1998

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

Dear Pete:

I am writing to provide minority views and estimates from the Labor and Human Resources Committee for your consideration as you prepare the fiscal year 1999 budget resolution.

With respect to student loans, we must work to keep the two loan programs strong for the future while reducing the cost of borrowing (and thus the cost of college) for thousands of students. The recent Treasury Report shows that this goal can be accomplished in a way that is efficient for banks and helpful for the nation's students.

The guaranteed loan program can be enhanced by a major restructuring of the guaranty agencies similar to the proposal included in the Clinton Administration's budget. The focus of this program should be on the services provided to students. In particular, the reserves (or federal funds) that these agencies hold can be used responsibly to provide funds to benefit students directly.

We must also allocate more resources to vital programs which strengthen our commitment to education, enhance the safety and productivity of the nation's workforce, and improve the health of all Americans if the nation is to maintain its competitive edge into the twenty-first century. President Clinton's FY1999 budget provides a blueprint for making substantial investments in these areas while balancing the budget.

One way in which this goal can be accomplished is for Congress to take advantage of the opportunity we now have to raise billions of dollars in new revenues from a comprehensive tobacco settlement. I urge you to include in the budget resolution the revenues which will be generated from a \$1.50 per pack increase in the federal cigarette excise tax, phased-in over three years and thereafter indexed to inflation.

The reserve fund should recognize that the Labor Committee will maintain its jurisdiction in writing the public health and education provisions of the tobacco settlement. These key areas under the Labor Committee's jurisdiction include biomedical research at the National Institutes of Health, child care and early childhood development, initiatives to reduce class size by hiring new teachers and constructing new classrooms, and programs to reduce smoking, such as cessation, counteradvertising, prevention, and education.

The reserve fund should be comparable to the Violent Crime Reduction Trust Fund and make these funds available to the Appropriations Committee to be distributed as part of the annual appropriations process solely for eligible purposes. This approach will avoid a further splitting of jurisdictions among authorizing committees, thereby weakening coordination and oversight of public health and other priority programs.

On the discretionary side of the budget, I recommend that the 602(b) allocation for the Labor, Health and Human Services, and Education Appropriations Subcommittee should be increased from its current level. The higher allocation will support increased investments in current education programs, including Goals 2000, Title I, TRIO, the Individuals with Disabilities in Education Act, Safe and Drug Free Schools and Communities, and Educational Technology. Funding should also be provided for President Clinton's proposals for the High Hopes education program and the Education Opportunity Zones. In addition, I believe that the maximum Pell Grant should be increased, and that higher funding levels are necessary for such campus-based aid programs as college work-study, Perkins Loans, graduate education, and State Student Incentive Grants.

The Budget Committee should also make priority investments in training and labor protection programs to improve job skills and ensure a safe and secure workplace. I urge the Committee to maintain funding for

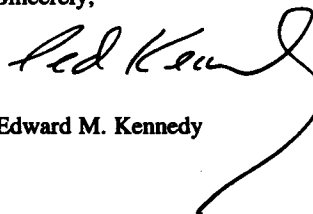
Administration, Mine Safety and Health Administration, and Pension and Welfare Benefits Administration at a high level. In addition, I strongly support a substantial increase in funding for the National Labor Relations Board, which is vital to facilitating the free flow of commerce and ensuring effective enforcement of the nation's labor laws. President Clinton's FY1999 budget requests funds for these programs at an appropriate level.

Increased investments in essential health care services, research and public health activities will benefit the nation. In addition to the increase in biomedical research funding at the National Institutes of Health, I support higher investments in the Ryan White CARE Act to enhance the quality of life of millions of individuals living with HIV. Additional funding should also be directed to Community Health Centers, the Agency for Health Care Policy and Research, prevention activities at the Centers for Disease Control, personnel training at the Health Resources and Services Administration, the regulatory responsibilities of the Food and Drug Administration, and mental health and substance abuse services through SAMHSA.

Funding for the Low-Income Home Energy Assistance Program should be increased to \$1.319 billion for FY1999 as well, with an additional \$300 million set aside for emergency funds.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Kennedy", with a long, sweeping flourish extending from the end of the signature.

Edward M. Kennedy

CHRISTOPHER S. BOND, MISSOURI, CHAIRMAN
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United States Senate

COMMITTEE ON SMALL BUSINESS
 WASHINGTON, DC 20510-6350

March 10, 1998

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

Dear Pete and Frank:

As Ranking Member of the Committee on Small Business, I am submitting separate views and estimates of the President's fiscal year 1999 budget request for the Small Business Administration (SBA). Unfortunately, as was the case with my predecessor, Senator Bumpers, regarding the FY 1997 Budget, I must respectfully disagree with Chairman Bond's assessment of SBA's FY 1999 budget proposal. One exception to our differing views relates to the budget's proposal to increase the disaster loan interest rate. I agree with the Chairman that this type of proposal, which has been proffered annually for more than a decade, has little, if any, support on either side of the aisle and it "is very unlikely the Committee will support this Administration proposal this year."

In my view, President Clinton's FY 1999 budget for SBA is one of the best, if not the best, budgets ever proposed for the Agency and for the nation's small businesses. Overall, the FY 1999 budget recognizes that small businesses create virtually all net new jobs and proposes to serve more small businesses with SBA's advocacy function and its array of programs providing assistance in areas of access to credit and capital, entrepreneurial development and Federal procurement. While requesting for its total operations \$724 million, only a 1.1 percent increase over its FY 1998 funding and over its actual non-emergency funding in FY 1997, SBA is proposing to greatly increase its services through its existing programs and through important new initiatives which were not envisioned in 1995, when a 17 percent reduction followed by a 5 year straight-lined Agency budget might have seemed appropriate. Moreover, SBA is compelled to request funding for the implementation of numerous new statutory requirements that have been enacted in the last three fiscal years.

An example of increased services is in the credit and capital programs. Although SBA's FY 1999 budget requests \$13 million less than was appropriated for FY 1998, the budget proposes to increase SBA's credit and capital programs to \$15.3 billion for FY 1999, which is \$1.9 billion over FY 1998 estimated levels and \$4.5 billion over actual levels of just two years ago. This is possible because legislative, regulatory and management improvements in these programs have reduced subsidy rates in every SBA credit and capital program. These increased program levels are consistent with the direction our Committee envisioned for SBA

as set forth with the SBA Reauthorization Act, passed by our Committee last Fall and signed by the President in December.

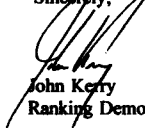
Examples of important new initiatives that could not have been foreseen in 1995 are in the Federal procurement arena: the HUBZones program and the Small Disadvantaged Business (SDB) certification program. The implementation of both initiatives will require substantial resources, but will help many small businesses that were previously excluded from Federal procurement, to gain access to Federal contract dollars. Although SBA will be fully reimbursed by participating agencies for employees hired to implement the SDB certification program, their numbers are included in SBA's FTE count in the FY 1999 budget.

As Senator Bumpers also noted in his separate views and estimates concerning the FY 1997 budget, I cannot agree that the Agency should continue to reduce its workforce when proposing, as it does in its FY 1999 budget, to deliver its tried-and-true programs at unprecedented levels as well as new initiatives and requirements that it has developed or that Congress has recently created. Most of the requested staffing increases are attributable to implementation of the HUBZones program, the SDB certification programs, and other statutory mandates.

While I certainly agree that Congress should encourage SBA to modernize and upgrade its critical functions, especially those relating to its loan portfolio, it does not follow that hiring outside contractors is the only and most cost effective way of doing so. Outside contractors may be more efficient in some instances, like the annual examinations of 7(a) Preferred Lenders, but may not be appropriate or cost effective with respect to other Agency responsibilities. As it has for the last several years, SBA should continue to evaluate its options in carrying out its responsibilities and should use outside contractors where it will be efficient, effective and appropriate to do so.

While there are individual items, such as the technical assistance portion of the Microloan program, which I and others believe must be reconsidered or adjusted during the appropriations process, it is in my view that the President's FY 1999 proposed budget is an excellent one for the SBA and for small business. I commend Chairman Bond for scheduling a hearing for March 18th on the President's budget proposal. It will provide a timely forum for Committee members to better understand what is being proposed for SBA and the small businesses that will benefit from its programs.

Sincerely,



John Kerry
Ranking Democrat

CHRISTOPHER S. BOND, MISSOURI, CHAIRMAN
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United States Senate

COMMITTEE ON SMALL BUSINESS
 WASHINGTON, DC 20510-6360

March 4, 1998

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

The Honorable Frank Lautenberg
 Ranking Minority Member
 Committee on the Budget
 United States Senate
 Washington, DC 20510

Dear Pete and Frank:

As chairman of the Committee on Small Business, I am submitting the following views and estimates on the President's FY 1999 budget request for the Small Business Administration and other matters under the Committee's jurisdiction in compliance with Section 301(d) of the Congressional Budget Act.

In 1995, Senator Bumpers (the Committee's ranking member at that time) and I sent you the Committee's views and estimates letter on SBA's FY 1996 budget request. We called for the streamlining of the Agency and recommended that the Budget Committee adopt a ceiling of \$586 million for Function 370 for FY 1996 and the following five fiscal years. This figure was a reduction of \$120 million (17%) from the Function 370 level for FY 1995. At the same time, the CBO non-inflationary baseline for the Function 450 disaster program administrative expenses account was \$78 million. Combining the two accounts provided SBA with \$664 million for each fiscal year. Our recommendation was designed to produce six year savings of at least \$720 million, with the understanding that SBA could contribute substantial budgetary savings as the Congress brought Federal outlays and revenues into balance, while continuing to serve the constituencies who rely on SBA's programs.

At the time of our 1995 views and estimates letter, we believed that a thorough, top-to-bottom review of the Small Business Administration was necessary. The SBA needed to reevaluate the programs and activities in its purview to determine whether they are truly necessary programs and whether they are most appropriately handled at the Federal level.

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

The Honorable Pete Domenici
 March 4, 1998
 Page Two

However, the Administration's FY 1999 budget request calls for increased spending. SBA's budget requests a total of \$719 million to fund Function 370 and the disaster program administrative expenses account under Function 450. SBA is requesting a significant increase for salaries and expenses of \$37.9 million, a 15% increase over the FY 1998 appropriation. Moreover, SBA is seeking to expand, rather than consolidate or streamline, its workforce. SBA's FY 1999 budget requests 3,434 full-time equivalent employees (excluding employees in the disaster function), an increase of 470 FTE (16%) over the FY 1997 level. Increasing the SBA's workforce by 470 FTE in two years is not what I expect of an agency that is streamlining its operations.

I remain an unwavering supporter of the core mission Congress has given SBA, but I believe SBA can achieve its mission much more efficiently than reflected in its current plans. Excessive costs necessitated by SBA's large headquarters operation and unwieldy field office operation hampers the streamlining effort. The FY 1999 budget request, rather than proposing thoughtful and more efficient plans, merely seeks increased appropriations for these offices. These costs demonstrate a worrisome trend that may have the potential to crowd out the central mission of the agency.

The funding level set in 1995 totaling \$664 million is clearly sufficient for SBA to meet its fundamental mission requirements in FY 1999. At this level, the Agency will be able to fund fully its key programs, such as the Women's Business Centers program, Small Business Development Centers program, 7(a) guaranteed business loan program and Small Business Investment Company (SBIC) program at their authorized levels. Furthermore, in FY 1996 SBA only spent \$605 million and carried 4,640 FTEs for the disaster and non-disaster programs. The current FY 1998 budget includes 4,578 FTEs, 62 fewer than funded in FY 1996.

In addition, I have strongly supported efforts by SBA to turn to the private sector to take on more of the Agency's workload, which has shifted work away from hundreds of SBA staff who previously performed loan processing, servicing and liquidation functions under the 7(a) and 504 loans programs. The Agency has hired outside contractors to undertake new missions, such as the statutorily mandated annual examinations of the 7(a) Preferred Lenders. SBA needs to be encouraged to continue these efforts to modernize and upgrade critical Agency functions.

The President's FY 1999 budget proposal seeks to increase the interest rate paid by disaster victims by tying it to the rate on Treasury securities of comparable maturity. The budget request assumes that adopting this proposal will obviate the need for new budget authority in FY 1999 for disaster loans, since a reduced subsidy rate would allow funding of \$901 million in disaster loans with carryover funds. Members of the Committee on Small Business, on both sides of the aisle, have declined to support similar Administration proposals in prior years, and it

The Honorable Pete Domenici
March 4, 1998
Page Three

is very unlikely the Committee will support this Administration proposal this year. By their unrealistic reliance on a legislative change that we all know will not be adopted, the Administration is misleading Congress by failing to submit a budget request that provides for the projected amount necessary to pay for the disaster loan program in FY 1999.

The Committee's record of bipartisanship during the 104th and 105th Congresses serves as ample evidence of our shared commitment to the important priorities of America's small businesses and entrepreneurs. In good conscience, I do not believe the interests of small businesses are served by managing the budget of the Small Business Administration in a "yo-yo" like manner. Instead, I believe that we should adhere consistently to the six-year budget plan set forth in March of 1995. Further, I believe the Committee can work with SBA to redirect and fine tune its priorities and to become increasingly more responsive to small business and more effective and efficient in its day-to-day operations.

I look forward to the opportunity to work with you to develop this portion of the Budget Resolution for FY 1999.

Sincerely,



Christopher S. Bond
Chairman

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MINORITY STAFF DIRECTOR/CHIEF COUNSEL

United States Senate
COMMITTEE ON INDIAN AFFAIRS
WASHINGTON, DC 20510-8450

March 11, 1998

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

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

Dear Chairman Domenici and Senator Lautenberg:

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 1999 for Indian programs.

On February 25 and 26, 1998, the Committee held hearings on the President's Budget Request to receive 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 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.

Overall the Administration's fiscal year 1999 budget request seeks modest increases for some Indian programs, such as programs administered through the BIA. However, the budget request largely reflects funding levels consistent with FY 1998 enacted levels. The President's budget request proposes to continue distribute greater proportions of funding directly to the local level in Indian Reservation or Native American communities. 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 1999.

In its action on the fiscal year 1998 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 1999 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 the 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. Further, approximately 38% of Indians aged 6 - 11 years live below the poverty level, more than twice the national average. For every \$100 earned by U.S. families, Indian families earn \$62. Poverty in Indian country is a persistent, everyday reality.

Notably, the Committee recognizes the continuing poor health status of Indian people as a leading factor contributing to poverty. For example, 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 precedents, 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.

While the Committee supports the overall funding levels proposed in the FY 1999 budget, with the exception to the Indian Health Service, the Committee on Budget should also be cognizant of the long term funding issues regarding Indian programs. To illustrate the trends in spending for programs that benefit Indians, the report developed by the Library of Congress indicates that, in terms of *constant dollars*, if spending trends continue at their current path through the year 2005 as they did in the period of 1975 - 1999 there will be a continued reduction in the current level and quality of services.

The Committee reports its recommendations below.

A. Committee Recommendations on the Indian Health Service Budget Request

Within the Department of Health and Human Services, for fiscal year 1999, the Administration has requested \$2.475 billion in program level authority for the Indian Health

Service (IHS). This includes a budget authority of \$2.118 billion and third party collections projected to be \$327 million. These totals represent an increase of \$44 million from FY' 98 enacted levels. This request represents less than a 1 % increase for Indian Health programs, factoring in a projected \$25 million increase in third party collections. The requested increase is comprised of approximately \$2.7 million for services and \$16.9 million for facilities.

Notably, the budget request for the IHS represents a minute increase in the overall program level for Indian health care programs. Testimony provided to the Committee by the Director of the Indian Health Service, indicated that maintaining the current level of health care service would prove to be difficult. The Committee on Budget should be aware that in considering the overall budget request for the Department of Health and Human Services (DHHS) which proposes a 7% increase in program level for FY 99, the IHS budget request remains less than 1 % over FY 98 enacted levels.

In determining adequate funding levels for effective service delivery, Tribal and Federal officials have informed the Committee of several factors: (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) unmet inflationary costs associated with the service delivery.

1. **Unmet need:** This category can be characterized in several ways. In terms of adequate facilities for the delivery of health care the Backlog of Essential Maintenance, Alteration, and Repair (BEMAR) is estimated to be in excess of \$243 million. In addition, factors such as population growth (characterized below) further necessitate new adequate facilities for service delivery. Importantly, current health statistics among American Indian and Alaska Native people indicate that prevention and treatment programs are significantly underfunded compared to the need.

2. **Population Growth.** The IHS fiscal year 1999 budget 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%.

3. **Unmet Inflationary Costs:** Central to effective health service delivery is the ability to keep pace with inflationary costs (i.e. mandatory costs). According to the IHS the backlog of unmet inflationary costs is in excess of \$323 million as quantified over the period of FY 1993 to present. As these costs continue to accrue in each fiscal year existing services are commensurately reduced as a result.

Other items characterized below are also indicators of the growing unmet needs of the IHS to keep pace with further contracting by tribal governments and maintenance and repair of existing facilities.

Contract Support Requirements. The fiscal year 1999 IHS budget request seeks no increase for contract support costs. For fiscal year 1999, an estimated \$796 million will be transferred directly to tribes and tribal organizations under self determination contracts/grants and self-governance compacts. As greater resources are devoted to tribal delivery of health care, so too are the costs associated with greater compacting and contracting. For example, it is estimated that the current unfunded backlog of Contract Support Costs is \$136.5 million for FY 1999. The Committee is concerned that the administration recommends no increase for this line item.

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 \$274 million, an increase of \$16 million over the FY 98 levels.

In addition, 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. Further, the Committee would recommend to the Committee on Budget to explore ways to allocate greater funding to the IHS given the compelling health factors.

It is the Committee's recommendation to increase the overall Budget Authority of the IHS by \$125 million to a level of \$2.243 billion. This funding level will enable the IHS to meet existing inflationary costs, provide for staffing requirements at new facilities that are coming on line, and would provide for an incremental increase for population growth.

B. *Committee Recommendations on the Bureau of Indian Affairs Budget Request*

The Bureau of Indian Affairs (BIA) fiscal year 1999 request, within the Department of the Interior, would provide for \$1.84 billion in current budget authority, a \$142 million increase over FY 99 enacted levels. The requested increases are primarily allocated in the following three areas: (1) Tribal Priority Allocations (\$34 million), (2) law enforcement (\$25 million), (3) education (\$26.5 million), and (4) natural resources (\$16.8 million).

For fiscal year 1999, the BIA has requested \$114 in contract support costs, which is an increase of \$ 9 million from last year's funding level. Of this \$ 9 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 1999 budget request reflects and increase of \$26 million for School Operations, for a total of \$486 million for FY 1999. In addition, the BIA budget request also proposes an increase of \$ 32 million for maintenance and construction of educational facilities.

The Committee generally commends the Administration for its fiscal year 1999 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 1999 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 will take effect upon the development and approval of the final regulations to govern the NAHASDA. The \$600 million dollar request by the administration to fund the block grant provided for under NAHASDA represents the same level of funding as FY 98 enacted levels. 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 a 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 spent 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.

The Committee urges the Budget Committee to provide funding for Title VI loan guarantees consistent with the budget request of \$5 million for FY 99.

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 1999 for Indian education programs under the Department of Education seeks \$66 million.

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 1999, a level equal to the FY 1998 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.

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 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, 1998 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 1999 to the Committee on the Budget and look forward to working with you in the coming year.

Sincerely,


BEN NIGHTHORSE CAMPBELL
Chairman


DANIEL K. INOUE
Vice-Chairman



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

Memorandum

February 18, 1998

TO : Senate Committee on Indian Affairs
Attention: Gary Bohnce

FROM : Roger Walke
Specialist in American Indian Policy
Government Division

Ree

SUBJECT : Indian-Related Federal Spending Trends, FY1975-1999¹

This memorandum responds to your request that CRS update its analysis of Indian-related budget authority to include fiscal years 1975-1999. The committee has previously published these CRS analyses in the appendix of its recurring committee print entitled *Budget Views and Estimates* for FY1989 and FY1991-1993.² The committee has also included the CRS analyses in its materials printed in the Senate Budget Committee reports on the concurrent budget resolutions for FY1995-1998.³

The memorandum summarizes trends in major Indian-related areas of the federal budget over the period FY1975-1999. "Indian-related" refers to programs provided to American Indian and Alaska Native tribes and their members because of their political status as Indians, not because of their racial classification or simply because they are citizens. The budget items selected in this memo have usually accounted for two-thirds to three-quarters or more of total annual Indian-related federal spending (as such spending is calculated by the Office of Management and Budget). For FY1997-1999, however, these items account for less than two-thirds of "government-wide Native American program funding" as estimated in the *Budget of the United States Government, Fiscal Year 1999* ("Budget," p. 121, Table 8-1).

The Indian-related spending trends are summarized in tables 1-4, and selected trends are illustrated in graphs 1-26. Both tables and graphs are based on the data in appendix tables 1 and 2. For each budget area, tables 1-4 show the following measures:

- the average level of spending in each year over the time period;

¹ Andorra Bruno, Analyst in American National Government, assisted in gathering data for FY1975-1995. Garrine Lancy, Analyst in American National Government, and Megan Perry, Intern, assisted in gathering the data for FY1975-1991.

² S.Prt. 100-116, S.Prt. 101-89, S.Prt. 102-32, and S.Prt. 102-91, respectively.

³ S.Rept. 103-238, S.Rept. 104-82, S.Rept. 104-271, and S.Rept. 105-27, respectively.

- 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 FY1975-1999, using current dollars. Table 2 covers the same period using constant, or inflation-adjusted, 1996 dollars. Tables 3 and 4 present the same current- and constant-dollar data for the period FY1982-1999.

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

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

METHODOLOGY AND SOURCES

The Indian-related budget items chosen for this analysis are the Bureau of Indian Affairs (BIA), 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 accounted for about 70% of total estimated Indian-related spending government-wide in the period FY1988-1998.

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

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 U.S.C. 4101 *et seq.*). Under the NAHBG program, recipients (tribes and tribally-designated housing entities) may spend block grants to provide and maintain low-income housing according to their own plans and needs. A HUD Office of Native American Programs officer broadly estimated that tribes and housing entities would spend about \$200 million of NAHBG funds on new housing development in FY1998-1999. To maintain the time-series for Indian Housing Development in this memo, we use these estimates for FY1998-1999.

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.

on Bureau of Indian Affairs Reorganization. The general categories of education, economic development, natural resources, and Indian services, under which specific programs were grouped in previous budget presentations, are not used as general categories in the restructured budget presentation (instead they are used as subcategories within the BIA's new general categories). While the BIA applied this restructured presentation to its FY1993 budget, it did not do so for earlier years. Hence, the time-series data for BIA component programs are internally consistent for FY1975-1992 and for FY1993-1999, but may not be consistent between the two time periods. In addition, for FY1999 the BIA has moved some programs between different budget categories.

In this memo we re-grouped FY1993-1999 data for the relevant BIA programs into the general categories of education, economic development, natural resources, and Indian services.⁶ We have maintained consistency in assigning BIA programs to these general categories. We stress that re-grouping data for the BIA components for FY1993-1999 means that the figures for the categories for these years are estimates and that they are not necessarily consistent with earlier years. Hence computations and statistics for these BIA categories for the periods FY1975-1999 and FY1982-1999 are also estimates.

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

To adjust for inflation, current-dollars figures were changed into constant dollars. The base year for the constant dollars was 1996, and the inflation index used to compute constant dollars from current-dollar figures was the Chain-Type Price Index for Gross Domestic Product (GDP). The Chain-Type Price Index was introduced in 1995 by the Bureau of Economic Analysis of the Department of Commerce to measure real GDP, essentially replacing the Implicit Price Deflator. (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 FY1975-1999 was computed by dividing total spending over the time period by the number of years.

Annual change (annual trend) and trend consistency over the FY1975-1999 period were both determined by a time-series linear regression analysis. Such an analysis attempts to find the best straight line illustrating the relationship between a variable (here, a budget item) and time. The *annual change* is the "slope" of such a straight line. The slope, or annual change,

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 FY1975-1999 time series may be skewed, either up or down.

shows how much the spending on a budget item changes for every year that passes. (The slope is also known technically as the "coefficient of X" or the "regression coefficient.") *Trend consistency* is the "coefficient of determination," or r^2 , generated by a regression analysis. Here, r^2 can be interpreted as follows: if the r^2 is high (i.e., closer to 1), then the trend, whether up or down, is very consistent; if the r^2 is low (closer to 0), then the trend is very irregular.

Change ratio denotes the annual change divided by the average level of spending. This is to control for the fact that the size of a budget item's annual change varies with the total amount of dollars spent by an agency. For instance, an annual change of \$10 million for an agency whose average spending is \$100 billion a year constitutes a much lower increase, proportionally, than the same \$10 million increase for an agency whose average spending is \$50 million a year. The change ratio allows one agency's annual change to be compared to that of another agency while taking relative budget size into account. We stress that the change ratio is *not* a measure of rate of change over time and should not be so cited.

Sources

Sources for budget data are the respective agencies and the annual *Budget of the United States Government* submitted by the President. Budget data collected included historical appropriations and outlays and FY1999 budget estimates, by agency and by budget function⁷ category. Agencies previously contacted include the BIA, IHS, ANA, HUD, Education Department, Interior Department, and Labor Department. HUD was not able to provide Indian Housing Development Program data for FY1975 and FY1977, because the data had been archived.

U.S. population data came from the *Statistical Abstract of the United States* and the Census Bureau's Current Population Reports (Series P-25, No. 1131) and "Monthly Estimates of the United States Population" (Internet release date: February 6, 1998). 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 the *Economic Report of the President* (February 1998); projections for 1998 and 1999 came from the U.S. Congressional Budget Office's *The Economic and Budget Outlook: Fiscal Years 1999-2008* (January 1998).

EDUCATION

Education data from table 1 show that Indian education spending appears to have been growing from FY1975 to FY1999. The annual change for BIA education,⁸ for instance,

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 FY1993-1999. In addition, FY1991 appropriations for BIA education
(continued...)

shows an increase of \$15.1 million per year, for a positive change ratio of 4.30. These figures, however, are in current dollars. Inflation has not been taken into account. The constant-dollar figures in table 2 do take inflation into account. These constant-dollar data show that BIA education has actually fallen by \$0.6 million a year, for a negative change ratio of -0.12, during the period FY1975-1999. 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 \$25.6 billion in constant 1996 dollars during FY1975-1999 and has grown at a rate of \$447.3 million a year (1.75 change ratio), but with some annual variation (r^2 of .678). In contrast, Office of Indian Education (OIE) programs in the Department of Education, which averaged \$97.7 million a year in constant dollars, fell \$3.3 million a year over the same time period (-3.43 change ratio). The r^2 figure for the OIE in the Education Department (.817) suggests that OIE spending has fallen fairly consistently over the time period.

Table 4 compares budget trends in constant dollars during the period FY1982-1999. The Department of Education has averaged \$26.7 billion during that period, with an increase of \$596.5 million a year (2.23 change ratio). BIA education increased \$11.8 million a year (2.63 change ratio) in FY1982-1999, faster than the Education Department as a whole, while the Office of Indian Education in the Education Department fell \$2.8 million a year (-3.30 change ratio).

Graphs 1-3 illustrate the trends in education in constant dollars for FY1975-1999. Graph 1 shows the generally upward, but fluctuating, trend for the Department of Education budget. Graph 2 shows a long downward trend and then a recovery for BIA education, while graph 3 illustrates that the OIE in the Department of Education had a long-term downward trend, followed by a leveling-off, a sharp fall in FY1996, and a slight increase since then.

HEALTH

Federal health outlays, as measured by the health budget function (shown in table 2), averaged \$70.5 billion in constant 1996 dollars during FY1975-1999, increasing at a rate of \$4.4 billion a year, for a change ratio of 6.21. 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 \$200 billion in the same time period, increasing at \$11.4 billion a year (5.67 change ratio). Indian Health Service appropriations, in constant dollars, also increased during FY1975-1999, but at a lower rate than those of HHS or the health budget function. IHS's annual increase was \$52.5 million, a change ratio of 3.60, on an average level of \$1.5 billion.

Spending on the health budget function during FY1982-1999, shown in table 4, was at an average level of \$82.3 billion in constant dollars during the period, with an annual increase of \$6.2 billion (7.52 change ratio). HHS outlays averaged \$234.3 billion in

(...continued)

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.

FY1982-1999, increasing \$14.1 billion annually (6.03 change ratio). IHS spending during the same period had a lower gain than these two measures, showing a change ratio of 4.28, based on annual increases of \$68.6 million and an average spending level of nearly \$1.6 billion per year.

Graphs 4-6 depict the trends in the HHS, health function, and IHS budgets for the years FY1975-1999, in constant dollars. They show that the increase over time was more consistent for HHS (r^2 of .947) than for the federal health budget function (r^2 of .871) or the IHS (r^2 of .850).

HOUSING⁹

Federal housing expenditure trends differ for outlays and budget authority during FY1978-1999. Outlays have generally risen, on either side of a sudden jump in FY1985, while budget authority fell from FY1978 before roughly leveling off after the FY1985 surge. The trend in Indian Housing Development expenditures (as measured in "use of budget authority") differs sharply from that for federal outlays for housing and more closely resembles that for federal housing budget authority, except that Indian housing development has fallen more steeply. Table 2 shows that outlays for the Department of Housing and Urban Development (HUD) averaged \$25.3 billion in constant dollars from FY1978 to FY1999 and increased at an annual rate of \$364.6 million, for a positive change ratio of 1.44. Outlays for the federal housing assistance subfunction increased even faster, rising \$864 million a year on an average level of \$19.7 billion, for a positive change ratio of 4.38. Budget authority for HUD, however, fell \$2 billion a year in constant dollars, for a negative -6.36 change ratio on average spending of \$32.2 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 \$24.9 billion for a negative change ratio of -6.38. The Indian Housing Development program, as measured by annual budget authority for new construction, decreased in constant dollars at an annual rate of \$58.6 million on average spending of \$509.8 million, for a negative change ratio of -11.50, 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 FY1982-1999 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 FY1978-1999, falling at an annual rate of \$24.1 million (-7.71 change ratio) on an average level of \$312.4 million. Overall HUD outlays in constant dollars, on the other hand, rose more slowly than in FY1978-1999, increasing only \$228.4 million a year (0.87 change ratio) on an average level of \$26.3 billion. Housing assistance subfunction outlays in constant dollars grew faster than HUD spending—a change ratio of

⁹ The time period for housing data is shortened from FY1975-1999 to FY1978-1999 because of missing data for Indian housing development in FY1975 and FY1977.

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.

3.09 based on increases of \$676.2 million a year with an average level of \$21.9 billion—but still lagged behind the rate for FY1978-1999. Budget authority trends for HUD and the housing assistance subfunction, in constant dollars, were more positive in the FY1982-1999 period than in the longer FY1978-1999 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 FY1982-1999, HUD's budget authority in constant dollars declined \$526.2 million a year on average spending of \$24.5 billion, a negative change ratio of -2.15, while housing assistance subfunction budget authority, in constant dollars, fell less rapidly than in FY1978-1999, going down \$193.3 million a year on average spending of \$18.4 billion, for a change ratio of -1.05.

ECONOMIC DEVELOPMENT AND EMPLOYMENT AND TRAINING

Economic development spending, in constant dollars, has declined during the period FY1975-1999 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 program¹¹ and with the Administration for Native Americans, which provides funding for social and economic development projects to Indian tribal governments and non-governmental Indian organizations. Measured in constant dollars, all three economic development programs have lost ground, but the Indian-related ones have fallen faster. Table 2 shows that the U.S. community and regional development function has declined at an annual rate of \$368 million, for a change ratio of -3.05, while averaging \$12.1 billion a year in spending during this period. ANA expenditures, with an average level of \$47.8 million, have decreased by \$2.1 million a year, for a negative change ratio of -4.38. The BIA economic development program has fallen most rapidly, declining by \$4.7 million a year—a negative change ratio of -5.42—on an average spending level of \$86.6 million. Graphs 11-13, and the respective *r*'s for the community and regional development function (.325), BIA economic development (.691), and ANA (.692), all show that the decline during FY1975-1999 has been more consistent for the Indian-related programs.

Economic development spending during the FY1982-1999 period, measured in constant dollars, continued to decline for Indian and national economic development, as shown in table 4, although not as fast as in the longer period. The federal community and regional development function fell very slightly during this period, by \$0.7 million a year (negative change ratio of -0.01) on average spending of \$9.8 billion. ANA spending fell by a negative change ratio of -1.42 (\$0.5 million a year) on an average level of \$37.6 million. BIA economic development went down the fastest, being reduced by a change ratio of -3.40 (\$2.2 million a year) on average spending of \$64 million. The downward trends during this period were fairly consistent for ANA but very inconsistent for the other two economic development measures.

Employment and training expenditures, in constant dollars, also declined during FY1975-1999 for both general U.S. programs and Indian-related programs. The federal training and employment subfunction fell at an annual rate of \$481.2 million, producing a

¹¹ As noted above, the time series for BIA economic development is not internally consistent, because of BIA budget restructuring for FY1993-1999.

negative change ratio of -4.81 on average spending of \$10 billion. The U.S. Department of Labor fell at a slower rate, its larger annual decrease (-\$899.5 million) generating a smaller change ratio (-2.21) on higher average spending (\$40.7 billion). The Indian and Native American Employment and Training Program (INAP) in the Labor Department had the largest negative change ratio, -8.65, based on an annual decrease of \$11.8 million and average spending of \$136.4 million.¹² Graphs 14-16 depict these declines in employment and training expenditures.

The FY1982-1999 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 -1.31 because its annual decrease in constant dollars was only \$478.2 million on average spending of \$36.6 billion. The training and employment subfunction showed a negative change ratio of -0.25, based on an annual decrease of \$17.7 million and average spending of \$7.1 billion, both in constant dollars. INAP fell at a far higher rate than the Labor Department or the training and employment subfunction during FY1982-1999, losing \$3.5 million in constant dollars annually in spending for a negative change ratio of -4.75, based on average spending of \$74.1 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 budget¹⁴ as a whole, using both current and constant dollars. For the BIA, table 1 and graph 17 indicate an increase in spending in current dollars during FY1975-1999, with spending going up by \$44.3 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 \$10.2 million a year (-0.61 change ratio), on an average spending level of \$1.7 billion. A steady increase (r^2 of .872) in current dollars becomes, when corrected for inflation, an uneven decline (r^2 of .126) 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 FY1975-1999, at a rate of \$41 billion a year (6.12 change ratio), with an average level of \$669.8 billion (see table 1). In constant dollars, federal spending still went up, at a rate of \$21.7 billion (2.55 change ratio) on an average level of \$850.6 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 FY1975-1999 period, as shown in table 1, went up at a rate of \$109.7 million a year, a change ratio of 3.77, on an average spending level of \$2.9 billion. Constant-

¹² As noted above, the time series used here includes CETA Indian programs for FY1975-1983 and the INAP proper for FY1984-1999.

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.

dollar spending, however, is shown in table 2 to have gone down at a rate of \$12.7 million a year (-0.32 negative change ratio) on an average spending level of \$3.9 billion. The small size of the negative change ratio in constant dollars, and the inconsistency of the related trend (r^2 of .020), 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 1 includes population data similar to the budget data. The data (which include projections for 1998 and 1999) show that overall United States population increased at a rate of 2,357,928 people a year (0.97 change ratio) during the period 1975-1999, with an average level of 243,683,560 people. The Indian population (as measured by the IHS service population) is much smaller, with an average level of 1,052,642, but it has grown much faster, increasing at an annual rate of 38,055 persons, for a change ratio of 3.62.

To get a measure of per-capita federal spending for each of the two groups, for each year in the FY1975-1999 period we divided the overall federal non-defense budget by the total U.S. population, and divided the overall Indian budget by the Indian population. Graphs 23A and 23B illustrate the resulting trends for current and constant dollars, respectively. They show that during the first 10 years of the period, the federal government spent more per capita on Indians than on the population as a whole. After FY1985, however, Indians received less expenditure per capita, under major Indian-related programs, than the population as a whole. Throughout the FY1975-1999 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 FY1979, leveling out only after FY1990. Graphs 23C and 23D display the two populations' growth trends over the 1975-1999 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 FY1975-1999 period, as measured in constant dollars, only the IHS and two program areas within the BIA, Natural Resources and Tribal Services (the latter here includes the BIA's Housing Improvement Program), have avoided this trend.¹⁵ In the FY1982-1999 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 FY1975-1999 period, while overall federal non-defense spending has gone up. The latter years of this period, after 1990, have seen an uneven upward trend in overall Indian spending in constant dollars, though not yet enough to bring the annual change and change ratio 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 FY1993-1999.

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 programs except IHS have declined during the period FY1975-1999. 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 FY2000-2005 as they did during FY1975-1999 (-\$10.2 million and -\$12.7 million, respectively, in constant dollars), as shown in graph 26, then by FY2005 overall Indian-program spending in 1996 dollars would have fallen from a proposed \$4.06 billion in FY1999 to \$3.98 billion in FY2005. BIA spending in 1996 dollars would have fallen from a proposed \$1.73 billion in FY1999 to \$1.66 billion in FY2005.

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

Table 1. Trends in Selected Elements of the Federal Budget in Current Dollars, FY1975-1999¹
(Dollar figures in millions)

	Average Level (A)	Annual Change (B)	Change Ratio (B/A)	Trend Consistency (²)
Education:				
U.S. Department of Education	\$19,872.6	\$1,072.9	5.40	0.951
Education function	\$36,621.9	\$1,588.9	4.34	0.896
Indian Education Office (U.S. Department of Education)	\$68.2	\$8.4	0.55	0.073
BIA education ³	\$352.5	\$15.1	4.30	0.752
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	\$166,661.3	\$14,562.0	8.74	0.942
Health function	\$59,225.8	\$5,519.1	9.32	0.901
Indian Health Service	\$1,171.7	\$82.0	7.00	0.944
Housing:				
U.S. Dept. of Housing & Urban Development (outlays) ⁴	\$20,542.7	\$969.8	4.72	0.806
U.S. Dept. of Housing & Urban Development (B.A.) ⁵	\$23,216.4	-\$471.8	-2.03	0.175
Housing assistance subfunction (outlays) ⁴	\$16,698.0	\$1,203.6	7.21	0.858
Housing assistance subfunction (B.A.) ⁵	\$17,907.6	-\$327.5	-1.83	0.097
Indian Housing Development Program in HUD (B.A.) ⁵	\$336.5	-\$25.5	-7.58	0.595
Economic Development and Training and Employment:				
Community and regional development function	\$8,473.2	\$115.8	1.37	0.130
Administration for Native Americans (HHS)	\$32.5	\$8.1	0.22	0.627
BIA economic development ⁴	\$57.6	-\$8.7	-1.17	0.131
U.S. Department of Labor	\$29,138.4	\$576.0	1.98	0.330
Training and employment subfunction	\$6,728.2	-\$21.8	-0.32	0.007
Indian and Native Amer. Training & Employment (DOL) ⁴	\$83.7	-\$4.0	-4.74	0.322
Natural Resources:				
U.S. Department of the Interior	\$5,282.7	\$207.0	3.92	0.941
Natural resources function	\$15,784.1	\$631.2	4.00	0.957
BIA natural resources ³	\$112.8	\$4.2	3.76	0.640
Overall:				
BIA Total	\$1,239.0	\$44.3	3.58	0.872
BIA tribal services ³	\$322.6	\$20.1	6.04	0.933
Overall Indian budget	\$2,911.7	\$109.7	3.77	0.814
Federal non-defense budget ⁵	\$669,791.8	\$48,977.1	6.12	0.962
Population:				
U.S. population	243,683,560	2,357,528	0.97	0.999
Indian population (BIS estimates)	1,052,642	38,855	3.62	0.789

Notes:

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 FY1978-1999. B.A. = budget authority.
4. FY1975-1983: CETA Indian program. FY1984-1999: Indian and Native American Training and 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 1996 Dollars, FY1975-1999¹
 [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 (C) ²
Educative:				
U.S. Department of Education	\$25,620.7	\$447.3	1.75	0.678
Education function	\$48,664.4	\$144.1	0.30	0.026
Indian Education Office (U.S. Department of Education)	\$97.7	-\$3.3	-3.43	0.817
BIA education ³	\$473.1	-\$0.6	-0.12	0.002
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	\$200,020.9	\$11,350.1	5.67	0.947
Health function	\$70,480.6	\$4,376.3	6.21	0.871
Indian Health Service	\$1,459.2	\$32.5	3.60	0.850
Housing:				
U.S. Dept. of Housing & Urban Development (outlays) ⁴	\$25,256.6	\$364.6	1.44	0.239
U.S. Dept. of Housing & Urban Development (B.A.) ⁵	\$32,199.6	-\$2,046.6	-6.36	0.530
Housing assistance subfunction (outlays) ⁴	\$19,733.4	\$864.0	4.38	0.618
Housing assistance subfunction (B.A.) ⁵	\$24,881.6	-\$1,586.8	-6.38	0.434
Indian Housing Development Program in HUD (B.A.) ⁵	\$509.8	-\$58.6	-11.50	0.629
Economic Development and Training and Employment:				
Community and regional development function	\$12,085.8	-\$368.0	-3.05	0.325
Administration for Native Americans (HHS)	\$47.8	-\$2.1	-4.38	0.692
BIA economic development ³	\$86.6	-\$4.7	-5.42	0.691
U.S. Department of Labor	\$40,699.4	-\$899.5	-2.21	0.407
Training and employment subfunction	\$9,999.3	-\$481.2	-4.81	0.469
Indian and Native Amer. Training & Employment (DOL) ⁴	\$136.4	-\$11.8	-8.65	0.472
Natural Resources:				
U.S. Department of the Interior	\$7,049.0	\$2.4	0.03	0.001
Natural resources function	\$21,087.3	-\$0.3	-0.00	0.000
BIA natural resources ³	\$148.4	\$0.8	0.55	0.035
Overall:				
BIA Total	\$1,676.5	-\$10.2	-0.61	0.126
BIA tribal services ³	\$424.8	\$9.8	2.31	0.707
Overall Indian budget	\$3,916.9	-\$12.7	-0.32	0.020
Federal non-defense budget ⁵	\$850,649.0	\$21,688.6	2.55	0.955

Notes:

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 FY1978-1999. B.A. = budget authority.

4. FY1975-1983: CETA Indian program. FY1984-1999: Indian and Native American Training and 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, FY1982-1999¹
 [Dollar figures in millions]

	Average Level (A)	Annual Change (B)	Change Ratio (B/A)	Trend Consistency (C) ²
Education:				
U.S. Department of Education	\$23,293.8	\$1,195.3	5.13	0.934
Education function	\$40,945.9	\$2,073.4	5.06	0.958
Indian Education Office (U.S. Department of Education)	\$70.0	-\$0.2	-0.26	0.015
BIA education ³	\$391.4	\$22.1	5.65	0.798
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	\$210,410.0	\$18,325.3	8.71	0.968
Health function	\$74,757.0	\$7,472.4	10.00	0.956
Indian Health Service	\$1,421.0	\$99.3	6.99	0.949
Housing:				
U.S. Dept. of Housing & Urban Development (outlays) ⁴	\$22,636.4	\$890.9	3.94	0.678
U.S. Dept. of Housing & Urban Development (B.A.) ⁵	\$20,641.8	\$196.7	0.95	0.042
Housing assistance subfunction (outlays) ⁴	\$19,218.2	\$1,155.9	6.01	0.755
Housing assistance subfunction (B.A.) ⁵	\$15,668.2	\$329.9	2.11	0.116
Indian Housing Development Program in HUD (B.A.) ⁵	\$250.7	-\$10.8	-4.32	0.414
Economic Development and Training and Employment:				
Community and regional development function	\$8,383.6	\$282.5	3.37	0.497
Administration for Native Americans (HHS)	\$31.8	\$0.5	1.66	0.775
BIA economic development ³	\$53.3	-\$0.1	-0.17	0.002
U.S. Department of Labor	\$31,030.7	\$574.2	1.85	0.166
Training and employment subfunction	\$6,098.6	\$177.1	2.90	0.835
Indian and Native Amer. Training & Employment (DOL) ⁴	\$61.0	-\$1.0	-1.60	0.562
Natural Resources:				
U.S. Department of the Interior	\$5,956.9	\$218.2	3.66	0.932
Natural resources function	\$17,694.3	\$740.2	4.18	0.948
BIA natural resources ³	\$133.0	\$1.4	1.06	0.136
Overall:				
BIA Total	\$1,367.8	\$55.7	4.07	0.856
BIA tribal services ³	\$394.3	\$24.1	6.11	0.921
Overall Indian budget	\$3,202.2	\$143.6	4.48	0.880
Federal non-defense budget ⁵	\$803,612.2	\$45,639.1	5.68	0.979
Population:				
U.S. population	251,806,111	2,418,070	0.96	0.999
Indian population (HHS estimates)	1,182,611	38,913	3.29	0.982

Notes:

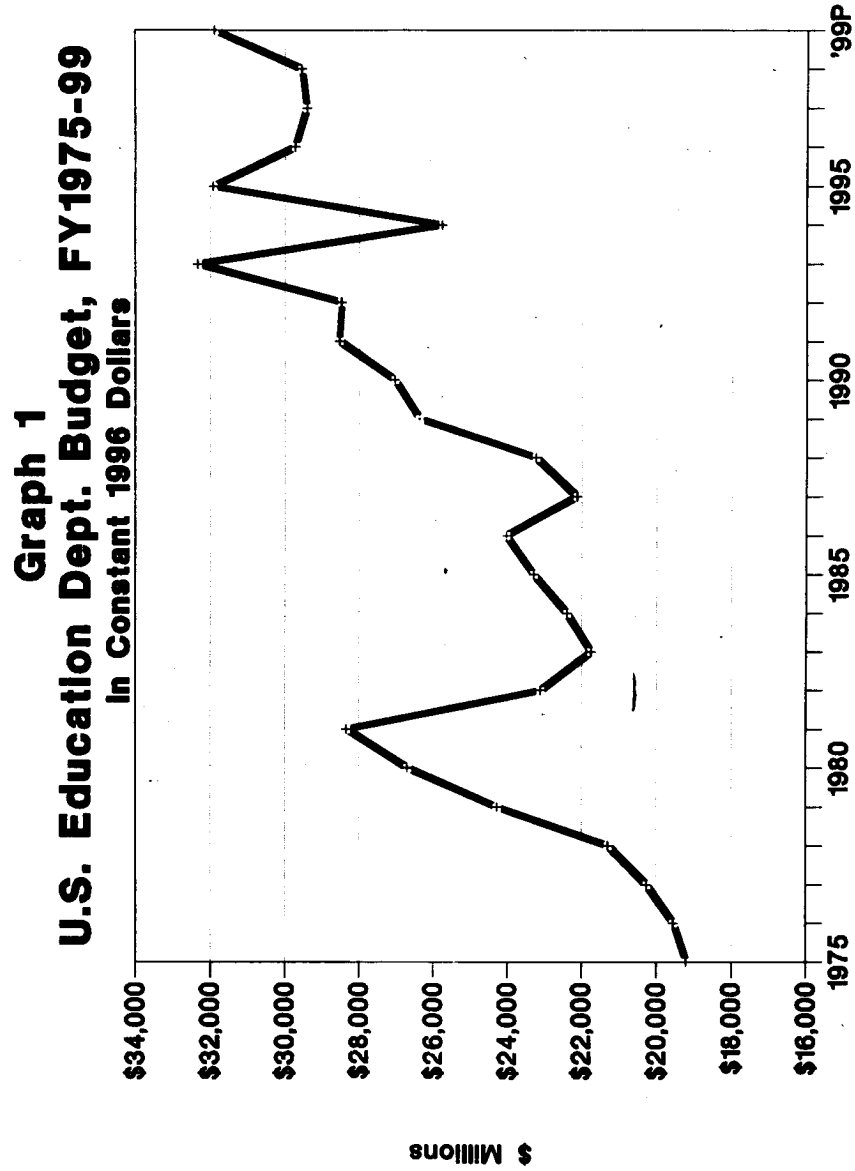
1. See Appendix table 1 for data used to calculate these figures.
2. Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction.
3. Covers only FY1978-1999. B.A. = budget authority.
4. FY1975-1983: CETA Indian program. FY1984-1999: Indian and Native American Training and 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 1996 Dollars, FY1982-1999¹
 [Constant dollars based on Chain-Type Price Index for GDP]
 [Dollar figures in millions]

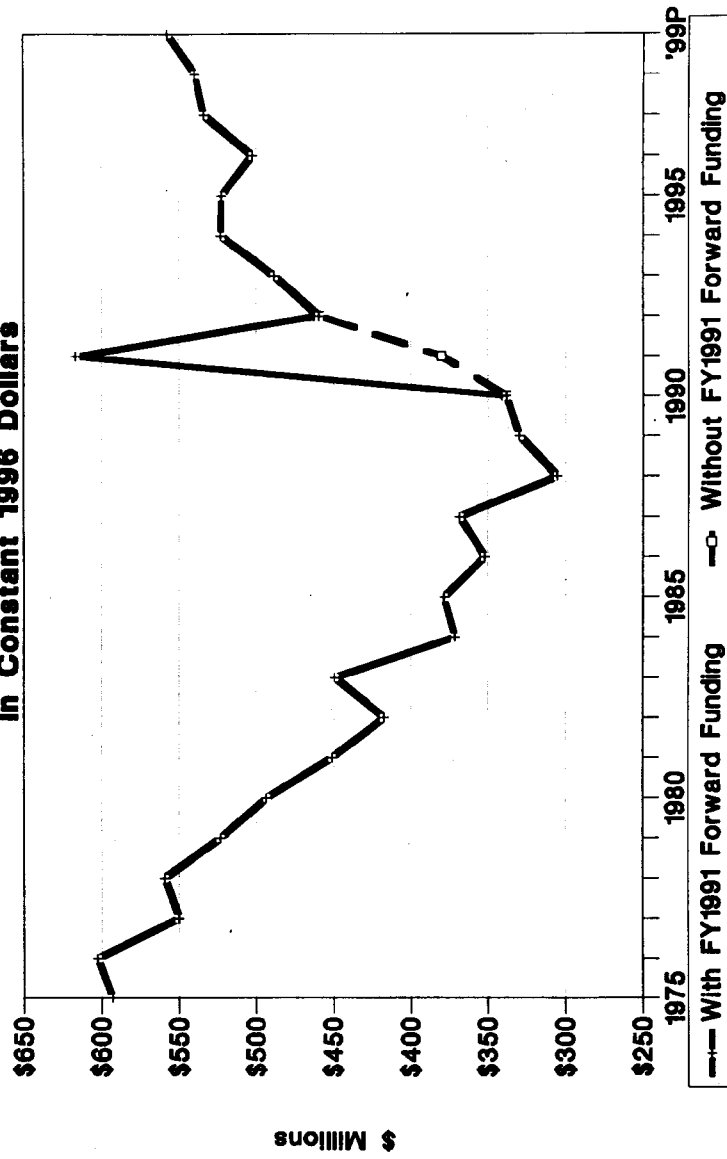
	Average Level (A)	Annual Change (B)	Change Ratio (B/A)	Trend Consistency (C) ²
Education:				
U.S. Department of Education	\$26,717.4	\$596.5	2.23	0.763
Education function	\$47,009.8	\$995.9	2.12	0.836
Indian Education Office (U.S. Department of Education)	\$84.0	-\$2.8	-3.30	0.755
BIA education ³	\$447.4	\$11.8	2.63	0.462
Health:				
U.S. Department of Health & Human Services (excluding Social Security Administration)	\$234,295.4	\$14,130.3	6.03	0.969
Health function	\$82,266.6	\$6,183.6	7.52	0.947
Indian Health Service	\$1,603.2	\$68.6	4.28	0.888
Housing:				
U.S. Dept. of Housing & Urban Development (outlays) ⁴	\$26,253.4	\$228.4	0.87	0.073
U.S. Dept. of Housing & Urban Development (B.A.) ⁵	\$24,516.5	-\$526.2	-2.15	0.169
Housing assistance subfunction (outlays) ⁴	\$21,901.2	\$676.2	3.09	0.376
Housing assistance subfunction (B.A.) ⁵	\$18,443.3	-\$193.3	-1.05	0.027
Indian Housing Development Program in HUD (B.A.) ⁵	\$312.4	-\$24.1	-7.71	0.612
Economic Development and Training and Employment:				
Community and regional development function	\$9,793.1	-\$0.7	-0.01	0.000
Administration for Native Americans (HHS)	\$37.6	-\$0.5	-1.42	0.767
BIA economic development ³	\$64.0	-\$2.2	-3.40	0.422
U.S. Department of Labor	\$36,596.1	-\$478.2	-1.31	0.087
Training and employment subfunction	\$7,138.4	-\$17.7	-0.25	0.030
Indian and Native Amer. Training & Employment (DOL) ⁴	\$74.1	-\$3.5	-4.75	0.836
Natural Resources:				
U.S. Department of the Interior	\$6,921.4	\$45.2	0.65	0.346
Natural resources function	\$20,466.5	\$243.5	1.19	0.640
BIA natural resources ³	\$157.7	-\$2.8	-1.75	0.284
Overall:				
BIA Total	\$1,583.2	\$16.9	1.07	0.303
BIA tribal services ³	\$449.1	\$14.1	3.14	0.782
Overall Indian budget	\$3,694.5	\$54.6	1.48	0.467
Federal non-defense budget ⁵	\$918,006.3	\$25,343.4	2.76	0.950

Notes:

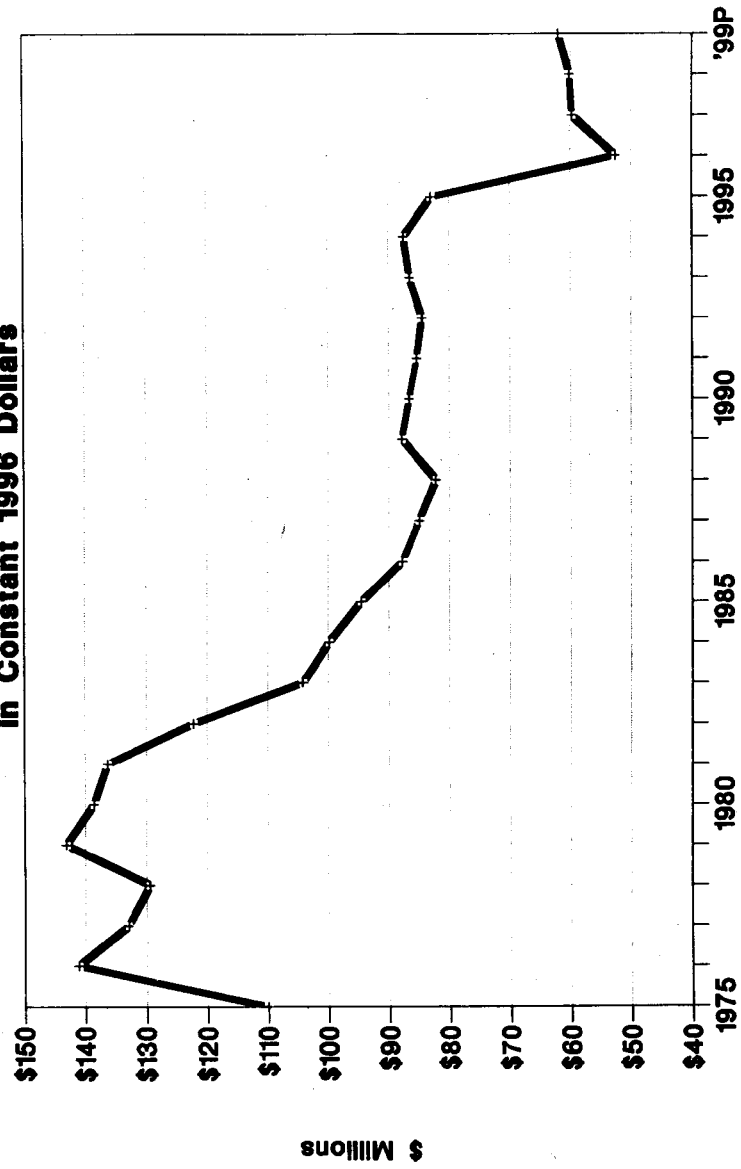
1. See Appendix table 2 for data used to calculate these figures.
2. Inconsistent time series from FY1993 on, because of BIA budget restructuring. "BIA education" excludes BIA education construction.
3. Covers only FY1978-1999. B.A. = budget authority.
4. FY1975-1983: CETA Indian program. FY1984-1999: Indian and Native American Training and Employment Program.
5. Excludes national defense outlays and net interest payments on national debt.



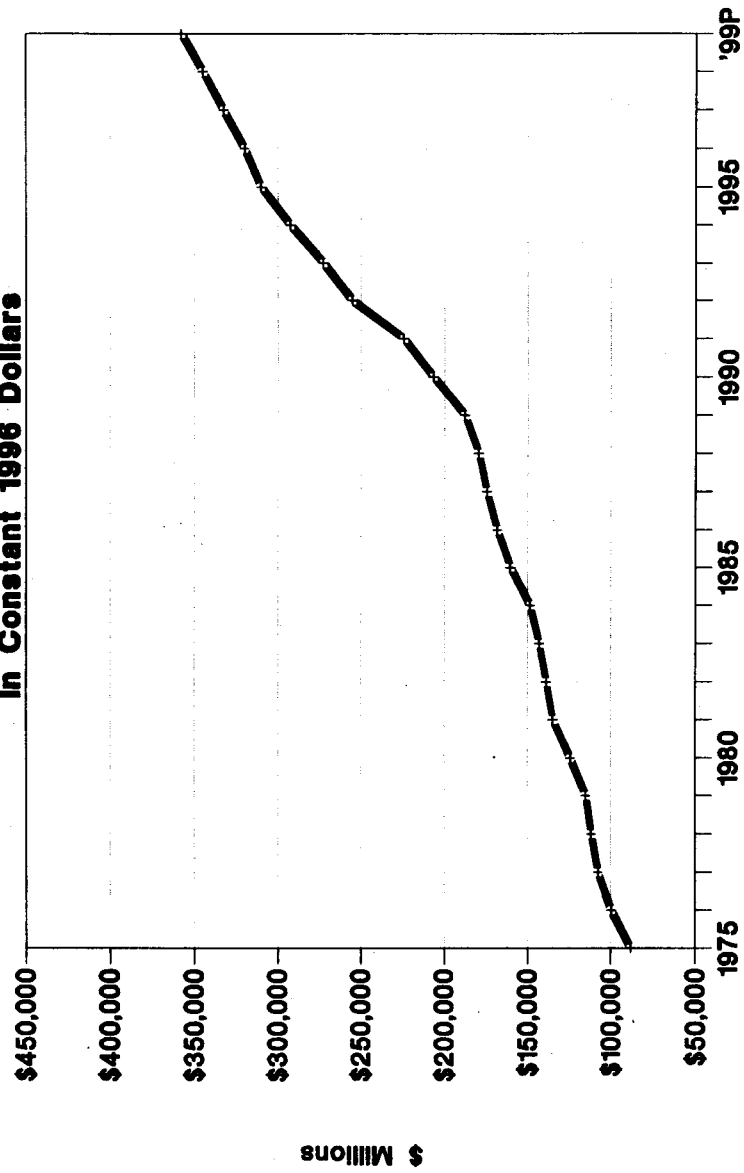
Graph 2
BIA Education Budget, FY1975-99
In Constant 1996 Dollars



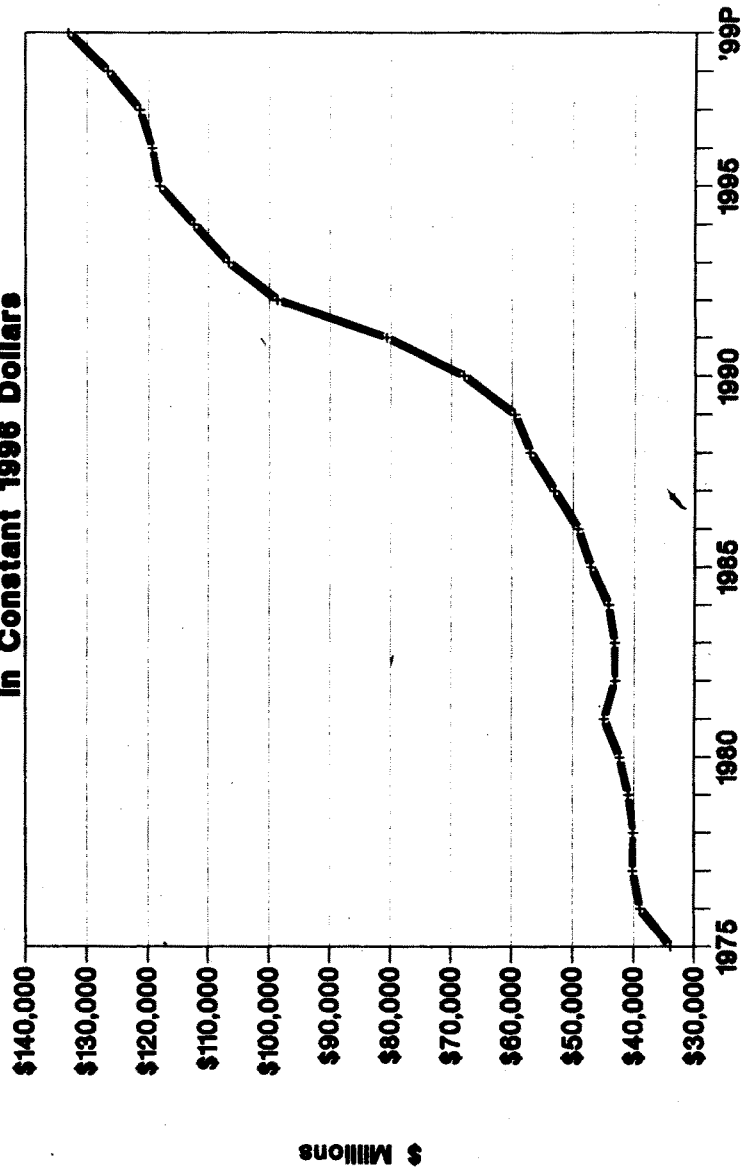
Graph 3
Indian Educ. Office In Educ. Dept., FY1975-99
In Constant 1996 Dollars

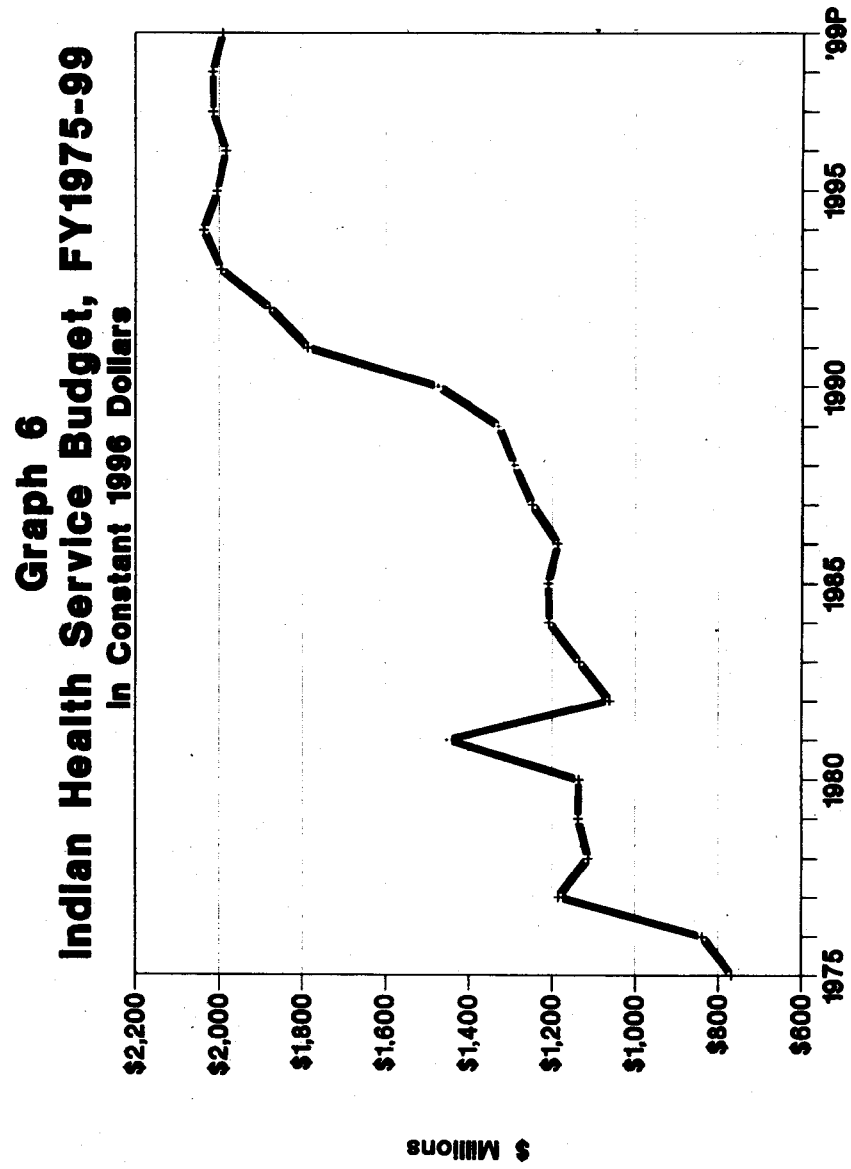


Graph 4
U.S. HHS Dept. Budget, FY1975-99
In Constant 1996 Dollars

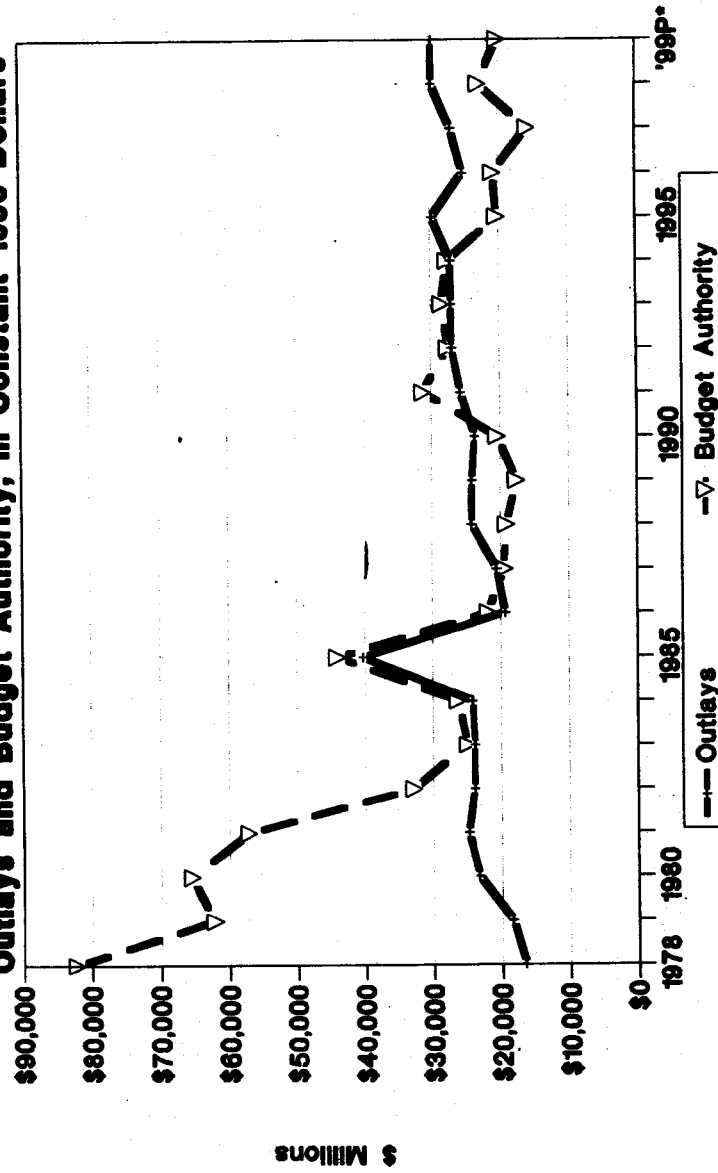


Graph 5
U.S. Health Function Spending, FY1975-99
In Constant 1996 Dollars

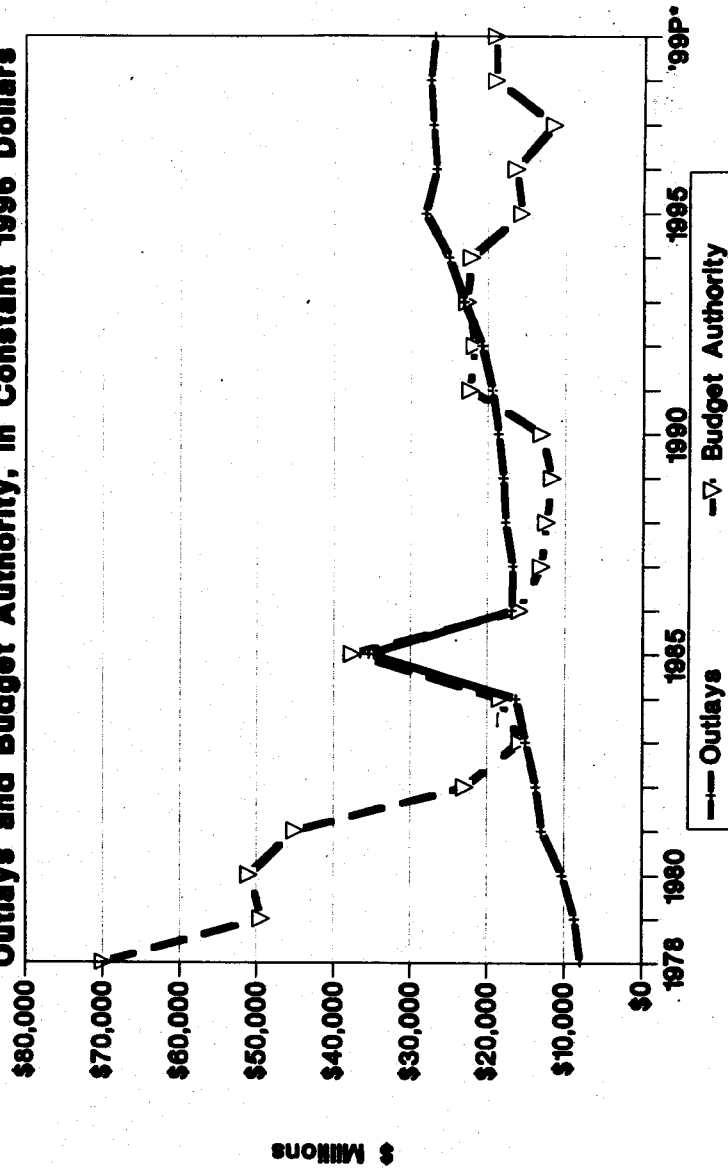




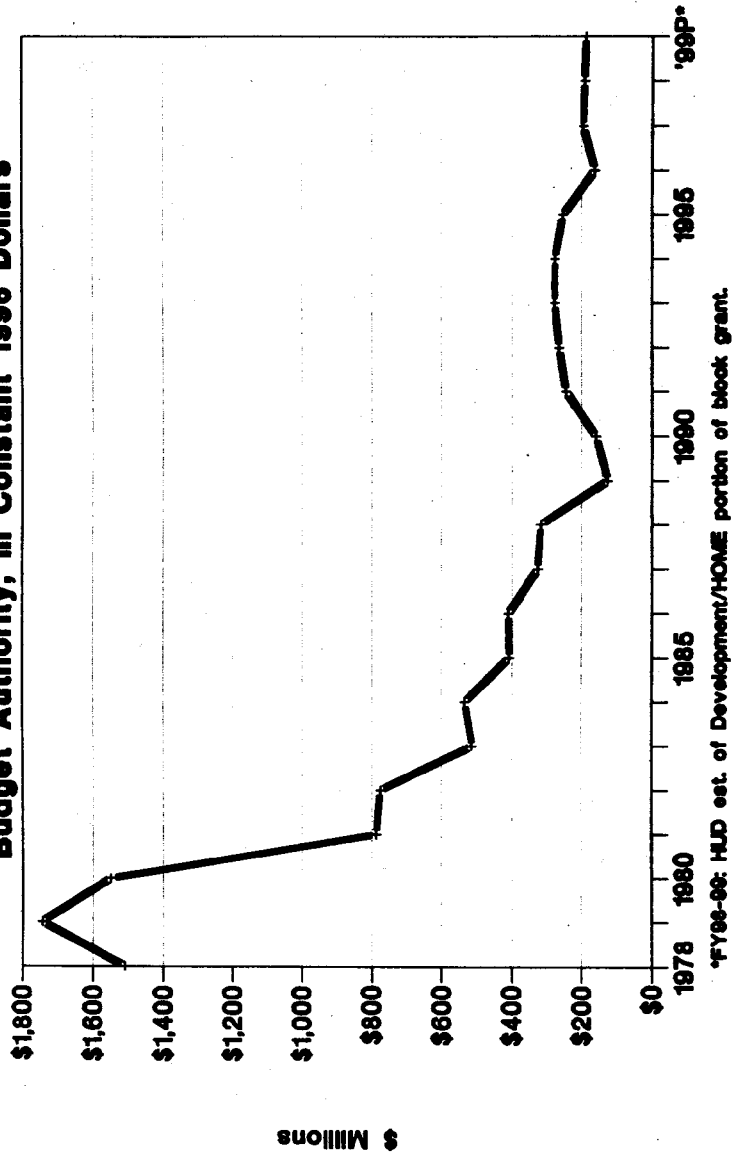
Graph 7
U.S. HUD Dept. Budget, FY1978-99:
Outlays and Budget Authority, in Constant 1996 Dollars



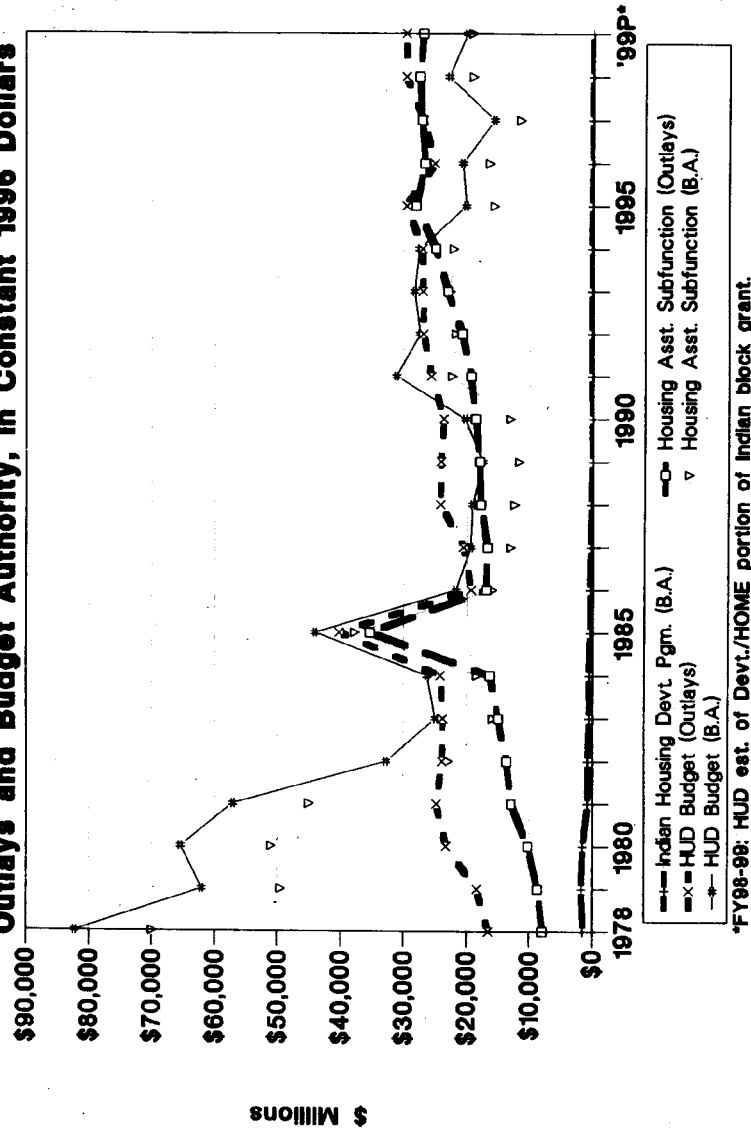
Graph 8
Housing Assistance Subfunction, FY78-99:
Outlays and Budget Authority, in Constant 1996 Dollars



Graph 9
Indian Housing Devt. Pgm. in HUD, FY78-99:
Budget Authority, in Constant 1996 Dollars

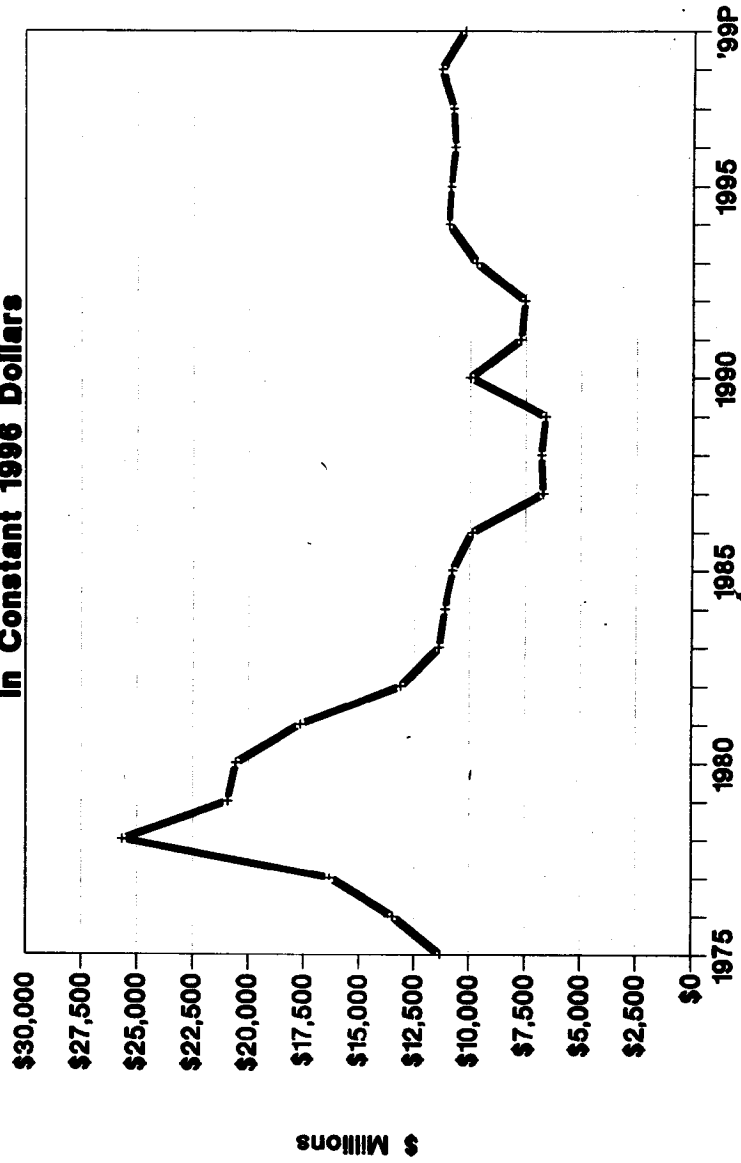


Graph 10
Indian Housing vs. HUD & Housing Asst., FY78-99
Outlays and Budget Authority, in Constant 1996 Dollars

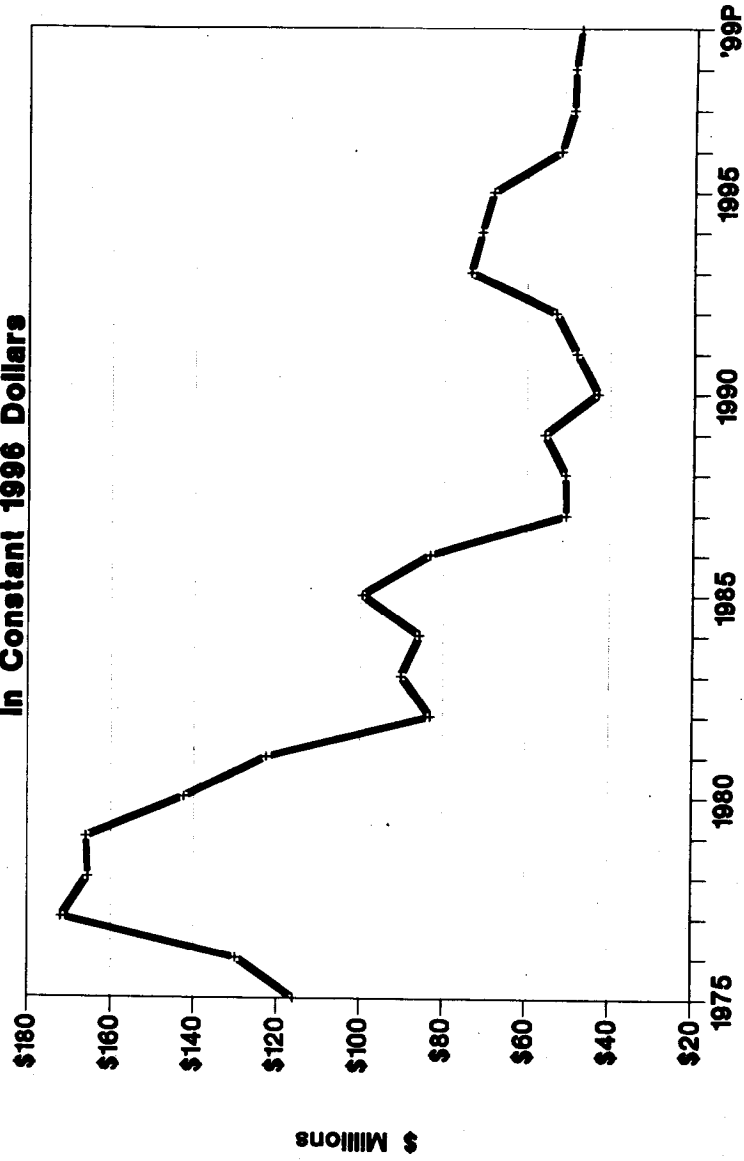


*FY98-99: HUD est. of Devt./HOME portion of Indian block grant.

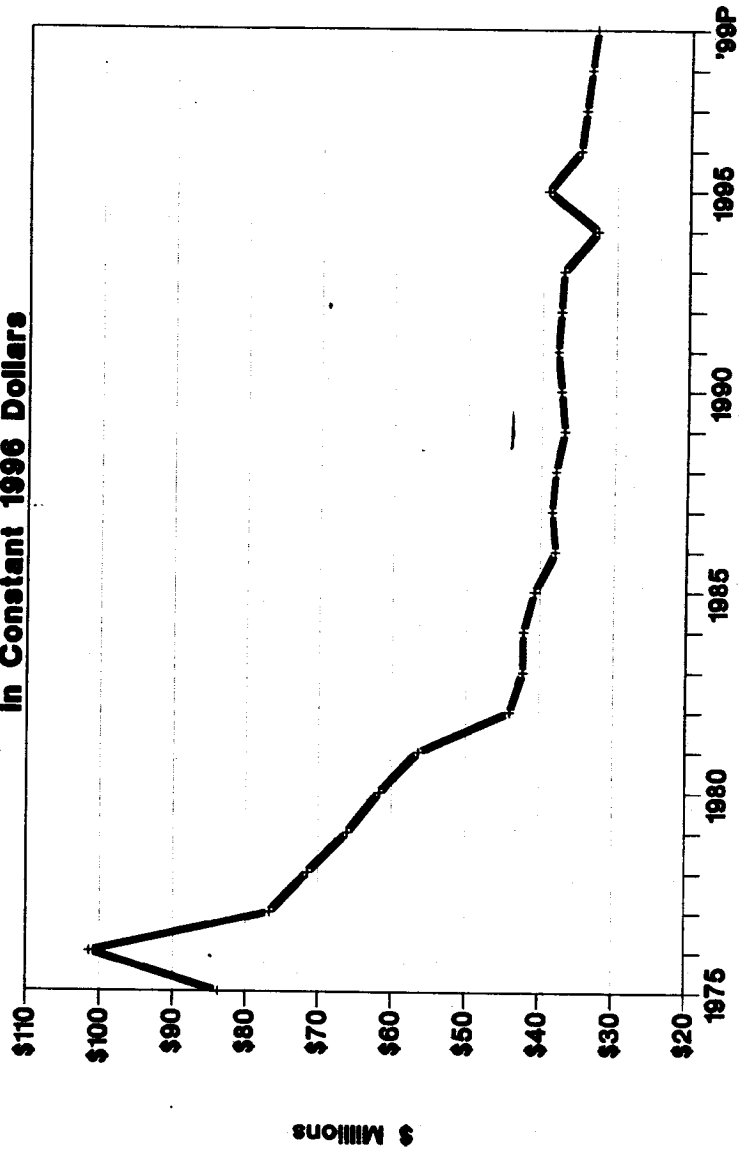
Graph 11
U.S. Economic Devt. Function, FY75-99
 In Constant 1996 Dollars



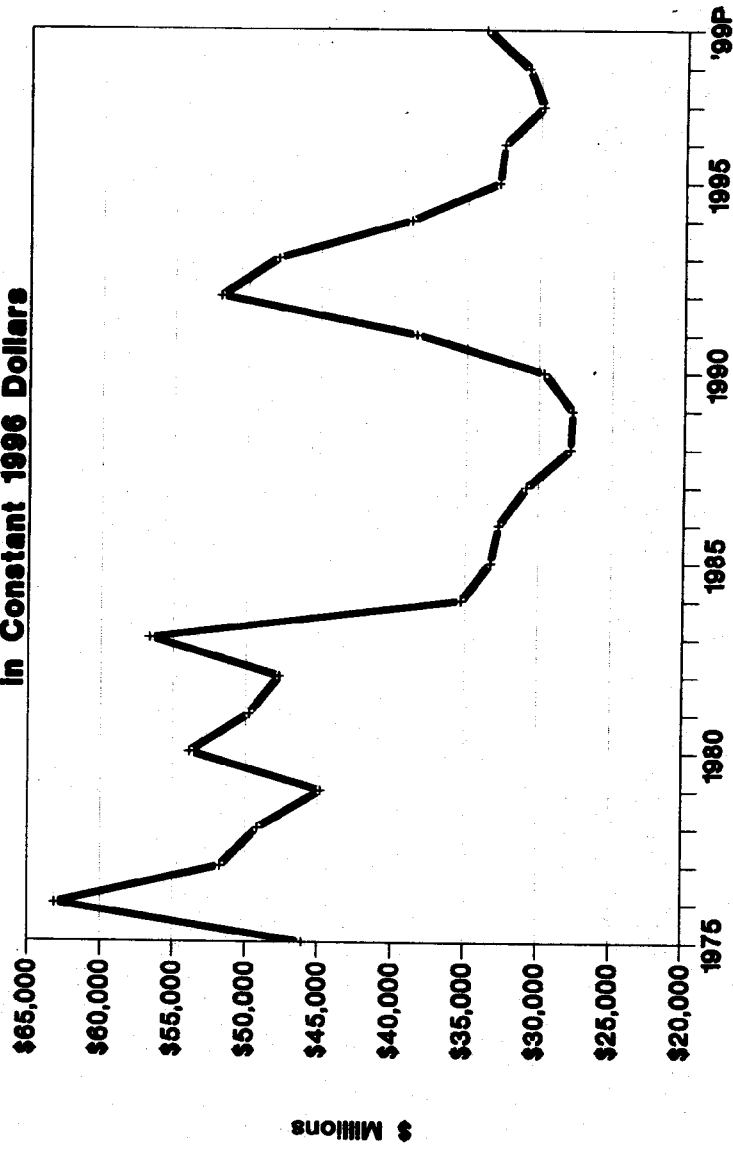
Graph 12
BIA Economic Development Budget, FY75-99
In Constant 1996 Dollars



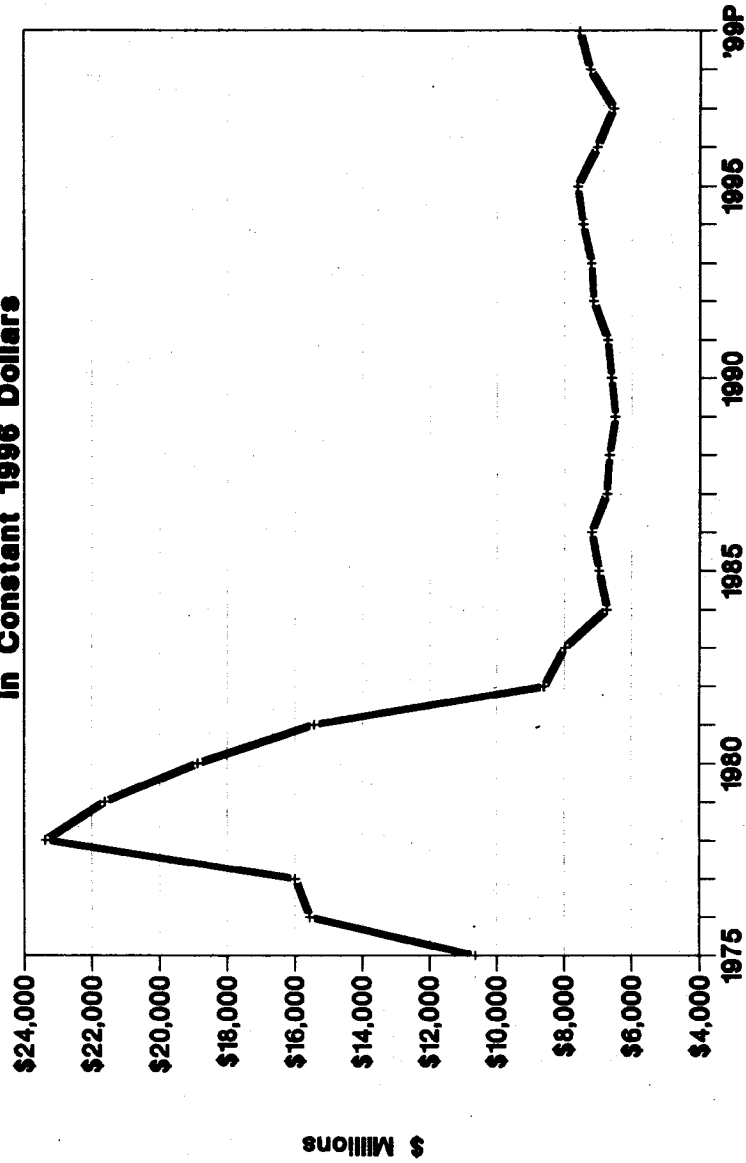
Graph 13
ANA Budget, FY1975-99
In Constant 1996 Dollars



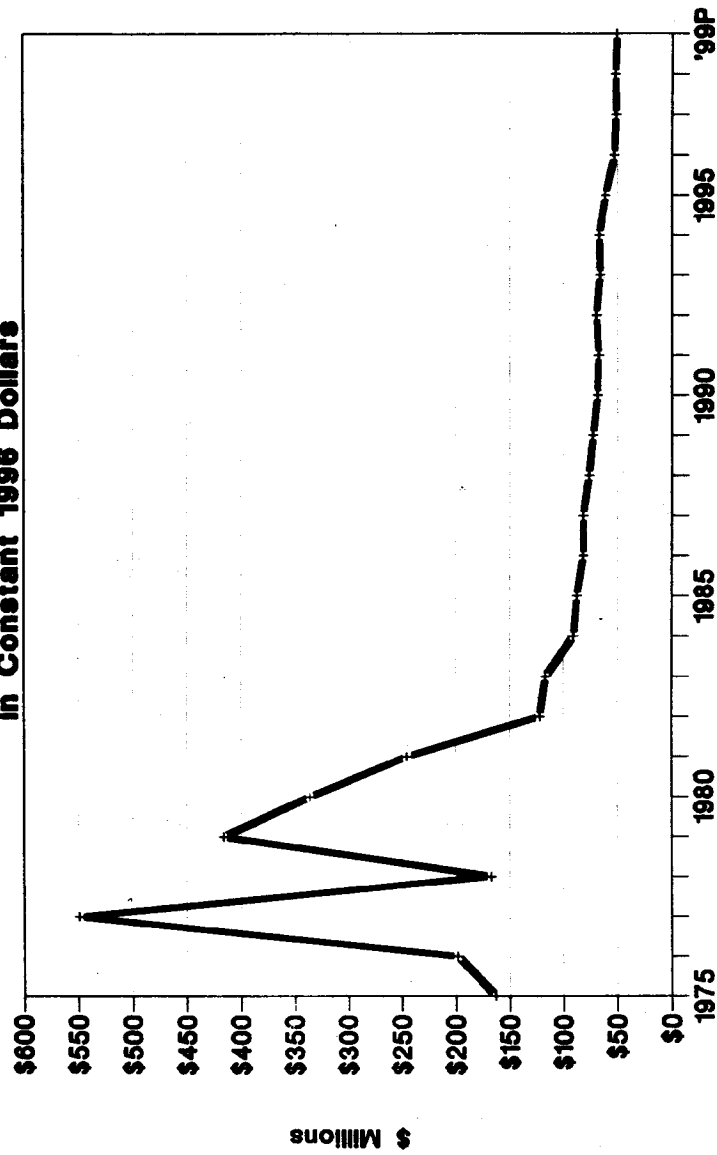
Graph 14
U.S. Labor Dept. Budget, FY1975-99
 In Constant 1996 Dollars



Graph 15
Employment & Training Subfunction, FY75-99
In Constant 1996 Dollars

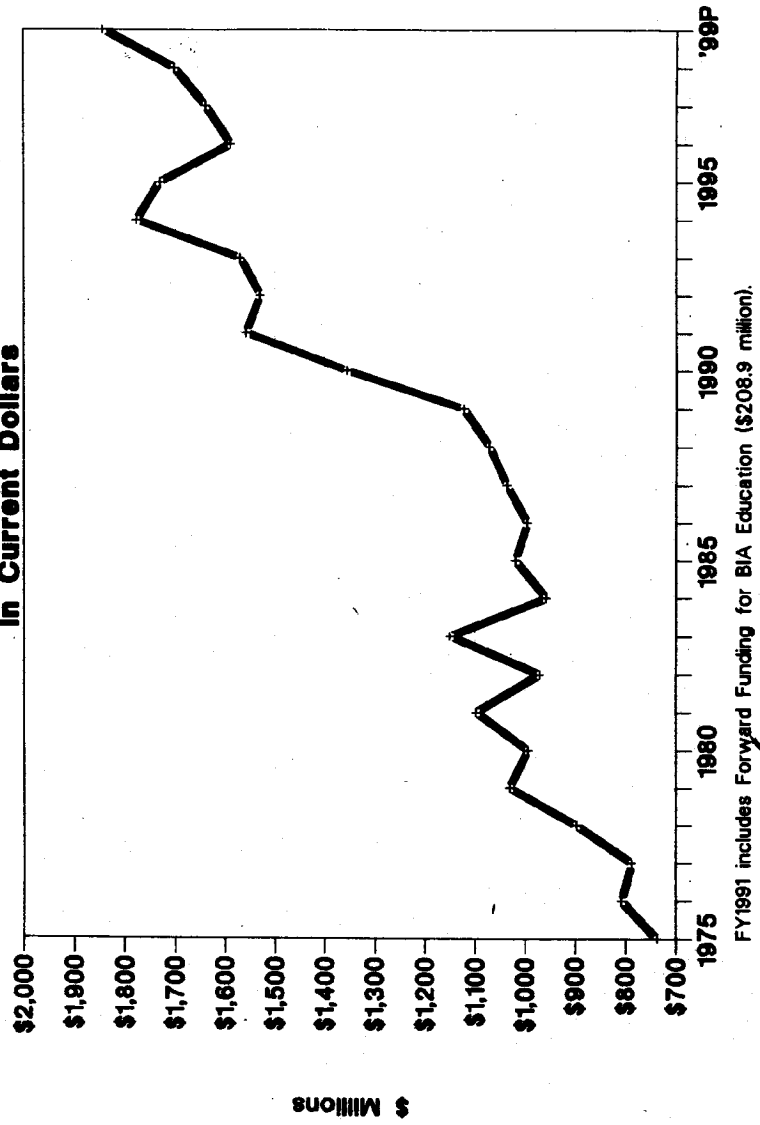


Graph 16
Indian Training & Employment. Budget*, FY75-99
in Constant 1996 Dollars

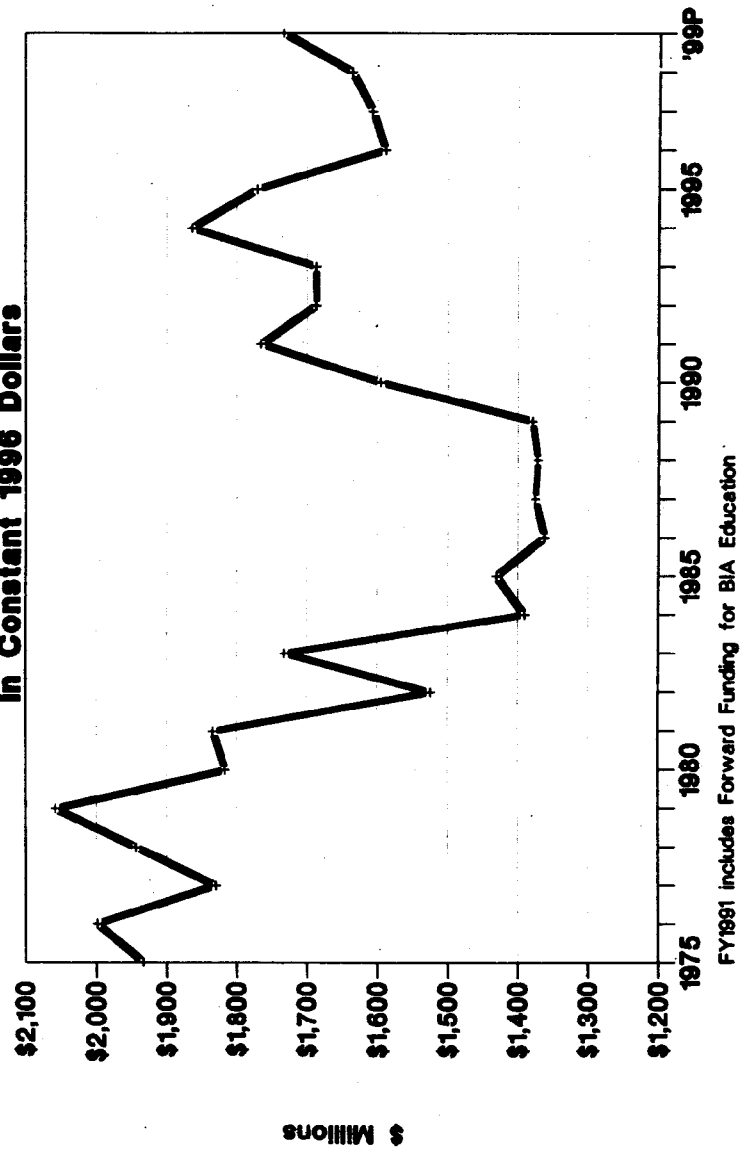


* FY75-83: CETA Indian programs. FY84-99: IAP.

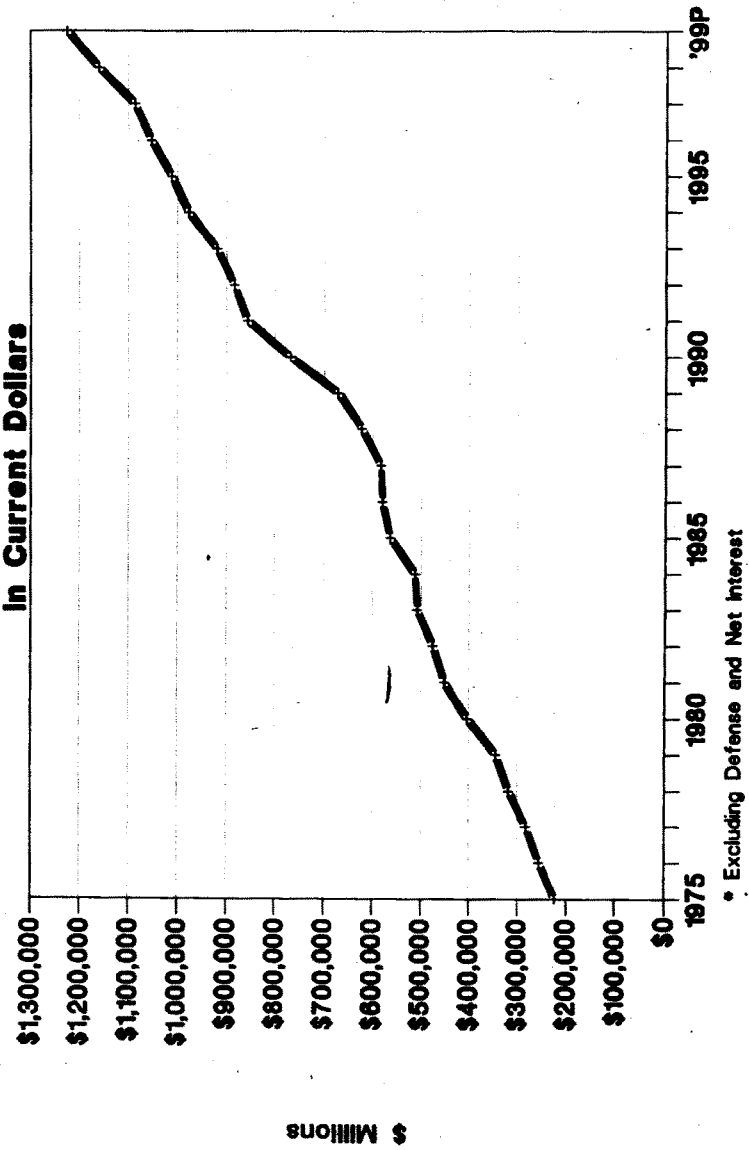
Graph 17
BIA Total Budget, FY1975-99
In Current Dollars



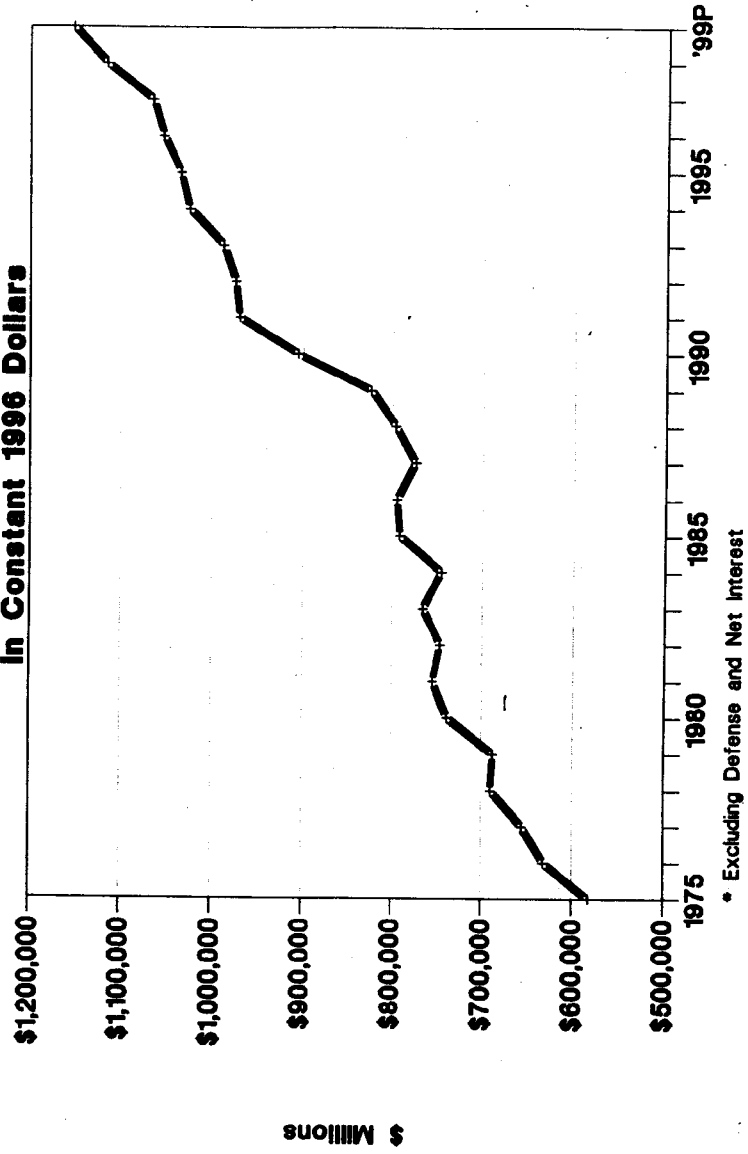
Graph 18
BIA Total Budget, FY1975-99
In Constant 1996 Dollars



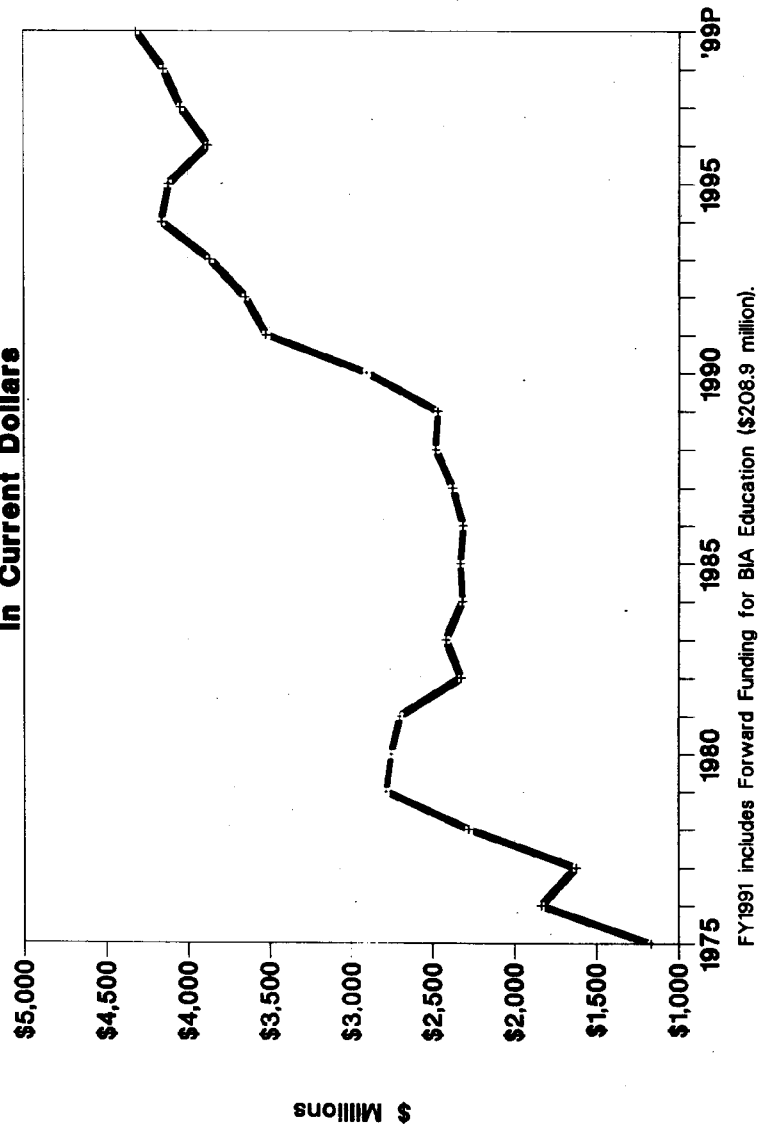
Graph 19
Overall Federal Govt. Budget*, FY75-99
In Current Dollars



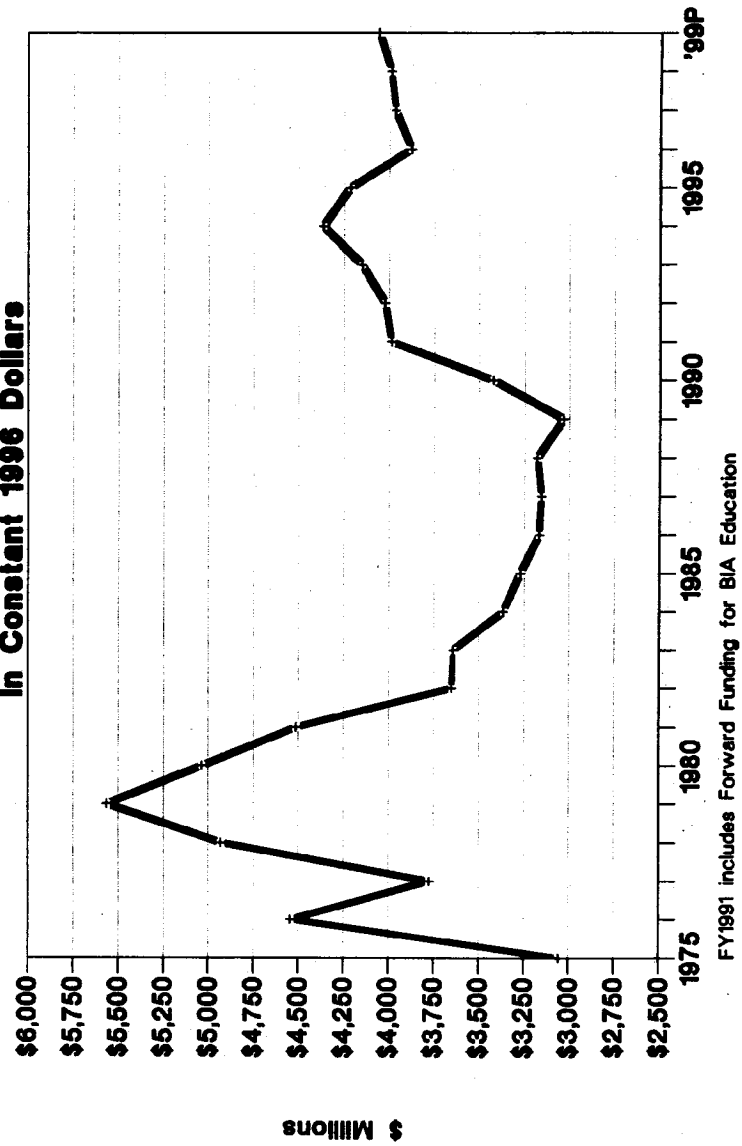
Graph 20
Overall Federal Govt. Budget*, FY75-99
In Constant 1996 Dollars



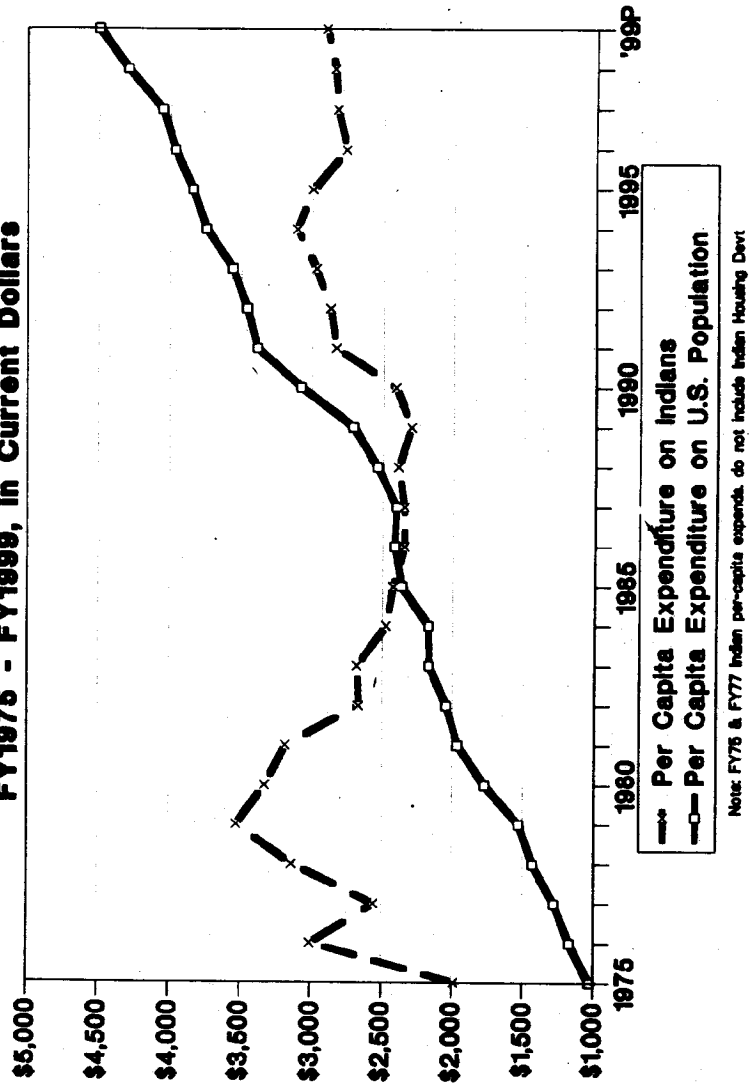
Graph 21
Overall Indian Budget, FY1975-99
In Current Dollars



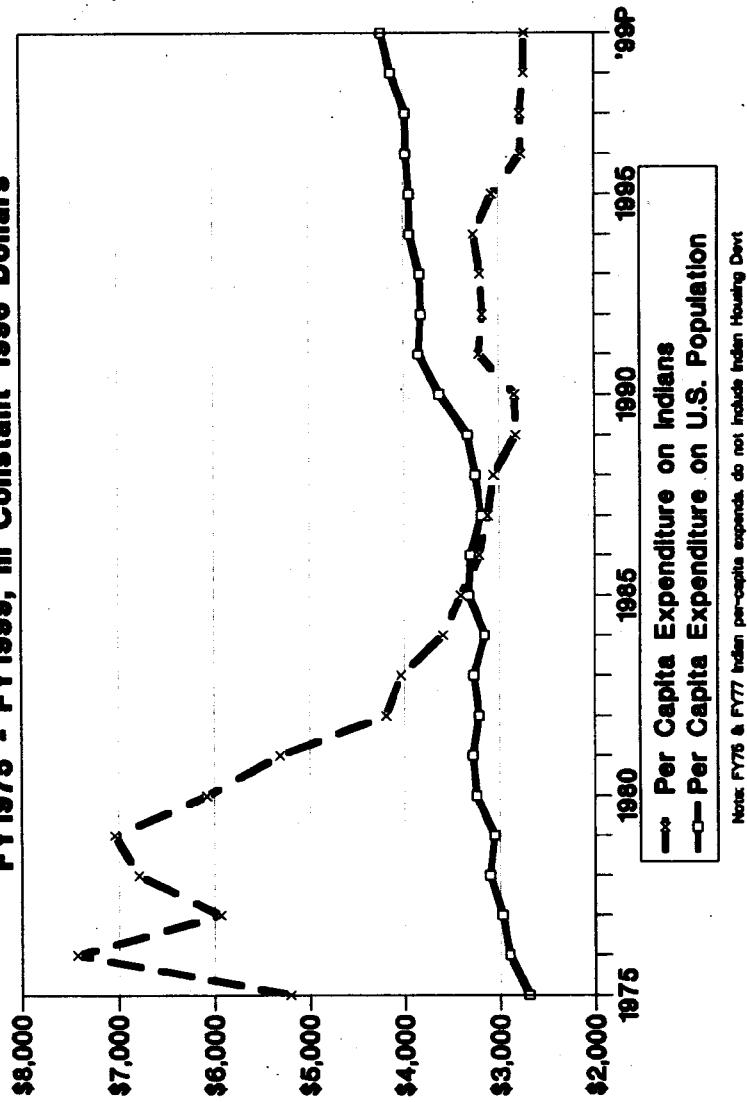
Graph 22
Overall Indian Budget, FY1975-99
In Constant 1996 Dollars



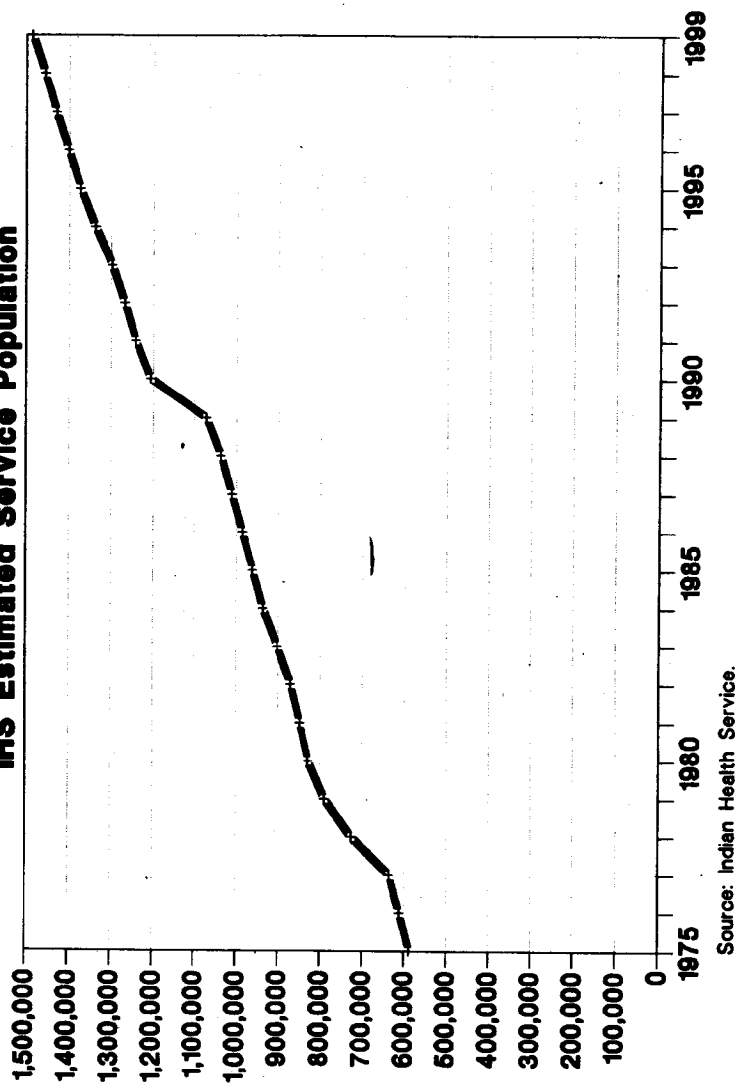
Graph 23A
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY1999, in Current Dollars



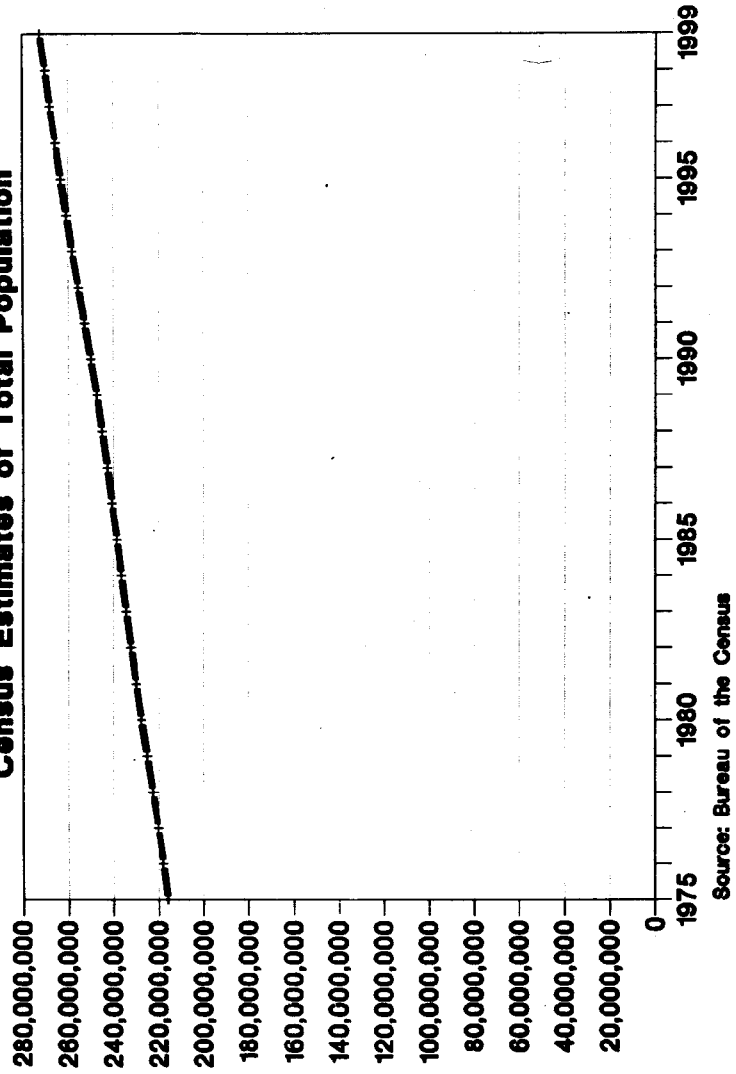
Graph 23B
Per Capita Expenditure: US Pop. vs. Indian Pop.
FY1975 - FY1999, in Constant 1996 Dollars



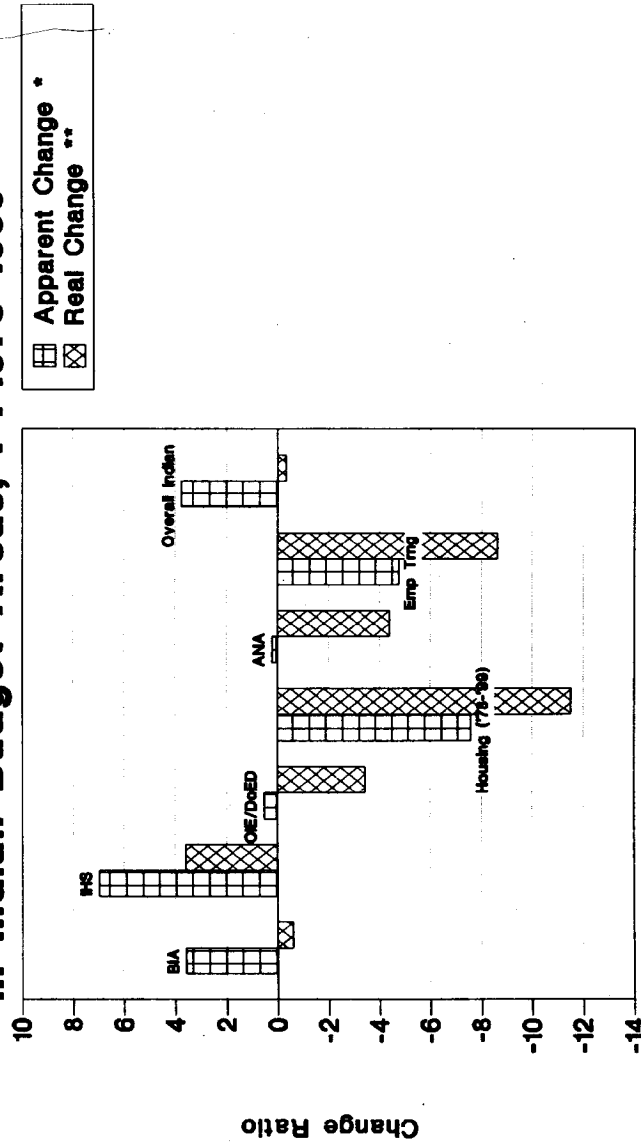
Graph 23C
Indian Population, 1975-99
IHS Estimated Service Population



Graph 23D
United States Population, 1975-99
Census Estimates of Total Population



Graph 24
Apparent Vs. Real Change Ratios
In Indian Budget Areas, FY1975-1999

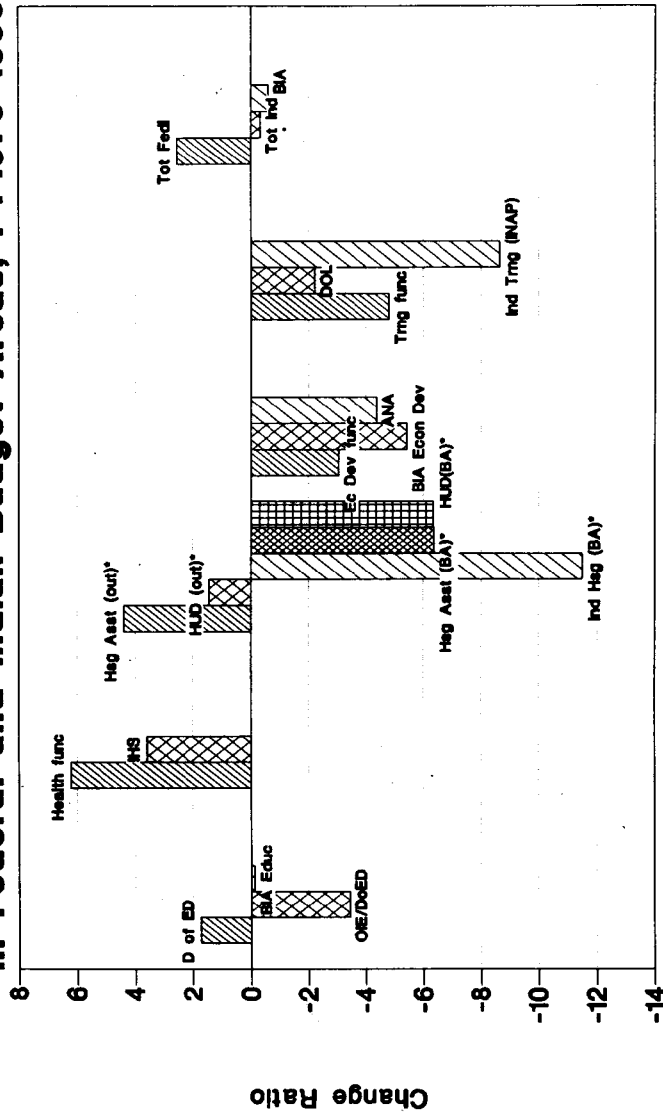


Change Ratio = Ratio of Annual Change to Average Spending (see text).

* Change Ratio based on Current Dollars

** Change Ratio based on Constant 1996 Dollars

Graph 25
Comparison of Real Change Ratios**
In Federal and Indian Budget Areas, FY1975-1999

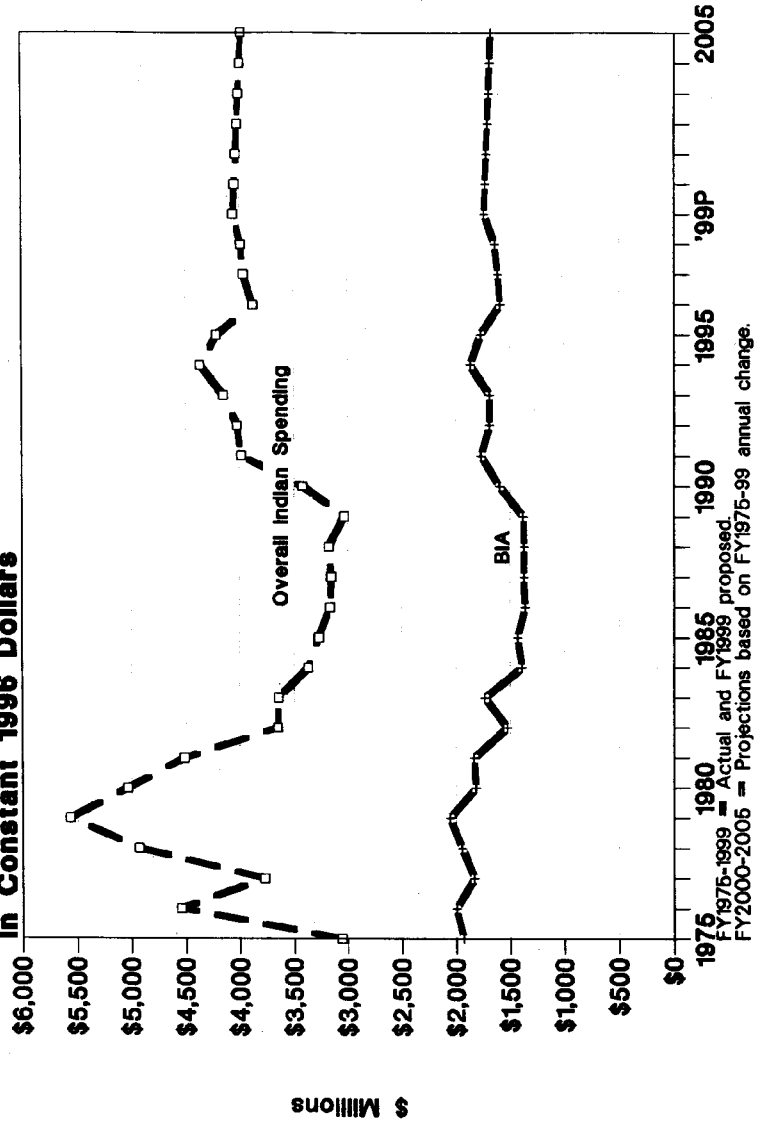


Change Ratio = Ratio of Annual Change to Average Spending (see text).

** Based on Constant 1986 Dollars.

* All housing ratios based on FY1978-1999.

**Graph 26: BIA and Overall Indian Spending,
Actual and Projected, FY1975-2005**
In Constant 1996 Dollars



CRS-44
Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY1975-1999
[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	\$298,684	\$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	\$77,555	\$2,417,958
1984	\$957,593	\$832,407	\$68,780	\$368,100	\$29,000	\$62,243	\$2,318,123
1985	\$1,019,411	\$862,203	\$67,404	\$290,200	\$29,000	\$62,243	\$2,330,461
1986	\$995,693	\$867,177	\$64,187	\$299,500	\$27,742	\$59,567	\$2,313,866
1987	\$1,036,253	\$940,750	\$64,036	\$245,000	\$28,989	\$61,484	\$2,376,512
1988	\$1,071,406	\$1,008,818	\$64,234	\$247,800	\$29,679	\$59,713	\$2,481,650
1989	\$1,122,966	\$1,081,993	\$71,553	\$102,699	\$29,975	\$58,996	\$2,468,182
1990	\$1,355,720	\$1,251,970	\$73,620	\$136,099	\$31,709	\$58,193	\$2,907,311
1991	\$1,558,541	\$1,577,569	\$75,564	\$216,083	\$33,375	\$59,624	\$3,520,556
1992	\$1,529,954	\$1,705,954	\$76,570	\$239,797	\$33,920	\$63,000	\$3,649,195
1993	\$1,569,967	\$1,858,630	\$80,583	\$257,610	\$34,502	\$61,871	\$3,863,163
1994	\$1,777,653	\$1,943,070	\$83,500	\$263,000	\$30,984	\$63,895	\$4,162,102
1995	\$1,730,970	\$1,960,074	\$81,041	\$248,006	\$38,382	\$59,787	\$4,118,260
1996	\$1,588,412	\$1,983,963	\$52,497	\$163,000	\$34,933	\$52,502	\$3,875,307
1997	\$1,638,840	\$2,057,000	\$60,993	\$200,000	\$34,933	\$52,502	\$4,044,268
1998E	\$1,701,991	\$2,098,612	\$62,600	\$200,000 ¹	\$34,933	\$53,815	\$4,151,951
1999P	\$1,844,000	\$2,118,349	\$66,000	\$200,000	\$34,933	\$53,815	\$4,317,097

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Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY1975-1999 — continued
[Dollar amounts in thousands, except per capita figures]

Fiscal Year	BIA Education Program ^a (Approps.)	BIA Tribal Services Program ^{a,b} (Approps.)	BIA Economic Devt. Program ^{a,c} (Approps.)	BIA Natural Resources Program ^a (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	\$243,390	\$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	\$45,356	\$8,717,000	\$46,493,000	\$5,808,000	\$33,819,000
1978	\$258,203	\$189,086	\$76,422	\$76,987	\$9,828,000	-	\$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	\$17,377,000	\$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	\$56,496	\$125,719	\$22,972,000	\$175,531,000	\$20,167,000	\$17,315,000
1991	\$344,545	\$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	\$139,952	\$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	\$300,081,000	\$29,044,000	\$19,800,000
1996	\$502,483	\$499,437	\$51,862	\$128,626	\$29,727,000	\$319,803,000	\$25,236,000	\$20,821,000
1997	\$544,696	\$524,312	\$49,959	\$127,648	\$30,009,000	\$339,535,000	\$27,527,000	\$16,091,000
1998E	\$561,532	\$590,312	\$50,756	\$131,726	\$30,747,000	\$359,106,000	\$30,950,000	\$23,845,000
1999P	\$593,078	\$648,299	\$50,451	\$129,509	\$33,915,000	\$380,761,000	\$31,614,000	\$21,391,000

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Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY1975-1999 — 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	\$12,990,000	\$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	\$35,996,000	\$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	\$31,998,000	\$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	\$7,090,000
1997	\$6,720,000	\$30,458,000	\$53,008,000	\$123,843,000	\$27,798,000	\$11,746,000	\$11,005,000	\$6,681,000
1998E	\$7,937,000	\$32,125,000	\$55,114,000	\$131,772,000	\$28,752,000	\$19,849,000	\$11,802,000	\$7,542,000
1999P	\$7,928,000	\$35,973,000	\$59,488,000	\$141,457,000	\$28,778,000	\$20,381,000	\$10,918,000	\$8,040,000

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Appendix Table 1. Budget Data for Selected Elements in the Federal Budget, in Current Dollars, FY 1975-1999 — continued
[Dollar amounts in thousands, except per capita figures]

Fiscal Year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget ¹ (Outlays)	U.S. Total Population	Indian Population (BLS 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 (1996=100)
1975	\$7,346,000	\$222,579,000	215,973,000	387,468	\$1,031	\$1,988	42.2	38.2
1976	\$8,184,000	\$253,446,000	218,035,000	611,296	\$1,172	\$3,004	44.6	40.4
1977	\$10,032,000	\$282,076,000	220,239,000	635,313	\$1,281	\$2,555	47.5	43.0
1978	\$10,963,000	\$318,793,000	222,585,000	726,551	\$1,432	\$3,135	50.9	46.2
1979	\$12,135,000	\$344,307,000	225,055,000	790,486	\$1,531	\$3,527	55.3	50.1
1980	\$13,858,000	\$404,414,000	227,726,000	828,609	\$1,776	\$3,327	60.4	54.7
1981	\$13,568,000	\$451,962,000	229,966,000	849,315	\$1,965	\$3,181	66.1	59.9
1982	\$12,998,000	\$475,402,000	232,188,000	871,167	\$2,047	\$2,668	70.2	63.7
1983	\$12,672,000	\$508,649,000	234,307,000	902,701	\$2,171	\$2,679	73.2	66.4
1984	\$12,593,000	\$513,332,000	236,348,000	936,942	\$2,172	\$2,474	75.9	68.9
1985	\$13,357,000	\$564,247,000	238,466,000	961,881	\$2,366	\$2,423	78.6	71.2
1986	\$13,639,000	\$581,083,000	240,651,000	986,551	\$2,415	\$2,345	80.6	73.1
1987	\$13,363,000	\$583,513,000	242,804,000	1,011,837	\$2,403	\$2,349	83.1	75.4
1988	\$14,606,000	\$622,290,000	245,021,000	1,038,121	\$2,540	\$2,391	86.1	78.1
1989	\$16,182,000	\$670,846,000	247,342,000	1,073,886	\$2,712	\$2,298	89.7	81.4
1990	\$17,080,000	\$769,611,000	249,949,000	1,207,236	\$3,079	\$2,408	93.6	85.0
1991	\$18,559,000	\$856,567,000	252,636,000	1,242,482	\$3,391	\$2,833	97.3	88.3
1992	\$20,025,000	\$883,910,000	255,382,000	1,269,163	\$3,461	\$2,875	100.0	90.7
1993	\$20,239,000	\$919,517,000	258,089,000	1,298,090	\$3,583	\$2,976	102.6	93.1
1994	\$21,064,000	\$977,132,000	260,602,000	1,338,300	\$3,750	\$3,110	105.1	95.3
1995	\$22,078,000	\$1,011,494,000	263,039,000	1,373,408	\$3,845	\$2,999	107.8	97.8
1996	\$21,614,000	\$1,053,674,000	265,453,000	1,402,062	\$3,969	\$2,764	110.2	100.0
1997	\$21,369,000	\$1,086,749,000	267,901,000	1,429,801	\$4,057	\$2,829	112.5	102.0
1998E	\$23,822,000	\$1,161,009,000	270,002,000	1,457,621	\$4,300	\$2,848	114.7	104.1
1999P	\$23,237,000	\$1,225,974,000	272,330,000	1,485,553	\$4,502	\$2,906	117.2	106.4

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Appendix Table 2. Budget Data for Selected Elements in the Federal Budget, in Constant 1996 Dollars, FY1975-1999
[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 Am. E&T in Labor Dept. (Approps.)	Overall Indian Budget
1975	\$1,933,200	\$767,541	\$110,073	NA	\$83,798	\$163,154	\$3,087,766
1976	\$1,998,287	\$838,528	\$141,158	\$1,264,747	\$101,437	\$198,416	\$4,543,573
1977	\$1,830,087	\$1,183,215	\$132,980	NA	\$76,703	\$349,764	\$3,772,748
1978	\$1,944,790	\$1,111,877	\$129,396	\$1,509,676	\$71,487	\$167,150	\$4,994,226
1979	\$2,058,282	\$1,136,038	\$143,184	\$1,745,117	\$66,068	\$416,337	\$3,563,226
1980	\$1,816,104	\$1,134,113	\$138,643	\$1,548,816	\$61,741	\$335,802	\$2,085,218
1981	\$1,834,129	\$1,432,282	\$136,385	\$787,286	\$56,437	\$245,147	\$4,511,666
1982	\$1,526,982	\$1,061,927	\$122,269	\$776,314	\$43,975	\$121,615	\$3,630,083
1983	\$1,732,397	\$1,134,314	\$100,231	\$813,135	\$42,184	\$116,540	\$3,642,801
1984	\$1,390,225	\$1,208,481	\$99,854	\$334,404	\$42,102	\$90,364	\$3,365,431
1985	\$1,430,784	\$1,210,136	\$94,604	\$407,307	\$40,703	\$87,361	\$3,270,895
1986	\$1,361,942	\$1,186,153	\$87,797	\$409,666	\$37,946	\$81,478	\$3,164,983
1987	\$1,375,100	\$1,248,368	\$84,975	\$325,113	\$38,468	\$81,589	\$3,153,614
1988	\$1,371,549	\$1,291,428	\$82,228	\$317,219	\$37,993	\$76,441	\$3,176,858
1989	\$1,379,551	\$1,329,216	\$87,902	\$126,165	\$36,824	\$72,476	\$3,032,134
1990	\$1,595,765	\$1,473,645	\$86,655	\$160,197	\$37,323	\$68,497	\$3,422,083
1991	\$1,765,129	\$1,786,680	\$85,354	\$244,725	\$37,799	\$67,527	\$3,987,214
1992	\$1,686,315	\$1,880,302	\$84,395	\$264,304	\$37,387	\$69,439	\$4,022,143
1993	\$1,685,910	\$1,995,890	\$86,534	\$276,635	\$37,080	\$66,440	\$4,148,459
1994	\$1,864,430	\$2,037,922	\$87,576	\$275,838	\$32,496	\$67,014	\$4,365,276
1995	\$1,770,485	\$2,004,820	\$82,891	\$253,668	\$39,258	\$61,152	\$4,212,274
1996	\$1,588,412	\$1,983,963	\$32,497	\$163,000	\$34,933	\$52,502	\$3,875,307
1997	\$1,606,197	\$2,016,028	\$59,778	\$196,016	\$34,237	\$51,456	\$3,963,713
1998E	\$1,635,383	\$2,016,482	\$60,190	\$192,173	\$33,566	\$51,709	\$3,989,462
1999P	\$1,733,693	\$1,991,631	\$62,052	\$188,036	\$32,843	\$50,596	\$4,038,851

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Appendix Table 2. Budget Data for Selected Elements in the Federal Budget, in Constant 1996 Dollars, FY 1975-1999 — continued

[Dollar amounts in thousands, except per capita figures]

Fiscal Year	BIA Education Program ¹ (Approps.)	BIA Tribal Services Program ² (Approps.)	BIA Economic Devt. Program ^{3,4} (Approps.)	BIA Natural Resources Program ⁵ (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	\$393,117	\$258,471	\$115,806	\$82,061	\$19,197,501	\$88,382,875	\$19,671,481	NA
1976	\$602,660	\$340,472	\$129,743	\$89,096	\$19,337,763	\$99,608,696	\$17,382,844	\$72,242,963
1977	\$350,170	\$369,844	\$171,922	\$105,841	\$20,261,235	\$108,085,341	\$13,499,742	\$78,604,385
1978	\$559,338	\$409,612	\$165,551	\$166,732	\$21,290,137	\$112,108,991	\$16,571,993	\$82,305,399
1979	\$323,439	\$409,578	\$165,993	\$150,376	\$24,283,526	\$115,409,641	\$18,403,267	\$62,159,928
1980	\$493,256	\$367,390	\$142,426	\$135,605	\$26,690,995	\$124,677,927	\$23,262,375	\$65,489,020
1981	\$451,137	\$379,448	\$122,301	\$143,116	\$28,340,616	\$134,950,623	\$24,845,835	\$57,138,743
1982	\$417,143	\$369,570	\$83,056	\$133,092	\$23,097,828	\$138,847,674	\$23,922,357	\$32,841,414
1983	\$449,171	\$418,621	\$90,124	\$179,644	\$21,744,194	\$143,135,344	\$23,824,755	\$24,950,156
1984	\$371,301	\$369,270	\$85,669	\$144,681	\$22,392,430	\$148,627,140	\$24,191,199	\$26,347,110
1985	\$378,456	\$339,386	\$99,654	\$174,181	\$23,293,151	\$160,383,925	\$40,309,670	\$44,068,350
1986	\$351,942	\$347,638	\$83,178	\$184,902	\$24,042,404	\$168,165,518	\$19,339,794	\$21,786,847
1987	\$363,616	\$365,410	\$50,459	\$191,655	\$22,120,966	\$174,383,397	\$20,547,152	\$19,449,790
1988	\$305,229	\$435,279	\$50,621	\$186,913	\$23,228,129	\$179,269,438	\$24,243,279	\$19,136,803
1989	\$329,853	\$388,169	\$55,649	\$223,211	\$26,373,194	\$187,588,986	\$24,176,656	\$17,625,126
1990	\$338,269	\$379,754	\$42,958	\$147,979	\$27,039,447	\$206,610,709	\$23,737,791	\$20,380,813
1991	\$616,726	\$412,317	\$48,029	\$158,211	\$28,535,790	\$224,369,957	\$25,766,700	\$31,286,953
1992	\$459,462	\$476,200	\$52,985	\$154,233	\$28,472,030	\$255,225,432	\$26,970,834	\$27,517,525
1993	\$488,273	\$488,285	\$73,494	\$147,828	\$32,332,560	\$272,580,804	\$27,040,626	\$28,422,671
1994	\$323,018	\$553,773	\$70,915	\$155,579	\$25,755,757	\$292,515,636	\$27,106,631	\$27,606,916
1995	\$522,633	\$550,573	\$68,143	\$153,753	\$31,917,364	\$309,999,887	\$29,707,031	\$20,253,004
1996	\$502,483	\$499,437	\$51,862	\$128,626	\$29,727,000	\$319,803,000	\$25,236,000	\$20,821,000
1997	\$533,847	\$513,869	\$48,964	\$125,105	\$29,411,275	\$332,772,076	\$26,978,712	\$15,770,496
1998E	\$539,556	\$567,210	\$48,770	\$126,571	\$29,545,701	\$345,052,213	\$29,738,757	\$22,911,814
1999P	\$557,600	\$609,518	\$47,433	\$121,762	\$31,886,223	\$357,984,084	\$29,722,868	\$20,111,402

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Appendix Table 2. Budget Data for Selected Elements in the Federal Budget, in Constant 1996 Dollars, FY 1975-1999 — 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	\$5,816,076	\$46,114,854	\$41,956,399	\$33,859,458	\$5,389,232	NA	\$11,317,910	\$10,639,674
1976	\$6,019,422	\$63,153,215	\$46,784,741	\$38,927,081	\$6,182,711	\$48,048,993	\$13,463,911	\$15,556,978
1977	\$7,484,361	\$51,760,632	\$49,052,781	\$40,215,657	\$6,898,628	\$66,543,407	\$16,319,161	\$15,984,457
1978	\$8,392,144	\$49,200,406	\$57,861,167	\$40,128,052	\$7,965,388	\$69,970,637	\$25,650,846	\$23,361,094
1979	\$8,319,394	\$44,828,522	\$60,325,590	\$40,906,351	\$8,716,602	\$49,461,275	\$20,918,247	\$21,622,841
1980	\$8,168,774	\$53,904,412	\$58,165,984	\$42,321,630	\$10,287,687	\$51,021,960	\$20,553,454	\$18,896,684
1981	\$7,440,393	\$49,793,526	\$56,285,502	\$44,859,423	\$12,943,879	\$44,961,278	\$17,645,886	\$15,430,132
1982	\$6,194,182	\$47,723,784	\$42,449,934	\$43,103,276	\$13,723,317	\$22,942,345	\$13,109,238	\$8,581,392
1983	\$6,850,333	\$56,652,718	\$40,083,561	\$43,149,413	\$15,062,597	\$15,815,877	\$11,389,601	\$7,977,240
1984	\$7,176,205	\$35,266,916	\$40,038,954	\$44,159,138	\$16,361,689	\$18,395,648	\$11,139,595	\$6,742,119
1985	\$6,765,063	\$33,262,496	\$41,182,672	\$47,077,540	\$15,457,612	\$17,725,753	\$10,779,188	\$6,978,401
1986	\$6,545,082	\$32,747,295	\$41,835,179	\$49,154,454	\$16,937,879	\$15,925,682	\$9,893,538	\$7,109,699
1987	\$6,696,004	\$30,856,557	\$39,443,526	\$53,035,911	\$16,794,418	\$13,089,454	\$6,702,639	\$6,746,430
1988	\$6,583,757	\$27,834,070	\$40,885,091	\$56,949,560	\$17,801,618	\$12,414,792	\$6,777,058	\$6,675,927
1989	\$6,396,740	\$27,701,190	\$45,053,592	\$59,446,565	\$18,077,210	\$11,754,179	\$6,587,156	\$6,501,162
1990	\$6,815,184	\$29,679,595	\$45,617,002	\$67,935,258	\$18,704,678	\$13,106,575	\$10,002,665	\$6,613,906
1991	\$6,894,979	\$38,454,684	\$49,100,677	\$80,618,478	\$19,451,588	\$22,335,066	\$7,713,814	\$6,720,566
1992	\$7,207,286	\$51,889,372	\$49,872,346	\$98,643,593	\$20,835,989	\$21,753,019	\$7,536,844	\$7,141,154
1993	\$7,285,001	\$47,948,492	\$53,705,404	\$106,756,833	\$23,132,884	\$22,733,412	\$9,720,493	\$7,194,797
1994	\$7,236,826	\$38,855,460	\$48,567,490	\$112,351,193	\$25,049,905	\$21,139,442	\$10,964,315	\$7,443,442
1995	\$7,546,429	\$32,824,612	\$55,301,743	\$118,052,821	\$28,148,241	\$15,671,778	\$10,883,918	\$7,599,616
1996	\$6,725,000	\$32,492,000	\$52,001,000	\$119,378,000	\$26,754,000	\$16,430,000	\$10,683,000	\$7,030,000
1997	\$6,586,150	\$29,851,332	\$51,952,176	\$121,376,271	\$27,244,314	\$11,512,041	\$10,785,800	\$6,547,927
1998E	\$7,626,382	\$30,867,773	\$52,957,087	\$126,615,039	\$27,626,777	\$19,072,200	\$11,340,123	\$7,246,840
1999E	\$7,453,751	\$33,821,115	\$55,929,460	\$132,995,119	\$27,056,516	\$19,161,820	\$10,264,891	\$7,559,052

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Appendix Table 2. Budget Data for Selected Elements in the Federal Budget, in Constant 1996 Dollars, FY 1975-1999 — continued
[Dollar amounts in thousands, except per capita figures]

Fiscal Year	Natural Resources Function (Outlays)	Total Federal Non-Defense Budget ^a (Outlays)	Overall U.S. Per Capita Expenditure	Indian Per Capita Expenditure				
1975	\$19,256,781	\$582,861,900	\$2,699	\$5,205				
1976	\$20,247,822	\$631,992,326	\$2,899	\$7,433				
1977	\$23,317,736	\$655,639,323	\$2,977	\$5,938				
1978	\$23,792,183	\$690,592,855	\$3,103	\$6,791				
1979	\$24,221,653	\$687,641,462	\$3,055	\$7,040				
1980	\$25,313,702	\$738,722,424	\$3,244	\$6,077				
1981	\$22,655,127	\$754,662,197	\$3,282	\$5,312				
1982	\$20,413,787	\$746,634,489	\$3,216	\$4,190				
1983	\$19,091,141	\$766,310,727	\$3,271	\$4,035				
1984	\$18,282,409	\$745,279,998	\$3,153	\$3,592				
1985	\$18,747,084	\$791,943,262	\$3,321	\$3,401				
1986	\$18,655,877	\$794,824,625	\$3,303	\$3,208				
1987	\$17,732,601	\$774,317,395	\$3,189	\$3,117				
1988	\$18,697,716	\$796,617,930	\$3,251	\$3,060				
1989	\$19,879,403	\$824,126,684	\$3,332	\$2,824				
1990	\$20,104,203	\$905,879,159	\$3,624	\$2,835				
1991	\$21,019,040	\$970,107,015	\$3,840	\$3,209				
1992	\$22,071,555	\$974,245,602	\$3,815	\$3,169				
1993	\$21,733,657	\$987,423,653	\$3,826	\$3,196				
1994	\$22,092,246	\$1,024,830,993	\$3,933	\$3,261				
1995	\$22,582,008	\$1,034,584,899	\$3,933	\$3,067				
1996	\$21,614,000	\$1,053,674,000	\$3,969	\$2,764				
1997	\$20,943,368	\$1,065,102,924	\$3,976	\$2,772				
1998E	\$22,889,715	\$1,115,572,351	\$4,132	\$2,737				
1999P	\$21,846,975	\$1,152,636,903	\$4,233	\$2,732				

NOTES to Appendix Tables:

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

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United States Senate

SELECT COMMITTEE ON INTELLIGENCE
WASHINGTON, DC 20510-0476

March 2, 1998

SSCI# 98-0867

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

Dear Mr. Chairman:

Thank you for your letter dated January 29, 1998, requesting a budgetary "views and estimates" report concerning proposed fiscal year 1999 spending on programs and activities that fall within the jurisdiction of the Select Committee on Intelligence.

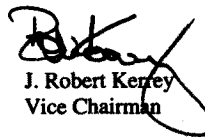
As agreed in discussions between our staffs, we are not submitting a separate "views and estimates" report for intelligence spending in fiscal year 1999 because the intelligence budget resides within other specified accounts, including Defense, State, Energy and Justice.

Thank you again for your letter.

Sincerely,



Richard C. Shelby
Chairman



J. Robert Kerrey
Vice Chairman

cc: The Honorable Frank R. Lautenberg, Ranking Minority Member

VII. COMMITTEE VOTES

The following are rollcall votes which were taken during the Senate Budget Committee mark-up of the FY 1999 Budget Resolution.

March 17, 1998

(1) Hollings Sense of the Senate to balance the budget without counting Social Security surpluses and to reform Social Security.

Amendment adopted by a voice vote.

March 18, 1998

(2) Bond Sense of the Senate that savings in the School-to-work program should be applied to early childhood development.

Amendment adopted by voice vote.

(3) Bond Sense of the Senate regarding taxpayer rights.

Amendment adopted by voice vote.

(4) Feingold Sense of the Senate regarding full funding for the National Guard.

Amendment adopted by voice vote.

(5) Wyden et al. Sense of Senate on Medicare Payment.

Amendment adopted by voice vote.

(6) Wyden Sense of the Senate on long-term care.

Amendment adopted by voice vote.

(7) Conrad amendment to amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on anti-tobacco programs instead of being devoted solely to Medicare solvency.

Amendment defeated by:

YEAS: 10

Lautenberg
Hollings
Conrad
Sarbanes
Boxer
Murray
Wyden
Feingold
Johnson
Durbin

NAYS: 12

Domenici
Grassley
Nickles
Gramm
Bond
Gorton
Gregg
Snowe
Abraham
Frist
Grams
Smith

(8) Conrad amendment to amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on Social Security instead of being devoted solely to Medicare solvency.

Amendment defeated by:

YEAS: 10

Lautenberg
Hollings
Conrad
Sarbanes
Boxer
Murray

NAYS: 12

Domenici
Grassley
Nickles
Gramm
Bond
Gorton

Wyden
Feingold
Johnson
Durbin

Gregg
Snowe
Abraham
Frist
Grams
Smith

(9) Conrad amendment to amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on children's health insurance programs instead of being devoted solely to Medicare solvency.

Amendment defeated by:

YEAS: 10

Lautenberg
Hollings
Conrad
Sarbanes
Boxer
Murray
Wyden
Feingold
Johnson
Durbin

NAYS: 12

Domenici
Grassley
Nickles
Gramm
Bond
Gorton
Gregg
Snowe
Abraham
Frist
Grams
Smith

(10) Conrad amendment to amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent to assist tobacco farmers instead of being devoted solely to Medicare solvency.

Amendment defeated by:

YEAS: 9

Lautenberg
Hollings
Conrad
Sarbanes
Boxer
Murray
Wyden
Johnson
Durbin

NAYS: 12

Domenici
Grassley
Nickles
Gramm
Bond
Gorton
Gregg
Snowe
Abraham
Frist
Grams
Smith
Feingold

(11) Conrad amendment to amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on a comprehensive tobacco program instead of being devoted solely to Medicare solvency.

Amendment defeated by:

YEAS: 10

Lautenberg
Hollings
Conrad

NAYS: 12

Domenici
Grassley
Nickles

Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(12) Boxer amendment to amend the resolution's tobacco reserve fund to allow tobacco revenues to be spent on National Institutes of Health instead of being devoted solely to Medicare solvency.

Amendment defeated by:

YEAS: 10	NAYS: 12
Lautenberg	Domenici
Hollings	Grassley
Conrad	Nickles
Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(13) Grams amendment to dedicate half of the budget surplus to debt reduction and half to tax relief instead of reserving it entirely for Social Security reform.

Amendment defeated by:

YEA: 2	NAY: 20
Nickles	Domenici
Grams	Grassley
	Gramm
	Bond
	Gorton
	Gregg
	Snowe
	Abraham
	Frist
	Smith
	Lautenberg
	Hollings
	Conrad
	Sarbanes
	Boxer
	Murray
	Wyden
	Feingold
	Johnson
	Durbin

(14) Grams Sense of the Congress on the Department of Energy budget.

Amendment defeated by voice vote.

(15) Wyden Sense of the Senate on climate change research and other funding.

Amendment adopted by voice vote.

(16) Murray amendment to create a reserve fund to allow revenue increases for spending on a new mandatory program to reduce school class size.

Amendment defeated by:

YEA: 10	NAY: 12
Lautenberg	Domenici
Hollings	Grassley
Conrad	Nickles
Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(17) Murray amendment to create a reserve fund to allow revenue increases for additional mandatory spending for child care.

Amendment defeated by:

YEA: 10	NAY: 12
Lautenberg	Domenici
Hollings	Grassley
Conrad	Nickles
Sarbanes	Gramm
Boxer	Bond
Murray	Gorton
Wyden	Gregg
Feingold	Snowe
Johnson	Abraham
Durbin	Frist
	Grams
	Smith

(18) Snowe et al. Sense of the Senate on additional tax relief and spending increases for child care.

Amendment adopted by voice vote.

(19) Snowe Sense of the Senate that legislation should be enacted to ensure that lenders do not withdraw from the guaranteed student loan program to the detriment of students.

Amendment adopted by voice vote.

(20) Durbin et al. Sense of the Senate regarding deductibility of health insurance premiums for self employed.

Amendment adopted by voice vote.

(21) Grams Sense of Congress that funds should not be provided to put into effect the Kyoto Protocol prior to its ratification.

Amendment adopted by voice vote.

(22) Lautenberg amendment to create a reserve fund to allow revenue increases for additional mandatory spending on a new Environmental Resources Fund.

Amendment defeated by:

YEA: 9	NAY: 13
Lautenberg	Domenici
Conrad	Grassley
Sarbanes	Nickles
Boxer	Gramm
Murray	Bond
Wyden	Gorton
Feingold	Gregg
Johnson	Snowe
Durbin	Abraham
	Frist
	Grams
	Smith
	Hollings

(23) Lautenberg Sense of the Senate calling for a tax or other price increase of at least \$1.50 per pack of cigarettes.

Amendment adopted by:

YEA: 14	NAY: 8
Bond	Domenici
Gorton	Grassley
Gregg	Nickles
Snowe	Gramm
Abraham	Frist
Smith	Grams
Lautenberg	Hollings
Conrad	Feingold
Sarbanes	
Boxer	
Murray	
Wyden	
Johnson	
Durbin	

(24) Lautenberg Sense of the Senate that the Food and Drug Administration is fully funded and has full authority to regulate tobacco (nicotine) as a drug.

Amendment defeated by:

YEA: 9	NAY: 13
Lautenberg	Domenici
Conrad	Grassley
Sarbanes	Nickles
Boxer	Gramm
Murray	Bond
Wyden	Gorton
Feingold	Gregg
Johnson	Snowe
Durbin	Abraham

Frist
Grams
Smith
Hollings

(25) Lautenberg substitute amendment offering a Democratic alternative budget.

Amendment defeated by:

YEA: 8	NAY: 14
Lautenberg	Domenici
Conrad	Grassley
Sarbanes	Nickles
Boxer	Gramm
Murray	Bond
Wyden	Gorton
Johnson	Gregg
Durbin	Snowe
	Abraham
	Frist
	Grams
	Smith
	Hollings
	Feingold

(26) Final Passage
Measure adopted by:

YEA: 12	NAY: 10
Domenici	Lautenberg
Grassley	Hollings
Nickles	Conrad
Gramm	Sarbanes
Bond	Boxer
Gorton	Murray
Gregg	Wyden
Snowe	Feingold
Abraham	Johnson
Frist	Durbin
Grams	
Smith	

Amendments offered and withdrawn

(1) Johnson amendment to create a reserve fund for Indian School Construction.

(2) Wyden amendment regarding Defense inflation.

VIII. ADDITIONAL AND MINORITY VIEWS

ADDITIONAL VIEWS OF SENATOR ABRAHAM

Mr. Chairman, now that the Senate Budget Committee has reported out a resolution for 1999 that complies with last year's budget agreement while providing additional funding for health research, child care, and the nation's highways, there are several votes that I wanted to discuss further.

The first of these relates to the potential tobacco settlement. As a member of the Commerce Committee, I have not pre-judged the specific shape of any agreement. Indeed, if any agreement is to be adopted, it will take members working on a bipartisan basis to sort out a passable consensus bill—a bill flexible enough to move it through the legislative process. Hence, while it is legitimate for the budget resolution to identify what will happen to any federal receipts realized in a comprehensive agreement, neither the budget resolution nor any other non germane legislation should seek to lock in the specific components of a comprehensive settlement package prior to its consideration by the Commerce Committee.

That said, I would note there are many by-products—as opposed to specific components—of the proposed settlement which I favor, such as increases in medical research through the Institutes of Health and anti-smoking campaigns directed at teenagers, which were explicitly provided for in the budget resolution adopted by the Committee. These by-products will be funded under our budget regardless of whether a comprehensive tobacco bill is enacted.

Other by-products of the tobacco settlement were not provided in the resolution. One, such example, is an increase in the cost of smoking, which I believe is an important part of the plan to reduce teen smoking and demand. Clearly, this type of by-product, unlike increased medical research, is not a matter which can be substantively addressed in a budget resolution. Accordingly, the Budget Committee passed the Lautenberg Amendment. Although only a Sense of the Senate Amendment, it represents, to me, an expression of support for the concept of making the cost of smoking more expensive. The Amendment did not in any way specify a means of increasing smoking's costs and my vote in its favor neither represents support for a specific approach nor a final number regarding such an increase. It only reflects support for the aforementioned point that as a by-product of any comprehensive tobacco settlement we must reduce demand and that increasing the cost of smoking must be part of the solution. Thus, I reserve the right to be flexible regarding the means of affecting these objectives and the nature of the legislation within which it is carried out.

On the other hand, I remain firmly committed to seeing that all federal receipts from tobacco legislation are invested in Medicare.

During the markup, the statement was made that the tobacco agreement was a “windfall” to be spent, and numerous amendments were offered to take these potential receipts away from Medicare and spend them instead on new entitlement programs—including new payments to tobacco farmers. These alternatives are simply unacceptable.

As was made perfectly clear during debate, no program—federal or state—has been more harmed by smoking-related illnesses than Medicare. The National Center on Addiction and Substance Abuse reports that over 80 percent of Medicare substance abuse costs are smoking related. Fully 14 percent of Medicare spending in 1995—\$25 billion—was for tobacco-related illnesses. Even if Congress chooses to devote all future federal cigarette receipts toward Medicare, this budget would cover less than half the smoking-related costs to the trust fund over the next ten years.

Furthermore, attempts to divert tobacco receipts away from Medicare endanger the health of millions of seniors. The Congressional Budget Office says the Medicare trust fund will be exhausted and the program insolvent beginning in 2010. Reserving cigarette receipts exclusively for Medicare could extend the Trust Fund’s solvency for perhaps five additional years, whereas proposals to divert cigarette receipts for other spending would necessarily shorten the life of Medicare, depriving millions of seniors of needed health benefits.

Mr. Chairman, the other amendment I wanted to discuss was the Grams amendment to divide any future surpluses evenly between tax cuts and debt reduction. I applaud Senator Grams for offering this amendment, and I share his commitment to reducing the record tax burden currently shouldered by American families. I could not support his amendment, however, because I believe it would preclude Congress from using future surpluses to enact much needed reforms to Social Security and the tax code.

As a member of a leadership task force looking into Social Security reform, I do not believe we should preclude Congress from reviewing all options, including reducing the Social Security wage tax or creating some new form of retirement accounts, such as the recently announced Moynihan plan. In my mind, investing the surplus to reduce the massive unfunded liabilities of the Social Security system should be a higher priority than prematurely repaying the federal debt—much of which is owed to foreign investors. I believe pursuing these options would have violated the Grams amendment, and so I voted against it.

SPENCER ABRAHAM.

ADDITIONAL VIEWS OF SENATOR LAUTENBERG

Earlier this year, President Clinton proposed an ambitious, but strictly disciplined, agenda to prepare America for the 21st Century. While insisting on adherence to last year's balanced budget agreement, the President called for a major commitment to education and child care, an expansion of Medicare, and comprehensive tobacco legislation to reduce teen smoking.

This budget resolution largely abandons that agenda.

First, if adopted, the resolution could be the death knell for comprehensive tobacco legislation. Every major piece of tobacco legislation now under consideration calls for using tobacco revenue to fight teen smoking. Yet this resolution essentially would prohibit the Senate from considering any of these bills.

Under the resolution, it would be out of order to consider legislation that uses tobacco revenue to discourage tobacco use among the young. Similarly, it would be out of order to consider a bill that applies tobacco revenue for medical research, smoking cessation programs, or assistance to tobacco farmers. Overcoming this procedural obstacle would require a supermajority vote, which is unlikely given the controversial nature of tobacco legislation.

The majority argues that tobacco revenues should be allocated exclusively to adjusting the balance of the Medicare Trust Fund. However, the resolution does not allow funds to be used for health care services. Nor does it allow these funds to be used for the central goal of tobacco legislation: saving lives by preventing people from starting to smoke in the first place.

The resolution assumes that the Appropriations Committee will find \$125 million for anti-youth smoking and cessation programs next year. However, no new money is provided for this purpose, so the funding will depend on cuts in other appropriated programs. More importantly, the \$125 million goal is grossly insufficient. To provide some perspective, the tobacco industry's original proposed settlement included more than \$2 billion annually for these programs.

Every year, tobacco-related illness kills more than 400,000 Americans. This means that in one year, more Americans die from tobacco than all the U.S. soldiers who died in combat in every war in the 20th Century—combined.

Congress needs to respond to this problem. The longer we delay, the more people who eventually will be killed by tobacco. Unfortunately, this resolution would put a major roadblock in our way.

The resolution also would undermine hope for enacting the President's child care proposal. Ordinary families are struggling to afford quality care for their children, especially those with modest incomes, many of whom have pulled themselves up by their bootstraps and moved off of the welfare rolls. The President says that we should help them. This resolution says "no."

The resolution does claim that funding for child care will be available from appropriated accounts. But with the overall discretionary caps so tight, that is far from assured. In any case, the possibility of discretionary spending falls short of the Administration's proposal to make a binding, long-term commitment to deal with child care needs.

The resolution also rejects the President's proposal to reduce class sizes for young children. This is another serious deficiency. Smaller classes can make a real difference for children. Yet the Republican proposal drops the President's proposal altogether.

Similarly, the resolution rejects the President's proposal to expand Medicare for individuals aged 55 to 65. This will leave many older Americans without health care coverage, and with no realistic opportunity to afford private insurance.

Finally, the resolution includes a provision calling for scrapping the entire tax code without a replacement. Many have dismissed this as a less-than-serious political gimmick. But the risks it poses to our economy are quite serious. It could create tremendous uncertainty in the business community, undermine the value of homes, and substantially harm our economy.

There is at least one aspect of the budget resolution that does deserve praise. The resolution does not violate President Clinton's call for Congress to save all surpluses until we restore Social Security to long-term fiscal health. Chairman Domenici is respecting this principle, and he deserves real credit for that.

Still, on balance, this resolution is flawed in fundamental ways. It creates a serious roadblock for tobacco legislation. It would kill the President's proposals on child care, education and health care. And its call for scrapping the tax code could create serious risks for our economy.

We can do better. And as the resolution moves to the floor, I look forward to working with colleagues on both sides of the aisle to make needed improvements.

FRANK R. LAUTENBERG.

MINORITY VIEWS OF SENATOR HOLLINGS

The big battle in this year's budget debate is how to spend the budget surplus. A fever has swept through the nation's capitol. Just this week there appeared in the Washington Post, an article by Clay Chandler and John M. Berry, "What to Do With a Budget Surplus?" The President's budget claims a surplus exists and Congress has held hearings to examine the question, "After balance, what next?" House Speaker Newt Gingrich has promised Americans a "generation of surpluses." Only in Washington can one borrow money to claim a budget surplus.

Ask any South Carolinian what constitutes a balanced budget and he or she will tell you very simply, "it is to spend no more than you take in." According to this definition, the way in which all families must keep their budgets, the President's budget is not balanced. In FY99, the year in which President Clinton claims there will be a \$9.5 billion surplus, when you turn to the President's budget on page 367, his own document shows a deficit of \$194.5 billion. CBO estimates that the President's budget will have a deficit of \$189.1 billion in FY99. In fact according to CBO, this government will add more than \$900 billion over the next five years to the deficit. This is a far cry from surplus. Yet Congress still continues to chase the fool's gold of the surplus.

In 1993, we held a serious debate in Congress on how to reduce the deficit. The Republicans marched daily to the floor proclaiming that the Democratic plan would explode the deficit and surely trigger a recession. They gleefully boasted that if our plan worked they would switch parties. One Republican senator said that he'd forfeit his home if the deficit declined at all under this plan. Another of my colleagues, predicting calamity under this plan, said we'd be hunted down like dogs in the streets for voting for the bill. Yet the Democratic budget plan passed, with out a Republican vote. As Paul Harvey would say, "now you know the rest of the story."

The deficit as a percent of GDP is at a twenty-five year low. If the economy continues to grow through the remainder of the year, this will be the longest peace-time economic expansion in the history of our nation. But we must not rest on our laurels. Our ship is not yet righted: the government continues to spend too much and borrow to cover the deficit. It's time to finish the job and staunch the flow of red ink in which the budget is drowning.

Those who jump with joy over surpluses include in their calculations the Social Security reserves. This violates section 13.301 of the 1990 Budget Act. Congress must face up to our government's debts without masking their size by using Social Security and other trust funds. That is why I offered an amendment expressing the Sense of the Senate that "Congress and the President should continue to rid our country of debt and work to balance the budget without counting Social Security trust fund surpluses, and to re-

form the Social Security system, to ensure that it is financially sound over the long term and will be available for all future generations." My amendment passed overwhelmingly by voice vote but the Chairman's mark and the Democratic alternative continue to emphasize a "budget surplus."

Under both plans the debt will continue to grow. Instead of staying the course the debate has strayed to how to spend the tobacco settlement. The Republicans advocate tax cuts and efforts to save Medicare. Ironically, just three years ago, they would have destroyed Medicare. Unfortunately, not only did the Budget Chairman's mark ignore the tobacco farmers, it used veterans' benefits as an offset to pay for the highway bill. And finally, if the Republican proposal to eradicate the IRS Tax Code becomes law, then forget staying the course of fiscal responsibility, you are looking at economic chaos.

The Democratic alternative benefits children and education, priorities which I have fought for and continue to fight for. But the question, "can we afford \$122 billion in new spending?", is one that I wished the Democratic plan would have taken into account.

My preference is to stay the course. The economy is at an all-time high and what we need to do is substantially take this year's budget for next year. Every Mayor, every Governor that couldn't print dollars has done this over the years with success. Necessarily, we must take care of the growth demands of entitlements like Social Security, Medicare, Medicaid and veterans benefits but all we need is a freeze of discretionary spending. I put this up last year with little support and of course none on the committee this year. Since 1993, the real deficit has declined each year for five years from \$403.6 billion to \$152.8 billion. Now, under both Republican and Democratic plans, we change directions and start increasing the deficit by more than \$30 billion.

FRITZ HOLLINGS.

MINORITY VIEWS OF SENATOR CONRAD

I opposed the Republican budget resolution for FY 99 because it contains two glaring flaws. First, it endangers enactment of comprehensive tobacco legislation this year. And second, it targets agricultural programs for unfair and disproportionate cuts.

ENDANGERING TOBACCO LEGISLATION

Without a doubt, the Republican budget resolution will make it more difficult to enact comprehensive tobacco legislation designed to protect children from smoking and improve the public health.

The Republican budget resolution contains a tobacco reserve fund that dedicates the federal share of receipts from any tobacco legislation to Medicare. I will be the first to say that Medicare is an important program that needs to be preserved and protected. Some share of tobacco money should be dedicated to Medicare. But some share of the receipts must also be dedicated to achieving the central goal of tobacco legislation—keeping children from becoming addicted to nicotine and improving the public health.

I think it's important to note why we need a reserve fund in the budget in the first place. It is so Congress can take up significant legislation that affects spending and revenues later in the year that is not contemplated in the budget resolution. In order to leave our options open, in order to move the tobacco process forward, we need a reserve fund that will accommodate tobacco legislation.

During debate in Committee, Chairman Domenici stated that he didn't know whose tobacco bill to accommodate. The real problem is the tobacco reserve fund in the Chairman's mark does not accommodate any of the tobacco bills introduced in Congress this year.

This appears to be a back-door attempt to block tobacco legislation by making tobacco bills out of order should they come to the floor. We should not be using budgetary maneuvers like this to tilt the legislative playing field in favor of the tobacco companies and make it harder to protect the public health.

The fact is that until we know what tobacco legislation is going to look like, we should not use the budget to try to limit the scope of the legislation.

I and many of my colleagues believe it is appropriate to use revenues from comprehensive tobacco legislation to fund tobacco control programs—like cessation, prevention and counter-advertising; to support health research that can help us find a cure for tobacco-related diseases; to fund children's health care; to start paying down the national debt—part of which is attributable to tobacco-related Federal expenditures; and to provide transition assistance to farmers.

But the Chairman's reserve fund will create supermajority points of order against tobacco bills that don't match its parameters. And what are those parameters? All Federal money must go to Medi-

care. No resources for teen smoking prevention. No resources for cessation programs. No resources for children's health care. No resources for tobacco farmers. And no resources for health research.

A properly crafted reserve fund included in this resolution would not create supermajority vote hurdles on the floor when we consider tobacco legislation. A properly crafted reserve fund would pave the way for consideration of a tobacco bill later this year, not throw up roadblocks in its path. We should have fixed the tobacco reserve fund in the Budget Committee. I regret that the resolution that passed did not.

UNFAIR CUTS IN AGRICULTURE

The Republican budget resolution also makes devastating cuts to agriculture programs. Up to \$2.3 billion is taken from critically important agricultural areas including agricultural research, crop insurance, overseas agricultural product marketing and other agricultural accounts.

It is disturbing that the Chairman's budget resolution would rob agricultural producers of a funding source that the full Senate unanimously agreed last fall should fund important agricultural research programs. The "Agricultural Research, Education and Extension Act of 1997," the 1996 Farm Bill's research title, takes an important step toward keeping American farmers on the cutting edge of agricultural technology. This research helps farmers improve yields, fight crop diseases and pests, improve crop quality and identify crop genes important to making leaps and bounds in new crop varieties. Quite simply, this research helps American farmers remain competitive for world commodities markets.

The agricultural research bill established an important new source of funding for competitive grants through the Initiative for Future Agriculture and Food Systems. This initiative focused on critical emerging needs in areas of future food production, environmental protection, farm income and the development of new nonfood, non-feed uses for American crops. Additionally, a portion of the funding was dedicated to correcting a technical error in the rural development grants program, the Fund for Rural America, authorizing language that prohibited the fund from operating in 1998.

On October 29, 1997, the full U.S. Senate agreed unanimously—including every member of the Budget Committee—that this money should be spent on ag research programs. As the Budget Committee considered the FY 99 resolution, the research conference was ongoing between the House and Senate.

But the 1999 budget resolution may now "reserve" the funding that was used in the ag research bill for use as an offset for other, unrelated legislation. This policy is simply wrong, and a highly disturbing intrusion on the jurisdiction of the Senate Committee on Agriculture.

The agricultural economy of North Dakota and surrounding regions is facing a crisis rivaled only by the severe credit crunch of the 1980's. Farm income is down due to a series of natural extremes such as drought, flood, hail, wind, and crop disease, whose negative effects are exacerbated by continually low market prices. The Federal Reserve's Ninth District fourth quarter survey indi-

cates a generally strong agricultural economy, but one that has serve weaknesses in certain geographic areas. A strong agricultural research effort is key to recovery in these areas, especially the search for a cure to the horribly devastating crop disease fusarium head blight, more commonly known as wheat and barley scab, which caused a \$1.1 billion loss to North Dakota's economy in 1997 alone and more than \$3 billion since 1993.

According to North Dakota State University, the average farmer lost about \$23,000 last year. Wheat producers, according to the same study, lost between \$26 and \$40 per acre. The total value of crops, a figure that accounts for both yield and price, shows steep declines for North Dakota's staple crops. The total value of the spring wheat crop, for example, is down 41 percent. Barley is also down 41 percent. Durum wheat is down 21 percent. Potatoes are down 16 percent, corn for grain down 13 percent. Oats are down 24 percent and dry edible beans are down 19 percent. Overall, the value of North Dakota's crops decreased by \$742 million, 22 percent, from last year.

A recent report showed that 500 North Dakota farmers have decided that 1997 was their last year as a farmer. And we lost 2,000 mid-sized farms but saw gains in very small and very large farms, which is itself an indication that things are troubled. Farmers have either come to rely on off-farm income and in turn, reduced their farm to a small, perhaps hobby-type operation, or they've been forced to become mega-farms and hope that a larger operation will afford them greater return.

On bank credit conditions, the Fed's survey indicated that available funds are about 15 percent below normal—in fact some bankers reported that they've turned away farm borrowers due to a lack of available funds—and that of total loan repayments, about 24 percent are below normal.

We are facing a significant decline in the conditions of our agricultural economy and it is in the nation's interest to see that we recover. It was William Jennings Bryan who said, "Burn down your cities and leave our farms, and your cities will spring up again as if by magic, but destroy our farms and the grass will grow in the streets of every city in the country."

Cutting \$2.3 billion from agriculture programs is a wrongheaded approach and it stresses once again that the majority looks to agriculture not on behalf of the farmers and ranchers, but rather as an area to cut in the name of their own agenda.

MAINTAINING FISCAL DISCIPLINE

Despite the flaws in the Republican budget resolution, the debate over the FY 99 budget is truly historic. The Budget Committee debated two alternative budget resolutions, both of which were balanced on a unified basis for the first time in 30 years.

I ran for the Senate twelve years ago because I felt strongly that our nation was on the wrong track with regard to its fiscal policy. I feared that unless we got back on track, the economic security of our nation and the standard of living of future generations would be compromised. We have come a long way towards putting our nation's fiscal house in order.

In 1993, President Clinton put forward an economic plan designed to begin the job of getting our deficit under control. A Democratic Congress passed that historic deficit reduction plan. I supported that package. And five years later, in 1998, the Congressional Budget Office is projecting a balanced unified federal budget.

Not only did the 1993 deficit reduction plan succeed in reducing the deficit, it allowed the Federal Reserve to pursue an accommodative monetary policy. Fiscal restraint and monetary policy have created a virtuous cycle in the US economy, as we enter the seventh year of the current economic recovery. Business investment has boomed. Real GDP growth in 1997 was 3.8%, the strongest in a decade. Unemployment is at a 24-year low, and inflation is crawling at the slowest pace in 30 years.

With all this good news, one might think there is little left to do with regard to maintaining fiscal discipline and setting budget priorities. But in fact, now more than ever, it is important to build upon the foundation of fiscal discipline that has been painstakingly built over the last five years, by Democrats and Republicans alike.

Congress has a unique opportunity this year. If we stay the course, we can continue moving towards truly balancing our budget—without counting Social Security trust fund surpluses. This policy would allow us to begin reducing our nation's \$5.5 trillion national debt, as we debate the policy choices that will be necessary to preserve and protect Social Security for future generations.

Even within a framework of fiscal discipline, it is important for Congress to provide targeted investments that will fuel future economic growth. Over the past few weeks, Congress has not hesitated to take action to improve one aspect of our nation's infrastructure—transportation. Those investments are important.

We also need to make sure we are adequately investing in our nation's defense. Today, as a result of the ongoing stand-off with Iraq, we have the largest military deployment in the Gulf in seven years. We also have a large ongoing commitment in Bosnia. To make ends meet in lieu of a supplemental, our armed forces have been forced to absorb the multi-billion dollar cost of these operations.

The Congressional Budget Office has indicated that the President's defense request is over the caps agreed to in last year's bipartisan budget deal. I am committed to working in a bipartisan manner to resolve this problem in a way that provides the funding our armed forces require, without violating last year's bipartisan budget agreement.

KENT CONRAD.

MINORITY VIEWS OF SENATOR MURRAY

This budget document, while claiming to preserve Medicare will do little to address the long term financial problems facing this important program. It also represents an ironic shift in priorities for the Republicans who supported the Resolution. It was only three years ago that their Budget Resolution for FY96 assumed a cut of almost \$262 billion, over five years, in Medicare spending in order to pay for a tax cut for the most affluent.

Medicare is a supplemental insurance program that was designed to defray the costs of expensive health care treatment for senior citizens and the disabled. It was not created as a traditional insurance plan, but rather an income security, social insurance plan. Over time it has become much more. But, it still fails to address the real health care problems of Medicare.

The Medicare program does not focus on prevention. Only through an increased emphasis on prevention benefits can the long term financial solvency of Medicare be truly addressed. We spend billions of dollars treating the effects of osteoporosis, yet it was not until this year that Medicare would cover bone mass measurement screening. It was less than ten years ago that Medicare first started covering, in part, the cost of a mammogram. Yet the cost of treating breast cancer was covered.

If the Majority is truly concerned about saving and preserving Medicare, I believe it must use its new "piggy bank" from a tobacco settlement to provide greater prevention benefits to Medicare beneficiaries. Simply providing reimbursement for prescription drugs would significantly improve the health of many senior citizens and result in a savings for Medicare. Too many beneficiaries cannot afford to pay for prescription drugs which results in a condition far worse than original diagnosed.

Medicare's problems cannot be solved with money alone. Recent reports from the Inspector General at HHS clearly illustrate the need for real reforms. Most beneficiaries that I hear from confirm this. I think that it is misleading and insincere to call this a Medicare Preservation Budget. If I really believed this I would have been one of its strongest supporters.

This is an effort to deny key investments in education and early childhood development. It is interesting to note the relationship between a strong and sound economy and an elimination of the unified budget deficit. It is no surprise that a strong economy has improved the fiscal picture for the Federal Government. Yet, despite the urgent need to invest in our children and our economic future, the Republican Budget Resolution proposes only to spend, not invest.

The Majority opposed efforts to invest in education and early childhood development by claiming that these initiatives would only redirect tobacco revenues from Medicare and would create big

new entitlement. What they failed to point out is the reserve fund created for additional tax breaks costing more than the \$30 billion already included in the Resolution. I have seen few tax breaks or loopholes closed in my tenure on the Budget Committee. I can think of no greater entitlement than a politically motivated tax break that takes on a life of its own.

This budget also falls short on education. The majority has ignored, and in fact opposed, a major opportunity to strengthen public education in America.

The majority's only major investments in education, in IDEA and Title VI, come at the expense of other critical educational services for students. Last year, when we began to hear talk of block grants, it was explicitly stated by the majority that block grant proposals would not assume cuts to education. Although the Chairman's Mark includes \$1 billion a year to cover expansion for IDEA and Title VI, it assumes savings through consolidation and other cuts.

The Chairman's Mark only increases funding by \$600 million, resulting in a \$400 million cut to current education outlays under Function 500. So, the public's view that a block grant equals a cut is confirmed, and students again suffer when the majority in Washington, D.C. puts a lower priority on education than it does on playing politics with our schools.

It is one thing to increase IDEA funding, because for too long, the Congress has ignored its obligation—to pay forty percent of the cost of educating disabled students, an obligation it made with the passage of IDEA in 1975. I support significant increases for IDEA and I here openly criticize President Clinton for not including IDEA increase in his budget request. But to increase IDEA by \$500 million while blocking and cutting \$400 million in other education services pits every disabled child against his or her peers—it is a mean-spirited move that ignores the priority American families put on school funding.

My amendment to create a reserve fund in this budget for class size reduction failed on party lines. So, as it stands, there is no room in the budget to consider class size reduction as an idea for inclusion—even if we could work out a bipartisan recommendation. This budget ignores the Administration's efforts to fund 100,000 new, well-trained teachers for America's schools.

Every September, across this country, there are two questions parents ask their children returning from that first day of school: "who is your teacher?" and "how many kids are in your class?" This is because after the family, a teacher is frequently the most important adult in the child's day to day life. And because in the classroom, when the child's hand goes up—the teacher should have time to help.

Study after study shows there are two primary ways to improve the quality of teaching and learning in our schools: reduce class size and improve teacher training. This budget fails miserably on both counts.

Function 500 should be increased, to reflect the intent of the American public that education should be a top priority when it comes to funding. Most Americans are shocked when they hear that education receives only 1.7 percent of total federal outlays.

Most Americans would expect us to fund the President's education initiatives and Chairman Domenici's level for IDEA, since we can do so by cutting other areas by less than one percent. Most Americans would want to know why other critical programs were underfunded or not included by either the President or Chairman Domenici—including Impact Aid, SSIG, Perkins Loans and other critical services.

A nation's budget reflects its priorities better than any other document save its constitution. If education doesn't matter to the Budget Committee—no one will think it matters to America.

But education does matter. This budget should reflect an accurate picture of what the American people discuss around their kitchen tables. It should hold up the legacy of the American public school. I am a Democrat. But to a greater extent I have always been an advocate for American public education. A thousand years from now, the strength of the American experiment will be measured by the abilities of the students from its public schools.

This Budget is a failure, not just in fiscal policy, but in our commitment to our children and their future. This is not about planning or preparing for the future, but rather spending for today.

PATTY MURRAY.

ADDITIONAL VIEWS OF SENATOR JOHNSON

Mr. Chairman. I would like to express my opposition to the proposal in the FY 99 Budget Resolution that would offset some of the increased outlays resulting from the reauthorization of the Intermodal Surface Transportation Efficiency Act (ISTEA) by reducing veterans' health care coverage. The resolution proposes a reversal in the Department of Veterans' Affairs (VA) General Counsel's 1993 decision to extend compensation to veterans with smoking-related illness and dependents of deceased veterans. Although I believe that increasing highway funding is important for South Dakota and the nation, I do not agree that we should deny veterans' compensation that they are so entitled. Many South Dakota veterans already have filed for compensation and the VA has estimated that veterans will file 1.1 million claims over the next ten years with a potential cost of tens of billions of dollars.

I have met with several representatives of South Dakota's veterans' organizations who have been extremely critical of this proposal, and I agree with them that we owe this compensation to our veterans who were encouraged and condoned by the military and Congress to use tobacco products during their military commitment. During Senate consideration of the FY 99 Budget Resolution, I believe we need to find alternative means to pay for the additional ISTEA funding without forcing veterans to "ante up" any of their crucial health benefits. Whether this means providing the VA revenue from a tobacco settlement or reducing proposed tax cuts as outlined in the FY 99 Budget Resolution, I remain vigilant in providing adequate funding for the VA, and I will continue to live up to my obligation to South Dakota's veterans and ensure that they are treated with the respect and honor that they so richly deserve.

TIM JOHNSON.

